



Tax and Licensing Division  
15151 E. Alameda Parkway, Ste. 5700  
Aurora, Colorado 80012  
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## Tax Compliance Guide

### Manufacturing & Fabrication

(02/2022)

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT AURORA TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE AURORA MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

[Auroragov.org/tax](http://Auroragov.org/tax)

Manufacturing, producing, processing, compounding, or fabricating includes any operation or series of operations which change the form, state, or composition of tangible personal property from that in which it was acquired by the manufacturer. The manufacturing process results in the production of a different product having a distinctive name, character, and use.

The term "manufacturing" shall not include, without limitation, the preparation, baking, and cooking of food and beverages; the generation and distribution of electricity; or the extraction of raw materials from the earth through mining, quarrying, the sinking of wells, or any other process.

#### Raw Materials

The *Aurora Municipal Code* exempts from sales/use tax tangible personal property (raw materials) sold to licensed persons engaged in manufacturing, provided that the product being manufactured or processed is transformed in fact by the addition of the property or materials, and such property or materials become a constituent part of the finished product.

In considering whether or not the property or materials become a constituent part of the finished product, the City examines the extent to which the material becomes a necessary and recognizable ingredient or component in the finished product, its physical presence in the finished product, and whether it is essential to the use thereof in the hands of the ultimate consumer. Manufacturing materials which do not become a recognizable, constituent part of the finished product are not exempt from Aurora sales/use tax. They are taxable supplies used or consumed in the manufacturing process rather than raw materials. Such items include, but are not limited to dies, molds, plates, cleaners, thinners, chemical catalysts, templates, reagents, gas, electricity, and all other property that does not qualify as a raw material.

#### Tools and Equipment

Manufacturing tools, equipment, and parts thereof that are located in the City, used directly and predominantly in a manufacturing function, and are in excess of \$500 are exempt from Aurora sales/use tax. Manufacturing tools, equipment, and parts thereof that are not in excess of \$500 are not exempt from Aurora sales/use tax. Replacement parts for machinery and equipment that are not in excess of \$500 are not exempt from Aurora sales/use tax.

An exemption for machinery and machine tools requires that a declaration of entitlement must be filed with the finance director.

Manufacturers must pay Aurora sales/use tax on all other tangible personal property and taxable services used, consumed, stored, or distributed in the City such as consumable supplies, office supplies, office equipment, uniforms, and furniture.

#### Fabrication Labor, Taxable Basis of Finished Goods

Manufacturers who sell finished products at retail must collect and remit Aurora sales tax on the purchase price paid for such products. The purchase price must include the cost of all materials used, labor or services performed, and the profit thereon. Manufacturing or fabrication labor or services expended in the creation, assembly, production or configuration of tangible personal property is part of the taxable purchase price even if the cost or charges for such labor or services are segregated from the cost or charges for materials. Charges for freight, delivery, and transportation are also subject to City sales tax. Charges for installing tangible personal property may be excluded from the taxable purchase price when separately stated.

#### Examples

1. Merchant A manufactures made-to-order furniture. Merchant A's volume is low, so Merchant A tracks materials and labor for each job. Even though Merchant A lists the price of the materials and fabrication labor separately on the invoice, the merchant must collect and remit Aurora sales tax on the aggregate purchase price.
2. Computer Manufacturer B buys various computer components in large quantity, which it assembles into completed personal computers for resale. Although Computer Manufacturer B occasionally uses completed computers in its offices, whether specific parts will ultimately end up in machines for resale cannot be known at the time of purchase. Most of the time, parts will end up in resold machines. Computer Manufacturer B may purchase all parts tax free at wholesale and remit use tax on the cost of those parts comprising a machine removed from inventory for use in its offices.

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## Related Topics

Freight, Delivery, and Transportation  
Gas and Electric Services, Steam and Other Heating Services  
Properly Exempted Purchases Converted to Taxable Use  
Wholesale Sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-157. Items exempt from taxation  
§ 130-160. Responsibility for payment  
§ 130-198. Exemptions

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## Contact Us

For additional assistance, please contact us:

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