Finance Department

City of Aurora

Tax Division
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Tax Compliance Guide

Purchase or Sale of a Business

(3/2024)

The *Aurora Municipal Code* imposes a use tax upon the purchase price paid for tangible personal property, except inventory held for resale, acquired with the purchase of a business. This includes property taken in exchange for assumption or forbearance of outstanding indebtedness.

Aurora use tax is due regardless of whether the seller or transferor has previously paid Aurora sales/use tax on the property sold. Use tax is transactional and imposed each time a taxable event (the purchase or sale of the business) occurs. The use tax on the purchase of tangible personal property must be reported on the first periodic sales and use tax return filed by the purchaser of the business.

The taxable amounts is the price or value of such property as recorded in the bill of sale or purchase agreement, unless such price is less than the fair market value of the property at the time of the sale, in which case the fair market value applies. If the purchase is a lump-sum transaction, and the price of the property is not separately stated in the bill of sale or agreement, the taxable basis shall be the greater of the fair market value of the property or the book value established by the purchaser for income tax depreciation purposes. When property is acquired in return for the assumption or forbearance of outstanding indebtedness, use tax shall be paid on the fair market value of the taxable tangible personal property.

Leasehold improvements are considered tangible personal property, excluding leasehold improvements that qualify as real property. To qualify as real property, the improvements must be specifically identified in the purchase agreement and have required a City of Aurora building permit when originally constructed.

In determining the fair market value, the City uses the best information available, including personal property tax declarations filed with the County Assessor, and may also propose estimates or require independent appraisals of the property.

Purchasers are cautioned that liens for the seller's outstanding taxes may have attached to the property offered for sale. City tax liens attach automatically by operation of law and do not require a notice to be recorded for perfection. Purchasers are encouraged to require the seller to furnish a *Certificate of Taxes Due* detailing the outstanding liability, if any. Instructions for requesting a certificate can be found in the Certificate of Taxes Due tax guide.

Examples

1. Company A agrees to acquire, as an asset purchase, an existing laundromat located in the City of Aurora. As part of the purchase, the agreed upon value of the laundry equipment was $10,000, which is in line with the market value. Company A will report the $10,000 purchase of equipment as subject to Aurora use tax on their next period sales and use tax return.

2. Company B purchases a competitor's entire business in an asset purchase for $10,000 with no amounts allocated to inventory and/or equipment. The fair market value of the equipment purchased is $5,000. Aurora use tax is due on the $5,000 fair market value of the equipment on their next period sales and use tax return.

Related Topics

Certificate of Taxes Due

Citations

Aurora Municipal Code
§ 130-31. Definitions
§ 130-33. Legislative Intent
§ 130-74. Unpaid tax a prior lien; exemption from lien
§ 130-75. Sale of business
§ 130-76. Purchases and repossessions subject to tax lien
§ 130-156. Taxable Items
§ 130-157. Items Exempt from Taxation
§ 130-160. Responsibility for payment
§ 130-196. Levy
§ 130-199. Use tax credit

Contact Us

For additional assistance, please contact us:

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