

Riverwalk at Edwards Property Owners Association

INSTRUCTION FOR REMITTANCE OF CIVIC ASSESSMENTS TO THE ASSOCIATION

Established January 12, 2006

The Riverwalk At Edwards Property Owners Association recently amended its governing documents (along with making other amendments) to implement a civic assessment. The sections of the Declaration of Covenants, Conditions and Restrictions relevant to the Civic Assessment are reproduced at the end of this document for your reference (see Section 5.7A below).

The civic assessment will be implemented effective **February 1, 2006** at a rate of one-half of one percent (0.5%) on all sales, leases or rentals of:

- (a) tangible personal property made, consummated, conducted, transacted or occurring within the geographical boundaries of The Riverwalk at Edwards PUD which are subject to the Colorado Emergency Retail Sales Tax Act of 1935 (Colorado Revised Statutes, 1973, Title 39, Article 26), as amended (the "Tax Act"); and
- (b) other tangible personal property and lodging made, consummated, conducted, transacted or occurring within the geographical boundaries of The Riverwalk at Edwards PUD, including, without limitation, the sales of food normally exempted from net sales on line 3b(1) of the Colorado Sales Tax Return (Colorado Department of Revenue Form DR0100).

In other words, if the sale is conducted in Riverwalk and the merchandise is delivered within the State of Colorado, then the transaction will be subject to the civic assessment. If the merchandise is shipped outside the State of Colorado, the transaction will not be subject to Colorado sales tax nor will it be subject to the civic assessment.

Since all sales transacted in Riverwalk and delivered in the State of Colorado beginning February 1, 2006 are subject to the civic assessment, the amount reported as net sales subject to Colorado sales tax as reported in the Colorado column on your Colorado sales tax return (for your Riverwalk location for retailers that have multiple locations) is the amount you use as the starting point to calculate the civic assessment you will remit to the Association. For merchants that only file sales tax returns on a quarterly basis, for the first quarter of 2006 you will reduce this amount by your January 2006 Colorado taxable sales.

The Colorado Department of Revenue treats the Civic Assessment as a part of your taxable sales so the Colorado and Eagle County sales taxes should be calculated on the sales price of your assessable sales plus the Civic Assessment as follows (taken to three decimals to eliminate rounding errors):

Riverwalk at Edwards Property Owners Association

Assumed Sales Price of assessable sales	\$1,000.000
Riverwalk Civic Assessment (0.5%)	<u>5.000</u>
Total amount subject to Sales Tax	1,005.000
Colorado Sales Tax (2.9%)	29.145
Eagle County Sales Tax (1.5%)	<u>15.075</u>
Total amount to be collected	<u><u>\$1,049.220</u></u>

Colorado statutes require retailers to add the sales tax imposed to the sale price or charge, showing the tax as a separate and distinct item. Accordingly, combining the sales tax with the civic assessment on the sales receipt would violate this requirement. However, while it is helpful to provide a subtotal of the amount of the merchandise sold and the civic assessment, there is not an explicit requirement to provide that subtotal. Accordingly, an alternative way to reflect this transaction on a receipt would be as follows:

Price of merchandise	\$1,000.00
Civic Assessment	5.00
Sales Taxes	<u>44.22</u>
Total	<u><u>\$1,049.22</u></u>

Mathematically, the Colorado sales tax on merchandise subject to the civic assessment can be calculated as 2.9145% of the price of the merchandise excluding the civic assessment (2.9% of the price of the merchandise plus 2.9% of 0.5% of the price of the merchandise). Similarly, the Eagle County sales tax can be calculated as 1.5075% of the price of the merchandise excluding the civic assessment (1.5% of the price of the merchandise plus 1.5% of 0.5% of the price of the merchandise). Accordingly, a cash register or point of sale system could be programmed to calculate the civic assessment as 0.5% of the price of the merchandise and the sales tax can be calculated as a total of 4.422% of the price of the merchandise excluding the civic assessment or if your system needs a separate rate for Colorado and Eagle County sales taxes, you can use 2.9145% for the Colorado rate and 1.5075% for the Eagle County rate.

Our understanding from the Colorado Department of Revenue is that as long as the sales tax is reflected as a separate and distinct item on the sales receipt (i.e. not combined with the civic assessment), then you will have fulfilled your responsibility to collect and report the sales tax.

As a further example, assume that a business sells an item of tangible personal property for one price that includes the cost of the merchandise, the civic assessment and Colorado and Eagle County sales taxes for a total price of \$10.00. Pricing of this nature that includes the sales taxes in the total price is permitted for sales of alcoholic beverages at a bar and for vending machine sales. The breakout of the sales taxes, civic assessment and price of the merchandise in this example can be calculated as follows:

Price of merchandise including sales taxes & civic assessment	\$10.00
Divide by 1.044 to calculate the cost of merchandise and civic assessment	9.58
Divide the cost of merchandise and civic assessment by 1.005 to calculate the cost of the merchandise	9.53

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The Civic Assessment is reported to the Association by completing a Riverwalk Civic Assessment Return, a copy of which is attached. This return is due at the same time that your Colorado Sales Tax return is due.

The Association has engaged Tapp and Associates, LLC, CPAs to collect the Civic Assessments on behalf of the Association. Don Tapp is the representative from HST that will be responsible for the collection of the Civic Assessment. Their mailing address is:

Tapp and Associates LLC, CPAs
P.O. Box 1088
Glenwood Springs, CO 81602

Don Tapp can be reached at the following phone number and e-mail address:

Phone (970) 945-9156
e-mail: dtapp@hstcpa.com

The specific sales information you report to Haycock, Sigler and Tapp will be maintained confidential by them and will not be disclosed to anyone (including the Riverwalk Association Board of Directors) except potentially to other independent Certified Public Accountants performing an audit of Haycock, Sigler and Tapp. You will be mailing your Civic Assessment Return directly to them at the address above.

The information provided in these instructions is not intended to provide legal or tax advice to you and it is recommended that you consult with your accountant or lawyer to confirm that your specific system and procedures fulfill all legal requirements.

Any questions related to the civic assessment should be directed to one of the following:
Don Tapp at Tapp and Associates, LLC at 970-945-9156

Riverwalk At Edwards Property Owners Association, Inc.
Civic Assessment Return

(Revised 3-9-20)

Business Name: _____

Business Address: _____

Business Phone: _____

State of Colorado I.D. Number: _____

Reporting Period: _____

- | | |
|---|----------|
| 1 Net Colorado Taxable Sales Per Form DR 100
(Line 5 [far left column] of State of Colorado
Retail Sales Tax Return)* | \$ _____ |
| 2 Amount of Above Sales subject to Civic Assessment
(Line 1 Above divided by 1.005) | \$ _____ |
| 3 Add Sales subject to Civic Assessment that are not
subject to Colorado Sales Tax (for example, groceries) | \$ _____ |
| 4 Total Sales subject to Civic Assessment (Line 2 plus Line 3) | \$ _____ |
| 5 Civic Assessment Due (Line 4 X 0.005) | \$ _____ |
| 6 Interest on Late Civic Assessment (1.5% per month) | \$ _____ |
| 7 Total Amount Due (Line 5 Plus Line 6) | \$ _____ |

I hereby certify, under penalties of perjury in the second degree, that the statements made herein are, to the best of my knowledge and belief, true and correct.

Date: _____

By: _____

Title: _____

* A copy of your Colorado State Sales Tax Return for this period must accompany this return. This form, your Sales Tax Return and your payment are due and payable, without notice, to the Riverwalk at Edwards Property Owners Association on the 20th day following the end of the month for which this return is filed. If you file your sales tax return on a quarterly basis, then for the first quarter of 2005 you should reduce the amount on this line by your January 2005 Colorado Taxable Sales.

Remit and mail to:

Riverwalk at Edwards Property Owners Association, Inc
c/o Tapp and Associates, LLC, CPAs
P.O. Box 1088
Glenwood Springs, CO 81602
Phone (970) 945-9156
E-mail: dtapp@hstcpa.com