



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

## Tax Compliance Guide

### Professional Services

(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.

[Auroragov.org/tax](http://Auroragov.org/tax)

Professional service businesses that are engaged in business in the City must obtain an Aurora sales/use tax license even if they do not sell any tangible personal property or taxable services. Although professional service businesses may not have a sales tax liability, they may have a use tax liability. This liability must be reported and paid on the periodic City sales/use tax return.

#### Use Tax

The *Aurora Municipal Code* imposes a use tax upon the privilege of using, storing, distributing, or otherwise consuming tangible personal property and certain taxable services in the City. If Aurora sales tax is not paid to a vendor licensed and authorized to collect the same at the time of purchase, 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 due.

#### Taxation of Services

Generally speaking, professional services are not subject to Aurora sales/use tax. The *Aurora Municipal Code* explicitly taxes a few specific services, such as: telecommunication services, gas and electric services, pay television and entertainment services, and recreation services. The purchase of professional services, such as accounting services, legal services, consulting services, planning and design services, are not subject to tax even though some tangible personal property may be incidentally conveyed to the purchaser in the performance of the service.

An important distinction must be made, however, between the commission, hire, or purchase of professional services and services or labor involved in manufacturing tangible personal property. Manufacturing/fabrication labor or services used in the creation, assembly, production or configuration of tangible personal property is part of the taxable purchase price even when the cost or charges for such labor or services may be segregated from the cost or charges for materials. Charges for freight, delivery, and transportation are also subject to Aurora sales/use tax.

In determining whether a transaction involves the sale of tangible personal property or the performance of a service with only an incidental transfer of tangible personal property, the City will examine the transaction from the purchaser's perspective. If the

true object of the transaction is, from the purchaser's perspective, the receipt of a service, the transaction or the subsequent use is not taxable even though some tangible personal property is incidentally transferred with the performance of the service. However, if a service is performed in the production of tangible personal property, and if the object of the transaction, from the purchaser's perspective, is the acquisition of the tangible personal property, the transaction or use after sale is taxable.

Businesses who sell tangible personal property along with providing services of installing, affixing, or repairing such property, such as automotive repair shops or interior design services that include the sale of furnishings, must collect sales tax on the purchase price of the property sold. The service, labor, or installation charges may be excluded from the taxable total if separately stated on the invoice. Items sold in addition to their professional services are retail sales and sales tax must be charged.

#### Examples

1. A CPA has a small Aurora tax practice where she prepares tax returns for her clients. The CPA charges a flat fee for the preparation of each tax return. The CPA must pay Aurora sales or use tax on all of her supplies, including the forms and materials that she provides to her clients. The CPA should not collect sales tax on the tax return preparation fee.
2. An architecture firm is hired by an Aurora contractor to draft a set of blueprints for the construction of an office building. Additionally, the architecture firm will provide additional printed copies of the design and blueprints for \$75 per copy. The charges for the architectural design and blueprints are a nontaxable service. The \$75 charge for additional printed copies of the design and blueprints are a retail sale and sales tax on the printing charges should be collected by the architecture firm.
3. A Carpenter with a small shop in Aurora builds custom furniture for his clients, purchasing materials and tracking his time on a job-by-job basis. The carpenter charges his customers for the actual cost of the materials, a per-hour labor charge, and a delivery fee. Because the furniture is the object of the transaction from the purchaser's perspective, the carpenter must collect Aurora sales tax on the total purchase price charged for the furniture, including all of these charges.

4. An Aurora resident takes their vehicle to 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 should collect tax on all of the charges except for the half hour of labor.
5. A janitorial service provides cleaning services to local office buildings in Aurora. Their charges for cleaning services are a non-taxable service, the janitorial service must pay sufficient sales/use tax on all cleaning supplies and equipment used to perform their services.

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## Related Topics

Automotive Service & Repair  
Barber Shops, Beauty Parlors, and Salons  
Construction Projects not Requiring Building Permits  
Linen Rental & Services  
Manufacturing & Fabrication  
Mixed Transactions  
Previously Paid Sales or Use Tax  
Repairs and Maintenance  
Use Tax

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 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

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## 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](mailto:tax@auroragov.org)

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

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