



TAX GUIDELINES FOR BUILDING PERMIT HOLDERS



You will notice that a substantial part of the total you paid to acquire this permit is composed of building use tax. This document will help explain what building use tax is and will address frequently asked questions concerning building permits and use tax.

- ***What is building use tax on a building permit?*** Building use tax on a building permit is a use tax deposit paid in advance (at the time of permit purchase) for materials that will be used on a permitted building project. The rate is 3.75% if the project is in Adam's County and 4.00% if the project is in Arapahoe County. All examples below are 3.75% for simplicity.
- ***How is building use tax calculated for a building permit?*** The use tax deposit on a building permit is calculated by multiplying the City of Aurora's use tax rate (3.75%) by 50% of the contract amount of the permitted job. (ex. The use tax deposit for a \$100,000 contract would be calculated as follows:
50% of \$100,000 ► \$50,000 x 3.75% = **\$1,875** building use tax amount)
- ***Why is 50% of the contract amount "pre-taxed?"*** It is assumed that approximately 50% of the total contract amount will be for taxable materials used in the permitted job. Since these materials will be used and/or consumed in City of Aurora, use tax is due.
- ***Don't I have to pay municipal (or city) sales tax on materials I purchase? Isn't this "double taxation?"*** No and No. One reason why it is so important to get your building permit before purchasing materials for your job is so that this will not occur. By presenting a City of Aurora building permit to a building materials vendor, you will not be charged Aurora (or other municipality) sales tax on the purchase of the materials. You have already paid a use tax deposit on building materials via the building permit. For this reason, it is important to present a copy of the building permit to materials vendors when purchasing building materials.
- ***What are the record keeping requirements for a building permit?*** Sec 130-67 of the Aurora City Code states that *"It shall be the duty of every person subject to this article to keep and preserve suitable records of all sales made by him or her, and such other books or accounts as may be necessary to determine the amount of sales tax and use tax, the collection or payment of which he or she is liable under this article."* Records should be kept that detail all material and labor charges related to the building project. This includes all charges related to sub-contractors, so it is very important that general contractors require sub-contractors to provide detail related to their (subs) material and labor costs. All permits are subject to audit after project completion; with this in mind, general contractors must take the necessary steps to ensure record keeping requirements are met. These records are also extremely important to have should you be do a refund. Without the proper documentation, it is likely that your request for a refund will be denied.
- ***My actual materials cost could be more or less than the estimate made on the permit, what should I do if this is the case?*** Remember, the building use tax paid on the permit is a deposit. It is very likely your actual materials cost will not match the amount for which you were taxed on the building permit. When the building project is complete and all necessary inspections verify Aurora Building Code compliance, you should reconcile actual material costs. If actual material costs exceed the taxable amount shown on the permit, additional use tax will be due. If actual material costs are less than the taxable amount on the permit, you may be due a refund of building use tax. See the following examples for clarification:

Example 1: Original contract amount of \$100,000 was used to calculate building use tax. During the course of the project change orders and modifications caused the final contract billing to be \$110,000. Total materials charged on the contract were \$58,000. 3.75% of \$58,000 = \$2,175. The building use tax deposit paid was \$1,875. \$300 in additional use tax is due the City of Aurora. The difference in tax should be remitted to Aurora within 30 days of project completion.

Example 2: Original contract amount of \$100,000 was used to calculate building use tax. During the course of the project change orders and modification reduced the final contract billing to \$93,000. Total materials charged on the contract were \$45,000. 3.75% of \$45,000 = \$1,687.50. The building use tax deposit paid was \$1,875.00. \$187.50 of building use tax was overpaid on the permit and is due back to the City of Aurora taxpayer. As per *Sec 130-61 (d)* of the Aurora City Code, request for refund of use tax paid on a building permit is due *no later than* one year after the certificate of occupancy (or equivalent) is issued.

- ***Are Sub-contractors subject to sales tax on their material purchases?*** No, so long as the work they do is within the scope of the building permit pulled by the general contractor. This implies that general contractors should provide copies of the building permit to sub-contractors so that they may also purchase materials without being charged municipal sales tax. If a sub-contractor is performing work outside the scope of the building permit pulled by the general contractor, then the sub-contractor must pull a separate permit covering the work they will perform.
- ***All inspections have been completed and the contract is final, I have calculated actual materials charged on the final contract billing and it differs from the estimate used on the building permit. What form do I use to (A) pay additional use tax due or (B) request a refund of use tax overpayment on the building permit?*** The form used to pay additional use tax due is the City of Aurora Sales and Use Tax Return. The form used to request a refund of use tax overpayment is the City of Aurora Claim for Refund document. Both forms may be accessed via the City of Aurora's website (www.auroragov.org) under the business link on the main page. Hard copies of these forms are available through the City of Aurora Tax Section (Finance Department) located on the 5th floor of the Aurora Municipal Center (15151 E Alameda Pkwy – Aurora, CO 80012). In either case, all documentation showing the difference in tax must accompany the appropriate form. Requests for refund submitted without documentation showing the difference in use tax *will not* be processed.
- ***I have questions about how to fill out or file a Sales and Use Tax Return or Claim for Refund document, who can I contact for help? I have questions about the taxability of a contract line item, who can I contact for guidance?*** Please call a member of the City of Aurora Tax Audit Section (in the Finance Department) at the following number: 303.739.7800.