



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

# Tax Compliance Guide

## Vendor Assessments

(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.

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

As part of its comprehensive tax compliance program, the City routinely conducts audits of businesses examining their sales and purchases. During this examination, the auditor sometimes identifies purchases where the vendor has collected an incorrect tax or has collected Aurora tax and not remitted it directly to Aurora.

If a vendor is not licensed to collect tax with the City of Aurora, the purchaser is liable for use tax on the purchase regardless of taxes shown on an invoice. Aurora maintains a license look-up tool on the Aurora Tax Portal for verification that a business is licensed to collect Aurora tax.

A business must maintain books and records. If books and records are not maintained, Aurora may estimate tax liability based on any information available.

### Improperly Imposed Tax

Often vendors rely on a customer's mailing address or zip code in determining the local tax to be charged. This reliance may be misplaced because zip codes do not coincide with City boundaries and are not a reliable source for determining taxability. Further, because there are post offices servicing Aurora that are in neighboring cities, a purchaser's mailing address may be misleading. Customers with Centennial or Denver mailing addresses may reside in Aurora. This may result in a vendor collecting and remitting an incorrect local tax.

Retailers are responsible for the collection and payment of tax. Failure to collect the proper tax does not relieve a retailer of their liability to the City. If the original local tax has been remitted to another jurisdiction in error, the retailer must pay the vendor assessment and apply to that jurisdiction for a refund.

To avoid this issue, retailers making deliveries into the City are encouraged to use the State of Colorado's certified electronic address database. Retailers that maintain documentation showing they relied on the certified database at the time of the sale are held harmless. Also, the city of Aurora website provides a link to property information to confirm if an address is in Aurora.

### Improperly Paid Tax

Businesses that have paid sales or use tax to a jurisdiction outside of Aurora when Aurora's tax was legally due may not claim a credit for the tax paid to the other city. Credit for tax paid to another city is

only provided for tax that was *lawfully* required to be paid. When a business incorrectly pay tax to a jurisdiction that is not due the tax, Aurora may issue an assessment to the business and the business must apply for a refund from the other jurisdiction.

### Failure to Impose Tax

Vendors that should have collected Aurora sales tax but did not, or that improperly exempted a sale from tax, may be assessed for the taxes that they failed to collect.

A vendor has a duty to inquire as to the validity of exemptions and ensure the item is exempted for the purposes claimed by the purchaser. If the taxable nature of the purchase is in dispute, the vendor shall collect the tax and refer the purchaser to the city to file a refund claim of the disputed tax. Refund claim forms are available on the Tax Division's website and through the Aurora Tax Portal.

Charges for services not otherwise taxable are taxable if they are not separately stated on the invoice to the purchaser at the time of sale. Lump sum billings that combine both taxable and non-taxable items or services will be assessed with the entire lump sum amount as taxable.

### Tax Discovery

Occasionally, the City identifies purchases where the vendor properly collected Aurora tax but failed to remit that tax to the City. This usually results from a vendor failing to license with the City.

Aurora is a home-rule city that collects and administers its own tax. Some vendors do not realize that they are required to license with home-rule cities in addition to the Colorado Department of Revenue. Neither the Department of Revenue nor any other jurisdiction may collect Aurora's tax. If the original local tax has been remitted to another jurisdiction in error, the retailer must pay the vendor assessment and apply to that jurisdiction for a refund.

For a complete listing of home-rule cities, vendors should refer to Colorado Department of Revenue form DRP 1002, which is available on their website [www.tax.colorado.gov/DR1002](http://www.tax.colorado.gov/DR1002). This form is updated semi-annually.

The City of Aurora also offers a voluntary disclosure program for businesses that determine they have a tax liability to the City of Aurora but have not been contacted by the City and would like to

proactively resolve the liability. Information on the voluntary disclosure program can be located on the City website at: [www.auroragov.org/vda](http://www.auroragov.org/vda)

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## Examples

1. Business A delivers a product to a customer with a Denver mailing address. Business A collects Denver sales tax. During an audit, it is discovered that the customer address is in Aurora. Business A will be assessed Aurora sales tax and need to apply for a refund from the City of Denver.
2. Business B is in Aurora and collects the correct sales tax rate. Business B incorrectly remits all the sales tax owed to the State of Colorado. During an audit, it is discovered that Business B remitted the Aurora sales tax it collected to the State of Colorado rather than directly to Aurora. Business B will be assessed for the Aurora tax and will need to apply for a refund from the Colorado Department of Revenue.
3. Business C is an auto repair shop and purchases parts at a Denver auto parts store where they pay Denver sales tax on the purchases. The parts are then resold to customers in Aurora and no sales tax is collected from their customer. When audited by the City of Aurora, Business C will be assessed for the full city of Aurora sales tax on the parts sold. The tax in Denver was not lawfully paid as the parts should have been purchased tax exempt for resale. Since the tax was not lawfully paid, no credit will be given for the taxes paid to Denver. Business C may then separately file a claim for refund with the City of Denver.
4. Business D is an auto repair shop that replaces a part for a customer. Business D charges a singular lump sum for the repair that includes both parts and labor and does not charge sales tax to the customer. Business D will be assessed tax on the entire invoice amount as charges for non-taxable labor were not separately stated on the invoice at the time of the sale and no Aurora sales tax was collected on the sale.
5. Business E operates a convenience store in the City of Aurora and does not charge sales tax on candy bars, which are subject to Aurora sales tax. Business E is liable for the sales tax on the candy bars that were sold since Aurora tax should have been collected.

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## Related Topics

Deliveries Outside the City  
Mixed Transactions  
Notice of Assessment Appeals & Protests  
Professional Services  
Refund Claims  
Wholesale Sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-67. Duty to keep books and records  
§ 130-160. Responsibility for payment  
§ 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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