



Tax and Licensing Division
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Tax Compliance Guide

Construction – Materials

(05/2023)

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.

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The *Aurora Municipal Code* requires that use tax be paid directly to the City on all construction materials for projects requiring a City building permit. Use tax is due to the City regardless of whether the source of construction materials is within or outside the City.

It is important to note that construction materials that fall under the below definition, but are used on non-permitted projects, are considered tangible personal property for tax purposes. These materials are discussed separately in the Aurora **Construction Projects Not Requiring Building Permits** tax guide.

Purchases of tools, and construction supplies that do not meet the definition of construction materials are considered items that are used directly by the purchaser and are subject to sales/use tax. They are addressed separately in the Aurora **Construction Consumable Supplies** tax guide.

The *Aurora Municipal Code* defines construction materials as follows: Tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a structure or project, including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders' hardware, caulking material, cement, concrete, conduit, electric wiring and connections, electrical heating and cooling equipment, fireplace inserts, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscape materials, wallboard, wall coping, wallpaper, weather stripping, wire netting and screen, water mains and meters, and wood preserver. The above materials are not construction materials when used for forms or other items that do not remain an integral and inseparable part of a completed structure or project.

Since Aurora use tax is paid directly to the City for permitted projects, Aurora tax should not be paid to vendors of construction materials on projects requiring a building permit. **Contractors and sub-contractors must present the building permit when purchasing construction materials to qualify for an exemption from city sales tax and avoid overpaying taxes.**

Permitted Project – Tax Liability

The person responsible for obtaining the permit is liable for use tax on all materials used on the project **jointly and severally** with the project owner. This liability includes materials used by sub-contractors and materials furnished by the property owner.

Construction materials on projects deemed exempt by the State of Colorado, and for which a project-specific Colorado Contractors Exempt Certificate has been issued, are considered exempt from City sales and use tax. Construction materials for these projects may be purchased exempt from Aurora sales tax by providing a copy of the State of Colorado project-specific Contractors Exempt Certificate to the vendor.

Use-tax deposit and Project Reconciliation

The amount of tax paid with the building permit, shown as the USE TAX line item on your receipt, is a use tax deposit calculated on the project's estimated value at the time the permit is pulled. Within 90 days following the issuance of a final certificate of occupancy or final inspection by the City, the general contractor must submit a project reconciliation to the City and remit any tax owed to the City in excess of the deposit. A Claim for Refund form must accompany the project reconciliation if a refund is due. Note that there is a one-year statute of limitations for refund claims on permitted projects.

Contractors must file individual reconciliations for projects over \$250,000 in value. The City encourages roofers and other contractors performing smaller permitted jobs to reconcile all Aurora jobs completed within a given period, reported on the use tax line of Aurora sales and use tax return (same periods as the sales and use tax filing). Still, contractors or property owners may file an individual reconciliation or refund claim for any permitted project.

A 50/50 option, in which tax is due on 50 percent of the final invoice/billings to the project owner, is available on almost all permitted projects in place of a detailed reconciliation.

Examples

1. Subcontractor A is hired to install plumbing for General Contractor B on an Aurora job requiring a building permit. General Contractor B provides Subcontractor A with a copy of the City building permit, and subcontractor A uses the copy of the building permit to purchase the materials for the job exempt from Aurora sales tax.
2. Subcontractor A, working on a permitted project under General Contractor B, purchases \$10,000 of construction materials presenting the Aurora building permit to the vendor. Additionally, they purchase small tools in the amount of \$500 from the same vendor and are not charged municipal sales tax. Subcontractor A owes use tax on the \$500 small tools purchase as a consumable supply. The \$10,000 in construction materials are exempt when purchased by the subcontractor, tax on the construction materials is reconciled with the building permit at the General Contractor B level.
3. Homeowner C obtains a City of Aurora building permit to finish their basement. When the building permit was pulled, use tax was paid for construction materials totaling \$5,000. At the end of the project, Homeowner C calculates to the total cost of the construction materials used on the basement finish to be \$4,000. Homeowner C will file a building permit reconciliation and claim for refund with the City within 1 year of the final inspection for the project. The amount eligible for refund is the use tax on the \$1,000 difference between the estimated value of materials on the building permit and the use tax on the actual final cost of the construction materials.

Related Topics

Contractors Brochure
Construction Consumable Supplies
Construction Equipment
Construction Projects Not Requiring Building Permits

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-33. Legislative Intent
§ 130-61. - Tax on construction materials.

Contact Us

For additional assistance, please contact us:

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