



Leased Departments within Stores

GENERAL INFORMATION

This FYI addresses the sales tax remittance obligations of both lessor and lessee in stores that have leased departments. The information in this FYI pertains to city taxes.

Definition: A "*leased department*" is floor space within a store that is leased and run as a separate business from the company that manages the store. It does not matter whether customers are aware that a particular department is a distinct business. An example of a leased department might be a department store that contains a shoe department that is actually run by a different company. This second company owns and controls the stock within the shoe department, but leases the space from the department store.

For the purposes of licensing under City of Loveland sales tax code, the leased department is treated as a separate and distinct store, just the same as if such department were in a separate and distinct building. The fact that the department happens to be within a larger store does not alter the fact that ownership and control of the merchandise is different in the leased department. Therefore, a leased department must have its own sales tax license.

Where a store contains leased departments, each leased department must remit **separate** sales tax returns. The lessee must keep its books separately from the lessor's books, and make sales tax collections on retail sales. If the lessor store keeps the books on behalf of lessee departments, the lessor must fill out **separate** returns for each such department and remit the taxes due. In cases where the lessor keeps the lessee's books and remits the lessee's sales taxes, the lessee is not absolved of the ultimate responsibility for remittance of the taxes due.

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.