



City of Northglenn Initial Use Tax

When a new business comes into being in Northglenn, it becomes subject to Initial Use Tax. What is this? Well, first we have to figure out...

WHEN DOES A NEW BUSINESS COME INTO BEING?

1. Someone starts a business from scratch
2. Someone purchases an existing business
3. An existing business changes ownership (which isn't necessarily the same as someone purchasing a business)
4. An existing business moves into Northglenn

So now, we can look at.....WHAT IS INITIAL USE TAX?

All the Assets, Equipment, and Supplies purchased by a new business are subject to Initial Use Tax.

If a business starts from scratch, this will mean virtually everything needed to start the business. Computers, office furniture, shelves, adding machines, telephones, paper supplies... you name it- if it is bought for the business and not intended for re-sale, it is subject to Initial Use Tax.

If a business changes ownership, then the new owner is required to establish the fair market value of all tangible personal property (except inventory for resale) that goes with the business. The total fair market value is subject to Initial Use Tax.

Initial Use Tax for a new business is pretty easy to deal with. The business owner or accountant should gather together all the purchase invoices and determine for each invoice:

1. Tax rate paid on invoice. If Northglenn tax was collected, the total tax rate should be 8.75%. If the rate is anything other than 8.75%, it most likely does not include City of Northglenn tax. The 8.75% is broken down as follows: State of Colorado sales tax rate is 4.00%, Adams County is 0.75%, and City of Northglenn is 4.00%.
2. Was any City sales tax paid? If no, the entire amount is subject to tax. If yes...
 - a. Was the City tax Northglenn's tax? If yes, nothing further is due. If no...
 - b. Was the other City's tax properly assessed? If no, then the entire amount is due to Northglenn. If yes...
 - c. Was the other City's tax less than 4%? If yes, Initial Use Tax equal to the difference between the tax paid and Northglenn's tax rate is due. If other City's tax was greater than 4%, no additional tax is due.



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Initial Use Tax for a business that changes ownership can be REALLY easy, or really difficult and complex. If the new owner is able to determine the fair market value on all the assets and tangible personal property, they just take 4% and remit that amount. If they can't or won't, then it becomes a job for the tax auditor.

Also, **PLEASE NOTE** – Initial Use Tax on a business that changes ownership is due **WITHOUT REGARD TO** any prior sales or use tax that might have been paid. The transfer of a business is a separate transaction, and so is fully taxable.

WHEN IS INITIAL USE TAX DUE AND WHAT IS THE FILING FREQUENCY?

Initial Use Tax is a one-time filing based on the initial purchases for the business and is due within 60 days from the date the business opens.

Keep in mind, however, Use Tax must be reported and paid on all operating purchases for the life of the business. Ongoing Use Tax should be reported on the monthly, quarterly, or annual Sales and Use Tax Return Form that the business files on a regular basis.

Be sure to keep all receipts and records for the business for a minimum of three years. All records are subject to inspection and an audit by the City of Northglenn can occur within three calendar years after the date the tax was or is payable.

STILL NEED HELP?

You can also check out our website at www.northglenn.org/taxes. Here, you will find our complete Sales and Use Tax Code, as well as insightful information and forms to help you get started.