

City of Colorado Springs

Tax Guide

Discounts

Price Discounts

A price discount offered to a customer by a retailer is a reduction in the retail or advertised price of an item. The discount may be called a “trade” or “quantity” discount that is offered to volume purchasers, or a discount may be known as a “sales” or “promotional” discount that is used as a sales incentive.

The discount may be expressed as a percentage of the retail selling price or as a specific amount of price reduction. Since a price discount is an actual reduction in the selling price of an item and is not contingent upon any future event, the taxable price to the customer is the net selling price with the discount allowed.

Common Example

1. A distributor sells auto parts. They sell at retail to large fleet customers and give those customers a trade discount of 20% off the retail price. The net selling price, which is 80% of list price, is the taxable amount.

Cash Discounts

Vendors may offer a cash discount for early payment of an invoice prior to the stated due date. It is a financing option separate from the sale. A cash discount is contingent upon the future event of early payment of the invoice. It is not an allowable adjustment to the selling price or a reduction in reportable gross sales in determining city tax.

Common Example

1. A supplier offers payment terms of 30 days to customers and a cash discount of 2% off invoice price if an invoice is paid within ten days of the billing date. The cash discount is not an allowable adjustment to the taxable selling price.

CS CODE SECTION

2.7.104 Words and Phrases:
Discounts
Purchase or Purchase Price
Purchase or Sale
Retailer
2.7.102, 2.7.201, 2.7.411

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 Tax Code.

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Question? email us at:
salestax@springsgov.com