
Tax Compliance Guide

Construction – Solar Systems Topic 370

(08/2009)

Note: For information on the applicability of a building permit for a specific project, contact the Westminster Building Division at (303) 658-2075.

Solar panels used to generate electricity or heat water and related inverters are considered completed units of tangible personal property, even though they may be affixed to real property and may require a building permit. The purchase price paid for solar panels is subject to sales tax. Businesses selling solar systems must obtain a City sales/use tax license and collect sales tax on panels delivered or installed in the City.

The *Westminster Municipal Code* defines the taxable purchase price to include the gross value of all materials used, labor and services performed and the profit thereon. Charges for freight, delivery, and transportation are also part of the taxable purchase price. Charges for installation labor may be excluded from the taxable purchase price if they are separately stated on the invoice. Charges for fabrication or manufacturing labor are taxable even when separately stated. Rebates provided by local utilities do not reduce the taxable purchase price.

Solar system installers will normally obtain a building permit prior to installation. Because the actual construction materials used to install the solar system are minimal, an estimated prepayment of use taxes is not collected when the permit is issued. Installers must report and pay use tax on the cost of construction materials and supplies used during the installation process on their periodic City sales/use tax return (line 8). Separately stated permit charges are considered part of the price of the system and must be included in the taxable basis.

Examples

1. Company A sells a photovoltaic solar system to Homeowner B. Company A bills Homeowner B for the system as follows: an array of 40, 200-watt panels at \$1,500 each, two inverters at \$3,000 each, and installation at \$10,000. Company A obtains a building permit and pays a \$300 permit fee. It includes this fee as a separate "permit charge" on Homeowner B's bill. Company A uses \$500 of construction materials including roof flashing, conduit, and wire. Company A must collect Westminster sales tax upon the panels, inverters, and permit fee (\$66,300). Because the installation labor was stated separately, it is not subject to tax. Company A must also pay Westminster use tax on the \$500 cost of construction materials used.
2. Company C sells a photovoltaic solar system to Homeowner D for a lump-sum price of \$75,000. This price includes the system, installation, permit fees, and supplies needed. Company C must collect Westminster sales tax on the full \$75,000 price because the installation labor was

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not stated separately. Homeowner D receives a rebate from the electric company of \$30,000. Westminster sales tax is still due on the \$75,000 price and Homeowner D is not entitled to a discount or refund of tax on account of the rebate.

Citations

Westminster Municipal Code

§ 4-1-5. Retailer Responsible for the Collection & Payment of Tax
§ 4-2-2. Definitions
§ 4-2-3. Rate; Imposition and Collection; Distribution
§ 4-2-5. Transactions & Items Subject to Tax
§ 4-2-6. Exemptions from Sales Tax

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

Contact Us

For additional assistance, please contact us:

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Sales Tax Division
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Westminster, CO 80031

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Fax: (303) 706-3923

E-mail address: salestax@westminsterco.gov

Website: <http://www.westminsterco.gov>
From the Business menu, choose Westminster Taxes