



Tax Compliance Guide

Qualified Hospital Organizations

The Lakewood Municipal Code ("LMC") provides an exemption from sales and use tax for purchases made by qualified hospital organizations, except for construction materials used by contractors that perform contracts for the qualified hospital organization.

Organizations that believe they meet the definition of a qualified hospital organization should apply to the Chief Financial Officer for a *Certificate of Tax Exemption*. An application form can be found on the Lakewood.org website.

Definition

- A. Qualified hospital organizations are defined in section 3.01.230 of the LMC. In general, a qualified hospital organization must:
 1. Be exempt from federal income tax under section 501(c)(3) of the *Internal Revenue Code*; and
 2. Operate a general hospital for people in the City under a license issued by the Colorado Department of Public Health and Environment pursuant to sections 25-3-101 & 102 of the *Colorado Revised Statutes*.
- B. Certain affiliated entities are also included in the definition of qualified hospital organizations. Such affiliated entities include:
 1. 501(c)(3) corporations or trusts that own or employ property used in the operations of an organization described in A above and: (i) control, or are controlled by, an entity described in A above; (ii) are controlled by a management entity defined in B2 below in common with one or more organizations described in A above; or (iii) own a hospital licensed to operate as a "general hospital" for people pursuant to sections 25-3-101 & 102, C.R.S., which is operated by an organization described in A above
 2. 501(c)(3) entities whose principal function is to manage the property and/or operations of one or more of the organizations described in A or B1 above
3. An entity whose partners, members, joint ventures or other participants are all organizations/entities described in A, B1 or B2 above.

Exempt Purchases

To qualify for exemption, items purchased must be used in the conduct of the qualified organization's functions and activities.

In partnership with other Colorado jurisdictions, an *Affidavit of Exempt Sale* form was created to streamline the purchase process for all qualifying tax exempt purchases. The use of this *Affidavit* will also help ensure the appropriate information is captured and reviewed by the vendor and will provide supporting documentation in a tax audit.

The *Affidavit* must be used by any organization wishing to make a tax-exempt purchase. The purchasing organization should present the completed *Affidavit*, as well as the *Certificate of Tax Exemption*, at the time of purchase.

To qualify for exemption, the purchase must be billed directly to the organization, and payment must be made directly from the organization's funds. Purchases made by individuals who will subsequently be reimbursed by the organization do not qualify. In questionable situations, the vendor must collect the tax and the purchasing organization may apply directly to the City for a refund of the disputed tax.

The *Affidavit* and training materials can be found on Lakewood.org by searching for "exemption affidavit" and selecting the "Forms" tab on the search results.

Related Topics

Sales Tax
Tax Exempt Entities
Use Tax

Citations

Lakewood Municipal Code
§ 3.01.230 Definitions
§ 3.01.430 – Exemptions

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S
TERMS OF THE RELEVANT LAKEWOOD TAX

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Contact Us

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