



Tax Division
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Tax Compliance Guide

Samples, Demonstrations, & Displays

(09/2023)

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* imposes a use tax upon the privilege of using, storing, distributing, or consuming tangible personal property or taxable services purchased, leased, or rented at retail in the City. This tax includes tangible personal property used for samples, and certain property used for demonstration and display purposes.

If the sample, demonstration, or display units are fabricated by the user, the basis of the tax is the cost of raw materials.

Samples

Samples are tangible personal property given away free of charge for promotional purposes, with no expectation that the sample items will be purchased or returned to the retailer.

Tangible personal property that a retailer provides as a sample or withdraws from inventory for the purpose of providing samples, is subject to Aurora sales and use tax. The amount subject to sales and use tax for the samples is the retailer's purchase price.

Demonstrations and Displays

Tangible personal property used by a retailer, wholesaler, or salesperson to demonstrate or display goods available for sale may be subject to Aurora sales tax.

The following items of tangible personal property for demonstration and display purposes are subject to Aurora sales and use tax:

- ❖ Tangible personal property permanently withdrawn from inventory for display purposes
- ❖ Tangible personal property that is permanently installed at a business location for display purposes
- ❖ Tangible personal property that incurs significant use, or which has a measurable reduction in its useful life due to being a demonstration or display item that differs from the retailer's general inventory

Inventory used for demonstration or display purposes that is continuously carried as "inventory" for resale on the retailer's books, and that does not incur a significant or measurable reduction in its useful life that differs from other inventory, is not subject to Aurora sales and use tax.

The amount subject to use tax for demonstration and display items is the purchase price paid for the items. No reduction in the tax is permitted on account of the length of time the items are used, the amount of consumption, or tax collected on future sales of the units.

Examples

1. Company A is an Aurora furniture retailer. To induce customers to purchase goods, Company A uses some of its inventory as demonstrator units on its sales floor. Company A does not adjust its inventory values on its books, as these units will ultimately be resold.

Since the demonstration units remain for sale and are ultimately sold in substantially the same condition as other inventory, company A does not owe a use tax. Company A must collect sales tax on the sale of the demonstration units.

2. Company B is a flooring retailer with a showroom in Aurora. Company B uses small carpet and tile samples that are taken from their current inventory for display purposes in its showroom. After being used as samples in their showroom, the remaining samples no longer needed are discarded by the retailer.

Company B must pay use tax on the purchase price paid for the carpet and tile samples. The pieces cut for samples are not later sold to a customer and substantially differ from the retailer's other inventory.

3. Company C is a grocery store in Aurora. On weekends, Company C offers its customers samples of food taken from inventory and prepared for consumption.

Company C must pay use tax on its cost of the inventory, including any napkins, toothpicks, disposable cups, or other supplies which it uses to distribute the samples.

4. Company D is a shoe retailer. Customers at Company D's store may try on shoes for fit and appearance. Customers may briefly walk in the shoes within the store, but they must use socks and cannot remove them from the store to prevent wear.

Because the shoes are sold in an unaltered condition and basically unused, Company D does not owe a use tax on the display inventory. Company D must collect sales tax on the price charged for the shoes.

5. Company E operates a kitchen showroom to display potential kitchen remodel ideas to their customers. To build the showroom displays, Company E withdraws cabinetry and countertops from their inventory and builds display kitchens in the showroom.

Since the cabinetry and countertops pulled from inventory are permanently installed in the showroom, they are subject to use tax.

Related Topics

Automobile Dealers & Demonstration Vehicles
Properly Exempted Purchases Converted to Taxable Use
Use Tax

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-33. Legislative Intent
§ 130-156. Taxable Items
§ 130-160. Responsibility for Payment
§ 130-161. Schedule of Taxes
§ 130-196. Levy
§ 130-199. Use tax credit

Contact Us

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