



Tax and Licensing Division
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Tax Compliance Guide

Credit, Installment, & Secured Sales

(5/2023)

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* defines "purchase or sale", in part, to include capital leases, installment and credit sales, and property and services acquired by transfer, either conditionally or absolutely, of title or possession or both to tangible personal property.

Sales of property that fall under a lease or lease purchase agreement are covered in the City of Aurora Leased & Rented Property Tax Guide.

Credit & Installment Sales

Retailers who sell tangible personal property or taxable services on credit, account, or on an installment payment basis are responsible for the collection and payment of applicable sales tax. Sales tax is due when delivery occurs and title for the item sold has been transferred to the purchaser, or upon delivery when the seller retains title as security for all or part of the purchase price. Such sales tax must be remitted on the next periodic City sales/use tax return regardless of whether the retailer has collected the amounts owed.

The finance director may authorize a retailer doing business wholly or partly on a credit basis to make returns on the basis of cash actually received or to collect the entire tax due at the time of the sale without regard to any deferred payment or whether or not the title passes to the purchaser; provided, however, that in any event, the entire tax due on a purchase or lease made on a revolving charge account shall be due and payable immediately.

Any tax included in a credit or installment sale constitutes a debt from the purchaser to the retailer and is recoverable by law in the same manner as all other debts. Except for secured sales, if the debt is subsequently found to be worthless by the retailer and is actually and properly charged off by the retailer for Federal Income Tax purposes, a bad debt deduction may be taken on the next periodic return provided that the statute of limitations has not expired.

If the goods are returned in a subsequent period, and a refund of the full purchase price and tax paid is issued, the retailer may take a returned goods deduction on the next periodic City sales/use tax return.

In any case where either a bad debt deduction or returned goods deduction will exceed the gross sales, the retailer must file a Claim for Refund form with the Tax Division. The total due for any period cannot be less than zero.

Secured Sales

A sale that is secured by a conditional sales contract or other security interest in the property sold, and which is found to be worthless, is not eligible to be taken as a bad debt deduction. The seller must collect the full amount of city sales tax from the purchaser at the time of the sale and remit the tax to the City. The seller may not take a bad debt deduction when they hold a security interest in the property, regardless of whether they take action to repossess or recover the property.

Examples

1. Company A is a licensed Aurora retailer that sells office supplies on account with 60-day credit terms. Company A also sells large equipment on an installment basis.
 - a. Company A sells Service Firm B a printer and 60 reams of paper in May. Company A must remit the tax on this sale with its May return due June 20th, even though Service Firm B is not expected to pay this invoice until July.
 - b. In June, Service Firm B returns 30 reams of paper to Company A for a refund of the purchase price paid plus tax. Company A may take a returned goods deduction for the purchase price on its June return due July 20th.
 - c. In August Company A sells Service Firm B a laptop computer on a nine-month installment plan, which includes as security a right to repossess the machine. Company A must remit tax on the total purchase price on its August return due September 20th.
2. Company C sells home appliances and provides financing for its non-cash sales. Company C retains title to the appliances as security for the sale until the full purchase price is paid.
 - a. Customer D buys a new washer and dryer and finances the sale. Company C must remit tax on the full purchase price at the time of the sale.

- b. Three months later, Customer D stops making his payments and defaults. Company C may choose to repossess the washer and dryer. Company C is not entitled to take a bad debt deduction regardless of their decision on whether to repossess the washer and dryer.
- c. Company C repossesses the washer and dryer and then sells them to Customer E for cash. Company C must remit tax on the full purchase price paid by Customer E. The subsequent sale of the washer and dryer is a separate transaction not related to the initial sale.

Related Topics

Bad Debts
Leased & Rented Property
Restocking Fees

Citations

Aurora Municipal Code

§ 130-31. Definitions
§ 130-156. Taxable items
§ 130-160. Responsibility for payment
§ 130-161. Schedule of taxes
§ 130-163. Collection and refund of disputed tax
§ 130-166. Credit sales and leases

Contact Us

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