



Leases on Motor Vehicles and Other Tangible Personal Property

Leases are subject to the same sales taxes as sales of property.

A "Lessor" is defined as a leasing company, broker or dealership that prepares the lease and/or delivers the property to the lessee. A "Lessee" is defined as the person or company that leases the property.

TAX COLLECTION REQUIREMENTS ON LEASES

On leases of more than 36 months, the lessor must charge sales tax on the lease payments.

On leases of 36 months or less, the lessor may either pay the tax when purchasing items to be leased or may collect the tax from the customer through the lease payments. However, one method must be chosen and the lessor must use that method for each vehicle or property leased regardless of the duration of the lease contract.

HOW ARE TAXES COLLECTED?

Motor Vehicle Leases

With all motor vehicle leases, the lessor must present the lessee with the ["Statement of Sales Tax Paid on Motor Vehicle Leases" \(DR 0026\)](#). This form shows which taxes are collected on the lease payments by the lessor and which taxes, if any, must be collected up front before the vehicle is registered or titled.

The DR 0026 is required for all leases, except for short-term motor vehicle rentals or wholesale leases.

On leases of over 36 months, the lessor must collect Loveland sales/use tax. On leases of 36 months or less, the lessor has the option to pay Loveland tax at the time of lease or through their lease payments.

Please refer to the City of Loveland municipal code section [3.16.150 Motor and other vehicle use tax](#) for information regarding automobile registration.

Lease Vehicle Trade-Ins:

In Loveland, a leased vehicle is registered in the name of the lessee in the care of the lessor at the lessee's address. However, the vehicle is not titled in the name of the lessee. The lessor retains ownership of the vehicle. The vehicle is not titled in an individual's name until the lessee purchases the vehicle. At the time the vehicle is purchased, the owner (formerly the lessee) has

all the rights to ownership. The rights of ownership include selling the vehicle and using the trade-in allowance as a credit against another vehicle purchase or lease. A lessee has responsibilities similar to those of an owner such as insurance and registration, but he does not have the same rights of ownership. In order for the lessee to use the right to trade in the vehicle, the lessee must purchase the vehicle and be the owner on the vehicle's title.

Equipment and Other Tangible Personal Property Leases:

When an entity has the right of possession or use of any article of tangible personal property or taxable service under an agreement of a lease, hire, rental contract, or grant of a license to use (including royalty agreements) the lease/rental payments, fees, or royalties paid are subject to Loveland sales tax. The lessor is required to collect and remit the sales tax to Loveland. If the lessor fails to collect the sales tax, the lessee is responsible for remitting the use tax on its sales tax return.

WHAT IS TAXABLE UNDER LEASE CONTRACTS?

When sales taxes are collected on the lease payments, all payments required to be paid by the lessee **pursuant to the lease contract** are sales taxable. These payments would include such things as warranties and property taxes, regardless of who receives the payments. All amounts paid to any party to obtain uninterrupted use of leased property are lease payments.

All taxes collected on the lease are based on the lessee's location for vehicles, or place of use for non-vehicles, when the lease was entered into and remain in effect until the lease ends. If the lessee moves outside the Loveland taxing jurisdiction all Loveland taxes still apply. However, if the jurisdiction in which the lessee moves requires, by its statutes, that its taxes be collected, then Loveland taxes are not required to be collected.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT LOVELAND TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE LMTC (LOVELAND MUNICIPAL TAX CODE) AND APPLICABLE RULES AND REGULATIONS.