

TAX ALERT for LANDSCAPE CONTRACTORS

- **Your company might be on a city's radar for a tax audit.**
- **Cities are redefining the tax codes and that means contractors are being assessed additional back taxes.**
- **If you are a landscape contractor, these audits could be coming your way.**

Landscape companies have reported increased municipal tax audits and what appears to be a redefining of existing tax codes. In many cities, auditors are reportedly re-writing the rules of the game at contractors' expense. Business owners who think they are playing by the rules and paying their taxes are now faced with up to six figure assessments on past work.

More than 11 Home Rule cities have been cited as stepping up audits. City auditors are using new formulas and new interpretations of what is taxable in their calculations. Their targets are the contractors doing work within their city limits. For example, here is recent action by Denver:

- Denver has taken a position that **landscape companies are retailers of tangible personal property.** This is a departure from their position in previous years and previous audits.
- **Denver contends that landscape companies should be collecting and paying sales tax** from their customers and remitting it monthly to the City.
- **If materials and labor are separately stated on the invoice to the customer, Denver contends the tax should be paid on the materials portion *which it now defines as cost plus overhead plus profit.*** Previously, "materials" simply meant actual cost of goods purchased.

What does this mean for landscape contractors? If cities are successful in changing the rules of the game, contractors will have to factor these costs into their bids and customers will have to pay. Uninformed contractors—who have flown under the radar so far and not paid their share of taxes—may have the most to lose when the auditors catch up to them.

Want more information on how to protect yourself?

The ALCC web site is updated regularly with new information about city, and also state taxes, as it becomes available. Members can access updates in the exclusive members-only section of www.alcc.com via their password.

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