

Tax and Licensing Division
15151 E. Alameda Parkway, Ste. 5700
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Tax Compliance Guide

Returns and Restocking Fees

(2/2022)

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

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services purchased at retail in the City. Sales tax is imposed upon the purchaser. Retailers are responsible to collect this tax on behalf of the City and remit it periodically with City sales and use tax returns.

The Code permits retailers to deduct from gross sales the price of tangible personal property or taxable services returned by the purchaser, provided that both of the following apply:

1. The price of the property returned was included in gross sales on the current return or a return filed within the past 36 months; and
2. The price and the tax collected thereon are refunded to the purchaser in cash or by credit.

Retailers who refund only a portion of the purchase price may deduct the refunded portion from gross sales and refund the corresponding amount of sales tax to the purchaser. Any amounts not refunded to the customer may not be deducted.

Some automated sales systems refund the full price and the tax thereon while simultaneously charging a "restocking fee" or similar charge. Because this fee represents an amount of the price not refunded to the purchaser, this amount may not be deducted from gross sales. In these cases, retailers will accomplish this by charging tax on the restocking fee in lieu of refunding tax on the net refunded price.

The tax character of restocking fees is not dependent upon whether the fee is netted against the purchase price and shown as a single refund amount or stated separately on the invoice or receipt.

2. In February, a licensed Aurora retailer sells a telephone to a purchaser for \$100 and collects Aurora tax on that price. The retailer reports this sale on their February sales and use tax return. In March, the purchaser returns the phone. The retailer refunds the \$100 price, the Aurora tax thereon, and charges a \$10 restocking fee. The retailer should collect tax on the \$10 restocking fee because the retailer may only deduct \$90 (\$100 less the \$10 restocking fee) on the March sales/use tax return.

Related Topics

Bad Debts
Coupons, Discounts & Promotional Items

Citations

Aurora Municipal Code
§ 130-33. Legislative Intent
§ 130-156. Taxable Items
§ 130-160. Responsibility for payment
§ 130-161. Schedule of Taxes
§ 130-199. Use tax credit

Contact Us

For additional assistance, please contact us:

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Filing: <http://aurorataxportal.gentaxcpc.net>

Licensing: <http://www.auroragov.org/bl>

Examples

1. In February, a licensed Aurora retailer sells a telephone to a purchaser for \$100 and collects Aurora sales tax on that price. The retailer reports this sale on the February sales/use tax return. In March, the purchaser returns the phone and the retailer refunds \$90. The retailer may deduct \$90 from the gross sales reported on the March sales/use tax return.