

Tax and Licensing Division
15151 E. Alameda Parkway, Ste. 5700
Aurora, Colorado 80012
303.739.7800



Tax Compliance Guide

Properly Exempted Purchases Converted to Taxable Use

(12/2022)

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

When the ultimate disposition of a specific article cannot be known at the time of purchase because the purchase would ordinarily comprise the buyer's inventory, the article may be properly purchased tax-exempt at wholesale. The Aurora Municipal Code imposes a use tax on tangible personal property purchased wholesale which is converted to a taxable purchase at retail by virtue of its use by the purchaser, either personally or in the purchaser's business activity.

Retailers who purchase tangible personal property for inventory, including component parts for manufacturing, who remove such articles from inventory for business or personal use or consumption must report and pay a use tax on their cost. Use tax is reported on the periodic City sales/use tax return.

A buyer's obligation to remit use tax on goods removed from inventory does not relieve the seller's burden to show that sales were properly exempted. If the seller is audited, and exempted sales are disallowed, the seller will be required to show that the purchaser was properly licensed, and the items purchased were reasonably for resale. The seller, therefore, assumes some risk in exempting sales that the City later determines are not exempt, as the City will assess taxes, penalties and interest against the seller despite any indemnification by the buyer.

Examples

- Office Products Business A, a licensed Aurora retailer, removes a box of pens from inventory for store use. Because these pens were purchased tax free for resale, Office Products Business A must report the cost of the pens and remit the use tax due on their next periodic City sales/use tax return.
- 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 or not 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.

- Retailer C is a licensed Aurora convenience store. Retailer C purchases most of its inventory and store supplies from Wholesaler X. Retailer C places an order for candy, soft drinks, office supplies, and cleaning supplies and asks Wholesaler X to exempt the entire sale from tax agreeing to pay use tax to the City on items it ultimately uses. Despite this agreement, Wholesaler X must collect tax on the office and cleaning supplies because they are not for resale.

Related Topics

Construction Consumables
Construction Materials
Coupons, Discounts, and Promotional Items
Employee Sales
Samples, Demonstrations, and Displays

Citations

Aurora Municipal Code

§ 130-31. Definitions
§ 130-63. Collection and refund of disputed tax
§ 130-156. Taxable Items
§ 130-160. Responsibility for payment
§ 130-161. Schedule of Taxes
§ 130-196. Levy

Contact Us

For additional assistance, please contact us:

City of Aurora
Tax Division
15151 E. Alameda Parkway Ste. 5700
Aurora, CO 80012

Phone: (303) 739-7800

E-mail address: tax@auroragov.org

Website: <http://www.auroragov.org/tax>

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

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