



Tax Division
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Tax Compliance Guide

Automotive Service & Repair

(9/2023)

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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Sales by Repair Shops

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail. A licensed repair shop that either repairs vehicles or sells parts and accessories is required to collect and remit City sales tax on all sales, including parts installed on repaired vehicles.

Automotive service and repair businesses may not elect to pay sales tax on the purchase of repair parts rather than collect sales tax from their customers.

Labor to install, affix, or repair articles of tangible personal property may be excluded from the taxable purchase price if it is separately stated from any charges for tangible personal property when invoiced. Manufacturing, fabrication, or other processing labor is not exempt and must be included in the taxable purchase price.

Delivery fees and other miscellaneous fees, charges, and overhead recoveries - including, but not limited to shipping/freight, waste/disposal fees, environmental fees, handling fees, and shop supply charges must also be included in the taxable purchase price. *The Colorado Retail Delivery Fee and Waste Tire Fee are exempt from Aurora sales and use tax effective 11/1/2022.*

Core charges and other similar deposits, collected by a seller until the purchaser returns a used or exchanged part, are considered part of the taxable purchase price. When selling such items, the seller should collect tax on the full purchase price including the deposit/core charge. If the customer subsequently returns the used part, the appropriate tax should then be refunded. If the return occurs in a subsequent period, and the tax from the original sale has already been remitted to the City, the seller may take a returned goods deduction on the next periodic City sales/use tax return.

Purchases by Repair Shops

Repair shops must pay Aurora sales tax on taxable items and services purchased, leased, or rented for use in their shops, including supplies, tools, and equipment. If Aurora sales tax is not paid to a licensed vendor authorized to collect the same, then a use tax must be remitted directly to the City. Credit may be taken against Aurora

use tax for legally imposed sales or use taxes paid to other municipalities. Such credit may not exceed the Aurora use tax rate.

Parts and accessories purchased for resale by a licensed repair shop may be purchased tax free as wholesale sales. However, supplies used by the shop are subject to tax regardless of whether the business charges a shop supplies fee.

Shop Supplies

Shop supplies that do not become an integral and inseparable component of an automobile are subject to sales and use tax when purchased by a repair shop. Such items include, but are not limited to paint thinners, reducers, masking tape, cleaners, solvents, rubbing compounds, shop rags, uniforms, masks, and gloves.

Certain shop supplies, such as screws, nuts, bolts, and fasteners, do become permanently attached to other parts and accessories during repair. Such supplies, when purchased to become permanently attached, affixed or combined as an integral and inseparable component of an automobile, may be purchased tax free by licensed Aurora vendors provided that the customer is charged for the permanently affixed items. If a screw, nut bolt, fastener, cap or similar are permanently attached, purchased tax free by a licensed vendor, and the customer is not charged, then the vendor must assess and pay use tax on the purchase price of the parts.

Examples

1. Customer A takes her vehicle to Shop B, a licensed repair shop, to have her oil changed. The shop charges her for an oil filter, 4 quarts of oil, half an hour of labor, EPA waste fee, and shop supplies (10% of the labor charge). Each charge was separately stated. The shop is required to collect tax on all of the charges except the half hour of labor.
2. Customer C purchases a new alternator at Retailer D, a licensed Aurora vendor. Retailer D charges Customer C a \$75 core charge. Retailer D is required to collect tax on the price of the alternator and the core charge. If Customer C returns his old alternator, he should be refunded the tax collected on the core charge.

3. Shop B purchases shop towels, floor dry, paint thinner, and some tools for their shop. Shop B purchases these supplies from an out-of-city vendor, who charges only Colorado tax. Shop B must pay a use tax on the purchase price for these supplies on the next periodic City sales/use tax return (line 8).

Related Topics

Automotive Vehicles
Manufacturing and Fabrication
Mixed Transactions
Repairs and Maintenance
Use Tax
Warranties
Wholesale Sales

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-156. Taxable Items
§ 130-157. Items Exempt from Taxation
§ 130-160. Responsibility for Payment
§ 130-161. Schedule of Taxes
§ 130-196. Levy
§ 130-199. Use Tax Credit

Contact Us

For additional assistance, please contact us:

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