



Tax Division  
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## Tax Compliance Guide

### Use Tax

(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)

The *Aurora Municipal Code* imposes a use tax upon the privilege of using, storing, distributing, or consuming tangible personal property and certain taxable services in the City. If Aurora sales tax is not paid at the time of purchase to a vendor licensed and 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 due or be used to offset use tax liability on other purchases.

Use tax is complementary to sales tax but is paid directly to the City rather than to a vendor collecting on behalf of the City. All Aurora taxpayers must pay sales or use tax on purchases of tangible personal property or taxable services that are not purchased for resale. Service businesses will likely have a use tax liability even if they do not sell anything.

Use tax is levied upon not only the privilege of use or consumption, but of storage or distribution in the City as well. If a taxpayer exercises dominion or control over property for any length of time in the City, a taxable event has occurred. This distinction is important for taxpayers located in multiple jurisdictions that receive their purchases in Aurora and subsequently distribute them to other locations.

Retail businesses may have a use tax liability resulting from the removal of inventory which was originally purchased for resale. This can result from the removal of items from inventory for internal uses such as operating supplies or equipment, promotional giveaways, and complimentary items or meals.

### Use Tax is Transactional

When tangible personal property is first used, consumed, stored, or distributed in the City by the present owner, a use tax may be due. While credit is allowed for a legally imposed sales/use tax previously paid, this credit only applies to taxes paid by the current owner. A previous owner's payment of sales/use tax does not apply.

### Identifying Use Tax Liabilities

If a purchase of tangible personal property or taxable services does not include an appropriate charge for municipal sales tax, then a use tax is due. Many vendors, being licensed with the Colorado Department of Revenue and other taxing authorities in the state, will collect some sales tax on a taxable purchase. However, they may not collect the City of Aurora tax. For this reason, special attention should be given to the *rate* of tax collected. Each purchase should be carefully examined to ensure that a sufficient and legally imposed sales or use tax has been paid.

Colorado sales tax follows the "Destination Sourcing" principle. This means that sales tax is calculated and charged based on where delivery address, or the location the services occur. Some retailers erroneously collect the wrong tax, either because they are unsure of which jurisdiction an address resides in, or because they are incorrectly collecting tax based upon a billing address or where the initial sale was made rather than the delivery address.

### Examples

1. Sandwich Shop A buys a bread toasting machine for their Aurora location from a manufacturer in Chicago. The Chicago manufacturer collects 4% sales tax which is paid to the State of Colorado, but does not collect Aurora sales tax. Sandwich Shop A is required to pay 3.75% Aurora use tax on the machine and include this purchase on their next Aurora Sales and Use Tax Return.
2. Retail Store B buys a shipment of 50 cash registers. They will be stored in Aurora and shipped to various stores in and out of Aurora as needed. The vendor did not charge Retail Store B Aurora sales tax. Retail Store B must pay 3.75% Aurora use tax on all cash registers stored in Aurora, including those to be later shipped to stores outside of Aurora. They will include this use tax on their next Aurora Sales and Use Tax Return.
3. Janitorial Service C operates their business from an Aurora location. They purchase all their cleaning supplies in-person at a supplier located in a neighboring jurisdiction that correctly charges a 2.5% municipal sales tax. When the cleaning supplies are brought back to their Aurora location for use in their business, Aurora's 3.75% use tax is due on the cleaning supplies. Janitorial Service C is allowed credit for the legally imposed 2.5% sales tax paid at the time of purchase. On the cost of the supplies, Janitorial Service C will include use tax on the remaining 1.25% difference in the tax rates on their next Aurora Sales and Use Tax Return (3.75% Aurora sales tax less the 2.5% tax paid at the time of purchase).

4. Company D is an office furniture store and has an executive chair in inventory. The President of Company D needs a new chair for her office. Because Company D is a retailer of office chairs, they are purchased as inventory wholesale free of Aurora sales tax. When Company D withdraws the chair from inventory for their own use, they are required to pay 3.75% Aurora use tax on their cost. They will report the use tax on their next Aurora Sales and Use Tax Return.

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## Related Topics

Previously Paid Sales Use Tax  
Prior Use of Property  
Purchase or Sale of a Business  
Samples, Demonstrations, & Displays  
Use Tax for Individual Residents  
Wholesale Sales

**See the following guidance's for information regarding building use tax and costs relating to construction projects:**

Construction Equipment  
Construction Materials  
Projects Not Requiring City Building Permits  
Construction Consumables

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. (b) Legislative Intent  
§ 130-61. Tax on Construction Materials  
§ 130-196. Levy  
§ 130-198. Exemptions  
§ 130-196. Levy  
§ 130-199. Use Tax Credit

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## Contact Us

For additional assistance, please contact us:

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