

City of Colorado Springs

Tax Guide

Automotive Vehicles

Any motor vehicle purchased by a Colorado Springs resident must be registered at the address of the owner's primary residence located within the City of unless the vehicle is **permanently** operated and maintained at a different location.

City sales tax is due on the purchase price of a vehicle. The purchaser must pay city sales tax to the seller if the seller is licensed and authorized to collect and remit city tax. If the seller is not licensed and authorized, then the purchaser must pay city tax directly to the City or the El Paso County Department of Motor Vehicles. See sections below for allowable deductions to purchase price.

CS CODE SECTION

2.7.104 Words and Phrases:
Automotive Vehicles,
Purchase or Purchase Price,
Purchase or Sale
2.7.302, 2.7.402, 2.7.434, 2.7.435,
2.7.442, 2.7.606, 2.7.805 D
Retailer's Responsibility:
2.7.602 C
Traded in or Exchanged Property:
2.7.442

Related Tax Guides

Automotive Rental Tax,
Automotive Services and Repair,
Use Tax

This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Sales Tax Code

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Question? email us at:
salestax@coloradosprings.gov

All applicable state and local sales and/or use taxes must be paid prior to titling and registering the vehicle, regardless of whether the seller or a third-party provides financing for the sale.

Vehicles Purchased by Businesses

Any motor vehicle purchased by a business must be registered at the address from which the vehicle is principally operated and maintained. If the address is located within the City of Colorado Springs, city sales tax is due on the purchase. Sales Tax is applied to the purchase of a vehicle by a business in the same manner that it is applied to the purchase of a vehicle by an individual.

Leased Vehicles

A motor vehicle leased for 30 or more days by a Colorado Springs resident (lessee) must be registered in the same manner as a purchased vehicle. City sales tax must be collected by the vehicle leasing company (lessor) on each lease payment.

If at the start of a lease the lessee was not a Colorado Springs resident, and the lessee subsequently becomes a Colorado Springs resident, the vehicle must be reregistered in the City at the lessee's new address within 30 days of becoming a resident. The lessor must then begin collecting city sales tax on the lease payments.



Leased Vehicles (continued)

If the lessor is not licensed or fails to collect city sales tax, the lessee is required to remit city use tax on the lease payments directly to the City. However, if the sales tax on these payments is legally required to be paid to a previous jurisdiction, the City will allow a credit for comparable taxes paid.

A lessor may apply to the Director of Finance for permission to pay one lump sum tax payment on the entire purchase price of the property to be leased in lieu of computing and paying tax upon each lease charge.

Electric Vehicle (EV) Tax Credits

Effective January 1, 2024, Federal and Colorado State governments began allowing buyers to transfer electric vehicle (EV) tax credits to qualified sellers at the time of sale. Federal and State EV tax credits that are applied directly to the Bill of Sale do not reduce the amount subject to City Sales Tax. The total credit allowed will be applied toward the purchase or lease of a new vehicle as a form of cash down equivalent and is subject to sales tax.

Dealer Handling, Delivery, and Other Fees

Mandatory charges imposed by the seller, such as dealer handling fees, delivery fees, and non-optional charges, are subject to City Sales Tax.

Sales tax does not apply to any direct taxes imposed by the Federal government or by the State of Colorado.

Finance charges imposed by the seller not separately stated on the invoice are subject to city tax. If finance charges are included in the principal amount of a promissory note, the finance charges are part of the purchase price and are taxable.

Manufacturer Rebates

A manufacturer rebate is allowed as a reduction in the taxable purchase price as long as the rebate is one hundred dollars (\$100) or more. The rebate must be assigned by the buyer to the retailer and must be used in payment for the vehicle and not for accessories or other items purchased at the dealership.

Non-Secured Interest (Bad Debt) Deduction

City Tax Code prohibits bad debt deductions for vehicle sales. The deduction is intended for Non-Secured Interests (unsecured loans) and does not apply to auto loans or other loans that have collateral.

No refund or credit shall be allowed by either party to the transaction in case of repossession.



Trade-Ins

If the purchaser trades in a motor vehicle they own as part of a transaction to purchase another motor vehicle, the fair market value of the trade-in is excluded from the taxable purchase price so long as the motor vehicle the purchaser trades is subject to licensing, registration, or certification and is resold as a normal part of the dealer's business activity.

Vehicles Received as a Gift

Vehicles claimed as gifts between family members that are truly gifts without consideration are not subject to city sales tax. However, any assumption of debt (lien) between family members is consideration and causes the transaction to be subject to city tax. The taxable value of the vehicle is the debt plus any other consideration given.

The donor and the recipient are considered family members if one of the following relationships exists:

- A. Spouse
- B. Parent, grandparent
- C. Child, grandchild
- D. Brother, sister

Claimed gifts between parties not included in these family relationships are presumed to be with consideration and subject to city tax. The exchange of a vehicle is taxed at fair market value as determined using the Kelley Blue Book, NADA, or Black Book.

Common Examples

1. A grandfather, who holds a free and clear title, gifts a vehicle to his granddaughter. The transfer of the vehicle to his granddaughter is not subject to city tax.
2. An individual has a loan on an RV and would like to transfer it to his brother. The brother will assume the loan payments. Since a financial consideration is involved, city tax is due on the value of the loan balance.

Residency Guidelines

A person's residence for motor vehicle registration purposes shall be his or her principal or primary home to be determined in the same manner as residency for voter registration purposes. Active members of the U.S. Armed Forces temporarily living in Colorado Springs

may elect to register a vehicle in their state of residence. If they do not elect to register the vehicle in their state of residence, they must register the vehicle at their residence in Colorado Springs.



Residency Guidelines (continued)

Common Examples

1. A Colorado Springs resident owns a home in the City and a ranch in the mountains. The vehicle is principally operated and maintained in Colorado Springs. When purchasing a new car, the individual properly paid city sales tax to the dealer and registered his vehicle in Colorado Springs.
2. An individual buys a 4-wheel-drive vehicle which is permanently operated and maintained at his ranch in the mountains. This vehicle is properly registered in the mountain county, and no city sales or use tax is due to the City of Colorado Springs.
3. An individual is a resident of Colorado Springs and owns a business inside the City of Fountain. The individual purchases a truck for the business and registers it at the business address. The truck is principally operated and maintained at the business location. The vehicle is properly registered at the business address, and no sales or use tax is due to the City of Colorado Springs.
4. An individual is a resident of the City of Colorado Springs and registers his personal vehicle at his business address located outside of the City. The individual's vehicle is improperly registered, as the vehicle must be registered at his personal residence.

An active-duty military member who lives inside the City of Colorado Springs purchases a new car and registers it in the state of Texas. Texas is the military member's declared state of residency. The military member is not required to pay city sales taxes on the purchase of the vehicle provided he has presented the required forms to the dealership or the El Paso County Department of Motor Vehicles. If the military member elected not to register his vehicle in Texas, he must register the vehicle at his address in Colorado Springs and pay city sales tax.