



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

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## Tax Compliance Guide

### Admissions 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.

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The *Aurora Municipal Code* imposes an admissions tax upon the amount paid for admission to a place or event open to the public. A non-exhaustive list of places and events for which admission charges or fees imposed upon members of the public are taxable include the following:

1. Any showing or performance of a motion picture, stage show, play, concert or other manifestation of the performing arts;
  2. Any sporting or athletic contest, exhibition or event, whether amateur or professional;
  3. Any lecture, rally, speech or dissertation;
  4. Any showing, display or exhibition of any type, such as an art exhibition; or
  5. Any restaurant, tavern, lounge, bar or club, whether the admission charge is termed a "cover charge," "door charge," or other such term.
3. A semi-professional sports league charges spectators \$10 per ticket to attend games at an Aurora gymnasium. This charge is subject to admissions tax.
  4. Aurora High School charges admission for a student play. This charge is not subject to admissions tax since it is conducted by a school.

### Related Topics

Governments and Charitable Organizations  
Recreation Services  
Restaurants & Bars

### Citations

*Aurora Municipal Code*  
§ 130-231. Definitions  
§ 130-232. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-234 Responsibility for payment  
§ 130-233. Levy

### Exemptions

The following types of events are exempt from collection of the tax.

1. Any admissions fee paid or charged to gain admission into any place owned by a school, or any event sponsored or conducted by a school.
2. Any admissions charged to gain admission into any place owned by the City or any event sponsored or conducted by the city.
3. Admissions purchased by a government, or an exempt charitable organization in the conduct of their regular charitable functions and activities.

**Note: charitable organizations are not exempt from collection and remittance of tax for any events held by the charitable organization.**

### Contact Us

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### Examples

1. A bar and night club charges \$10 per person as a cover charge on weekends. This charge is subject to admissions tax.
2. A movie theater charges \$8 per ticket for a matinee showing. This charge is subject to admissions tax.



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## Tax Compliance Guide

### Advertising

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The *Aurora Municipal Code* imposes a sales/use tax upon the purchase price paid for tangible personal property stored, used, or consumed in the City of Aurora. Tangible personal property includes printed and digital advertising materials.

#### Printed Materials

The purchase and delivery of printed advertising materials is taxable in the City of Aurora. This includes advertising materials such as newspaper inserts and circulars, flyers, brochures, coupons, and pamphlets.

Charges for the distribution and delivery of advertising materials are subject to sales and use tax in the City of Aurora in the same manner as other charges for delivery, freight, and shipping.

Banners, promotional signage, and billboards are subject to Aurora sales/use tax.

#### Direct Mail

Direct mail means printed material delivered or distributed by United States mail or other delivery service to a mass audience, or to addresses on a mailing list provided to or directed by the purchaser. The costs for the items are not billed directly to the recipients.

Charges for direct mail or newspaper inserts are subject to sales/use tax on items delivered into the City of Aurora.

Direct mail contracted to be delivered by third parties, including property that is never in the physical possession of the business, is subject to sales/use tax in the City of Aurora.

Postage charges are non-taxable if paid directly to the post office and billed separately from the invoices to the direct mail vendor.

#### Digital Advertising

Tangible personal property includes digital goods. The distribution of digital goods such as pictures/images and video are tangible personal property subject to Aurora sales/use tax.

Certain digital internet/web-based advertising is subject to Aurora sales/use tax. This includes any digital advertising that in its non-digital form would be subject to sales/use tax.

#### Non-Taxable Advertising

Advertising services that do not include the transfer of tangible personal property are not taxable. Examples include services such as consulting, reputation management, brand management, search engine optimization, design services, or various other services with no transfer of tangible personal property involved.

However, advertising agencies engaged in furnishing advertising services to their customers are required to pay sales or use tax on purchases of tangible personal property used in rendering their services.

Broadcast advertising over radio and television is not taxable.

#### Examples

1. An Aurora pizza restaurant pays for a printer to print a flyer with coupons to place on each pizza box, and also for distribution by employees at local sporting events. The purchase price of the flyers, including shipping/delivery, is subject to sales/use tax.
2. An Aurora retailer contracts with a direct mail provider to print and mail a brochure to local addresses. The invoice for the contract lists only one charge, labeled "Marketing Mailing – 500 items." The retailer will never have physical possession of the brochures; the contract states that the direct mail provider will deliver the brochures directly to the post office and that the price includes postage. This charge is a direct mail transaction subject to Aurora sales/use tax on the full amount of the contract.
3. An apartment property manager previously contracted with a printer to produce brochures to promote their floor plans and the property's amenities. This year, the manager contracted with an online property search firm to provide a digital brochure online for the same purposes. This is a taxable form of digital advertising.

#### Related Topics

Digital Goods  
Freight Delivery and Transportation  
Printers and Printing  
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

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## Tax Compliance Guide

### Apartment Buildings & Property Management Companies

(3/2024)

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Owners and managers of apartment buildings and other rental residential or commercial properties that are operated by a legal entity with one or more employees working in the City must obtain a General Business License and pay Aurora sales tax on items purchased, leased, or rented for use in their properties. If Aurora sales tax is not paid to a vendor licensed to collect the same, then use tax must be remitted directly to the City on the next periodic return. 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 amount of Aurora use tax due.

Residential and commercial rent charges are not subject to City sales or lodger's tax if the contract is for a period of at least 30 consecutive days.

On-site rentals of tangible personal property, such as equipment, furniture, or coin-operated laundry machines are not subject to sales tax as long as sales or use tax was paid on the purchase of the property. Sales tax must be collected if the coin-operated machine dispenses property, such as vending machines for detergent or beverages.

Materials used in minor repair work (not requiring a building permit) are subject to sales and use tax. Labor charges for installing or repairing tangible personal property are not subject to sales and use tax, provided they are separately stated from charges for materials or parts.

For construction and property improvements requiring a City of Aurora building permit, property owners and managers should verify that building permits were pulled with the City. Both property owners and the contractor pulling the building permit are liable for Aurora taxes due on any construction.

For additional information on property maintenance, see the Repairs and Maintenance and Mixed Transactions tax guides.

When a commercial or multi-family property is purchased or sold, sales/use tax is due on the portion of the purchase price attributed to tangible personal property in the contract or bill of sale. The greater of the fair market value or book value of the tangible personal property is used as the purchase price. For additional information see the Purchase or Sale of a Business tax guide.

### Examples

- Complex A contracts with Vendor B to install blinds in all units. Vendor B charges \$300 for each blind, plus \$50 freight, and a separate charge of \$150 for installation. The \$300 charge for each blind plus the \$50 freight is subject to sales and/or use taxes.
- Complex C has an on-site laundry facility that charges \$0.75 per wash and a vending machine for detergent costing \$0.75. The price for the wash is not subject to sales tax if Complex C paid Aurora sales or use tax on the purchase of the on-site laundry machines. The detergent vending machine sales are taxable and Complex C must report and remit taxes on these sales to the City.
- Owner D owns an office complex and rents fully furnished office spaces including furniture and other office decor. Owner D may elect to pay use tax on the original purchase of the furniture and other personal property rather than collect Aurora sales tax on the rental of the furnishings. If Owner D does not pay sales or use tax on the original purchase of the furniture and other personal property, the owner should invoice the customer specifically for the furniture rental and collect Aurora sales tax.

### Related Topics

Construction Projects Not Requiring Building Permits  
Coin-Operated Devices  
Leased and Rented Property  
Mixed Transactions  
Previously Paid Sales or Use Tax  
Purchase or Sale of a Business  
Repairs and Maintenance  
Use Tax

### Citations

*Aurora Municipal Code*  
§ 86-86 Licenses - *Engaged in business*  
§ 130-31. Definitions  
§ 130-156. Taxable Items



§ 130-157. Items Exempt from Taxation  
§ 130-157.5. Short-term on premises rentals of tangible personal property  
§ 130-161. Schedule of Taxes  
§ 130-364. Exemptions (Lodger's Tax)

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## **CITY OF AURORA REGULATION CONCERNING THE TAXATION OF FOOD**

For the purposes of this regulation food includes food and drink.

Any food, as specified in 7 U.S.C. Section 2012(k) (2014), as amended, for purposes of the supplemental nutritional assistance program, or any successor program, as defined in 7 U.S.C. Section 2012(t), or as thereafter amended, which is purchased with the medium of exchange commonly known as food stamps or supplemental nutrition assistance program ("SNAP") benefits, is exempt from the City's sales and use tax.

Any food, as specified in 42 U.S.C. Section 1786, as such section exists on October 1, 1987, or as thereafter amended, which is purchased with the medium of exchange commonly known as women, infant, and children ("WIC") vouchers, checks or similar certificates of exchange is exempt from the City's sales and use tax.

Any food not purchased with federal food stamps, SNAP benefits or WIC vouchers, checks or similar certificate of exchange is subject to taxation or exemption as provided in paragraphs 1, 2, and 3 below:

1. a. Items eligible for purchase with food stamps or WIC vouchers are exempt as follows:

- (1) Food for domestic consumption as defined by the federal supplemental nutrition assistance program in 7 U.S.C. Section 2012(k) (2014), or as thereafter amended, is exempt from taxation as provided below, except for those items specified in 1.c. This list of food and nonfood items under the federal supplemental nutrition assistance program is intended as a guide and not a complete listing.) The federal supplemental nutrition assistance program definition of food would include, among other items, meat, poultry, fish, bread and breadstuffs, cereals, vegetables, fruit, fruit and vegetable juices, dairy products, coffee, tea, cocoa, candy, breath mints, condiments, spices, soft drinks, cakes, cookies, potato chips, special dietary foods (e.g. diabetic and dietetic) enriched or fortified foods, health food items (e.g. Metrecal, Enfamil, Sustegen, wheat germ, brewer's yeast, sunflower seeds which are packaged for human consumption, rose hips powder which is used for preparing tea, and other food products which are substituted for more commonly used food items in the diet), infant formulas, and items incorporated into foods with other ingredients (e.g. pectin, lard, and vegetable oils).

1. b. Items which are prohibited from purchase by food stamps or WIC vouchers per Department of Agriculture guidelines are subject to sales and use tax. These items include:

(1) Nonfood items, even if sold in grocery or similar type stores (e.g. hardware, clothing, common household items such as cooking utensils, cleaning and paper products, soaps, toiletry articles, grooming items, and cosmetics)

(2) Alcoholic beverages, but excluding beverages marketed for domestic home consumption (e.g. cooking wine, wine vinegar, and non-alcoholic cocktail mixes)

(3) Cigarettes, tobacco, and tobacco products

(4) Foods which are hot at the point of sale and which are kept above room temperature to make them palatable and suitable for immediate consumption, food marketed to be heated on the premises whether or not hot at the point of sale, and other food sold for consumption on the premises

(5) Items not intended for human consumption (e.g. laundry starch, pet foods, other animal foods, and seeds marketed or packaged as birdseed)

(6) Items specifically labeled as being for use other than human consumption (e.g. decorative dye for hard cooked eggs)

(7) Food preservation equipment and items (e.g. pressure cookers, canning jars and lids, paraffin, freezer containers, and wrapping paper)

(8) Ice used for refrigeration

(9) Vitamins, dietary supplements, and medicines (except prescription drugs and other medical items that are exempt from the city's sales and use tax by virtue of Aurora City Code Section 130-157 (20), (21), (34), and (35))

(10) Health aids (e.g. patent medicines and other products used primarily as health aids and therapeutic agents, including aspirin, cough drops or syrups, cold remedies, and antacids)

1. c. Items purchased with cash or currency which may be purchased with food stamps or WIC vouchers per Department of Agriculture guidelines, but do not qualify as food for purposes of the sales and use tax exemption include:

- (1) Soft Drinks – sweetened nonalcoholic beverages not containing milk, milk products or substitutes, and not greater than 50% juice by volume
- (2) Candy – preparations of sugar, honey, or other sweeteners and ingredients in the form of bars, drops, or pieces. Candy does not include items containing flour, requiring refrigeration, or marijuana infused products
- (3) Carbonated water in containers such as sparkling or seltzer water
- (4) Chewing gum and breath mints
- (5) Seeds and plants to grow food (e.g. tomato or other fruit or vegetable plants, or seeds. However, for city sales and use tax purposes see Aurora Code Section 130-157 (14) and 130-198 (20) relating to agricultural producers
- (6) Prepared salads, other than frozen salads, requiring refrigeration sold in any size or type of container (e.g. egg salad, potato salad, fruit salad, pasta salad, gelatin salad, bean salad, fish salad, poultry salad, meat salad, etc.) whether prepared by the retailer onsite or at a warehouse, or by a manufacturer for sale to and by a retailer
- (7) Salad bars (e.g. cut up fruits and vegetables sold in various sized servings, usually by the pound or plate, along with accessory foods and condiments, such as soup, rolls, crackers and salad dressings)
- (8) Cold sandwiches other than frozen sandwiches
- (9) Deli trays (e.g. meats, fish, cheeses, fruits and vegetables, etc., sold on trays prepared by the retailer or for the retailer)
- (10) Food sold by or through vending machines
- (11) Prepared food or food marketed for immediate consumption as specified in paragraphs 2 or 3 below

2. While foods marketed for domestic home consumption, with exceptions noted above, generally qualify for the sales tax exemption, prepared food or food marketed for immediate consumption generally does not qualify. The following guidelines apply in determining whether food is considered food for home consumption contrasted with prepared food or food for immediate consumption:

- (1) Prepared food or food marketed for immediate consumption includes all food furnished or served for consumption at tables, chairs, or counters, or from trays, glasses, dishes, or other tableware provided by the retailer.

(2) All hot foods and food marketed to be heated on the premises are considered to be prepared for immediate consumption and are taxable, regardless of whether immediately consumed.

(3) Prepared food or food marketed for immediate consumption also includes food served or furnished in or by restaurants, cafes, lunch counters, hotels, drugstores, social clubs, nightclubs, cabarets, resorts, snack bars, caterers, carryout shops, and other like places of business at which prepared food is regularly sold, including sales from pushcarts, motor vehicles, and other mobile facilities.

(4) The following types of establishments typically do not sell food marketed for domestic home consumption; newsstands, gift shops; stores, including shops located in public transportation centers, offices or other public or commercial buildings, entertainment facilities (e.g. theaters) and recreation facilities (e.g. sports arenas and stadiums). However, if such an establishment has been approved by the United States Department of Agriculture (“USDA”) to accept food stamps and/or SNAP benefits at the store location where the sale and purchase is to occur, the establishment is considered to sell food for domestic home consumption, and the vendor is not required to collect sales tax on any items eligible to be purchased with food stamps and/or SNAP benefits, subject to paragraph number one (1) above and its subparagraphs.

(5) The following types of establishments typically do sell food marketed for domestic home consumption: grocery stores, convenience stores, bakeries, butcher shops, fruit and vegetable stores, and department stores.

3. It is not the obligation of a retailer to collect the sales tax on food marketed for domestic home consumption which after purchase is converted to or used for other purposes which are taxable. Such conversion or use is subject to any applicable sales or use tax by the purchaser.

In determining whether food is considered for domestic home consumption or prepared food or food for immediate consumption, the following guidelines apply to the specialized establishments enumerated below:

**a. Bakery and Pastry shops**

(1) Sales by bakeries or pastry shops which do not have eating facilities are not subject to tax;

(2) Sales by bakeries or pastry shops which have eating facilities are taxable except for items sold on a take-out or to-go basis not to be consumed at the eating facilities provided by the retailer;

(3) Sales by bakeries or pastry shops that are delivered to the customer are taxable if the customer is a business entity; sales are not subject to tax if the customer is an individual purchasing for his/her own use.

**b. Ice Cream shops**

(1) Sales of ice cream cones, cups, sundaes, and the like, marketed for immediate consumption are subject to tax;

(2) Items marketed in containers or packages for domestic home consumption, such as ice cream, ice cream bars, popsicles and fudgesicles, toppings sold in cans or jars, and cakes or pies are not taxable.

**c. Caterers**

Normally all food sold by a caterer is taxable. However, if such caterer operates a retail store selling food items marketed for domestic home consumption, the rules governing taxability of food as set forth in paragraphs 1 and 2 apply. Sales by caterers of food from motor vehicles and other mobile facilities are taxable.

**d. Restaurants, Snack Bars, Carry Outs, Etc.**

All food sold by restaurants, cafes, lunch counters, hotels, drugstores, social clubs, nightclubs, cabarets, resorts, snack bars, caterers, carryout shops, and similar establishments is taxable. However, when such restaurants also operate a grocery store, pastry, or ice cream shop, rules applicable to such establishment apply to sales made from such facilities.

**e. Liquor Stores**

Food marketed for domestic home consumption by a liquor store is exempt. Alcoholic beverages, including spirituous, malt or vinous liquors, are taxable. However, cocktail mixes which do not contain alcohol or meet the definition of soft drinks, cooking wines, and wine vinegars are exempt.

**f. Street Vendors**

Street vendors (e.g. pushcarts, mobile food stands, food trucks, and the like) are generally subject to tax on all their sales. Sales of vegetables, fruit, and other groceries marketed for domestic home consumption by mobile markets or door-to-door vendors are exempt.

**g. Vending Machines**

All sales of food and drink vended by or through machines are taxable.

**h. Business Purchases**

Sales of coffee services, bottled water services, and other food or related items or services that are sold to a business or commercial entity, intended to be served to customers or employees, do not qualify as food for home consumption and are taxable.





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## Tax Compliance Guide

### Automotive Service & Repair

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#### Sales by Repair Shops

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail. A licensed repair shop that either repairs vehicles or sells parts and accessories is required to collect and remit City sales tax on all sales, including parts installed on repaired vehicles.

Automotive service and repair businesses may not elect to pay sales tax on the purchase of repair parts rather than collect sales tax from their customers.

Labor to install, affix, or repair articles of tangible personal property may be excluded from the taxable purchase price if it is separately stated from any charges for tangible personal property when invoiced. Manufacturing, fabrication, or other processing labor is not exempt and must be included in the taxable purchase price.

Delivery fees and other miscellaneous fees, charges, and overhead recoveries - including, but not limited to shipping/freight, waste/disposal fees, environmental fees, handling fees, and shop supply charges must also be included in the taxable purchase price. *The Colorado Retail Delivery Fee and Waste Tire Fee are exempt from Aurora sales and use tax effective 11/1/2022.*

Core charges and other similar deposits, collected by a seller until the purchaser returns a used or exchanged part, are considered part of the taxable purchase price. When selling such items, the seller should collect tax on the full purchase price including the deposit/core charge. If the customer subsequently returns the used part, the appropriate tax should then be refunded. If the return occurs in a subsequent period, and the tax from the original sale has already been remitted to the City, the seller may take a returned goods deduction on the next periodic City sales/use tax return.

#### Purchases by Repair Shops

Repair shops must pay Aurora sales tax on taxable items and services purchased, leased, or rented for use in their shops, including supplies, tools, and equipment. If Aurora sales tax is not paid to a licensed vendor 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 rate.

Parts and accessories purchased for resale by a licensed repair shop may be purchased tax free as wholesale sales. However, supplies used by the shop are subject to tax regardless of whether the business charges a shop supplies fee.

#### Shop Supplies

Shop supplies that do not become an integral and inseparable component of an automobile are subject to sales and use tax when purchased by a repair shop. Such items include, but are not limited to paint thinners, reducers, masking tape, cleaners, solvents, rubbing compounds, shop rags, uniforms, masks, and gloves.

Certain shop supplies, such as screws, nuts, bolts, and fasteners, do become permanently attached to other parts and accessories during repair. Such supplies, when purchased to become permanently attached, affixed or combined as an integral and inseparable component of an automobile, may be purchased tax free by licensed Aurora vendors provided that the customer is charged for the permanently affixed items. If a screw, nut bolt, fastener, cap or similar are permanently attached, purchased tax free by a licensed vendor, and the customer is not charged, then the vendor must assess and pay use tax on the purchase price of the parts.

#### Examples

1. Customer A takes her vehicle to Shop B, 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 is required to collect tax on all of the charges except the half hour of labor.
2. Customer C purchases a new alternator at Retailer D, a licensed Aurora vendor. Retailer D charges Customer C a \$75 core charge. Retailer D is required to collect tax on the price of the alternator and the core charge. If Customer C returns his old alternator, he should be refunded the tax collected on the core charge.

3. Shop B purchases shop towels, floor dry, paint thinner, and some tools for their shop. Shop B purchases these supplies from an out-of-city vendor, who charges only Colorado tax. Shop B must pay a use tax on the purchase price for these supplies on the next periodic City sales/use tax return (line 8).

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## Related Topics

Automotive Vehicles  
Manufacturing and Fabrication  
Mixed Transactions  
Repairs and Maintenance  
Use Tax  
Warranties  
Wholesale Sales

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## Citations

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The *Aurora Municipal Code* defines an automotive vehicle as any vehicle or device in, upon, or by which any person or property may be transported or drawn upon a public highway, or any device used or designed for aviation or flight in the air. Examples of automotive vehicles include, but are not limited to, cars, trucks, motorcycles, trailers, semi-trailers, recreational vehicles, mobile homes, and airplanes.

Automotive vehicles do not include devices moved by human power, such as bicycles. Automotive vehicles also do not include devices used exclusively upon stationary rails or tracks.

Although articles of special mobile machinery may be registered and plated, they are not considered automotive vehicles for Aurora sales and use tax purposes. As such, they do not qualify for the exemption that applies to vehicles properly registered outside the City and must be declared when located within City limits. See the Construction Equipment tax guide for more information on the taxes related to mobile machinery.

#### Purchased Vehicles

Vehicles purchased by Aurora residents or businesses are required to be registered at the purchaser's address in Aurora. Aurora tax is due on the purchase price of the vehicle. If sales tax was not paid at the time of purchase, City use tax will be due. The County Clerk will collect any City use tax due when the vehicle is registered.

The taxable purchase price includes mandatory fees such as "delivery", "dealer preparation", or "dealer handling" fees. Optional, extended warranties and gap insurance are not subject to tax. Charges for title and lien recording fees are also excluded from the taxable purchase price, provided they are charged at actual cost without markup.

Purchased vehicles moved into Aurora are not subject to use tax if, at the time of purchase, the owner was a nonresident who purchased the vehicle for use outside the City, and the vehicle was previously properly registered, titled and licensed outside the City. Upon moving to the City, residents must register their vehicle in Aurora.

#### Trade-Ins and Rebates

The taxable purchase price is reduced by the fair market value of an

automotive vehicle taken in trade by the seller. The trade-in deduction is the value of the vehicle only and is not affected by any seller's agreement to "pay off" the balance of a loan for the vehicle taken in trade, even if the loan exceeds the fair market value of the vehicle.

Dealer incentives and rebates from the manufacturer do not reduce the taxable purchase price. These amounts are portions of the price paid by the manufacturer as opposed to actual reductions in the price by the seller.

#### Vehicles Purchased in Other States

Sales tax may be collected on vehicles purchased in other states, depending upon that state's tax laws. Credit is allowed for such tax, up to the amount of use tax due, provided the tax is lawfully imposed. The credit is computed by comparing the combined rate of tax that would have been imposed had the purchase been made locally to the sales tax collected at the time of the purchase. Prior to registering the vehicle with the County Clerk, the purchaser may need to contact the Aurora Tax Division to obtain documentation authorizing a tax credit. Alternatively, the purchaser may pay the full City use tax to the County Clerk and file a *Claim for Refund* form with the City.

Purchasers are advised to research the laws of the state in which they are purchasing a vehicle for registration in Aurora. Some states exempt vehicles purchased for out-of-state registration provided that the purchaser takes specific actions. Such actions may include completing specific forms or affidavits, or procuring special permits. Credit will not be given against Aurora use taxes if such exemptions are available to purchasers.

#### Vehicle Financing/Loans

Automotive vehicles may be financed under a secured loan, whereby the lender retains a security interest in the vehicle until the loan is repaid. Separately stated financing charges are not subject to Aurora tax. Although the vehicles sales/use tax itself may be financed, and therefore paid over the term of the loan, tax on the full purchase price is due up-front at the time of the sale.

No refund or credit of tax to either party is allowed in the event that the vehicle is repossessed.

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## Leased Vehicles

Vehicles leased by an Aurora resident or business are required to be registered at the lessee's address in Aurora. City sales tax is due on each periodic lease payment. In order to register the leased vehicle, evidence must be shown that the lessor is licensed to collect Aurora tax.

If at the inception of the lease, the lessee was not an Aurora resident or business, but subsequently moves into the City, the vehicle must be registered at the lessee's address in Aurora at the time of the move. Aurora sales tax is due on all subsequent periodic lease payments.

The State of Colorado rules differ from Aurora regarding the application of taxes on leases. Contact the Colorado Department of Revenue for more details.

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## Residency Guidelines

### Individuals

Vehicles must be registered at the person's principal or primary home or place of abode, determined in the same manner as residency for voter registration unless such vehicle is permanently operated and maintained at another address. If a person is not registered to vote, factors such as the address listed on the driver's license, the address shown on the vehicle insurance policy as the location where the vehicle is garaged, the purchaser's work address, telephone directory address, utility billing address and other public records will be considered in determining primary residency.

### Businesses

Registration for vehicles owned by a business is based on the address from which the vehicle is principally operated and maintained.

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## Examples

- Customer A lives in Denver and leases a vehicle for 36 months. She properly registers the vehicle in Denver. Six months later, Customer A moves to Aurora. She must register the vehicle in Aurora and pay Aurora city sales tax on the remaining 30 lease payments.
- Customer B lives in and is registered to vote in Aurora, and also owns a vacation home in the mountains. When Customer B purchases a new vehicle for use in the City, he is required to register it in Aurora and pay Aurora sales or use tax on the purchase price. He may not register the vehicle at his mountain address because it will not be permanently garaged and maintained there.
- Customer C lives in unincorporated Adams County and owns a business in Aurora. She recently purchased a vehicle for her business and is depreciating it, for income tax purposes, on her business records. Customer C must register the vehicle at her business address in Aurora and pay Aurora sales or use tax on the purchase price.

- Business D is based in Aurora, but has a location in Colorado Springs. Business D buys two trucks, one for the Aurora shop and one for the Colorado Springs shop. Because one of the vehicles is principally operated and maintained outside of the City, it is not required to be registered in Aurora.

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## Related Topics

Automotive Service & Repair  
 Bad Debts  
 Construction – Equipment  
 Credit, Installment, & Secured Sales  
 Leased & Rented Property  
 Trade-Ins  
 Warranties

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## Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-156. Taxable Items  
 § 130-157. Items Exempt from Taxation  
 § 130-159. Application to Sales of Automotive Vehicles  
 § 130-160. Responsibility for Payment  
 § 130-161. Schedule of Taxes  
 § 130-196. Levy  
 § 130-199. Use Tax Credit  
 § 130-201. Nonlocal Sales of Automotive Vehicles

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## Tax Compliance Guide

### Bad Debts

(12/2022)

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

The Aurora Municipal Code provides that any tax collected by a licensed retailer constitutes a debt from the purchaser to the retailer until paid and shall be recoverable at law in the same manner as other debts. Taxable sales that are found to be worthless and are actually and properly charged off as bad debts for Federal income tax purposes, may be deducted from gross sales by the retailer who collected and remitted the tax. Provided, that the transactions were included in gross sales on the current or prior return, and to the extent that the statute of limitations has not expired.

In establishing worthlessness, the retailer has the burden of providing adequate evidence that the usual remedies available in collecting the debt have been exhausted. If the debt is subsequently collected, the purchase price and related tax must be reported on the next periodic City sales/use tax return.

No bad debt deduction is allowed in cases of repossession, or if there is a secured interest in the property.

#### Amount Subject to Deduction

**Taxable receipts** - If the amount of an account found to be worthless and charged off is comprised in part of nontaxable receipts such as tax, interest, insurance, repair, or installation labor and in part of taxable receipts upon which tax has been paid, a bad debt deduction may be claimed only with respect to the unpaid amount upon which tax has been paid. In determining that amount, all payments and credits to the account shall be applied ratably against the various elements comprising the amount the purchaser contracted to pay (pro rata method).

**Expenses of Collection** - No deduction is allowable for expenses incurred by the retailer in attempting to enforce collection of any account receivable, or for that portion of a debt recovered that is retained by or paid to a third party as compensation for services rendered in collecting the account.

**Worthless account subsequently collected** - If any account found worthless and charged off is thereafter collected by the retailer, in whole or in part, the taxable percentage of the amount so collected shall be included in the first return filed after such collection and tax shall be paid on such amount with the return. The same percentage of the account which the retailer claimed as an allowable bad debt deduction or refund shall be used to determine the taxable percentage of the recovery.

**Records** - In support of deductions or claims for refund for bad debts, retailers must maintain adequate and complete records showing:

- (1) Date of original sale.
- (2) Name and address of purchaser.
- (3) Amount purchaser contracted to pay.
- (4) Amount on which retailer paid tax.
- (5) The jurisdiction(s) where the taxes were allocated.
- (6) All payments or other credits applied to account of purchaser.
- (7) Evidence that the usual remedies available in collecting the debt have been exhausted. Collection attempts, such as phone calls, correspondence, and pursuit via litigation, must be adequately documented.
- (8) Evidence that the uncollectible portion of gross receipts on which tax was paid actually has been legally charged off as a bad debt for income tax purposes (whether or not the income tax return has yet been filed) or, if the retailer is not required to file income tax returns, charged off in accordance with generally accepted accounting principles.
- (9) The taxable percentage of the amount charged off as a bad debt properly allocable to the amount on which the retailer reported and paid tax.

#### Examples

1. Max's Sporting Goods sells uniforms to public and charitable high school sports teams. The schools provide their exemption certificate and are not charged sales tax. The sales are deducted on the return as Governmental/Charitable Sales. At the end of the year, one of the charitable schools had not paid for an order for \$150.00 after many attempts to collect. Max has determined the amount qualifies as a bad debt. Max will not be able to deduct the \$150.00 amount because taxes were never paid on the initial sale.

2. A business sells cell phones to customers under installment contracts. The cell phone is identified as collateral in the contract and may be recovered by the seller if the purchaser defaults on the payments. The business must remit city sales tax on the full purchase price in the month the contract was signed.

If the customer defaults on the payments, the business may not take a bad debt deduction on the sales tax return for the uncollectible amount of the installment sale due to having a security interest in the phone. In addition, the business is not entitled to a refund or credit of the tax remitted.

If the phone is returned and the business sells the same cell phone back to another customer, the sale to the customer is a new taxable transaction. The business must collect city sales tax on the full amount of the sale, and no adjustments are allowed for the prior events related to the default and or repossession on the first sale.

3. A used car dealership provides financing for all its non-cash sales. Under a financed sale the dealership holds a lien on the title to the car until the selling price is paid in full. The dealership has a security interest in all cars it finances and thus no bad debt deduction is allowed if the customer fails to make the required payments.
4. A customer of a home improvement center who has an open credit account files bankruptcy. The home improvement center may take a deduction for the amount of the bad debt representing taxable credit sales on which they had previously remitted sales tax to Aurora.

The business subsequently files a claim with the bankruptcy court. Four years later, the business recovers 50% of the amount due from the customer. The amount of the recovery which was previously deducted as a bad debt must now be reported as taxable bad debts collected.

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**Licensing:** <http://www.auroragov.org/bl>

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## Related Topics

Credit, Installment, and Secured Sales  
Leased and Rented Property

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## Citations

*Aurora Municipal Code*

§ 130-31. Definitions

§ 130-156. Taxable items

§ 130-160. Responsibility for payment

§ 130-161. Schedule of taxes

§ 130-163. Collection and refund of disputed tax

§ 130-166. Credit sales and leases

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## Tax Compliance Guide

### Bakeries and Pastry Shops

(12/2022)

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Bakeries and pastry shop establishments engaged in business in Aurora are responsible for the collection and payment of sales/use tax.

#### Sales by Bakeries and Pastry Shops (Sales Tax)

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. The sales tax must be shown as a separate and distinct charge. "It shall be unlawful for any retailer to advertise or hold out or state to the public or to any customer, directly or indirectly, that the tax or any part thereof imposed by this division shall be assumed or absorbed by the retailer or that it will not be added to the purchase price of the property sold or, if added, that it or any part thereof shall be refunded". Common examples of taxable sales in bakeries and pastry shops include, but are not limited to:

- ❖ Establishments that sell baked goods along with drinks or meals are no longer considered solely a bakery and must collect sales tax on their sales, similar to a restaurant or deli. This applies to establishments that are takeout only or have eating facilities. However baked goods that are purchased in bulk for home consumption may be sold exempt from sales tax, for example a dozen or more donuts or a loaf of bread.
- ❖ Deliveries – Sales by bakeries or pastry shops that are delivered to the customer are taxable if the customer is a business entity; sales are not subject to tax if the customer is an individual purchasing for his/her own use.
- ❖ Bakery and Pastry Merchandise – Such as promotional clothing, glasses, and other sundry items.
- ❖ Vending Machine Sales – Sales of tangible personal property such as snacks, soft drinks, and sundries from vending machines are taxable. Sales tax is not required if the price of the item sold is less than \$0.30.

#### Purchases by Bakeries and Pastry Shops (Sales/Use Tax)

Bakeries and pastry shops, like other retailers, must pay Aurora sales tax on the purchase price paid for tangible personal property and taxable services used in the business which are not for resale.

See Related Topics for additional guidance on use tax considerations.

#### Examples

1. Bakery A sells to a customer \$10.00 of pastries to take home. Also, it sells two croissants and a coffee for \$2.50 to eat at their seating area. Bakery A should collect Aurora sales tax on the \$2.50 paid for the croissants and coffee, the \$10.00 in take home pastries are non-taxable food for home consumption.
2. Bakery B does not offer seating, meals, or beverages in their establishment and sells only bulk baked goods for home consumption. Bakery B would not have sales subject to Aurora sales tax.
3. Bakery C gives its managers free pastries during their shift to eat during their break. Bakery B must report and pay use tax on its cost of the free pasties.

#### Related Topics

Coin Operated Devices  
Coupons, Discounts, & Promotional Items  
Employee Sales  
Exempt Purchases Converted to Taxable Use  
Food  
Wholesale Sales  
Restaurants and Bars  
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  
§ 130-163. Assuming or absorbing tax



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## Tax Compliance Guide

### Barbershops, Beauty Parlors, and Salons

(9/2023)

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Barbershops, Beauty Parlors, and Salons engaged in business in Aurora are responsible for the collection and payment of sales tax on their retail sales.

#### Taxable Sales:

The Aurora *Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. Sales tax must be shown as a separate and distinct charge.

Common examples of retail sales by barber shops, beauty parlors, and salons include, but are not limited to:

- ❖ Sales of cosmetics, creams, lotions, perfumes, shampoos, skin and hair care products
- ❖ Wigs, extensions, or other removable/reusable products
- ❖ Brushes, combs, hair clips and other accessories
- ❖ Nail polishes, nail kits, treatments, and manicure supplies
- ❖ Sales of food or drinks or vending machine sales

#### Non-Taxable Sales:

When the barbershop, beauty parlor, or salon provides a service, they often use supplies or products as part of those services. The charges for services are not subject to sales tax. If the sale includes removable and reusable items, such as wigs or hair extensions, the charge for the removable and reusable items should be separately listed on the customer receipt and sales tax charged on the items.

Common examples of non-taxable services provided by barber shops, beauty parlors, and salons include, but are not limited to:

- ❖ Hair cutting, styling, dyeing, permanent hair treatments, or shampooing
- ❖ Manicures, pedicures, nail care and treatments,
- ❖ Spa services, massages, facials, or other spa treatments performed at the business location

#### Purchases (Sales/Use Tax)

Barbershops, beauty parlors, and salons, like other retailers, must pay Aurora sales tax on the purchase price paid for tangible personal property and taxable services used in the business, aside from inventory that will be resold. Common examples of property and services subject to sales/use tax include, but are not limited to:

- ❖ All supplies purchased or removed from inventory to use in providing a non-taxable service
- ❖ Scissors, razors, clippers, rollers, hair dryers, hair dyes, gels, sprays, shampoos, treatments
- ❖ Furniture & Equipment – Fixed assets such as office furniture, fixtures, point of sale and other computer hardware and software, equipment, whether purchased, leased, or rented from sources inside or outside the City, is subject to City sales/use tax
- ❖ Pay television services
- ❖ Other Tangible Personal Property & Taxable Services – Other supplies, including, but not limited to: office cleaning and maintenance supplies, subscriptions, uniforms, promotional items, repairs and maintenance materials and supplies, forms, publications, decorations, and other similar items are subject to City sales/use tax.

#### Leasing of Booths and Workspaces:

If the owner of a barber shop, beauty parlor, or salon leases a booth or space to someone else who will serve his or her clients on such booth or space; the person who is leasing the booth and space is liable for sales and use tax on their sales.

The owner of the barber shop, beauty parlor, hair stylist needs to comply with stipulations of Section 130-157.5-Short term on premises rentals of tangible personal property. This section states that personal property rented for use at the business location either must have sales or use tax paid on the initial purchase, or sales tax should be charged on the rental of the personal property by the lessee, as outlined in Example 4 of this guide.

#### Examples

1. Barber shop A offers shampoo and other hair care products in addition to the service of cutting hair. Customer B receives a hair cut in the amount of \$25.00 and purchases a bottle of shampoo to take home for \$10.00. Aurora sales tax should be charged on the \$10.00 sale of the shampoo.

2. Customer B purchases a \$60.00 manicure and acrylic nail service. The nails are provided by the shop which are included in the \$60.00 service price. Customer B also purchases an extra set of acrylic nails for \$10.00 to take home, which she will use to repair nails as they break. The salon should charge sales tax on the extra set of acrylic nails

for \$10.00. The \$60.00 charge for the acrylic nail service is not subject to sales tax, the salon should pay Aurora sales or use tax on the purchase of any supplies used.

3. Beauty Salon D charges a customer \$60.00 for a haircut and styling service. Additionally, they provide and include a reusable hairpiece/extensions for \$50.00. The \$60.00 charge for haircut and styling is a non-taxable service. Sales tax should be charged on the \$50.00 charge for the reusable hairpiece/extensions.

4. The owner of Beauty Salon D has 5 booths; employees of the salon operate booths #1, 2, and 3. The owner decides to rent/lease booths #4 and 5 to outside stylists for a monthly fee. The rent/lease payments will be classified under one of the scenarios below:

- a) The owner of the salon pays city sales or use tax on the equipment and supplies provided in the rental of the booth. The owner of the barber shop does not need to collect sales tax on the rent/lease payments they receive.
- b) The owner of the salon elects not to pay Aurora sales or use tax on the equipment and supplies provided in the rent/lease of the booth. The owner of the salon needs to collect sales tax on each monthly lease payment they receive.

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## Related Topics

Coin operated devices  
 Professional Services  
 Properly exempted purchases converted to Taxable Use  
 Use Tax  
 Wholesales sales

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## Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-33. Legislative Intent  
 § 130-156. Taxable Items  
 § 130-157.5 Short-term on Premises Rentals of Tangible Personal Property  
 § 130-160. Responsibility for Payment  
 § 130-161. Schedule of Taxes  
 § 130-163. Assuming or Absorbing Tax  
 § 130-196. Levy  
 § 130-199. Use tax credit

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## Tax Compliance Guide

### Certificate of Taxes Due

(3/2024)

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A *Certificate of Taxes Due* is issued by the Tax Division to certify that a business is licensed with the City and current with its taxes. The certificate will indicate whether any tax liability exists at the time of certification. It is used for the seller of a business to certify to potential purchasers that there are no outstanding taxes. A purchaser of a business is required to remit payment directly to the city, from purchase money withheld from the buyer, to cover all taxes due and owing. Failure to withhold and remit the taxes from the proceeds will make the purchaser personally liable for taxes unpaid by the previous owner.

Because this information is confidential, the certificate must be requested by the taxpayer. The request is made through the City's Tax and Licensing Portal. To make a request begin by logging into the Portal. Click to select "More..." and then "Requests a Certificate of Taxes Due" in the "Messages" window to begin.

The certificate only certifies taxes known to be outstanding as of the date prepared. The City is not precluded from assessing taxes if current period returns are not filed, if a return payment is returned, or if taxes due are discovered through any subsequent events, audit, or investigation.

#### *Aurora Municipal Code*

- § 130-74. Unpaid tax a prior lien; exemption from lien
- § 130-75. Sale of business
- § 130-76. Purchases and repossessions subject to tax lien

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## Examples

1. The owners of an Aurora motel wish to sell the motel. An interested purchaser is conducting standard due diligence research regarding the property and requires that the seller provide evidence that their taxes are current. The owners of the motel can file a request with the city for a Certificate of Taxes Due and ask that it be provided directly to the interested purchaser.

## Related Topics

Purchase or Sale of a Business

## Citations



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## Tax Compliance Guide

### Coin Operated Devices

(09/2023)

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#### Devices Vending Tangible Personal Property

Sales of tangible personal property through "coin operated" devices also known as vending machines are subject to Aurora sales tax. Tax does not need to be charged or stated separately to the customer, but may be included in the price of the items sold. If the price of the item sold is thirty cents (\$0.30) or less the sale is exempt from tax.

Aurora sales tax must be paid on the purchase, lease, or rental of vending machines, and any repair parts or maintenance supplies used. If Aurora sales tax is not paid 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.

Food items sold through vending machines are subject to Aurora sales tax and do not qualify as food for home consumption. Other tax-exempt items sold through vending machines remain exempt, such as newspapers.

Items sold through vending machines may be purchased exempt from Aurora sales tax as wholesale sale for resale.

#### Amusement and Other "Coin Operated" Devices

The city of Aurora applies sales tax to recreation services. The payment for the utilization of "coin operated" devices such as video games, pool tables, and juke boxes is considered a payment for recreation services and is subject to the city's sales tax. If the device is coin operated and tax cannot be separately stated, it may be included in the purchase price.

This sale is subject to tax regardless of the method of payment and collection, including credit/debit cards, pre-paid cards or vouchers, coins, currency or other substitutes therefor, or collection by an attendant.

Owners operating a business engaged in placing pool or billiard tables or other amusement devices in the city must also obtain an Amusement Device Distributor's License. A business that displays amusement devices in their place of business must obtain an Amusement Device Vendor's License. Devices that are capable of reimbursing the operator in coin, token, or money in excess of the

charge made for the operation of such devices are not permitted in the city. Coin pushers and simulated gaming devices that reimburse the operator are prohibited.

The payment for the utilization of "coin operated" games of skill or chance, which either dispense tangible personal property as prizes, or provide tickets, credits, or vouchers which may be redeemed for prizes, is similarly considered an amusement device and is subject to tax. The consideration surrendered by the player is for a recreation service and is not paid for the prize. This is evidenced by the fact that not every player obtains a prize for identical amounts of credit per play. Therefore, owners or operators of such devices must pay Aurora sales/use tax for the tickets, vouchers, and prizes purchased for use in the device or redemption by players thereafter. The prizes are not retail sales and cannot be purchased wholesale.

Amusement device operators must pay Aurora sales/use tax when purchasing the machines as they are considered to be used by the vendor in the provision of recreation services.

#### Car Washes and Laundromats

Car washes and laundry machines are "coin operated" devices. Therefore, payment for utilization of a car wash device constitutes a short-term rental of the wash device. Amounts paid for the utilization of these devices are considered short term rentals of tangible personal property. The city of Aurora allows for either collection of sales tax from the customer, or alternatively the business may pay sales/use tax on the equipment when it is purchased. If sales/use tax is paid when the equipment is purchased, then use of the equipment by the patron is not subject to Aurora sales tax.

#### Examples

1. Vending Company A sells soda and candy through a "coin operated" vending machine. Each soda sells for \$0.50 per can. Vending Company A must remit the tax collected as part of this price.
2. Pool Hall B operates a pool hall where customers pay an attendant to use the pool tables and equipment by the hour. This per hour charge constitutes provision of recreation services and is subject to sales tax.

3. Business C buys a car wash from Business D. Business C does not want to collect sales tax from customers using the car wash. Business C must pay use tax on the equipment purchased from Business D. Business C must also pay sales/use tax on all future, equipment, parts, supplies, and on all soap and wax purchased for use in the equipment. Business C must collect sales tax from all property vended through vending machines. Business C can purchase any items vended through vending machines tax exempt for resale.
4. Business E purchases a car wash from Business F. Business E chooses to collect sales tax from customers for use of the car wash as a rental of the equipment. Business E can purchase the car wash equipment and replacement parts exempt from city sales/use tax for resale as a rental since they are collecting sales tax from their customers. Also, all soaps and wax used in the equipment can be purchased tax exempt for resale.

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## Related Topics

Food and Related Items  
Leased & Rented Property  
Recreation Services  
Purchase/Sale of Business  
Wholesale sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-157. Items Exempt from Taxation  
§ 130-157.5. Short-term on Premises rentals of Tangible Personal Property  
§ 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:

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## Tax Compliance Guide

### Collector Coins & Precious Metal Bullion

(05/2023)

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)

#### Summary

The Aurora Municipal Code exempts precious metal bullion and collector coins. Sales of collector coins and precious metal bullion are not subject to Aurora sales and use tax.

However, sales or use tax applies to transactions in which exempt collector coins or precious metal bullion are used in a bartered exchange to obtain taxable goods or services. The precious metal bullion is exempt, but the purchase of other taxable goods or services remains subject to Aurora sales and use tax. The purchase price is the fair market value of the taxable goods or services.

Not all sales of monetary items are exempt from taxation. Collectable paper money, checks, commemorative coins that are not legal tender, and similar items are not exempt. Similarly, transactions involving objects such as jewelry or decorative items forged from precious metals are taxable, as much of the value of these objects is derived from their appearance, and not simply their precious metal content.

#### Definitions

"Precious metal bullion" is defined as any precious metal, including but not limited to gold, silver, platinum, or palladium, that has been put through a process of refining and is in such a state or condition that its value depends upon its precious metal content and not its form.

"Collector coins" are monetized bullion or other forms of money manufactured from precious or other metals, which have been designated as legal tender at some point by the state, the United States, or a foreign nation.

#### Examples

- Person A purchases an American Silver Eagle coin from an online coin dealer. Person A pays \$20 for the coin. The face value of the coin as legal U.S. tender is \$1. No Aurora sales or use tax is due on the \$20 purchase price.
- Vendor B, a memorabilia shop located in Aurora, sells a silver and gold-plated Super Bowl XXXII commemorative coin to a customer for \$100. The coin is not considered legal tender, and

while it is crafted from precious metals, much of the value is derived from its form as a collectable coin and it is not considered bullion. Aurora sales tax must be collected on this transaction.

- Person C, an Aurora resident, makes a sizable investment in various precious metal bullion. Person C later visits Vendor D, an Aurora-based pawn shop, and exchanges silver bullion bars for a guitar, priced at \$250, in a bartered transaction. No Aurora tax is due on Person C's storage of bullion, but Vendor D is required to collect sales tax on the \$250 sales price of the guitar.
- Person D purchases a set of collectable vintage U.S. dollar bills in a protective case for \$250. The purchase of the collectable paper money is subject to Aurora sales and use tax.

#### Related Topics

Use Tax  
Use Tax for Individual Residents

#### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-157. Items Exempt from Taxation  
§ 130-161. Schedule of Taxes  
§ 130-196. Levy  
§ 130-198. Exemptions

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## Tax Compliance Guide

### Commercial Packaging & Shipping Materials

(5/2023)

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The *Aurora Municipal Code* imposes a sales/use tax upon the purchase price paid on tangible personal property at retail. Sales tax must be charged on shipping materials that are not for resale. Commercial packaging that becomes part of the finished product is exempt per Aurora Municipal Code.

Commercial packaging materials are exempt from sales and use tax, however commercial shipping materials are excluded from the exemption. This guidance explains the difference between the two materials and how the city's sales and use tax does or does not apply.

#### (Exempt) Commercial Packaging Materials

The Aurora Code defines commercial packaging materials as "containers, labels, and/or cases, that become part of the finished product to the purchaser, used by or sold to a person engaged in manufacturing, compounding, wholesaling, jobbing, retailing, packaging, distributing or bottling for sale, profit or use, and is not returnable to said person for reuse. "Commercial packaging materials" does not include commercial shipping materials."

Materials would only qualify as Commercial Packaging Materials if the following criteria are met:

- ❖ The tangible personal property is transferred by retailers with and as part of the finished product.
- ❖ The tangible personal property is not returnable for reuse.
- ❖ If commercial packaging is returnable; it is taxable.
- ❖ Commercial packaging is taxable if sold to businesses performing services, e.g. moving companies, storage facilities, warehousing and dry cleaners.

#### (TAXABLE) Commercial Shipping Materials

The Aurora Code defines "commercial shipping materials" as "materials that do not become part of the finished product to the purchaser which are used exclusively in the shipping process. Commercial shipping materials include but are not limited to containers, labels, pallets, banding material and fasteners, shipping cases, shrink wrap, bubble wrap or other forms of binding, padding or protection."

When shipping materials are purchased for use, they are considered taxable. The purchase of the materials is exempt if they are a wholesale purchase for resale. For wholesale transactions reference the wholesale tax compliance guide.

- ❖ The definition of a "wholesale" sale includes sales that are for resale and excludes sales "to users or consumers not for resale."
- ❖ Shipping supplies that are not for resale should not be purchased with an exempt certificate, they are subject to Aurora tax.
- ❖ Shipping materials are taxable when sold to businesses performing services since they are not wholesale sales. Service businesses are the final purchaser and consumer of the shipping materials.

#### Examples

1. Business A is a distributor of pet supplies located in Aurora. Business B is an Aurora licensed retailer of commercial packaging and shipping materials. For mailing and shipping their delivery orders, Business A purchases from Business B: shrink wrap, sealing tape, stretch film, labels and shipping boxes/cases. Business A must pay sales tax to business B on all the purchases made since they are commercial shipping materials.
2. Business C is a manufacturer of electronic goods located in the City of Aurora which purchases their packaging and shipping materials from Business D, a licensed Aurora retailer of commercial packaging and shipping materials. Business C purchases from Business D: Pre-printed product boxes to contain the goods manufactured, shipping pallets, shipping labels, and shrink wrap. Business D should collect sales tax on the commercial shipping materials (shipping pallets, shipping labels, and shrink wrap). The pre-printed boxes to contain the manufactured electronic goods are commercial packaging materials that are part of the finished product and are therefore exempt.
3. Business E is a self-storage business located in Aurora that also sells boxes, packing tape, shrink wrap, and other moving and property storage supplies. Business F is an Aurora licensed wholesaler of commercial packaging and

shipping materials. Business E purchases from business F: shrink wrap, sealing tape, stretch film, labels, and moving boxes. Business E provides its Aurora exempt certificate to Business F and lists that sales are "wholesale" for resale by Business E. The purchases are wholesale inventory for resale and are therefore exempt.

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## Related Topics

Wholesale Sales

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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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## Tax Compliance Guide

### Construction – Consumable Supplies

(05/2023)

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The *Aurora Municipal Code* defines construction materials as tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a structure or project, including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders' hardware, caulking material, cement, concrete, conduit, electric wiring and connections, electrical heating and cooling equipment, fireplace inserts, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscape materials, wallboard, wall coping, wallpaper, weather stripping, wire netting and screen, water mains and meters, and wood preserver.

The above materials, when used for forms or other items which do not remain as an integral and inseparable part of a completed structure or project, are not construction materials. Erosion control materials and supplies are not construction materials.

Materials, tools, and supplies used in construction projects that do not meet the above definition of construction materials are consumable supplies. They are treated differently for tax purposes and are subject to sales or use tax at the time of purchase. The contractor is considered the user/consumer of these items and the sales tax exemption for construction materials does not apply. If a municipal tax is not lawfully paid at the time of purchase, use tax will be due directly to the City of Aurora.

There is an important distinction between consumable supply purchases and purchases that meet the definition of construction materials. Sales/use tax liability does not pass from the purchaser or subcontractor to the general contractor and/or project owner as is the case with permitted construction materials. The user/consumer of consumable construction supplies is liable for sales or use tax on their purchases.

#### Examples

1. Subcontractor A, working on a permitted project under General Contractor B, has a box of gloves delivered to the Aurora project site for use in performing their subcontract. No municipal sales tax is collected by the vendor on the purchase. Subcontractor A owes Aurora use tax on the purchase and the liability does not flow to the General contractor or project owner.

2. Subcontractor A, working on a permitted project under General Contractor B, purchases \$10,000 of construction materials presenting the project's building permit to the vendor. Additionally, they purchase small tools in the amount of \$500 from the same vendor and are not charged municipal sales tax. Subcontractor A owes use tax on the \$500 small tools purchase as a consumable supply. The \$10,000 in construction materials are exempt when purchased by the subcontractor since tax on the construction materials is reconciled at the General Contractor B level.

3. Subcontractor A, working on a permitted project under General Contractor B, purchases \$5,000 in lumber for forming concrete at the construction site. Subcontractor A owes Aurora use tax on the purchase and the liability does not flow to the general contractor or project owner. Concrete forms do not meet the definition of construction materials covered under the building permit.

#### Related Topics

Contractors Brochure  
Permit Reconciliation  
Construction Equipment

#### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-61. - Tax on construction materials.

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## Tax Compliance Guide

### Construction Equipment

Please note that contractor instructions may apply to subcontractors

(05/2023)

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The *Aurora Municipal Code* defines construction equipment as any equipment, including mobile machinery and mobile equipment, used to erect, install, alter, demolish, repair, remodel, or otherwise make improvements to any real property, building, structure or infrastructure. Such equipment is subject to Aurora use tax on the full purchase price to the extent a sufficient, legally imposed sales/use tax has not been paid to the City or another municipality.

Taxes due on construction equipment and construction equipment declarations in the City are based on the owner's original purchase price of the equipment, regardless of the age of the equipment when it is located in the City and becomes subject to Aurora tax.

Contractors must file a *Construction Equipment Declaration* form with the Sales Tax Division and pay any use tax due *before* locating equipment in the City. This form is available on the City of Aurora website or by contacting the Tax and Licensing Division. An amended declaration must be filed every 90 days, or for projects less than 90 days in duration, no later than 10 days after substantial project completion. A more frequent declaration is required if all construction equipment is not declared on the first *Construction Equipment Declaration* form.

Provided that a declaration is properly filed with the Tax and Licensing Division *before* locating equipment in the City, use tax may be pro-rated for equipment that will be located in the City for 30 consecutive days or less, subject to the procedure outlined in Sec. 130-202 of the Aurora Municipal Code.

The *Aurora Municipal Code* provides a use tax exemption for construction equipment for which the purchase price was less than \$2,500 and contractors are not required to declare this equipment. Furthermore, automotive vehicles (a vehicle or device which is designed primarily to transport persons or property upon public highways) should not be declared, including contractor's pick-up trucks, dump trucks, water trucks, and other similar vehicles. Equipment that is attached to vehicles or trailers, such as cranes or excavators, must be declared.

Fuel not subject to the State of Colorado gasoline and special fuel tax is subject to Aurora sales and use tax (i.e. dyed diesel, fuel eligible for a refund of Colorado gasoline and special fuel tax, or other fuel not for use in motor vehicles upon public highways).

### Rented or Leased Equipment

Rented or leased equipment is taxable in the City. If the vendor does not collect the correct municipal tax, it is due in the form of use tax by the party renting or leasing the equipment.

The taxable purchase price includes, without limitation: the rental or lease charges, operator charges that are not separately stated, charges for delivery of the equipment, environmental fees, insurance charges/damage waivers, and fuel surcharges.

Charges for equipment pick-up and charges for an equipment operator are non-taxable when separately stated on the invoice. The SMM tax (special mobile machinery and equipment property tax) and Colorado Retail Delivery Fee are non-taxable when separately stated on the invoice.

It is important to note that the use tax on equipment is due from the party that owns, leases, or rents said equipment. Equipment used or leased on Aurora projects deemed exempt by the State of Colorado remains taxable to the City of Aurora.

### Examples

- Contractor A is working on a project located in Aurora and brings a piece of owned equipment, purchased for \$100,000, to be used at the site. Use tax of \$3,750 is due to Aurora ( $\$100,000 \times 3.75\%$ ). If Contractor A had lawfully paid a municipal use tax of \$3,000 to another municipality, the difference (\$750) is due to Aurora.
- Subcontractor B is working under General Contractor A on a project located in Aurora. Subcontractor B rents equipment for the project and is not charged municipal sales tax by the vendor. Subcontractor B owes use tax to Aurora for the taxable portion (likely the total) of the rental invoice. This liability does not transfer to General Contractor A or the project owner.
- Subcontractor C, a rental crane operator, schedules a job which will require a crane be moved into the City for two weeks. Prior to moving the equipment to the job site, the subcontractor files a construction equipment declaration with the City Tax Division. The crane will be subject to use tax at a reduced rate per Sec. 130-202 of the Aurora Municipal Code.

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## Related Topics

Construction Consumables  
Construction Materials  
Gasoline and Special Fuels  
Leased and Rented Property

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-202. - Proration as applied to certain construction equipment.

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## Contact Us

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# Tax Compliance Guide

## Construction – Materials

(05/2023)

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The *Aurora Municipal Code* requires that use tax be paid directly to the City on all construction materials for projects requiring a City building permit. Use tax is due to the City regardless of whether the source of construction materials is within or outside the City.

It is important to note that construction materials that fall under the below definition, but are used on non-permitted projects, are considered tangible personal property for tax purposes. These materials are discussed separately in the Aurora **Construction Projects Not Requiring Building Permits** tax guide.

Purchases of tools, and construction supplies that do not meet the definition of construction materials are considered items that are used directly by the purchaser and are subject to sales/use tax. They are addressed separately in the Aurora **Construction Consumable Supplies** tax guide.

The *Aurora Municipal Code* defines construction materials as follows: Tangible personal property which, when combined with other tangible personal property, loses its identity to become an integral and inseparable part of a structure or project, including public and private improvements. Construction materials include, but are not limited to, such things as: asphalt, bricks, builders' hardware, caulking material, cement, concrete, conduit, electric wiring and connections, electrical heating and cooling equipment, fireplace inserts, flooring, glass, gravel, insulation, lath, lead, lime, lumber, macadam, millwork, mortar, oil, paint, piping, pipe valves and pipe fittings, plaster, plumbing fixtures, putty, reinforcing mesh, road base, roofing, sand, sanitary sewer pipe, sheet metal, site lighting, steel, stone, stucco, tile, trees, shrubs and other landscape materials, wallboard, wall coping, wallpaper, weather stripping, wire netting and screen, water mains and meters, and wood preserver. The above materials are not construction materials when used for forms or other items that do not remain an integral and inseparable part of a completed structure or project.

Since Aurora use tax is paid directly to the City for permitted projects, Aurora tax should not be paid to vendors of construction materials on projects requiring a building permit. **Contractors and sub-contractors must present the building permit when purchasing construction materials to qualify for an exemption from city sales tax and avoid overpaying taxes.**

## Permitted Project – Tax Liability

The person responsible for obtaining the permit is liable for use tax on all materials used on the project **jointly and severally** with the project owner. This liability includes materials used by sub-contractors and materials furnished by the property owner.

Construction materials on projects deemed exempt by the State of Colorado, and for which a project-specific Colorado Contractors Exempt Certificate has been issued, are considered exempt from City sales and use tax. Construction materials for these projects may be purchased exempt from Aurora sales tax by providing a copy of the State of Colorado project-specific Contractors Exempt Certificate to the vendor.

## Use-tax deposit and Project Reconciliation

The amount of tax paid with the building permit, shown as the USE TAX line item on your receipt, is a use tax deposit calculated on the project's estimated value at the time the permit is pulled. Within 90 days following the issuance of a final certificate of occupancy or final inspection by the City, the general contractor must submit a project reconciliation to the City and remit any tax owed to the City in excess of the deposit. A Claim for Refund form must accompany the project reconciliation if a refund is due. Note that there is a one-year statute of limitations for refund claims on permitted projects.

Contractors must file individual reconciliations for projects over \$250,000 in value. The City encourages roofers and other contractors performing smaller permitted jobs to reconcile all Aurora jobs completed within a given period, reported on the use tax line of Aurora sales and use tax return (same periods as the sales and use tax filing). Still, contractors or property owners may file an individual reconciliation or refund claim for any permitted project.

A 50/50 option, in which tax is due on 50 percent of the final invoice/billings to the project owner, is available on almost all permitted projects in place of a detailed reconciliation.

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## Examples

1. Subcontractor A is hired to install plumbing for General Contractor B on an Aurora job requiring a building permit. General Contractor B provides Subcontractor A with a copy of the City building permit, and subcontractor A uses the copy of the building permit to purchase the materials for the job exempt from Aurora sales tax.
2. Subcontractor A, working on a permitted project under General Contractor B, purchases \$10,000 of construction materials presenting the Aurora building permit to the vendor. Additionally, they purchase small tools in the amount of \$500 from the same vendor and are not charged municipal sales tax. Subcontractor A owes use tax on the \$500 small tools purchase as a consumable supply. The \$10,000 in construction materials are exempt when purchased by the subcontractor, tax on the construction materials is reconciled with the building permit at the General Contractor B level.
3. Homeowner C obtains a City of Aurora building permit to finish their basement. When the building permit was pulled, use tax was paid for construction materials totaling \$5,000. At the end of the project, Homeowner C calculates to the total cost of the construction materials used on the basement finish to be \$4,000. Homeowner C will file a building permit reconciliation and claim for refund with the City within 1 year of the final inspection for the project. The amount eligible for refund is the use tax on the \$1,000 difference between the estimated value of materials on the building permit and the use tax on the actual final cost of the construction materials.

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## Related Topics

Contractors Brochure  
Construction Consumable Supplies  
Construction Equipment  
Construction Projects Not Requiring Building Permits

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-61. - Tax on construction materials.

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## Tax Compliance Guide

### Construction Projects Not Requiring City Building Permits

(09/2022)

*Note: This guidance is not an advisement regarding permitting requirements. For information on the applicability of a building permit for a specific project, contact the Aurora Building Division at (303) 734-7420.*

Improvements to real property that do not require a building permit issued by the City of Aurora's building division are retail sales of tangible personal property for sales tax purposes. Projects not requiring a building permit should be billed on a time and materials basis. The materials component of such improvements is considered a sale of tangible personal property and sales tax shall be collected (including markup and fabrication labor), as required by the City of Aurora tax code.

Retailer-contractors should purchase the materials for these improvements exempt from city taxes as wholesale purchases for resale. There is no option in the City code, nor credit given, for a contractor/retailer paying sales tax to their materials vendor and invoicing the customer a single "lump sum" amount. When Aurora sales tax is paid in error on the wholesale purchases of materials for resale, refund claims should be filed with the City directly.

Non-taxable service or installation labor which is not separately stated on the invoice provided to the purchaser at the time of sale becomes part of the purchase price and is taxable.

#### Examples

- Contractor A is hired for a non-permitted project located in Aurora laying sod for a homeowner. Contractor A charges the homeowner a lump sum price of \$1,500 for the project. Aurora sales tax is due on the entire lump sum invoice since charges for labor and materials were not separately stated.
- In the example above, if Contractor A instead issues an invoice to the homeowner showing \$500 for labor and \$1,000 for materials. Aurora sales tax must be charged on \$1,000 materials. The \$500 charged for installation labor is a non-taxable service.
- In the example above, if Contractor A incorrectly pays Aurora sales tax on their purchase of the sod/materials, they may request a refund directly from the City of Aurora. The retail sale to the homeowner is a separate transaction and no credit would be allowed to the homeowner for the taxes paid by Contractor A in error.

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- Homeowner A hires Contractor B to install a radon mitigation system in their home for \$3,000, no City of Aurora building permit is required for the project. Contractor B will invoice on a time and materials basis. The final invoice to the homeowner at the project's completion separately states installation labor of \$2,500 and materials of \$500. Sales tax is charged by the contractor on the invoiced \$500 of materials.

#### Related Topics

Contractors Brochure  
Construction Materials  
Construction Equipment  
Construction Consumable Supplies  
Mixed Transactions

#### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items

#### Contact Us

For additional assistance, please contact us:

City of Aurora  
*Tax and Licensing Division*  
15151 E. Alameda Parkway Ste. 5700  
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## Tax Compliance Guide

### Coupons, Discounts, & Promotional Items

(2/2022)

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 sales tax upon the purchase price paid for tangible personal property and certain taxable services sold at retail. Certain discounts reduce the purchase price and therefore decrease the amount of the sale subject to tax. Businesses offering promotional and complimentary items must pay City sales/use tax on the cost of the items.

without requiring any purchase, the business is required to pay Aurora sales/use tax on their cost.

Similarly, restaurants that offer complimentary food or beverages to customers or employees must pay Aurora sales/use tax on their cost. Generally, such a payment is remitted in the form of use tax, as the restaurant will likely utilize food from inventory which was properly purchased for resale without the payment of City sales tax.

#### Sales, Trade Discounts, and Store Coupons

In an effort to entice customers to make purchases, retailers may reduce their prices through sales, clearances, special pricing, and store coupons. Similarly, some retailers will offer trade discounts or volume discounts to customers who make regular purchases. Such discounts are at the discretion of the retailer and actually reduce the purchase price of the goods or services sold. As such, the sales tax should be proportionally reduced and computed on the discounted purchase price.

#### Buy One, Get One Free Offers, Gifts with Purchase, Punch Cards

In cases where customers receive a second item at no charge for buying the first, the customer is actually receiving a 50% discount off of the price of both items. As such, sales tax is only due on the full purchase price of one item (i.e. on 50% of the purchase price of both items). Moreover, the retailer does not need to pay a City sales/use tax on their cost of the items because the "free" item is not truly complimentary.

#### Manufacturer Coupons or Rebates

In the case of manufacturer coupons or rebates, either the purchaser or the retailer is reimbursed for the amount of the discount. This means that the manufacturer is, in effect, paying part of the purchase price on behalf of the purchaser and/or refunding part of the purchase price to the purchaser. As such, the purchase price is not being reduced, and tax should be computed on the full purchase price before the coupon or rebate, even if the actual amount paid by the customer is zero.

Similarly, retailers that offer a "free gift" with purchase are not required to pay City sales/use tax on their cost for the gift. This treatment also applies to retailers that offer punch cards or other similar frequent purchaser discounts whereby the purchaser receives a "free" item after making a number of purchases. Because receipt of the free item is contingent upon the purchase of one or more other items, the free item is not truly complimentary as observed above.

#### Cash Discounts

Retailers who sell goods on account sometimes offer a small discount for expedited payment of an invoice. These discounts, often referred to as cash discounts, represent financing options separate from the sale transaction and contingent upon a future event. As such, they do not reduce the purchase price, and tax should be computed on the full purchase price before the cash discount.

#### Examples

1. Seller A, an auto parts dealer, offers a 10% trade discount on all tools purchased by mechanics. This discount reduces the taxable purchase price. Tax should be computed on the discounted total.
2. Seller A often sells tools to mechanics on account with the terms "2/10 net 30" (offering a 2% discount if the invoice is paid within 10 days). This cash discount does not reduce the taxable purchase price. Tax should be computed on the full price of the goods sold.
3. Customer B visits Grocery Store C, a local grocer, and purchases a bottle of laundry detergent for \$8.00. She hands the cashier a

#### Promotional or Complimentary Items

Occasionally, businesses offer promotional items to attract customers or introduce new products. Such promotional items may be advertising items – such as t-shirts, bumper stickers, or other novelties – or free samples. When such items are given to customers

manufacturer coupon for \$0.25 off. Tax should be computed on the full \$8.00 purchase price.

4. Customer D is purchasing a vehicle from a local car dealer for \$25,000. The dealer informs Customer D that a \$5,000 manufacturer rebate is available for this vehicle. Tax should be computed on the full \$25,000 pre-rebate price.
5. The manager of the Restaurant E offers a customer a complimentary dessert, as the customer's food took a long time to prepare. Restaurant E should compute and remit use tax on their cost for the dessert.

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## Related Topics

Properly Exempted Purchases Converted to Taxable Use  
Restaurants & Bars  
Samples, Demonstrations, & Displays  
Trade-Ins

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## 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

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## Tax Compliance Guide

### Credit, Installment, & Secured Sales

(5/2023)

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

The *Aurora Municipal Code* defines "purchase or sale", in part, to include capital leases, installment and credit sales, and property and services acquired by transfer, either conditionally or absolutely, of title or possession or both to tangible personal property.

Sales of property that fall under a lease or lease purchase agreement are covered in the City of Aurora Leased & Rented Property Tax Guide.

#### Credit & Installment Sales

Retailers who sell tangible personal property or taxable services on credit, account, or on an installment payment basis are responsible for the collection and payment of applicable sales tax. Sales tax is due when delivery occurs and title for the item sold has been transferred to the purchaser, or upon delivery when the seller retains title as security for all or part of the purchase price. Such sales tax must be remitted on the next periodic City sales/use tax return regardless of whether the retailer has collected the amounts owed.

The finance director may authorize a retailer doing business wholly or partly on a credit basis to make returns on the basis of cash actually received or to collect the entire tax due at the time of the sale without regard to any deferred payment or whether or not the title passes to the purchaser; provided, however, that in any event, the entire tax due on a purchase or lease made on a revolving charge account shall be due and payable immediately.

Any tax included in a credit or installment sale constitutes a debt from the purchaser to the retailer and is recoverable by law in the same manner as all other debts. Except for secured sales, if the debt is subsequently found to be worthless by the retailer and is actually and properly charged off by the retailer for Federal Income Tax purposes, a bad debt deduction may be taken on the next periodic return provided that the statute of limitations has not expired.

If the goods are returned in a subsequent period, and a refund of the full purchase price and tax paid is issued, the retailer may take a returned goods deduction on the next periodic City sales/use tax return.

In any case where either a bad debt deduction or returned goods deduction will exceed the gross sales, the retailer must file a Claim for Refund form with the Tax Division. The total due for any period cannot be less than zero.

#### Secured Sales

A sale that is secured by a conditional sales contract or other security interest in the property sold, and which is found to be worthless, is not eligible to be taken as a bad debt deduction. The seller must collect the full amount of city sales tax from the purchaser at the time of the sale and remit the tax to the City. The seller may not take a bad debt deduction when they hold a security interest in the property, regardless of whether they take action to repossess or recover the property.

#### Examples

1. Company A is a licensed Aurora retailer that sells office supplies on account with 60-day credit terms. Company A also sells large equipment on an installment basis.
  - a. Company A sells Service Firm B a printer and 60 reams of paper in May. Company A must remit the tax on this sale with its May return due June 20<sup>th</sup>, even though Service Firm B is not expected to pay this invoice until July.
  - b. In June, Service Firm B returns 30 reams of paper to Company A for a refund of the purchase price paid plus tax. Company A may take a returned goods deduction for the purchase price on its June return due July 20<sup>th</sup>.
  - c. In August Company A sells Service Firm B a laptop computer on a nine-month installment plan, which includes as security a right to repossess the machine. Company A must remit tax on the total purchase price on its August return due September 20<sup>th</sup>.
2. Company C sells home appliances and provides financing for its non-cash sales. Company C retains title to the appliances as security for the sale until the full purchase price is paid.
  - a. Customer D buys a new washer and dryer and finances the sale. Company C must remit tax on the full purchase price at the time of the sale.

- b. Three months later, Customer D stops making his payments and defaults. Company C may choose to repossess the washer and dryer. Company C is not entitled to take a bad debt deduction regardless of their decision on whether to repossess the washer and dryer.
- c. Company C repossesses the washer and dryer and then sells them to Customer E for cash. Company C must remit tax on the full purchase price paid by Customer E. The subsequent sale of the washer and dryer is a separate transaction not related to the initial sale.

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## Related Topics

Bad Debts  
Leased & Rented Property  
Restocking Fees

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## Citations

*Aurora Municipal Code*

§ 130-31. Definitions  
§ 130-156. Taxable items  
§ 130-160. Responsibility for payment  
§ 130-161. Schedule of taxes  
§ 130-163. Collection and refund of disputed tax  
§ 130-166. Credit sales and leases

---

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## Tax Compliance Guide

### Deliveries Outside the City

(9/2023)

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

The *Aurora Municipal Code* imposes a sales tax on tangible personal property and certain taxable services sold at retail within the City. Items delivered outside of the City are exempt from Aurora sales tax provided all of the following conditions are met:

1. The sales are to individuals who reside or businesses which are located outside the City;
2. The items purchased are delivered to the purchaser outside the City by common carrier, or by the conveyance of the seller, or by mail; and,
3. The items delivered are used outside the City.

When making deliveries into other home rule cities, retailers should contact those cities directly to determine whether or not to collect their city's sales tax. For a complete listing of home rule cities, vendors should refer to Colorado Department of Revenue form DR 1002, which is available on their website [tax.colorado.gov](http://tax.colorado.gov). This form is updated semi-annually.

In determining whether or not a specific address is inside or outside the City, retailers are encouraged to use the electronic location database certified by the Colorado Department of Revenue pursuant to *Colorado Revised Statutes* § 39-26-105.3 at the following web address: <https://colorado.tr.services/>.

Retailers are cautioned that mailing addresses and zip codes do not coincide with City boundaries and are not a reliable source for determining taxability. Further, because the post offices servicing much of the City are located in neighboring cities, a purchaser's mailing address may be misleading. Customers with Denver mailing addresses may actually reside in Aurora. Note that the retailer is responsible for collecting the appropriate tax.

### Examples

1. Customer A buys a new sofa from Aurora Furniture, a furniture store located in Aurora, and has it delivered by Aurora Furniture to his home in Thornton. Because delivery occurred outside the City, Aurora City sales tax is not due.
2. Customer A also buys a wall clock from Aurora Furniture which he decides to take home from the store. Because the item is not being delivered to Customer A outside of the City, Aurora City sales tax is due on the purchase price of the clock.

3. Company C purchases furniture from an Aurora retailer. Company C hires a third-party freight company to deliver the furniture. Because title passes to Company C when the freight company receives the shipment in Aurora, and is not delivered by conveyance of the seller, Aurora sales tax is due.

### Related Topics

Freight, Delivery, & Transportation  
Internet Sales and Purchases  
Vendor Assessments

### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-63. Collection and refund of disputed tax  
§ 130-156. Taxable items  
§ 130-157. Items exempt from taxation  
§ 130-160. Responsibility for payment  
§ 130-161. Schedule of taxes

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## Tax Compliance Guide

### Digital Goods

(05/2023)

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Digital goods are products that exist in digital form and are exchanged under current technology using a variety of means which include, but are not limited to, compact disc, electronic download, and internet streaming. Digital goods have become increasingly popular in recent years, as the internet has enabled new forms of content creation, distribution, and consumption.

The purchase of digital goods is subject to Aurora sales tax as they are considered a purchase of tangible personal property per Sec. 130-31 of the Aurora Municipal Code which defines tangible personal property as the following:

Tangible personal property means personal property that can be one or more of the following: seen, weighed, measured, felt, touched, stored, transported, exchanged, or that is in any other manner perceptible to the senses.

In other words, the Aurora Municipal Code treats digital goods the same way it treats similar non-digital goods for tax purposes and their method of delivery does not impact the taxability of the sale of goods even if said method is through online channels.

When digital goods are sold or transferred, they are subject to sales or use tax. The tax is based on the purchase price of digital goods.

5. Online courses: educational courses, such as those offered on platforms like Udemy or Coursera, are delivered entirely online and can be accessed via the internet.
6. Video games: Digital versions of video games can be purchased and downloaded from online stores, or played through streaming services, such as Google Stadia or GeForce Now.
7. Photography and artwork: Digital images can be purchased and downloaded for personal or commercial use, from platforms such as Shutterstock or Getty Images.
8. Mobile applications: Mobile apps, such as games, social media, or productivity tools, can be downloaded from app stores, such as Google Play or the Apple App Store.
9. Templates and digital assets: Digital files, such as graphic design templates, website themes, or stock photos, can be purchased and downloaded for use in various digital projects.
10. Digital subscriptions: Access to digital content or services, such as online newspapers and magazines.
11. Online databases or database subscriptions, such as research publications and materials or technical manuals.
12. Software: All software, subscription software, or software as a service (SAAS) delivered electronically.

### DIGITAL GOODS EXAMPLES

There are many examples of digital goods. Included here are summaries of commonly purchased digital goods:

*\*The list below is for example purposes only and is not all inclusive.*

1. E-books: These are digital versions of books that can be read on e-readers, tablets, or smartphones.
2. Music: Digital music files can be purchased and downloaded from online music stores, such as iTunes or Amazon. This includes music subscription services that provide unlimited music for a monthly fee, such as Spotify or Apple Music. Also includes music and
3. Movies and TV shows: Streaming video services, such as Netflix and all other streaming video services that offer access to movies and TV shows that can be viewed on computers, TVs, or mobile devices.
4. Podcasts: Digital audio files that can be downloaded and listened to on-demand from podcast platforms, such as Spotify or Apple Podcasts.

### Examples

1. Company A sells digital music downloads on its website. Because digital music files are tangible personal property, the company is required to collect sales tax from customers who purchase the downloads.
2. Individual B buys a digital book on Amazon for their mobile device. The purchase price of the digital book is subject to Aurora tax.
3. Company C is an auto repair shop in Aurora that purchases a subscription to an online database containing repair manuals and instructions for vehicles. The cost for the online research database is subject to Aurora tax.
4. Company D is a photographer in Aurora that provides only digital copies of their pictures to their customer. The digital pictures are considered a sale of tangible personal property subject to Aurora tax.



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## Related Topics

Advertising  
Software  
Pay Television and Entertainment Services

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## 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

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## Tax Compliance Guide

### Direct Sales Companies

(2/2022)

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Direct sales companies market goods through a network of independent "person-to-person" distributors rather than from retail outlets. Relationships between these companies and their distributors vary, as do the specific marketing schemes; however, one common model is for the distributor, an independent contractor, to recruit a host or hostess to hold a party in their home. During the party the distributor solicits sales from attendees. Attendees place orders with the distributor, who delivers the goods directly to the attendees some time later.

property of the City at all times. Distributors hold these taxes in trust for the sole use and benefit of the City until paid. All City sales tax collected by a distributor must be remitted directly to the City. Remittance to the Colorado Department of Revenue or any other taxing authority does not relieve a distributor of their liability to the City. Should a distributor collect tax in excess of the computed tax due, such tax must be reported as excess tax on the Aurora sales and use tax form and remitted to the City.

#### Sales Tax on Goods Sold by Distributors

Under this model, the distributor would be considered a retailer, and the company would be considered a wholesaler. If the distributor operates their business from a commercial or residential location in Aurora, they are required to obtain a general business or home occupation license. This license is also a sales and use tax license. Distributors who operate from another city but solicit sales at parties in Aurora, or make deliveries to attendees in the City, will need to obtain a temporary or permanent sales and use tax license depending upon the frequency of their contacts in the City.

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail. A licensed distributor selling goods is required to collect and remit City sales tax on the purchase price paid for the goods. Delivery fees and other miscellaneous handling fees must also be included in the taxable purchase price. Distributors may not avoid collecting Aurora sales tax by collecting and paying tax for another city based upon their home location or the location of the party.

Aurora sales tax only applies to transactions where delivery of the goods occurs in the City. Distributors need not collect Aurora sales tax on items delivered outside the City, even if the party was held and orders for the goods were taken in the City. Distributors located outside of Aurora making deliveries into the City must collect Aurora sales tax. In determining whether or not a specific address is inside or outside the City, distributors are encouraged to use the electronic location databases certified by the Colorado Department of Revenue pursuant to *Colorado Revised Statutes* § 39-26-105.3. Distributors are cautioned that mailing addresses and zip codes do not coincide with City boundaries and are not a reliable source for determining taxability.

Sales tax collected by any distributor on behalf of the City remains

in some cases, direct sales companies have been granted permission to collect tax from all of their distributors and remit it to the City on their behalf. Distributors should not assume, however, that payment of tax to a direct sales company relieves them of liability. Distributors must ensure that Aurora tax is collected based upon the location where the goods are delivered. Distributors may contact the Sales Tax Division to confirm if their company is permitted to remit on their behalf. Direct sales companies may also contact the Sales Tax Division to request such permission.

#### Purchases by Distributors

Goods purchased exclusively for resale by licensed distributors are exempt from Aurora sales and use tax. Distributors must pay Aurora sales or use tax on non-resale purchases such as party supplies, food, decorations, and door prizes. As discussed above, some distributors may remit collected sales tax to the direct sales company who will, in turn, remit it to the City on their behalf. Distributors must pay Aurora sales tax to the company for goods used for demonstration and display purposes. If Aurora sales tax is not paid to a company licensed and authorized to collect the same at the time of purchase, then a use tax must be remitted directly to the City.

#### Host Gifts and Credits

In exchange for holding the party, the host often receives a gift or credits toward the purchase of goods. In some cases, the value of the gift or the amount of credits received is dependent upon the level of sales generated by the party. In any case, because of the *quid pro quo* nature of the exchange between the company/distributor and the host, the goods provided to the host cannot be considered bona fide gifts. In fact, this transaction qualifies as a sale of such goods to the host and Aurora sales tax is due. The tax is measured based upon the retail price of the goods, with no discount based upon the amount of cash actually surrendered by the host.

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## Examples

1. Distributor A sells home décor for Company B, a direct sales company. Company B has permission from the City to remit tax on behalf of its distributors. Distributor A operates from his home in Aurora, and holds an Aurora business license from the City. Distributor A arranges with a host to hold a demonstration party at their home in Aurora.
  - a. At the party, Distributor A takes an order from Customer X for \$500 in merchandise. Customer X lives outside of Aurora in Thornton, where Distributor A will deliver the merchandise in three weeks. Because the merchandise will be delivered outside Aurora, Distributor A should not collect Aurora sales tax from Customer X.
  - b. Customer Y, an Aurora resident, also orders \$500 in merchandise. Because Distributor A will deliver the merchandise to Customer Y in Aurora, he must collect Aurora sales tax. Distributor A will remit the tax to Company B when he places the order, and Company B will send it to the City on his behalf.
  - c. Because the party generated \$1,000 in sales, Hostess C is entitled to take a 50% discount on one item in the catalogue. Hostess C purchases an item priced at \$100 (\$50 after her discount). Distributor A must collect Aurora sales tax on the full \$100 price, rather than the discounted price.
  - d. Distributor A buys snacks for the party at an Aurora grocery store. Distributor A must pay Aurora sales tax on the snacks and cannot use his tax license to avoid the sales tax. If sales tax was not paid on the snacks, Distributor A must accrue and remit use tax on the purchase price paid for the snacks.
2. Distributor B sells home décor for Company C, Distributor B inquired with Company C and was informed that they **do not** collect Aurora sales taxes on behalf of their distributors. Distributor B is responsible for collecting and remitting sales tax on all Aurora sales in the same manner as example 1.

---

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## Related Topics

Coupons, Discounts, & Promotional Items  
 Freight and Transportation  
 Deliveries Outside the City  
 Samples, Demonstrations, & Displays

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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  
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## Tax Compliance Guide

### Employee Sales

(03/2024)

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The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services sold at retail within the City. Sales and use taxes are transactional, and are therefore imposed upon each taxable transaction.

#### Sales to Employees

Sales of tangible personal property and taxable services to employees are subject to tax on the purchase price paid by the employee. The purchase price may be discounted from the price charged to the general public. If the discounted price is less than the employer's cost of the item sold, the employer must pay a use tax on the difference between the purchase price paid by the employee and their cost.

#### Purchases from Employees

Purchases of tangible personal property and taxable services from employees are subject to use tax on the purchase price paid by the employer. This includes items which an employee purchased for taxable use and previously paid a sales or use tax on. Employers must report the use tax due on their next periodic sales/use tax return. The purchases must be otherwise taxable and excludes wholesale inventory or other exempt purchases.

#### Examples

1. Restaurant A offers a 10% discount on all food purchased by employees. Employee B purchases a meal from the restaurant during their shift. Aurora sales tax is due on the actual purchase price paid by the employee after the discount.
2. An Aurora accounting firm needs a new table for their conference room. Employee C has a table in storage that he/she purchased and had previously used. Employee C paid sales tax on the table when he/she purchased it. Employee C agrees to sell the table to the firm for \$100 and is not licensed to collect Aurora sales/use tax. The accounting firm must report the use tax due on the \$100 purchase on their next periodic City sales/use tax return.

#### Related Topics

Coupons, Discounts, and Promotional Items  
 Properly Exempted Purchases Converted to Taxable Use  
 Use Tax  
 Wholesale Sales

#### 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

#### Contact Us

For additional assistance, please contact us:

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 Tax Division  
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 Aurora, CO 80012

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**E-mail address:** [tax@auroragov.org](mailto:tax@auroragov.org)

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# Tax Compliance Guide

## Filing Frequencies, Reporting Periods and Due Dates

(3/2024)

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### Reporting Periods

The Aurora reporting periods for each filing frequency are as follows:

Period	Start Date	End Date
Annual	January 1 <sup>st</sup>	December 31 <sup>st</sup>
1 <sup>st</sup> Quarter	January 1 <sup>st</sup>	March 31 <sup>st</sup>
2 <sup>nd</sup> Quarter	April 1 <sup>st</sup>	June 30 <sup>th</sup>
3 <sup>rd</sup> Quarter	July 1 <sup>st</sup>	September 30 <sup>th</sup>
4 <sup>th</sup> Quarter	October 1 <sup>st</sup>	December 31 <sup>st</sup>
Monthly	1 <sup>st</sup> of the month	Last day of the month

OPT returns must be filed monthly if the business has more than 25 employees and monthly or quarterly if the business has less than 25 employees.

### Lodgers Tax

The assigned filing status for each account is the taxable period: monthly, quarterly, or annually. If you are uncertain of your assigned filing status, please contact the Tax Section.

Estimated Annual Tax Liability	Filing Frequency
Monthly	Tax liability of over \$300 per month.
Quarterly	Tax liability of between \$15.01 - \$300 per month.
Annually	Tax liability of \$15.00 or less per month.

### Filing Frequencies

Taxpayers may elect to file more frequently than required, but not less. The City may periodically review average remittances and require taxpayers to file more frequently. Notice will be sent to taxpayers whose filing frequency is being changed.

**The following are the filing frequencies for each Aurora tax:**

#### Sales and Use Tax

The assigned filing status for each account is the taxable period: monthly, quarterly, or annually. If you are uncertain about your filing status, please contact the Tax Section. The filing status is determined by the amount of taxable sales listed below:

Estimated Annual Tax Liability	Filing Frequency
Monthly	Taxable sales are \$96,000 or more per year (if the tax is more than \$300 per month).
Quarterly	Taxable sales are \$4,801 to \$95,999 per year (if the tax is less than \$300 per month).
Annually	Taxable sales are \$4,800 or less per year (if the tax is less than \$15 per month).

### Disposable Bag Fee

Disposable Bag Fee Returns are due on the 20th of the month following the taxable period. The taxable period for all bag fee filers is quarterly.

### Local Exchange Tax

The assigned filing status for each account is the taxable period: monthly, quarterly, or annually. If you are uncertain about your filing status, please contact the Tax Section. The filing status is determined by the amount of taxable sales listed below:

Estimated Annual Tax Liability	Filing Frequency
Monthly	For monthly tax liabilities averaging over \$300 per month.
Quarterly	Tax liabilities averaging less than \$300 per month

### Recreational Marijuana Sales and Excise Taxes:

The taxable period for all Aurora marijuana related returns is monthly.

### Occupational Privilege Tax (OPT)

## Due Dates & Timely Filing

Tax returns are generally due on the twentieth (20th) of the month following the end of the reporting period. The sole exception is for Occupational Privilege Tax, which is due on the last day of the calendar month following the end of the reporting period.

For the return to be considered on time, the tax owed must be paid on or before the due date. Late payments are subject to penalty and interest charges.

Returns and payments sent by mail must be postmarked on, or before, the due date to be filed on time, and provided all of the following conditions are met:

1. The return and payment must be contained in an envelope or wrapper legibly and properly addressed to the address for filing designated by the City;
2. The return and payment must be sent by first class mail with sufficient postage prepaid; and
3. The postmark on the envelope must be made by the United States Postal Service.

Dates made by private postage meters as well as reception dates by private common carriers are not equivalent to USPS postmarks and will not be acceptable evidence of timely filing. Returns and payment sent by these methods – and by any other method such as hand delivery or electronic transmission – must be received by the due date to be considered filed timely.

If the due date falls on a Saturday, Sunday, or City holiday, the due date is extended to the next business day. Payments that are returned after the due date for non-sufficient funds, closed accounts, and/or incorrect bank routing/account numbers will not be considered timely filed and will incur penalties and interest in addition to a \$25 returned item fee.

## Special Reporting Periods & Due Dates

*Final Return* – If a business closes or changes ownership, the final reporting period ends as of the date of closure or transfer of ownership. The final return should be filed within 10 days of the close of the business.

*Temporary/Special Event Licenses* – The reporting period for temporary licenses is the duration the license was issued for. The return is due on the 20<sup>th</sup> of the month following this date.

## Multi-Location Taxpayers

Taxpayers operating at more than one location in Aurora must obtain a business license for each location. Taxpayers will also need to make a separate return for each location/account with the City; Consolidated filing is not permitted. Taxpayers located within the City that also make online, catalogue, and out-of-city sales may not combine such sales with those sales made from City of Aurora locations. A separate location/account for any online, catalogue, and out-of-city sales must be established.

## Citations

### *Aurora Municipal Code*

- § 130-160. Responsibility for payment
- § 130-164. Special accounting basis for remittance of tax
- § 130-165. Consolidation of returns
- § 130-328. Filing Statement
- § 130-327. Time of payment of tax
- § 130-366. Filing of Return
- § 130-367. Consolidation of returns
- § 130-406. Responsibility to pay tax

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## Tax Compliance Guide

### Food & Related Items

(3/2024)

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The following guidelines should be used to determine whether a food item is exempt from sales tax. The city of Aurora's principal sales tax exemption guideline is based upon what can be purchased for home consumption with food stamps or supplemental nutrition assistance program ("SNAP") benefits or WIC vouchers. The city of Aurora also imposed other criteria, in addition to the food stamp/WIC guidelines. [Section 130-31. Definitions and the Aurora Food Regulation – 3.2024]

#### Food Purchases Exempt from Aurora Sales Tax

1. Food purchased for human consumption at home, excluding food items specified as taxable
2. Seeds and plants which produce food for human consumption (when purchased with food stamps or WIC vouchers only, or sold to agricultural producers as defined in §130-31 of the Aurora Municipal Code)
3. Food purchased with food stamps or WIC vouchers

#### Food and Related Items Not Exempt from Aurora Sales Tax

The Department of Agriculture guidelines prohibit the use of food stamps or WIC vouchers for the purchase of the following items. The following :

1. Nonfood items such as soaps, paper products and household supplies, grooming items and cosmetics and food not for human consumption, such as pet and bird food.
2. Alcoholic beverages (cooking wine, wine vinegar and, similar are exempt)
3. Cigarettes, tobacco, and tobacco products
4. Food to be eaten in the store, hot foods ready to eat, and food marketed to be heated in the store.
5. Food preservation equipment and items.
6. Vitamins, dietary supplements, and medicines, excluding medicines qualifying for exemption elsewhere. [See the Aurora Tax Guide for Medical Exemptions]
7. Ice used for refrigeration

#### Items Exempt from Tax if Purchased with Food Stamps or WIC Vouchers – But Taxable When Paid with Cash

The following items, if purchased with food stamps or WIC vouchers/checks are exempt from the 3.75% Aurora sales tax, but are taxable if purchased with cash:

1. Soft Drinks
2. Candy
3. Carbonated water marketed in containers
4. Chewing gum and breath mints
5. Seeds and plants to produce food for human consumption
6. Prepared salads and salad bar items
7. Cold/hot sandwiches
8. Deli trays

#### Prepared Food, Food for Immediate Consumption

All food and drink sold by the following establishments is taxable: restaurants, bars, hotels, snack shops, carryout shops, pushcarts, and other sellers where prepared food and drink is regularly sold, as specified in Section 130-156(4) of the Aurora Municipal Code. [See the Aurora Tax Guide for Restaurants and Bars]

Prepared food includes hot foods, or foods marketed to be heated on the premises, regardless of whether the food is immediately consumed.

#### Other Common Scenarios

Sales and purchases of food through vending machines are taxable.

Sales of coffee services, bottled water services, and other food or related items or services that are sold to a business or commercial entity, intended to be served to customers or employees, do not qualify as food for home consumption and are taxable.

It is not the obligation of a retailer to collect the sales tax on food marketed for domestic home consumption which after purchase is converted to or used for other purposes which are taxable. Such conversion or use is subject to any applicable sales or use tax (e.g. snacks and drinks a business purchases at a local grocery store to provide in their customer waiting area, or edible food oil purchased at a grocery store but later used by a business to lubricate machines.)

Meals provided by colleges in dormitories, by assisted living facilities to its residents, and other such establishments are exempt from sales tax on food sales. However, business purchases of said food are subject to use tax by the provider.

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## Nonessential Articles and Containers

Sales and purchases of nonessential food items and packaging provided with purchased food and beverage items are taxable at City of Aurora's sales and use tax rate of 3.75%. Nonessential articles or containers are items furnished in connection with the sale of taxable food.

An article or container is nonessential if it is primarily used for the convenience of the consumer and is not necessary to effectuate the sale of food. Examples of nonessential articles or containers include, but are not limited to, non-reusable:

- Utensils
- Skewers
- Napkins and towelettes
- Bibs
- Serving trays, platters, and dome lid covers for plates or platters
- Placemats, tray liners and tablecloths
- Sacks
- Grocery bags
- Bags and bag ties for bulk grocery produce or bread
- Carryout containers for leftover food sold for immediate consumption
- Straws
- Toothpicks
- Stirring sticks
- Cup sleeves
- Portion dividers
- Single-use baking dishes
- Condiments, including ketchup, mustard, relish, and spices that are not incorporated into a prepared meal at the time it is transferred to the consumer but, rather, are provided separately from the transfer of the meal to the consumer, such as at a convenience counter. Another example of condiments provided separately from the meal are the packets of ketchup placed in a bag given to the customer. Condiments sold as food for domestic home consumption (condiments sold in the grocery stores) are exempt from city sales and use tax.

Examples of essential articles or containers include, but are not limited to, non-reusable:

- Plates, cups, or bowls (and lids for such items) on, or which, unwrapped or unpackaged hot or prepared food and beverages are served to the consumer;
- Cups used in vending machines dispensing beverages;
- Disposable containers or packaging material\* on, or in which, food is transferred to the consumer, including pizza delivery boxes, sleeves for French fries, buckets or other containers if the retailer cannot transfer the food to the consumer without such article or container. However, a carryout container used by a consumer to carry leftover meals from the restaurant is not essential.

\*packaging material used in a non-essential manner would be taxable. Example: butcher paper used as a table liner would not be considered an essential use.

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## Articles or Containers Not Furnished to the Consumer

A retailer is liable for sales or use tax for its purchase, use, storage, or consumption of an article or container, regardless of whether it is essential to the consumer, if the article or container is not transferred to the customer. An article or container is treated as transferred to the consumer if the food retailer makes the article or container available to consumers on the food retailer's premises. Examples of non-transferred articles include, but are not limited to:

- Reusable articles such as glassware, ceramic plates, cloth napkins, and silverware
- Non-reusable articles the retailer uses to cook or store food, such as plastic wrap for storage, aluminum foil used primarily for cooking, food labels, single use baking dish, and cooking tray liners.

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## Use Tax on Food Items not Ultimately Sold

Articles or containers that are essential to the consumer and, therefore, otherwise exempt under this regulation, are taxable to the food retailer if the purchase of the food by the consumer is ultimately sold. For example, a food retailer must pay tax on free beverage samples furnished in disposable paper cups and free food furnished with napkins or with disposable utensils. In such cases, there is no retail sale from the food retailer to the consumer and there is no tax due on the transfer of the free article to the consumer. However, the retailer is responsible for paying the tax on both the food and the container.

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## Separate Charge for Essential Article or Container

The sale of an article or container by a food retailer to a consumer is subject to tax, regardless of whether the article or container is essential to the consumer. If the food retailer separately states on the consumer's invoice a charge for such article or container or if the food retailer separately sells the article or container for a charge and not as part of a retail sale of food, it is subject to tax.

**Situation 1:** A food retailer separately charges for food and disposable utensils by the consumer.

Response: The retailer may purchase the utensils from suppliers as an exempt wholesale purchase for resale to consumer and must collect sales tax on the sale of utensils to the customer.

**Situation 2:** A food retailer sells plastic bottles or cups with beverage for a single charge, but the plastic bottles or cups are designed for reuse by the consumer.

Response: The retailer may purchase the reusable bottle or cup from the supplier as an exempt wholesale purchase and collect sales tax from the consumer.

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## Who Collects and Remits this Tax?

Both the vendor/supplier and restaurant/retailer are responsible. The vendor or supplier of the items known to be nonessential (forks, napkins, lids, straws) is responsible for charging and remitting the



sales tax. For those items that may be essential (paper plates used in the restaurant), then become nonessential (paper plates provided along with food already in containers), the restaurant/retailer using or providing those items is responsible for remitting use tax on those items.

---

## Related Topics

Aurora Food Regulation – 3-2024  
Bakery and Pastry Shops  
Food Trucks  
Medical Exemptions  
Restaurants & Bars  
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  
§ 130-198. Exemptions  
§ 130-199. Use tax credit

---

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## Tax Compliance Guide

### Food Trucks

(9/2023)

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Food trucks, as with other food and beverage establishments engaged in business in Aurora, are responsible for the collection and payment of City sales and use tax.

#### Sales by Food Trucks (Sales Tax)

Sales from food trucks are subject to sales tax. They are considered the sale of prepared or ready to eat foods. Aurora sales tax is required to be collected on sales within the City of Aurora.

The sales tax must be shown as a separate and distinct charge issued to the customer at the time of the sale. Sales tax may be imbedded and not separately stated only on the sale of alcoholic drinks.

The amount subject to tax includes the amount charged for food, beverages, or any other purchases of property. This includes any mandatory charges or fees.

All businesses operating in the City of Aurora are required to keep books and records. For food trucks, these books and records must include the taxing jurisdiction in which sales occur, such as the date of the sales and address or location where the sales were made.

#### Purchases by Food Trucks (Sales/Use Tax)

Food trucks, like other retailers, must pay Aurora sales tax on the purchase price paid for tangible personal property and taxable services not for resale which are used in the business.

Sales and use tax for food trucks is very similar to other restaurants, bars, and sellers of prepared foods. Please also reference the Aurora Tax Guide for Restaurants & Bars for guidance on sales and use tax reporting.

#### Examples

- Food Truck A starts the day selling food at a temporary location outside the City of Aurora. Later in the day, the food truck relocates to an event being held within the City of Aurora, where the remainder of the day's sales occur. Food Truck A will collect and remit City of Aurora sales tax for sales at the Aurora location only. Sales at the first location outside the City of Aurora fall under the jurisdiction where the sales were made.

- Food Truck Operator B resides in the City of Aurora and purchases a second, fully outfitted food truck to expand their operations. Food Truck Operator B must either pay Aurora sales tax on the purchase of the truck or self-remit use tax for the purchase on their next periodic sales and use tax return.

#### Related Topics

Coupons, Discounts, & Promotional Items  
Employee Sales  
Food and Related Items  
Properly Exempted Purchases Converted to Taxable Use  
Restaurants & Bars  
Use Tax  
Wholesale Sales

#### 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  
§ 130-163. Assuming or Absorbing Tax

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# Tax Compliance Guide

## Franchises

(2/2022)

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### Franchises

A franchise agreement is a business relationship that grants a franchisee, in exchange for a fee, the right to operate under the trademark, trade name, or other commercial symbol of a franchisor. The franchisor also renders significant assistance in operating the business or significantly controls the franchisee's method of operation, which may include requirements involving purchases of equipment or supplies, distribution or sales of products or services, or other controls as the franchise agreement may designate.

Sales or use tax will apply to all tangible personal property supplied under a franchise agreement. When both tangible and intangible personal property are furnished through the agreement, and the charges are not segregated, sales/use tax will apply on the entire franchise payment. If the charges are separately stated, or can be determined from the franchise agreement, only the items otherwise taxable under the Aurora Municipal Code are subject to sales or use tax.

### Advertising and Advertising Co-op Charges

Many franchises and franchise agreements contain provisions or agreements for advertising costs or shared advertising funds (co-op advertising). For example, a franchise agreement contains a charge of 1% of gross sales labeled "Advertising Royalty Fee". Tangible personal property purchased through the advertising charge, included printed and other taxable forms of advertising, are subject to sales/use tax in the same manner as other franchise agreement charges detailed above.

### Examples

1. A new fast food restaurant franchise is starting up in Aurora. The franchisee pays a monthly franchise fee, based on a percentage of sales volume, as compensation to the franchisor for brand recognition and services that it provides such as coaching and employee training. The franchise fee payment is not subject to sales/use tax since none of the services provided for in the franchise fee (coaching and employee training) are taxable.

2. A new retail franchise store is starting up in Aurora. The franchisee pays a monthly franchise fee, based on a percentage of sales volume, as compensation to the franchisor for services that it provides such as regular training and payment for tangible items, such as promotional banners, digital advertising, and signs for the Aurora location. Sales/use tax would be due on the tangible personal property part of the monthly franchise fee if separately stated, or the whole amount if the charges are not separately stated or cannot be determined from the franchise agreement.

### Related Topics

Advertising  
Use Tax

### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-116 Credit Sales and Leases  
§ 130-160. Responsibility for payment  
§ 130-161. Schedule of Taxes  
§ 130-196. Levy  
§ 130-199. Use tax credit

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## Tax Compliance Guide

### Freight, Delivery, and Transportation

(09/2022)

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The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail in the City. Aurora use tax is due to the extent a sufficient, legally imposed sales/use tax was not paid to the City or another municipality at the time of purchase. The taxable purchase price is defined to be inclusive of charges for freight, delivery, and other transportation charges to effect the delivery of tangible personal property to the purchaser.

Freight and delivery charges are subject to tax even when separately stated on the purchase invoice, including when invoiced separately by the retailer as part of the purchase/sale.

Transportation via a third party, when arranged and paid for directly by the purchaser who thereby assumes the risk of loss, and not billed as part of the transaction by the retailer, is not subject to Aurora sales/use tax.

Postage that is component of a taxable transaction is subject to tax whether or not it is separately stated on the invoice to customer.

Postage paid by an Aurora resident directly to the postal service and billed as a separate transaction is not subject to sales/use tax.

#### Examples

- Customer A purchases a television from a licensed Aurora retailer, who charges them a fee for delivery to their home in the City. The total charge for the television including delivery is subject to Aurora sales/use tax.
- Business B is an accounting firm in the City and purchases three computers for use from a vendor outside of the City. In addition to the price of the computers, the vendor charges a shipping fee, but does not collect any City sales tax. Business B must report and pay a use tax on the purchase price of the computers, including the shipping fee, on their next periodic sales/use tax return.
- Business C purchases checks via the Internet from a licensed Aurora retailer to be sent to Business C's offices in the City. The retailer charges a fee for postage and handling. Although the retailer properly collected sales tax on the price of the checks, they failed to collect tax on the postage and handling fee. This

fee is subject to tax and Business C must report and pay a use tax on the next periodic City sales/use tax return.

- Business D purchases tools from a Colorado Springs' retailer. Business D hires a third-party freight company to deliver the tools to its Aurora facility. Because title passes to Business D when the freight company receives the shipment in Colorado Springs, Colorado Springs sales tax is due on the price of the tools. Business D must report and pay a use tax on the difference between the Colorado Springs' city sales tax rate and Aurora's city sales tax rate on the next periodic City sales/use tax return. Business D does not need to pay use tax on the freight bill received from the third-party freight company.

#### Related Topics

Deliveries Outside the City  
Use Tax

#### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-160. Responsibility for payment  
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§ 130-199. Use tax credit

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## Tax Compliance Guide

### Gas and Electric Services, Steam and Other Heating Services

(9/2023)

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

The *Aurora Municipal Code* imposes sales tax upon the purchase price paid for gas and electric services, and steam or other heating services.

Qualifying government, and charitable organization purchases of these services are exempt in the same manner as purchases of tangible personal property and other taxable services.

- Business B is a restaurant and bakery operating in the City of Aurora. In addition to serving meals, the restaurant bakes and packages dessert items for sale at local convenience stores.

Business B must pay Aurora sales or use tax on all purchases of gas and electric services.

#### Usage Based Exemptions

Some taxing jurisdictions provide a gas and electric services exemption for domestic/residential use, and certain other uses such as a commercial restaurant or manufacturing/industrial uses. The *Aurora Municipal Code* provides no such exemption, gas and electric services are taxable with no exemption based on the usage of the service.

#### Related Topics

Gasoline and Special Fuels  
Governments & Charitable Organizations  
Use Tax

#### Renewable Energy

The *Aurora Municipal Code* provides no exemption for electricity generated from renewable sources, nor does it provide an exemption for equipment used in generating renewable energy. Businesses installing equipment in the City to generate such electricity must pay sales/use tax on the cost of such equipment as well as collect sales tax on the price paid by electrical service customers in the City.

#### 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

#### Examples

- Business A is a solar company. Business A makes agreements with property owners to install residential solar systems with no upfront cost. Upon installation, the property owner purchases the electricity generated by the system for the term of the agreement. At the conclusion of the agreement, Business A either removes the equipment, or sells it to the property owner for fair market value.

Business A must register with the City and pay Aurora sales/use tax on its cost of the system. Business A must also collect sales tax on the purchase price charged to the property owner for the electricity generated by the system. If Business A sells the equipment to the property owner for fair market value, Business A must collect sales tax on the price charged to the property owner for the equipment.

#### Contact Us

For additional assistance, please contact us:

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## Tax Compliance Guide

### Gasoline and Special Fuels

(9/2023)

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The *Aurora Municipal Code* provides an exemption to sales of gasoline and special fuels which are subject to the state gasoline and special fuel tax, as required under Title 39, Article 27 of the Colorado Revised Statutes. This article imposes a tax upon "all gasoline or special fuels acquired, sold, offered for sale, or used in this state for any purpose whatsoever, but only one tax shall be paid upon the same gasoline or special fuel in this state."

Fuels such as gasoline, diesel engine fuel, kerosene, liquefied petroleum gas (propane), and natural gas that are not used to propel motor vehicles upon public roadways are subject to Aurora sales and use tax. If the Colorado fuel tax is not paid, or is eligible to be refunded to the user, gasoline and special fuels are taxable tangible personal property.

"Gasoline" means casing head or natural gasoline, benzol, benzene and naphtha, gasohol and any liquid prepared, advertised, offered for sale, sold for use, or used or commercially usable in internal combustion engines for the generation of power for the propulsion of motor vehicles upon the public highways. The term does not include fuel used for the propulsion or drawing of aircraft or railroad cars or railroad locomotives.

#### Examples

1. The owner of a business decides to host a barbecue for his employees. In preparation, he purchases 15 gallons of propane for his grill and twenty gallons of unleaded gasoline for his business lawn mower from a licensed Aurora retailer. The owner of the business must pay Aurora sales tax on the propane, because it will not be used in a motor vehicle. The gasoline for the business lawnmower will not be used in a motor vehicle upon the public highways. It is subject to Aurora use tax because it is purchased and used for exempt purposes as defined by Colorado statute and is not subject to the gasoline and fuel excise tax. Therefore, it is subject to Aurora sales or use tax.
2. A construction contractor with a yard in Denver is building a structure in Aurora using construction equipment. The contractor uses 100 gallons of dyed diesel fuel in their equipment completing the project. This fuel is subject to Aurora sales and use tax because it is exempt from the State gasoline and special fuels excise tax.

#### Related Topics

Construction Consumables  
 Construction Equipment  
 Gas and Electric Services, Steam and Other Heating Services  
 Use Tax

#### 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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# Tax Compliance Guide

## Governments & Charitable Organizations

(9/2023)

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### Governments

Governments include the United States (Federal) government, the State of Colorado, and their departments, institutions, and political subdivisions. Political subdivisions include Colorado counties, school districts, municipalities, and certain special districts. All of these entities must have a state sales tax exemption certificate with a number beginning with 98 to receive a sales tax exemption.

Purchases for fundraising or business activities are subject to sales tax unless they are purchased for resale. If the items will be resold, the government or charity must provide a state sales or City of Aurora business license to the seller and must collect sales tax on the final sale.

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### Charitable Organizations

Charitable organizations are defined in the *Aurora Municipal Code* as entities which are certified as 501(c)(3) under the internal revenue code and are organizations which exclusively, and in a manner consistent with existing laws and for the benefit of an indefinite number of persons or animals, freely and voluntarily ministers to the physical, mental, or spiritual needs of persons or animals, and thereby lessens the burden of government.

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### Disputed Tax

Should a dispute arise between a vendor and a government or charitable organization as to whether a transaction or item is subject to tax, the vendor, in order to avoid potential liability resulting from improper exemption, is required to collect the tax in dispute from the purchaser and remit these funds to the City. The purchaser may then submit a *Claim for Refund* form to the City within three years of the purchase. This form is available on the tax section of the City website or by contacting the Tax Division. If the Tax Division determines the transaction was in fact exempt from tax, a refund will be issued directly to the purchaser.

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### Exempt Purchases

The *Aurora Municipal Code* provides an exemption from sales and use tax for purchases made by governments and charitable organizations if such purchases meet all the following qualifications:

1. The purchase must be related to the regular charitable or governmental functions and activities;
2. The purchase must be billed directly to the organization, and payment must be made directly from the organization's funds (purchases made by individuals who will subsequently be reimbursed by the organization do not qualify); and
3. The organization has obtained and provides a State of Colorado Sales Tax exemption certificate.

The seller has the burden of proving that a transaction was properly exempted and will be required to document such claims in an audit situation. An [Affidavit of Exempt Sale](#) form can be obtained from the *Sales Tax* section of the City website, or by contacting the Tax Division. This form may aid the seller in determining if a sale qualifies for exemption.

Purchases that are not part of the organization's regular governmental or charitable functions are subject to sales tax.

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### Building Permits

Charitable organizations are exempt from use tax on construction materials. A use tax deposit is normally collected when a building permit is acquired. If the project is for a charitable or governmental organization, in order for the deposit to be waived the permit must be either paid for directly with funds from the governmental or charitable organization or the contractor must present a valid contractor's exemption certificate issued by the State of Colorado, normally starting with an 89 number, that is issued directly to the contractor for that specific project. A contractor cannot use the charitable or governmental organization's tax exempt certificate for the purchase of construction materials.

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### Examples

1. A teacher at a local public school is purchasing goods for their classroom. The teacher is paying with a personal check, but claims that the purchase will be reimbursed by their school. Because the purchase is not paid for directly by the funds of the government, the sale is not tax exempt.
2. A charitable organization, with a State of Colorado Sales Tax Exemption Certificate, is holding a banquet at an Aurora hotel.



The organization is selling tickets to the event in order to recover the costs. Because the organization is engaged in an activity that is not part of its charitable functions, the hotel should charge the appropriate taxes.

3. A City of Aurora employee buys office supplies from a local vendor and provides a purchase order and affidavit of exempt sale for the City. The local vendor subsequently bills the City for the supplies. Because the supply purchase is billed to and paid for directly by the funds of the government, the purchase is properly exempted from sales tax. The vendor should attach a copy of the purchase order and affidavit of exempt sale to the invoice as proof of proper exemption.
4. A charitable organization, with a State of Colorado issued Sales Tax Exemption Certificate, purchases bingo supplies for fundraising operations. Since the operation of a bingo game is not part of charitable operations, nor are the supplies resold, the bingo supplies are subject to sales tax.
5. A charitable organization specialized in assisting disadvantaged children, with a valid State of Colorado issued Sales Tax Exemption Certificate, purchases bingo supplies for an educational / entertainment activity for children. This activity is part of the charitable functions of the charity and would be exempt from sales tax.

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## Related Topics

Admissions Tax  
Construction Materials  
Wholesale Sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-61. Tax on Construction Materials  
§ 130-63. Collection and Refund of Disputed Tax  
§ 130-157. Items Exempt from Taxation  
§ 130-160. Responsibility for Payment  
§ 130-196. Levy  
§ 130-199. Use Tax Credit

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## Tax Compliance Guide

### Internet Sales and Purchases

(5/2023)

The *Aurora Municipal Code* imposes a sales tax upon tangible personal property and certain services purchased, leased, or rented at retail. If Aurora sales tax is not paid 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 Aurora or other municipalities. Such credit may not exceed the Aurora use tax due.

Sales and purchases made via the Internet are subject to tax in the same fashion as those made by local retailers.

Some internet retailers are not “engaged in business” in the City and are not legally obligated to collect City sales tax. Purchasers of tangible personal property or taxable services over the internet who do not pay City sales tax must remit use tax on the purchase price paid, including charges for freight or delivery, on their next periodic City sales/use tax return. Internet retailers may obtain a sales/use tax license and collect Aurora tax as a convenience to their customers even though they may not be required to do so.

Purchasers should exercise due diligence in verifying that the retailer is licensed and authorized to collect City sales tax.

Retailers who have a physical location in the City must collect City sales tax on sales made by their catalogue, mail order, or Internet counterparts. Because these sales are not attributable to a specific location, a separate sales tax account must be maintained for reporting these sales.

#### Marketplace Facilitators/Sellers

A Marketplace Facilitator is a business or person who owns, operates, or otherwise controls a physical or electronic marketplace and facilitates the sale of a third-party seller’s products. The Marketplace Facilitator either directly or indirectly through contracts, agreements, or other arrangements with third parties, collects the payment from the purchaser and transmits all or part of the payment to the Seller.

A marketplace facilitator engaged in business in the city is required to collect and remit sales or use tax on all taxable sales made or facilitated for marketplace sellers to customers in the city, regardless of whether the marketplace seller for whom sales are facilitated would have been required to collect sales or use tax had the sales not been facilitated by the marketplace facilitator”.

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Marketplace sellers should report sales made through a marketplace facilitator as a deduction on their periodic City of Aurora sales and use tax return.

Marketplace sellers in Aurora are responsible for verifying that the facilitator is licensed to collect and remit City of Aurora tax on sales in the City.

#### Economic Nexus

Economic Nexus is the connection between the city and a person not having physical nexus in the State of Colorado. Economic Nexus is established when the person or marketplace facilitator makes retail sales into the city; and:

- (1) In the previous calendar year, the person, which includes a marketplace facilitator, has made retail sales into the state exceeding \$100,000.
- (2) In the current calendar year, 90 days have passed following the month in which the person, which includes a marketplace facilitator, has made retail sales into the state exceeding \$100,000.

Retailers must collect and remit City of Aurora sales tax on all sales made into the City once economic nexus is established.

#### Destination Sourcing

Internet retailers licensed with the City should collect City sales tax on items delivered within the Aurora city limits.

The following rules apply to determine where a sale of tangible personal property is made.

1. If the purchaser takes possession of the purchased property at the seller’s location, the sale is sourced at the seller’s location.
2. If the property or service is delivered to the purchaser, the sale is sourced to the location where the purchaser receives and first used the purchased tangible property or service.
3. If the purchaser requests delivery of the property to another recipient (for example, delivery of a gift) the



sales is sourced to the location where the recipient takes possession of the purchased property, or first uses the purchased property (or gift).

4. If a sale cannot be sourced by applying subsections (1), (2), and (3) of this section the sale is sourced to the address of the purchaser obtained during the consumption of the sale, including, if no other address is available, the address of a purchaser's payment, when use of this address does not constitute bad faith.

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### Examples:

1. Business A purchases computers from an Internet distributor based out of the state. The distributor does not collect any sales tax. Business A must remit a use tax on the full purchase price paid on their next periodic City sales/use tax return.
2. Person B sells crafts over the Internet from her Aurora home and has obtained a home business license from the City. Person C, an Aurora resident, orders some of Person B's crafts, which she delivers to an address in Aurora. Person B must collect and remit Aurora sales tax on the purchase price paid by Person C for the crafts.
3. Retailer D is marketplace facilitator; person E is a Denver resident who sells jewelry online through Retailer D's marketplace. Person F is a resident of Aurora who made an order of \$100.00 of jewelry; the jewelry was delivered to an address in Aurora. Retailer D must collect and remit Aurora sales tax on the purchase price paid for the jewelry.
4. Retailer E is located in Dallas Texas and does not have physical presence within the City. During the calendar year 2021 Retailer E delivered \$200,000.00 of sales into the State of Colorado. Retail E should collect and remit sales tax on all sales made into the City.
5. Retailer E located in Aurora purchased a gift basket from retailer F located in Denver. Retailer E requested that the gift basket be delivered to one of his clients located in Thornton, Colorado. Sales tax on this transaction is sourced to the City of Thornton, CO.

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### Related Topics

Commercial Packaging and Shipping Materials  
Deliveries Outside the City  
Freight Delivery & Transportation

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### 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

---

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## Tax Compliance Guide

### Leased & Rented Property

(9/2022)

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The *Aurora Municipal Code* definition of "purchase or sale" includes the following: "A lease, lease-purchase agreement, rental, or grant of a license, including royalty agreements, to use tangible personal property or taxable services." These terms include both operating and financing leases, installment sales, "rent-to-own" agreements, and credit sales. Retailers leasing or renting tangible personal property for use in the City ("lessors") must obtain an Aurora Sales & Use Tax License and collect sales tax on the lease payments. A lessee who does not pay Aurora sales tax at the time of the lease or rental must remit use tax to the City.

Aurora tax should be assessed on the lease payments for the entire term of the lease if the taxable event (delivery or pick up) occurred in Aurora. If the lessor shall cause the leased item to be delivered into another jurisdiction, that jurisdiction's sales tax would be assessed for the entire term of the lease.

The full amount of the lease and rental payments is taxable; including, but not limited to: delivery charges, interest charges, operator charges that are not separately stated, setup charges, service charges, environmental fees, damage waivers, fuel charges, and all other amounts paid to obtain the uninterrupted use of the leased property.

Aurora sales/use tax does not have to be paid by licensed lessors when purchasing inventory to be rented or leased if the property will be held strictly for customer use. The lessor must pay Aurora sales/use tax on property it uses in addition to being held for lease (mixed use property). Lessors may not avoid the collection of Aurora sales tax by paying sales/use tax upon the purchase of lease inventory unless it qualifies as a short-term on premises rental of tangible personal property such as a self-service car wash or laundromat.

#### Financing and Sales-Type Leases, Lease-Purchases Agreements, and Installment Sales

When property is sold under a financing/sales-type lease, lease-purchase agreement, installment sale, or other conditional sales contract, whereby the seller retains title as security for all or part of the price, or whereby the seller takes a chattel mortgage on such property to secure all or part of the price, the full amount of sales tax is due in the period in which the sale was made or upon the first instance of use, storage, consumption, or distribution in the City thereafter. No refund, credit, or bad debt deduction shall be allowed to either party in the case of default or repossession.

Aurora may authorize businesses operating wholly or partly on a credit accounting basis to file returns on an actual cash received basis or to collect the entire amount of tax due at the time of the sale without regard if title passed to the purchaser. Provided, however, that in any event, the entire tax due on a purchase or lease made on a revolving charge account shall be due and payable immediately.

In determining whether a lease is a financing/sales-type lease or operating lease, the City will generally follow how the transaction is accounted for by the lessor/lessee. The City may also try to ascertain the intent of the parties by reviewing agreements between the lessor and lessee, and by evaluating the facts and circumstances surrounding the transaction. Factors that may indicate that a lease is a financing/sales-type lease include the following:

- ❖ The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- ❖ The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- ❖ The lease term is for the major part of the remaining economic life of the underlying asset (usually 75%). However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion should not be used for the purposes of classifying the lease.
- ❖ Consideration representing substantially all of the underlying asset's fair value is transferred to the lessor, based on the present value of all lease payments and the lessee's guarantee of residual value of the underlying asset, if any.
- ❖ The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

#### Short-Term on Premises Rentals of Tangible Personal Property

When tangible personal property is rented for use on the retailer's premises, it is not subject to Aurora sales tax if the following conditions exist:

- ❖ The tangible personal property is required to be used by the customer on the retailer's premises; and
- ❖ The retailer has made an election to pay city sales/use tax on the purchase of the equipment being rented and has paid the applicable sales/use tax.

If a retailer elects not to pay sales tax or use tax to qualify for the exemption, the retailer must collect Aurora sales tax from each customer each time the tangible personal property is rented.

Once a retailer has made an election, the retailer must continue collecting Aurora tax based on the election made. If the retailer fails to make an election and does not pay city sales/use tax on the purchase, it shall be deemed as an election to collect the Aurora sales tax from each customer on each rental.

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## Examples

1. Resident A is building a fence for their yard and rents a nail gun and compressor from Equipment Rental B, a licensed Aurora retailer. Equipment Rental B charges \$100.00 per day for the rental plus a \$10.00 damage waiver. Equipment Renter B must collect Aurora sales tax on both the \$100.00 rental charge and the \$10.00 damage waiver.
2. Business C owns a growing Aurora software company and needs new computer server for their office. The IT vendor builds the server and leases it to Business C, the agreement qualifies as a financing or sales-type lease. The cost of the server is \$5,000.00. The lease term is 24 months with monthly lease payments of \$229.00. As a financing or sales-type lease, the lessor must collect sales tax up front on the sum of the lease payments in the amount of \$5,496.00.
3. Apartment Complex D rents washers and dryers to its tenants; each building has a laundry room with 10 washing machines and dryers. Washing machines cost \$.75 per load and dryer machines cost is \$1.00 per load. Apartment Complex D did not make an election to pay sales/use tax on the purchase of the washing machines and dryers and did not pay sales/use tax on the purchase of the equipment. Apartment Complex D must pay Aurora sales tax on the total revenue generated from the rental of the tangible personal property.

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## Related Topics

Bad Debts  
 Certificate of Taxes Due  
 Construction Equipment  
 Wholesales Sales

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## Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-33. Legislative Intent  
 § 130-156. Taxable Items  
 § 130-157.5 Short Term on Premises Rental of Tangible Personal Property.  
 § 130-160. Responsibility for payment  
 § 130-161. Schedule of Taxes  
 § 130-166 Credit Sales and Leases  
 § 130-196. Levy  
 § 130-199. Use tax credit

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## Tax Compliance Guide

### Linen Rental & Service

(3/2024)

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The *Aurora Municipal Code* definition of "purchase or sale" includes the following: "the acquisition for any consideration by any person of tangible personal property, other taxable products, or taxable services that are purchased, leased, rented, or sold." This also includes any "lease, lease-purchase agreement, rental, or grant of a license, including royalty agreements, to use tangible personal property or taxable services."

Retailers providing linens, diapers, uniforms, floor mats, and other textiles, along with the service of laundering soiled linens, must obtain an Aurora Business License and collect sales tax on the total charges to the customer. If a retailer fails to collect Aurora sales tax, the purchaser must remit a use tax directly to the City.

Although these transactions may be referred to as "linen services" or other similar "services," the object of the transaction is the rental of the linens owned and maintained by the retailer and the transaction is, therefore, subject to Aurora tax. Aurora sales/use tax does not have to be paid by licensed retailers when purchasing textile inventory if the property will be held strictly for customer use. Retailers may not avoid the collection of sales tax by paying a sales or use tax upon the purchase of inventory.

Charges for laundering customer-owned textiles are not subject to tax.

#### Examples

1. Restaurant owner A operates an upscale restaurant in Aurora. The restaurant purchases "linen services" from Linen Service B. For a flat monthly fee, Linen Service B provides weekly deliveries of tablecloths, napkins, and kitchen staff uniforms. When delivering fresh linens, Linen Service B removes and launders the soiled linens. Textiles owns all the provided linens and is responsible for replacing ruined or worn-out linens. Textiles must obtain an Aurora Sales & Use Tax License and collect Aurora sales tax on the full amount of the monthly charge.
2. An Aurora hotel hires Laundry Service C to launder and press its bed and bath linens. The hotel owns and maintains the linens. The linens are collected by staff in laundry bins, which Laundry Service B removes daily. Laundry Service B then charges the hotel for each batch laundered. This charge is not subject to Aurora sales/use tax.

#### Related Topics

Leased & Rented Property  
 Lodging Industry  
 Professional Services

#### 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  
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## Tax Compliance Guide

### Lodging Industry

(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.

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Retailers in the lodging industry engaged in business in Aurora are responsible for the collection and payment of the city's sales tax and 8.0 percent lodger's tax, and for the payment of sales/use tax on purchases. Retailers have separate filing requirements for sales and use taxes and lodger's taxes. Lodging establishments with more than 75 rooms are also responsible for paying a destination improvement marketing fee of \$2 per room per night with their lodger's tax return.

fees may be the destination marketing fee, online booking fee, pet fees, or a public improvement fee.

#### Lodger's Tax

Aurora lodger's tax is imposed on the purchase price paid for the use, possession of (or the right to use or possess) rooms or other accommodations. Aurora tax does not apply to the transaction of furnishing rooms or accommodations for meetings or exhibitions.

#### Marketplace Facilitators

Marketplace facilitators that sell lodging or facilitate the sale of lodging are required to collect the city's lodger's tax. The city's preference is that for licensed hotel facilities, the lodger's tax is provided to the hotel for remittance to the city. The facilitator will then remit a lodger's tax return for the tax collected on the fees charged by the facilitator. Facilitators of marketplaces for short-term rentals of residential properties are to remit those lodger's taxes directly to the city unless the facilitator enters into an agreement with the operator of the short-term rental to ensure the taxes will be remitted to the city. Such agreement will need to ensure the facilitator is licensed and filing lodger's tax returns with the city.

Cancellation charges, forfeited deposits, or similar charges for cancelling a reservation or failing to check-in are subject to lodger's tax unless both of the following conditions apply:

1. The charge is less than the 50% of the daily room rate; and
2. The purchaser is not entitled to the right to use or possess rooms or accommodations despite having paid the cancellation charge or forfeiting the deposit.

Governmental entities and charitable organizations are exempt from paying lodger's tax, provided that organization funds are paid directly to the seller, and the organization is not being reimbursed for the stay.

#### Other Sales (Sales Tax)

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. The sales tax must be shown as a separate and distinct charge. Sales tax may only be included in the price of alcoholic beverages sold by the drink, the price of items vended through coin operated devices, and the price for the utilization of "coin operated" devices. Sales tax is not imposed upon the purchase price paid for rooms or other accommodations (see above). Common examples of taxable sales in the lodging industry include the following, without limitation.

Long-term residents, contracting in writing and subsequently paying for lodging for a period of at least 30 consecutive days are also exempt from lodger's tax. If an occupant does not enter into a written agreement up front for a stay of 30 or more days, then tax will apply for the first 29 days. Taxes collected for the first 29 days shall be remitted to the city and not refunded.

- ❖ **Food, beverages, and liquor** – Including restaurant meals, catering, banquets, room service, and food sold from a gift shop area for guest preparation.
- ❖ **Pay television and entertainment** – Including pay-per-view movies or satellite use.
- ❖ **Equipment rental** – Including audio/visual equipment, business equipment, etc.
- ❖ **Vending machine sales** – Sales of tangible personal property such as snacks, soft-drinks, and sundries, from vending machines are taxable. The tax may be included in the price of the goods and is not required if the price of the item sold is less than \$0.30.

The residential exemption of 30 or more consecutive days only applies to natural persons. A business such as an airline that rents rooms cannot be considered a resident if the natural persons staying in the room are themselves not in fact residents for at least 30 consecutive days.

Any fees charged to lodging stays are considered part of the purchase price for the room. Lodger's tax shall be collected on fees regardless of whether they are separately stated on the invoice. Such

- ❖ **Coin-Operated Devices** – Charges for the use of coin-operated amusement devices, such as arcade machines, are considered taxable recreation services subject to sales tax.
- ❖ **Admissions Tax** – Charges for admission to any place or event in the city which is open to the public are subject to admissions tax.
- ❖ **Telecommunications Service** – Charges for two-way interactive communications including, but not limited to, voice, image, data, and any other information, by use of any means including, but not limited to wire, cable, fiber optic cable, microwave, radio wave, or any combination of such media are subject to sales tax.

Similar to the lodger's tax, governments and charitable organizations are exempt from paying sales tax provided that the charges are paid directly to the seller by the funds of the organization and the organization is not being reimbursed.

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### Destination Improvement Marketing Fee

The *Aurora Municipal Code* imposes a fee upon lodging businesses with 75 rooms or more. The fee is \$2.00 per room per night. The fee is charged to the hotel; however, the hotel may denote the fee as a separate billing item on the receipt provided to the customer. Even if the fee is billed separately, lodger's tax must be collected on the fee amount.

Rooms that are exempt from lodger's tax as residential stays of at least 30 consecutive days are exempt from the fee. Charitable and governmental purchases of lodging are not exempted from the fee, as the fee is charged to the hotel for purposes of marketing.

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### Purchases by Lodging Providers (Sales/Use Tax)

The *Aurora Municipal Code* imposes a use tax upon the purchase price paid for tangible personal property and certain taxable services used, consumed, stored, or distributed in the City. It applies to the extent a sufficient, legally-imposed municipal sales or use tax was not paid at the time of purchase. Special attention should be given to the amount of tax collected, as vendors may be collecting state sales taxes but not City sales tax. Moreover, credit is not allowed for taxes collected and remitted to another city if the property is delivered or the services are provided in Aurora. Use tax is reported with a sales tax return.

Common examples of property and services subject to sales/use tax in the lodging industry include, but are not limited to the following.

- ❖ **Complimentary Guest Supplies** – Items furnished for guest rooms, such as soap, shampoo, lotion, linens, hair dryers, tissue, and other toiletry and sundry items, are subject to City sales/use tax.
- ❖ **Complimentary Meals** – The cost of complimentary meals provided to guests or employees is subject to City sales/use tax.
- ❖ **Furniture & Equipment** – Fixed assets, such as furniture for guest rooms, banquet rooms, common areas, and hotel offices; computer hardware and software; fixtures; and equipment, whether purchased, leased, or rented from sources inside or outside the City, is subject to City sales/use tax.
- ❖ **Repair Materials** – The purchase price paid for parts and materials used in repair work (not requiring a City building

permit), such as plumbing, landscaping, or other time & materials jobs, is subject to City sales/use tax. Installation labor is not subject to tax, provided it is separately stated on the invoice.

- ❖ **Other Tangible Personal Property & Taxable Services** – Other purchases including, but not limited to, office, cleaning, and maintenance supplies; subscriptions; uniforms; promotional items; forms; publications; linens; small wares; tools; kitchen utensils; plants and decorations; and other similar items are subject to Aurora sales/use tax.

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### Examples

1. Customer A stays at an Aurora hotel for two nights at \$100 per night. During the stay, Customer A orders an in-room movie for \$3, a room service meal for \$25, and makes a local phone call for a \$0.50 charge. These charges are all included on Customer A's bill. The hotel must collect and remit Aurora lodger's tax on the \$200 accommodation charge, and Aurora sales tax on the charges for the movie, room service, and phone call.
2. Customer B is an employee of the State of Colorado government. Customer B reserves and pays for a room using their state-issued travel card. Customer B explains that they pay the bill for the card and are reimbursed for travel expenses. Because the charge is not being paid directly by the funds of the government, lodger's tax is due on the purchase price of the room.
3. Customer C makes a reservation at an Aurora hotel for an upcoming business trip. The daily rate for the hotel is \$125 plus tax. At the last minute, Customer C calls the hotel and cancels his reservation. The hotel charges a \$50 cancellation fee. Since the fee is less than 50% of the room rate, the \$50 cancellation fee is not subject to Aurora lodger's tax.
4. Hotel D is a large hotel of more than 75 rooms. A customer stays at Hotel D for one night. The room rate for the hotel is \$100, the hotel separately bills the destination marketing fee of \$2, and also separately bills for a public improvement fee of \$1. Lodger's tax must be collected on the price of \$103.
5. Customer E agrees to a weekly stay at an Aurora hotel. On day 31 the customer is still residing at the hotel. The hotel shall collect and remit tax for the first 29 days and discontinue tax collection starting on the 30<sup>th</sup> consecutive day. The record of payment and residency by the guest is proof of a written agreement for residency of at least 30 days.
6. Customer F reserves and pays for a stay at an Aurora hotel for 40 days. The reservation and payment are considered a written agreement for residency, and tax does not need to be collected unless the reservation is modified to be less than 30 consecutive days. In such case, if a refund is provided for the unused days of lodging, then taxes shall be subtracted from the refunded amount. If no refund is provided, then no tax is due.
7. Customer G, a corporate airline, agrees to rent a block of rooms from an Aurora hotel for various employees to use while on layover. Since the airline is not a natural person, lodger's tax must be collected from Customer G for all lodging, as there is

no natural person maintaining residency in the rooms for longer than 30 consecutive days.

8. Hotel H provides a complimentary breakfast for hotel guests. The breakfast food and supplies are purchased from a local grocery store that did not charge sales tax on the food items. Since the items are not exempted as food for home consumption, and they are not exempted for resale, the hotel must pay use tax on the purchase price of the items.

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## Related Topics

Admissions Tax  
Coin Operated Devices  
Governments & Charitable Organizations  
Linen Rental & Services  
Pay Television and Entertainment Services  
Restaurants & Bars  
Telecommunications  
Tips & Gratuities  
Use Tax

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-157. Items Exempt from Taxation  
§ 130-157.5. Short-term On Premises Rentals of Tangible Personal Property  
§ 130-161. Schedule of Taxes  
§ 130-161. Sales Tax on Admissions  
§ 130-361. Lodger's Tax  
§ 130-364. Exemptions (Lodger's Tax)  
§ 86-667. Destination marketing improvement fee

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## Tax Compliance Guide

### Maintenance Agreements

(12/2022)

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The tax character of maintenance agreements is generally dependent upon three factors: whether or not purchase of the agreement is required in conjunction with the purchase of the maintained property; whether or not the price of the agreement includes both service labor and replacement property; and whether or not the price of the agreement is stated separately from the price of the maintained property.

Maintenance agreements differ from extended warranties in that they generally provide for routine, periodic repairs to property (including software) to keep such property in a continuous state of good working order. When maintenance agreements provide for repair parts, supplies, or software updates, the purchaser intends to acquire such property as an object of the agreement. Conversely, warranties and extended warranties are indemnities against defects, where additional personal property is used only if a defect is discovered.

#### Equipment Maintenance Agreements

Agreements to provide ongoing repairs and maintenance to machinery, computer hardware, office equipment such as copiers and fax machines, vehicles, or other tangible personal property are not taxable, provided that **all three** of the following conditions are met:

1. The agreement is not mandatory for the purchase, lease, or rental of the equipment maintained;
2. The charge for the agreement is separately stated from the purchase price, lease price, or rental price of the equipment maintained (if any); and
3. The periodic charge for the agreement does not include parts and supplies, or the periodic charges for parts and supplies are stated separately from the charges for labor.

Sellers must collect Aurora sales tax on charges for separately stated parts and supplies sold after the maintenance agreement. The seller may not avoid collecting sales tax on subsequent parts sales by paying tax on such parts when originally purchased.

Because parts used in fulfilling the agreement will be resold and taxed – either as part of the price of the agreement, or individually as they are used – they should be purchased tax free at wholesale.

Charges for surplus consumption or use constitute part of the price paid for the lease or rental of the tangible personal property and are subject to City sales tax. For example, copy machine click charges or a maintenance charge per hour of equipment usage.

#### Software Maintenance Agreements

While many software maintenance agreements include technical support and troubleshooting provisions, these agreements frequently include the right to future releases, upgrades, updates, security patches, or other modifications or improvements. As such, most software maintenance agreements are subject to City sales/use tax. Software agreements are not taxable provided that **all three** of the following conditions are met:

1. They are not mandatory for the purchase, lease, or rental of the underlying software (or software license);
2. They are separately stated from the purchase price, lease, or rental payment amount (including the amounts for software licenses); and
3. They are strictly for technical support services and do not include the right to any future releases, upgrades, updates, security patches, or other modifications or improvements.

#### Examples

1. Company A purchases a copy machine from Seller B. Company A also purchases a 12-month, optional maintenance agreement. Company A pays a flat, monthly charge plus charges for parts, if any, needed to repair the machine. Since the agreement is optional and does not include additional parts needed, the monthly charge for the agreement is not subject to tax. Seller B must collect sales tax on charges for parts used to repair the copy machine. Seller B should not pay sales tax when purchasing parts for repair inventory, because the parts will be taxed upon their resale.
2. Company C leases a copy machine from Seller B. The monthly charge for the lease is \$500 plus \$0.10 per page over 3,000 pages. Seller B must collect sales tax on both the \$500 base charge and the \$0.10 per page overage charge.



3. Company D leases kitchen equipment from Seller E, the monthly payment for the equipment lease is \$2,400. Also, Company D is required to purchase a service plan from Seller E for an additional \$200 per month. The service plan covers any labor charges, but replacement parts are additional expense billed separately from the agreement. Because the service plan is mandatory for the lease of the kitchen equipment, Seller E must collect sales tax on the \$200 price in addition to the monthly lease charges of \$2,400. Seller E must also collect sales tax on any repair parts sold to Company D that are invoiced separately from the agreement.
4. Company F purchases accounting software from Seller G for \$10,000. Company F is required to pay an annual maintenance fee of \$1,500 per user, for which it receives 24-hour technical support and monthly updates from Seller G. Seller G is not a licensed Aurora retailer and does not collect tax on the charge for the software or the annual maintenance fees. Company F must, therefore, report and pay use tax on the \$10,000 software charge and the \$1,500 annual maintenance fee on their periodic City sales/use tax return.
5. Company H purchases an optional support plan from Seller I for software it purchased from Seller I. The support plan entitles Company H to call Seller I Monday through Friday from 8:00AM to 5:00PM and receive technical support for up to three hours per month. Company H does not receive any upgrades, updates, patches, or other additional software from Seller I unless it purchases them separately. The optional support plan is not subject to Aurora sales/use tax.

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## Related Topics

Leased and Rented Property  
Mixed Transactions  
Software  
Warranties

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-196. Levy  
§ 130-199. Use tax credit

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## Tax Compliance Guide

### Manufacturing & Fabrication

(02/2022)

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Manufacturing, producing, processing, compounding, or fabricating includes any operation or series of operations which change the form, state, or composition of tangible personal property from that in which it was acquired by the manufacturer. The manufacturing process results in the production of a different product having a distinctive name, character, and use.

The term "manufacturing" shall not include, without limitation, the preparation, baking, and cooking of food and beverages; the generation and distribution of electricity; or the extraction of raw materials from the earth through mining, quarrying, the sinking of wells, or any other process.

#### Raw Materials

The *Aurora Municipal Code* exempts from sales/use tax tangible personal property (raw materials) sold to licensed persons engaged in manufacturing, provided that the product being manufactured or processed is transformed in fact by the addition of the property or materials, and such property or materials become a constituent part of the finished product.

In considering whether or not the property or materials become a constituent part of the finished product, the City examines the extent to which the material becomes a necessary and recognizable ingredient or component in the finished product, its physical presence in the finished product, and whether it is essential to the use thereof in the hands of the ultimate consumer. Manufacturing materials which do not become a recognizable, constituent part of the finished product are not exempt from Aurora sales/use tax. They are taxable supplies used or consumed in the manufacturing process rather than raw materials. Such items include, but are not limited to dies, molds, plates, cleaners, thinners, chemical catalysts, templates, reagents, gas, electricity, and all other property that does not qualify as a raw material.

#### Tools and Equipment

Manufacturing tools, equipment, and parts thereof that are located in the City, used directly and predominantly in a manufacturing function, and are in excess of \$500 are exempt from Aurora sales/use tax. Manufacturing tools, equipment, and parts thereof that are not in excess of \$500 are not exempt from Aurora sales/use tax. Replacement parts for machinery and equipment that are not in excess of \$500 are not exempt from Aurora sales/use tax.

An exemption for machinery and machine tools requires that a declaration of entitlement must be filed with the finance director.

Manufacturers must pay Aurora sales/use tax on all other tangible personal property and taxable services used, consumed, stored, or distributed in the City such as consumable supplies, office supplies, office equipment, uniforms, and furniture.

#### Fabrication Labor, Taxable Basis of Finished Goods

Manufacturers who sell finished products at retail must collect and remit Aurora sales tax on the purchase price paid for such products. The purchase price must include the cost of all materials used, labor or services performed, and the profit thereon. Manufacturing or fabrication labor or services expended in the creation, assembly, production or configuration of tangible personal property is part of the taxable purchase price even if the cost or charges for such labor or services are segregated from the cost or charges for materials. Charges for freight, delivery, and transportation are also subject to City sales tax. Charges for installing tangible personal property may be excluded from the taxable purchase price when separately stated.

#### Examples

1. Merchant A manufactures made-to-order furniture. Merchant A's volume is low, so Merchant A tracks materials and labor for each job. Even though Merchant A lists the price of the materials and fabrication labor separately on the invoice, the merchant must collect and remit Aurora sales tax on the aggregate purchase price.
2. Computer Manufacturer B buys various computer components in large quantity, which it assembles into completed personal computers for resale. Although Computer Manufacturer B occasionally uses completed computers in its offices, whether specific parts will ultimately end up in machines for resale cannot be known at the time of purchase. Most of the time, parts will end up in resold machines. Computer Manufacturer B may purchase all parts tax free at wholesale and remit use tax on the cost of those parts comprising a machine removed from inventory for use in its offices.

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## Related Topics

Freight, Delivery, and Transportation  
Gas and Electric Services, Steam and Other Heating Services  
Properly Exempted Purchases Converted to Taxable Use  
Wholesale Sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-157. Items exempt from taxation  
§ 130-160. Responsibility for payment  
§ 130-198. Exemptions

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# Tax Compliance Guide

## Medical/Dental Service Providers

(2/2022)

Medical and dental procedures are generally considered professional services. Therefore, professional fees collected by medical and dental practitioners are not subject to Aurora sales tax. If, however, the practitioner also sells tangible personal property in addition to patient services, such sales are subject to Aurora sales tax. The practitioner must collect sales tax on taxable sales and remit collected funds to the City. Examples of taxable items include, but are not limited to, vitamins and nutritional supplements; books, magazines, or other publications; therapeutic devices; and toothbrushes or other dental hygiene products. Prescription drugs and prosthetic devices are exempt from Aurora sales tax.

The *Aurora Municipal Code* also imposes a use tax upon the privilege of using, storing, distributing, or otherwise consuming tangible personal property or taxable services in the City. Use tax applies to the extent a sufficient, legally-imposed sales tax was not paid at the time of purchase, lease, or rental. Common examples of property subject to use tax in the medical/dental industry include, but are not limited to:

- ❖ Disposable supplies such as rubber gloves, tongue depressors, cotton balls, cotton swabs, syringes, floss, mouthwash, fluoride trays, napkins, towels, cups, disposable instruments, and other similar items
- ❖ Tools, instruments, furniture, removable fixtures, and medical equipment
- ❖ Impression material
- ❖ Temporary solutions, germicides, and sterilization solutions
- ❖ Braces, retainers, and other orthodontic devices
- ❖ Nonprescription drugs and therapeutic devices
- ❖ Office supplies, cleaning supplies, uniforms, and office equipment
- ❖ Publications, journals, newsletters, and printed or digital resource materials
- ❖ Complimentary items such as toothbrushes, toothpaste, floss, samples, and toys

### Examples

1. A dentist purchases several items from a dental supply company: tools, rubber gloves, fluoride trays, amalgam and germicide. The supply company is located outside the City and does not collect Aurora sales tax. The dentist must remit Aurora

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use tax on these items on their next periodic City sales/use tax return.

2. A dentist purchases a retainer, night guard, and braces from a dental lab. The lab is located outside the City and does not collect Aurora sales tax. The dentist must remit Aurora use tax on these items. As a service provider these types of purchases are considered used by the dentist when providing services.
3. In conjunction with their medical practice, a doctor sells vitamins and nutritional supplements. The doctor must separately state these items from charges for professional services on their billing statements and collect and remit Aurora sales tax from patients.

### Related Topics

Medical Exemptions  
Use Tax

### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-157. Items exempt from taxation.  
§ 130-196. Levy

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## Tax Compliance Guide

### Medical Exemptions

(2/2022)

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The *Aurora Municipal Code* provides an exemption from sales/use tax for prosthetic devices, prescription drugs, and menstrual care products. The code further exempts insulin and diabetic supplies and equipment.

#### Prescription Drugs

"Prescription drugs" means a drug which, prior to being dispensed or delivered, is required by the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. § 301 et seq., as amended, to state at a minimum the symbol "Rx only," and is dispensed in accordance with any written or electronic order dated and signed by a licensed practitioner of the healing arts, or given orally by a practitioner and immediately reduced to writing by the pharmacist, assistant pharmacist, or pharmacy intern, specifying the name and any required information of the patient for whom the medicine, drug or poison is offered and directions, if any, to be placed on the label.

Prescription drugs, whether for humans or animals, are exempt from Aurora sales/use tax when dispensed as described above.

The code further exempts diabetic supplies and insulin in all forms, dispensed pursuant to the direction of a licensed practitioner of the healing arts. This includes glucose to be used for the treatment of insulin reactions, diabetic urine and blood testing kits and materials, and insulin measuring and injecting devices.

#### Prosthetic Devices

A "prosthetic device" for humans is any artificial limb, part, device or appliance for human use which:

1. Replaces a body part or aids or replaces a bodily function
2. Is designed, manufactured, altered or adjusted to fit a particular patient; and
3. Is prescribed by a licensed practitioner of the healing arts.

Such devices include, but are not limited to, prescribed auditory, ophthalmic, ocular, cardiac, dental, or orthopedic devices or appliances, or oxygen concentrators with related accessories.

Prosthetic devices are exempt from Aurora sales/use tax when dispensed pursuant to a written order of a licensed practitioner of the healing arts.

#### Therapeutic Devices

The *Aurora Municipal Code* defines "therapeutic devices" as "devices, appliances, or related accessories that correct or treat a human physical disability or surgically created abnormality." Such items may include, without limitation, elastic knee braces, water beds, hot tubs, and exercise bicycles. Therapeutic devices or equipment are not exempt, even when dispensed pursuant to a written order of a licensed practitioner of the healing arts.

#### Menstrual Care Products

The *Aurora Municipal Code* defines "menstrual care products" as tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for hygiene in connection with the human menstrual cycle. Menstrual care products are exempt from Aurora sales/use tax.

#### Other Medical Equipment and Supplies

The City of Aurora does not have a tax exemption related to durable medical equipment, mobility enhancing equipment, medical materials, and certain medical supplies that may be exempt at the State level. These items are not exempt from Aurora sales and use tax, even when dispensed pursuant to a written order of a licensed practitioner of the healing arts.

#### Examples

1. An Aurora resident visits an optometry clinic in Denver, and an eye exam reveals they will need prescription reading glasses. The patient orders eyeglasses from a popular website, and has the optometrist submit the prescription to the company for fulfillment. The glasses are then delivered to the patient's home in Aurora. Because the eyeglasses meet the definition of a "prosthetic device," they are exempt from Aurora sales tax.

2. A doctor at an outpatient surgical facility writes on a patient's chart that the patient is to receive a dosage of over-the-counter strength pain reliever which is not required to bear the symbol "RX Only." The drug is dispensed by the doctor's staff at the facility. A separate charge appears on the patient's billing for this drug. This charge is not exempt from sales tax because the medication is not a prescription drug.
3. A doctor at an outpatient surgical facility administers a dose of prescription pain reliever to a patient. This pain reliever is a controlled substance labeled "RX Only," and was filled by a pharmacist pursuant the doctor's order. A separate charge for this drug appears on the patient's billing. The charge is exempt from sales tax because the medication is a prescription drug and is administered by a licensed practitioner of the healing arts.

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## Related Topics

Medical/Dental Service Providers

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 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:

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## Tax Compliance Guide

### Mixed Transactions

(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 sales tax upon the purchase price paid for tangible personal property sold at retail in the City. Mixed transactions are those that include purchases of both taxable tangible personal property and nontaxable services.

invoice, sales contract, or similar document issued to the purchaser at the time of the sale

#### Definitions

*Tangible personal property* means personal property that can be one or more of the following: seen, weighed, measured, felt, touched, stored, transported, exchanged, or that is in any other manner perceptible to the senses.

#### Examples

1. XYZ Electrical has been contracted to install a new A/C unit at an Aurora residents' home. XYZ completes the work and charges Aurora resident \$5,000.00 for "Labor and Materials". As there is no separation of labor and materials and the entire transaction is lumped together, all \$5,000.00 of the purchase price is subject to Aurora sales tax.
2. ABC Plumbing has been hired as part of a home renovation project in Aurora and is tasked with installing a new kitchen sink and garbage disposal in a refurbished kitchen. After the work has been completed, ABC Plumbing bills its Aurora customer for \$1,500.00 in materials and \$500.00 in labor totaling \$2,000.00 for the entire project. As the materials and labor charges are separated, only the \$1,500.00 in materials would be subject to Aurora sales tax.

#### Taxable Transactions

- Sales/rentals/leases of tangible personal property
- Charges for taxable services (as defined in Tax Code)
  - Gas and Electric services
  - Pay Television and Entertainment Services
  - Recreation services
  - Telecommunications
  - Few other specific items

#### Exempt Transactions

- Labor or Installation charges – when separately stated
- Newspapers
- Prescription drugs
- Gasoline
- Deliveries outside the City
- Food for home consumption
- Few other specific items

#### Related Topics

Automotive Service & Repair  
 Construction Equipment  
 Construction Projects Not Requiring Building Permits  
 Manufacturing & Fabrication  
 Professional Services  
 Repairs and Maintenance

#### Mixed Transactions Rule

When purchases are made that include both taxable and nontaxable tangible personal property or services, only nontaxable tangible personal property and services that are *separately stated* on the invoice provided to the buyer at the time of purchase are exempted. If no separation occurs, the entire transaction is taxable. This is commonly referred to as a "Lump-Sum" transaction.

#### Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-33. Legislative Intent  
 § 130-156. Taxable Items  
 § 130-157. Items Exempt from Taxation

A charge is separately stated if it appears as a distinct line item apart from the overall price of the transaction, on a written receipt,

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## Tax Compliance Guide

### Notice of Assessment, Appeals & Protests

(12/2022)

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When the City determines that a tax deficiency exists, a Notice of Assessment is issued to the taxpayer. This letter is a legal notice and demand for payment and should be read carefully as immediate action is required. The City may issue a Notice of Assessment for a tax deficiency or estimated tax deficiency, resulting from the following:

- ❖ An audit of a taxpayer's records,
- ❖ Failure to provide adequate records as needed for a City tax audit (estimated assessment)
- ❖ If, at any time, the finance director reasonably finds that the collection of sales or use tax will be jeopardized by delay (jeopardy assessment)

#### Payment Due Date

A Notice of Assessment becomes final, due, and payable 30 days from the date the audit was closed (the due date listed on the Notice of Assessment). Unless, within those 30 days, the taxpayer files a written protest requesting review and modification of the assessment. All protests must be received on or before the due date shown on the Notice of Assessment. ***This deadline cannot be extended.***

#### Filing a Protest

Taxpayers are advised to review the *Rules Governing Hearings before the Finance Director*, Section 130-64 of the Aurora Municipal Code, prior to filing a protest. This Guide outlines the process for resolving disputes and contains the requirements for proper filing. Protests must contain, without limitation, the following:

- ❖ The Notice of Assessment or denial of a claim for refund protested (the taxpayer name, assessment number and date of issuance),
- ❖ The amount and type of tax disputed,
- ❖ A concise statement detailing all claims asserted as the basis for the protest,
- ❖ Documentation to support the claims of the protest, and,
- ❖ The name, address, and telephone number of the legal representative authorized to present the case on behalf of the taxpayer, including a Power of Attorney form where required.

A timely filed protest does not stop the accrual of interest during the appeal process or during subsequent appeals.

#### Protest Resolution

When the City receives a properly filed and timely protest, the Finance Director may either schedule an informal meeting to resolve the appeal or proceed to a hearing before a duly appointed hearing officer.

An informal meeting with the taxpayer is an attempt to resolve the issues without holding a hearing. An informal meeting does not waive the taxpayer's right to a hearing. If the issues cannot be resolved, a hearing will then be scheduled by the City.

Hearings are held in accordance with the *Rules Governing Hearings before the Finance Director*; they are typically informal. Legal counsel for the City will be present at the hearing and the taxpayer may also have their counsel present.

If the issues raised in the appeal remain unresolved, the Hearing Officer's decision can be reviewed by the District Court or, in some cases, by the Colorado Department of Revenue.

#### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-64. Review Procedure for Aggrieved Taxpayers.  
§ 130-68. Interest on Tax Deficiencies  
§ 130-69. Penalty for tax deficiencies.

#### Contact Us

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## Tax Compliance Guide

### Pay Television and Entertainment Services

(9/2022)

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The *Aurora Municipal Code* imposes a sales/use tax upon the purchase price paid for "television and entertainment services". Television and entertainment services are audio or visual content that can be transmitted electronically, by any means, for which a charge is imposed. Retailers selling such services in the City must obtain a license and collect and remit Aurora sales tax.

Hotels which charge for television and entertainment services, such as pay-per-view movies and other digital content, must collect and remit Aurora sales tax on these charges.

#### Video Transmitted via Internet

The definition of "television and entertainment services" includes broadly "audio or visual content that can be transmitted electronically". This encompasses all charges for the transmission of visual images, audio, or similar digital goods. Charges for television and entertainment services transmitted via the internet are taxable whether billed on a pay-per-view or a periodic subscription basis, as well as both downloaded and streaming content.

#### Direct Broadcast Satellite

Television services delivered via direct broadcast satellite meet the definition of taxable pay television services under the *Aurora Municipal Code*. Section 602 of the *Telecommunications Act of 1996* precludes the City from requiring providers of these services to collect sales tax. However, the end-user of such services is responsible for remitting use tax on the pay television services on their next periodic return.

#### Audio Entertainment

Fee-based audio products, such as music subscriptions, book subscriptions, or podcast-type products, are subject to the Aurora sales/use tax. The tax is due on the amount charged, whether it is billed per use or as a periodic subscription. Digital downloads of music, audiobooks, and similar digital goods are also taxable as sales of tangible personal property.

#### Examples

1. The owner of a restaurant located in Aurora pays a monthly charge to a licensed Aurora cable provider for television services. The owner of the restaurant must pay Aurora sales tax on the subscription or monthly charges for the services.

2. The owner of a bar located in Aurora pays a monthly subscription fee to a direct broadcast satellite television service, which per federal statute is not required to collect local sales taxes on the service. The owner of the bar must remit use tax on the amount paid for the television services since no Aurora sales tax was collected by the provider.
3. The owner of an Aurora coffee shop pays a monthly charge to a music streaming service for an audio subscription to play background music for customers. The owner of the coffee shop must pay Aurora sales tax on the subscription or monthly charges for the services. If no Aurora sales tax is charged by the provider, the owner must remit use tax for the charges on their next periodic sales and use tax return.

#### Related Topics

Lodging Industry  
Restaurants & Bars  
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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## Tax Compliance Guide

### Photographers and Photofinishers

(2/2022)

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 sales/use tax upon the purchase price paid for tangible personal property at retail. Photographers and photofinishers primarily engaged in the business of selling personal property in the form of print matter or finished products must charge Aurora tax upon "[t]he gross purchase price of articles sold after manufacturing or after having been made to order, including the gross value of all the materials used, labor and service performed and the profit thereon."

#### Sales by Photographers and Photofinishers (Sales Tax)

Whether or not separately stated in the final bill, the purchase price paid to photographers and photofinishers is taxable, including but not limited to the following items:

- ❖ Pictures, including digital pictures transferred on tangible media or delivered electronically via download, file sharing services, or any other digital means;
- ❖ Prints made from developed negatives;
- ❖ Sitting fees, transfer fees, or other similar charges;
- ❖ Travel time, wages, or commissions for the photographer or models;
- ❖ Charges for rental of equipment; or
- ❖ Other labor and costs that are part of the price charged for the tangible photographs.
- ❖ The sale of individual items such as frames, sensitized paper, mounts and any other tangible personal property that is not part of a finished product; unless the sales qualify as a "wholesale" and the purchaser provides to the seller a valid exempt certificate.

#### Non-Taxable Sales

The following types of transactions are not subject to Aurora sales/use tax.

- ❖ Frames, backing, mounts, or sensitized paper which later become part of the finished pictures sold at retail;
- ❖ The price charged solely for services, such as editing pictures provided by a customer or the developing of films, including coloring and tinting.

#### Purchases by Photographers and Photofinishers (Sales /Use Tax)

Common examples of property and services subject to sales/use tax for photographers and photofinishers include, but are not limited to:

- ❖ Complimentary items – The cost of complimentary items given away to customers or employees is subject to City use tax. The photographer must remit Aurora use tax on the purchase price of these items on their next periodic City sales/use tax Return.
- ❖ Furniture & Equipment – Fixed assets such as, office furniture, fixtures, point of sale and other computer hardware, software, cameras, lenses, monitors, tripods, filters, extras, lighting whether purchased, leased, or rented from sources inside or outside the City, is subject to City sales/use tax.
- ❖ Other supplies, including, but not limited to, office, cleaning, and maintenance supplies, subscriptions, uniforms, promotional items, forms, publications, tools, plants and decorations, and other similar items are subject to City sales/use tax.

#### Examples

1. Photographer A is licensed with Aurora. Customer B is also located in Aurora; Customer B signs a contract with Photographer A to take pictures at their wedding ceremony, which will be at a location in Aurora. The contract includes up to 500 pictures of friends and family for the price of \$2,500.00. These pictures will also be delivered to customer A via download from Photographer A's website for a download fee of \$100.00. Photographer A will charge a \$30.00 transfer fee to upload the pictures. The contract also includes photographer's travel time of \$75.00 and a \$25.00 commission to be paid to the photographer's helper to aid with sitting arrangements. Photographer A must charge Aurora sales tax on the entire contract.

2. Photographer C is located and licensed in Aurora and purchased supplies from Photography Supply D. They purchased the following items: a new camera for \$5,000.00, filters for \$300.00, fifty 8"x11" frames in the amount of \$100.00, and one box of sensitized paper in the amount of \$50.00. Photography Supply D needs to charge Aurora sales tax to Photographer C on the \$5,000.00 camera and \$300.00 filters. These items are part of Photographer C's equipment or supplies. The frames and sensitized paper are purchased exempt from sales tax, they are part of finished pictures later sold at retail.

## Related Topics

Manufacturing & Fabrication

Use Tax

Wholesale Sales

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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

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# Tax Compliance Guide

## Previously Paid Sales or Use Tax

(3/2024)

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

The *Aurora Municipal Code* allows a credit for taxes paid to other jurisdictions where applicable. The amount of sales or use tax due is reduced by taking the difference between taxes paid to another municipality versus the Aurora tax due.

The sales or use tax paid to the other municipality must be lawfully paid at the time of the transaction. Tax that is not lawfully charged on a purchase does not qualify for a credit.

This reduction does not apply to construction materials used in a project requiring a City of Aurora building permit. See the Construction Materials tax guide and for additional information regarding use tax on City of Aurora building permits.

The following method may be helpful in determining the Aurora use tax liability for most taxable transactions:

**1. Has any sales or use tax been previously paid on the taxable purchase?**

If no tax was paid on the taxable purchase, then the full City of Aurora use tax is due on the purchase price paid for the taxable items/services.

If some tax was paid on the taxable purchase, proceed to step 2.

**2. Was the tax lawfully paid?**

Credit against City of Aurora use tax is allowed only for previously paid sales/use tax that has been lawfully paid.

Common examples of taxes that have not been lawfully paid include:

- ❖ Out-of-City vendors charging their home city's tax rather than collecting City of Aurora tax on deliveries into the City of Aurora.
- ❖ Vendors collecting City of Aurora tax even though they do not have a valid City of Aurora sales tax license.
- ❖ Out-of-City vendors charging another city's tax rather than collecting City of Aurora tax on deliveries into the City of Aurora, often due to an error in the shipping address or an error in their tax database.

If the tax collected was not lawfully paid, then the full City of Aurora use tax is due on the purchase price paid for the taxable

items/services. If tax was improperly collected for another municipality, contact that municipality to obtain a refund. If the tax collected was lawfully paid, proceed to step 3.

**3. Determine the correct combined sales/use tax rate**

Aurora City sales/use tax is one component of the total sales/use taxes which may be due. Other sales taxes, which are not collected by the City, include State of Colorado, Regional Transportation District (RTD), Cultural District, and County taxes. The following table details the breakdown of the total City of Aurora combined tax rate as of January 2024. The most current rate information is available in the Sales Tax section of the City of Aurora website or by contacting the Tax & Licensing Division.

Tax Jurisdictions	Arapahoe County	Adams County	Douglas County
City of Aurora <sup>1</sup>	3.75%	3.75%	3.75%
State of Colorado*	2.90%	2.90%	2.90%
RTD*	1.00%	1.00%	1.00%
Cultural District (CD)*	0.10%	0.10%	0.10%
County*	0.25%	0.75%	1.00%
TOTAL <sup>2</sup>	8.00%	8.50%	8.75%

\* All other taxes except the City of Aurora tax are collected by the Colorado Department of Revenue. For more information, visit their website at [www.tax.colorado.gov](http://www.tax.colorado.gov) or contact the State of Colorado Taxpayer Helpline at (303) 238-7378.

<sup>1</sup>If the other city's tax paid on the transaction is greater than or equal to the City of Aurora rate, no additional City of Aurora use tax is due. No refund, credit, or setoff is allowed for taxes in excess of the applicable combined rate.

<sup>2</sup>For out of state purchases, instead of comparing city rates, City policy is to compare the total combined tax rate paid on the transaction to the total combined rate according to table above.

If the tax paid is less than your applicable combined rate, proceed to step 4. If the rate is higher than your applicable combined rate no additional Aurora tax is due.

#### 4. Subtract the rate of tax paid from the applicable combined rate.

If the tax paid is less than your applicable combined rate, then the difference is the rate of the use tax due on the purchase price paid for taxable items/services. The use tax is reported on the next periodic City of Aurora sales/use tax Return.

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### Examples

1. Business A, with an office in Aurora, purchased office supplies over-the-counter at Retailer B in Centennial. Because the business picked up the supplies in Centennial, Retailer B properly collects Centennial tax of 2.5%. Business A must report and pay a partial use tax of 1.25% – which is the difference between the Aurora and Centennial rate – on the purchase price paid for the supplies.
2. Business A places an order with Retailer B who delivers the supplies to Business A's Aurora office. Business B erroneously collects Denver sales tax of 4.81% due to an internal system issue. The full Aurora use tax is due on the purchase price paid for the supplies because the Denver sales tax is not lawfully paid.
3. Business A places an order for computers with an out-of-state retailer. The retailer collects 4.00% (State, RTD, and CD) sales tax on computer parts and supplies. The full Aurora use tax is due on the purchase price paid for the parts and supplies as no city tax was collected.
4. Business B has its headquarters in Centennial and a field office in Aurora. Retailer B, also in Centennial, ships all of the computers sold to business B's headquarters for configuration. Retailer B properly collects Centennial sales tax of 2.5% on these sales. For those computers later transferred to their Aurora field office, Business B must now report and pay a use tax of 1.25% on the purchase price paid. This amount represents the difference between the Aurora and Centennial tax rates.
5. Business A has a branch in Newark, New Jersey and that branch purchases a machine from Retailer C, in person, correctly paying Newark, New Jersey sales tax. That branch then ships the machine to its location in Aurora. The combined rate is 9.75% in Newark, New Jersey and the combined rate is 8.00% for Aurora, Arapahoe County, where Business A has their location. No further use tax is due since the combined total tax paid is higher than the total combined rate for Aurora, Arapahoe county. Please also note that no refund is issued due to the higher taxes paid.

Please understand that the tax rates mentioned in the examples above are for example only and are subject to change in the future.

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### Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-33. Legislative Intent  
 § 130-156. Taxable Items  
 § 130-160. Responsibility for Payment  
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### Related Topics

Use Tax



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## Tax Compliance Guide

### Printers & Printing

(2/2022)

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Printers are primarily engaged in the business of selling tangible personal property in the form of printed matter. As with other tangible personal property, printed matter is subject to sales tax on the purchase price paid, inclusive of the gross value of all materials used, labor and services performed, and the profit thereon. Printed matter is taxable if the purchaser does not resell the articles but uses or consumes them, such as by distributing them at no charge, unless the purchaser is otherwise tax exempt.

Printers must pay Aurora sales/use tax on the purchase of other supplies consumed and prepress preparation materials used by the printer which do not become a constituent part of the finished product, even though such supplies may only be useable for a specific job.

#### Fabrication Labor & Other Services

Labor or services exerted in the production of an article sold are part of the taxable purchase price of the printed matter, even though the printer may elect to state these charges separately from stock, ink, or other tangible personal property. The gross purchase price of articles sold after production or after having been made to order is taxable, including the gross value of materials, labor, services performed, and profit. This may include, without limitation, setup charges, batch charges, cutting and finishing charges, binding and assembly charges, minimum charges, rush charges, and other similar labor or service fees. Freight, delivery, and transportation charges are also subject to tax.

If separately stated on the invoice, services performed by a printer or its subcontractor for typesetting, design, art, layout, or camera mechanicals are not subject to tax.

#### Examples

1. A print shop located in Aurora purchases materials and supplies from an out-of-state vendor. The print shop purchases paper, printer's ink, film, screens, blanket wash, flash oil, toner, roller wash, and press wax. The vendor does not collect any sales tax. The print shop must report and remit Aurora use tax on everything except the paper and the printer's ink. The remaining items are consumable supplies of the print shop used in the printing process.
2. A print shop located in Aurora invoices a customer for the design and production of advertising fliers for their business. The print shop invoices \$750 for design/layout of the fliers, a \$100 set-up fee, and \$500 for printing. The \$750 graphic design and layout charge is non-taxable. The print shop will charge sales tax on both the \$100 set-up fee and \$500 printing charge.

#### Supplies & Materials

Tangible personal property which becomes a constituent part of the finished product may be purchased by the printer tax-free for resale. Examples of such property include:

- ❖ Paper – Stock or newsprint on which the finished product is printed and delivered to the customer.
- ❖ Ink – Printer's ink, ink additives, and overprint varnishes.
- ❖ Chemicals – Anti-offset sprays, fountain etch solutions, gum solutions, and other component chemicals when used with the above materials.
- ❖ Finishing Materials – Padding compounds, stitching, wire and staples, and bookbinding tape.

#### Related Topics

Freight, Delivery & Transportation  
Manufacturing & Fabrication

#### 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

For additional assistance, please contact us:

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## Tax Compliance Guide

### Prior Use of Property

(3/2024)

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[Auroragov.org/tax](http://Auroragov.org/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 to collect tax at the time of purchase, then a use tax must be remitted directly to the City.

Property purchased prior to being brought into the City of Aurora by a resident should be reviewed for use tax and whether additional use tax is due to the City of Aurora.

Aurora exempts from sales/use tax the use, storage, distribution or consumption of tangible personal property of a resident under the following criteria: such personal property was purchased and used for a longer duration than one-third of its depreciable life, using the straight line depreciation method, prior to the time the property was brought into the city, and if such property was used for the primary purpose for which it was acquired prior to the time it was brought into the city. This exemption does not apply to construction equipment, tools, and machinery.

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.

### Construction Equipment

Please see the Aurora Tax Guide *Construction – Equipment* for information on the taxation of construction equipment. Construction equipment is subject to use tax under a separate City ordinance than described in this compliance guide.

Construction equipment is defined as any equipment, including mobile machinery and mobile equipment, which is used to erect, install, alter, demolish, repair, remodel, or otherwise make improvements to any real property, building, structure, or infrastructure.

### Examples

1. Company A was previously located outside of Aurora. Having a need to expand, Company A leased office space in Aurora and intends to move most of its current furniture and office equipment, which had been in use for more than 4 years, into Aurora. Company A is not required to remit use tax on its current

furniture and office equipment since it has been used for longer than 1/3 of its depreciable life prior to the move.

2. Company B has commercial locations in several cities including Aurora, with its corporate headquarters in unincorporated Arapahoe County. When Company B purchases furniture for its headquarters, they correctly do not pay any municipal sales or use tax. After using the furniture at their headquarters for six months, Company B decides to move it to the Aurora office and purchase new furniture for their headquarters. Company B must pay Aurora use tax on the full purchase price paid for the old furniture upon locating it in Aurora since it has not been in use longer than 1/3 of its depreciable life.

### Related Topics

Construction – Equipment  
Previously Paid Sales/Use Tax  
Use Tax

### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156. Taxable Items  
§ 130-159. - Application to Sale of Automotive Vehicles  
§ 130-196. – Levy  
§ 130-198. – Exemptions  
§ 130-199. - Use Tax Credit  
§ 130-201. - Nonlocal Sales of Automotive Vehicles.

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# Tax Compliance Guide

## Professional Services

(9/2023)

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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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## Tax Compliance Guide

### Properly Exempted Purchases Converted to Taxable Use

(12/2022)

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When the ultimate disposition of a specific article cannot be known at the time of purchase because the purchase would ordinarily comprise the buyer's inventory, the article may be properly purchased tax-exempt at wholesale. The Aurora Municipal Code imposes a use tax on tangible personal property purchased wholesale which is converted to a taxable purchase at retail by virtue of its use by the purchaser, either personally or in the purchaser's business activity.

Retailers who purchase tangible personal property for inventory, including component parts for manufacturing, who remove such articles from inventory for business or personal use or consumption must report and pay a use tax on their cost. Use tax is reported on the periodic City sales/use tax return.

A buyer's obligation to remit use tax on goods removed from inventory does not relieve the seller's burden to show that sales were properly exempted. If the seller is audited, and exempted sales are disallowed, the seller will be required to show that the purchaser was properly licensed, and the items purchased were reasonably for resale. The seller, therefore, assumes some risk in exempting sales that the City later determines are not exempt, as the City will assess taxes, penalties and interest against the seller despite any indemnification by the buyer.

#### Examples

- Office Products Business A, a licensed Aurora retailer, removes a box of pens from inventory for store use. Because these pens were purchased tax free for resale, Office Products Business A must report the cost of the pens and remit the use tax due on their next periodic City sales/use tax return.
- Computer Manufacturer B buys various computer components in large quantity, which it assembles into completed personal computers for resale. Although Computer Manufacturer B occasionally uses completed computers in its offices, whether or not specific parts will ultimately end up in machines for resale cannot be known at the time of purchase. Most of the time, parts will end up in resold machines. Computer Manufacturer B may purchase all parts tax free at wholesale and remit use tax on the cost of those parts comprising a machine removed from inventory for use in its offices.

- Retailer C is a licensed Aurora convenience store. Retailer C purchases most of its inventory and store supplies from Wholesaler X. Retailer C places an order for candy, soft drinks, office supplies, and cleaning supplies and asks Wholesaler X to exempt the entire sale from tax agreeing to pay use tax to the City on items it ultimately uses. Despite this agreement, Wholesaler X must collect tax on the office and cleaning supplies because they are not for resale.

#### Related Topics

Construction Consumables  
Construction Materials  
Coupons, Discounts, and Promotional Items  
Employee Sales  
Samples, Demonstrations, and Displays

#### Citations

*Aurora Municipal Code*

§ 130-31. Definitions  
§ 130-63. Collection and refund of disputed tax  
§ 130-156. Taxable Items  
§ 130-160. Responsibility for payment  
§ 130-161. Schedule of Taxes  
§ 130-196. Levy

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## Tax Compliance Guide

### Purchase or Sale of a Business

(3/2024)

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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 amount 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

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## Tax Compliance Guide

### Recreation Services

(05/2023)

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The *Aurora Municipal Code* imposes a sales tax upon Recreation Services, which are services relating to athletic or entertainment participation events and/or activities, including but not limited to pool, golf, billiards, skating, tennis, bowling, coin-operated amusement devices, video games, and video club memberships.

Aurora sales and use tax on recreation services is charged on the purchase price for participating in a taxable activity. For example, the amount a bowling alley charges for customers to bowl, or the amount a private golf course charges for a round of golf.

While still considered recreation services, health and athletic club memberships, where the goal of such groups is to improve the health of participants and offer no entertainment value, are exempt from Aurora sales tax. Common examples include, but are not limited to, gym memberships, group cardiovascular fitness classes, weight loss groups, or yoga classes.

### Expenses and Business Purchases

Purchases of personal property and taxable services that are used to provide recreation services are subject to Aurora sales and use tax when purchased by the business. Businesses are required to pay Aurora sales and use tax on taxable expenses incurred in providing recreation services.

### Admissions Tax

Admissions tax is a sales tax imposed on any charge or fee to gain admission to any place or event open to the public located in the city.

While similar, an important distinction between recreation services and taxable admissions is that charges to participate in the event are charges for recreation services, charges to gain entry to an event are admission charges and subject to admissions tax.

### Examples

- Person A visits a local facility that charges \$10 per hour for use of their basketball courts. Person B is participating in a recreational service and the sale is subject to Aurora sales tax.
- Person B, while at a restaurant, notices a pinball arcade machine in the corner of the establishment. Person B pays \$1.00 to play the machine before returning to his table. Person

B has purchased a recreational service and the restaurant needs to include sales tax in the \$1.00 charge to play the pinball arcade machine.

- Person C attends a gymnasium that charges a \$40 monthly membership fee to use their facilities. These facilities include free weights, treadmills, and other exercise machines. Person C's membership fees to the health and athletic club are not subject to Aurora tax.
- Person D takes their family to an Aurora event center that offers an indoor play gym, trampoline park, slides, and video game arcade. The amounts charged by the event center for participation and entry are subject to Aurora tax.

### Related Topics

Admissions Tax  
Coin Operated Devices  
Use Tax

### Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-33. (b) Legislative Intent  
§ 130-196. Levy  
§ 130-198. Exemptions  
§ 130-196. Levy  
§ 130-233. Tax levied. (Admissions)

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## Tax Compliance Guide

### Refund Claims

(09/2023)

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The *City of Aurora Municipal Code* requires taxpayers to sign and submit a *Claim for Refund* to receive a refund of a tax overpayment. Overpayments can result from a variety of circumstances. The specific procedures and limitations for obtaining a refund depend upon the nature of the overpayment. All refund claims must include adequate documentation of the claim and be submitted through the tax portal via the City of Aurora website. In general, such documentation must prove that (1) the tax in question was actually paid to the City; (2) the tax was not due to the City; (3) the claim is timely; and (4) the person making the claim is due a refund of the overpayment. Refund claims cannot be assigned to another person.

#### Overpayment on a Return

If the amount remitted with a tax return is more than the total tax liability as computed from the information provided on the return, the City's tax system automatically generates a credit on the account. To utilize the credit on a future filing period, taxpayers should contact the Tax Division. If the credit cannot be utilized timely, and a payment is desired for the refund, a *Claim for Refund* should be submitted through the account holder's City tax portal.

If a previously filed return requires an adjustment, an amended return should be filed in the tax portal and *Claim for Refund* submitted along with adequate documentation to support the claim.

#### Overpayments by Purchasers

Purchasers who paid tax to a licensed City of Aurora retailer, but claim that a sale is exempt from or not subject to tax must submit a *Claim for Refund* within 3 years of the date of the purchase, along with adequate documentation of the claim. Claims made more than 3 years after the purchase date will be denied.

This includes claims for refund related to disputed tax, where the customer and retailer do not agree that a sale qualifies for a sales tax exemption. In these instances, the retailer should collect and remit the tax and the purchaser may file a claim for refund directly with the City.

#### Refunds to Retailers

Licensed retailers collect sales, admissions, and accommodations taxes on the City's behalf and hold it in trust for the sole benefit of the City.

Retailers are not permitted to retain any tax collected in error from any purchaser. Any excess tax collected must be reported and paid to the City.

#### Inter-period Credits Not Permitted

A retailer should not refund tax to a purchaser that was paid to the City on a previously filed tax return. The purchaser should be directed to complete a *Claim for Refund* form to obtain a refund of the overpayment. Retailers are not permitted to take credit against future liabilities for such tax, for example, by taking a deduction for the amount of the sale or reporting no tax due. Retailers taking inter-period credits will be assessed for the actual tax due plus penalties and interest.

Similarly, retailers are not permitted to take deductions for returned goods or bad debts if the deduction exceeds the current period gross sales. If this occurs, the retailer must submit a *Claim for Refund*.

The City does not consider issuing a refund or a credit memo for the tax invoiced on sales that are documented as exempt at a later date a "returned good" eligible for deduction on a subsequent return. Retailers should instead amend the tax return for the period that the tax was remitted to the City in error and submit a *Claim for Refund*.

#### Construction Materials – Building Permit Use Tax

The person responsible for obtaining the building permit is liable for use tax on all materials used on the project jointly and severally with the project owner. Use tax is due upon construction materials used to build, reconstruct, alter, or improve land or improvements to land.

When a building permit is issued for a construction project within the City, the general contractor will make an estimated prepayment of use tax. Such permits must be used by the contractor and any sub-contractor when purchasing permitted construction materials subject to this exemption. For more information, see Tax Guide: Construction Materials.

#### Project Reconciliation

The general contractor must determine the actual cost of all materials used at the conclusion of the project within 90 days of the issuance of the certificate of occupancy. The actual use tax due is computed based upon such cost. If the actual use tax due is less than

the estimated pre-payment, the general contractor may complete a *Project Reconciliation Spreadsheet* and submit it along with a *Claim for Refund* form to claim the overpayment.

The claim must be submitted within one year of final inspection, written acceptance, or the issuance of a *Certificate of Occupancy* depending upon the specific procedure required for the project. The claim must include documentation supporting the actual cost, including documentation showing the cost of materials used by subcontractors and materials furnished by the owner.

### Accounting for Overpaid Sales Taxes

When reconciling the actual use tax due with the estimated pre-payment, the general contractor is not allowed to take credit against the use tax due for sales tax paid upon the materials used unless all the following conditions are met:

1. The sales tax was Aurora sales tax paid to a licensed, Aurora retailer;
2. The general contractor paid the sales tax directly; and
3. Proof of payment is provided.

If the sales tax was paid to a vendor collecting on behalf of another city, the general contractor will need to contact the vendor or such other city about obtaining a refund. Taxes paid (including properly collected state, RTD, and county taxes) should not be included in the computation of the cost of materials.

If the sales tax was paid by a subcontractor, the party who, in fact, paid the tax must seek a refund directly from the taxing jurisdiction. (see “Overpayments by Purchasers” above). These materials must be included in the actual cost computation.

All building permit use tax *Claim for Refunds* must be submitted to the Tax Audit section directly. They cannot be requested via the City tax portal.

### Review and Determination

All refund claims, aside from building permit use tax, should be remitted through the business’ tax portal accessed via the City of Aurora website whenever possible. Persons due a refund that do not have an account on the Aurora Tax Portal may submit the claim for refund via mail or email. Documentation to support the claim should be uploaded at the time of submittal. This includes, but is not limited to:

1. Proof of payment related to the claim in question
2. Copies of receipts or invoices
3. A workpaper listing all receipts, checks, etc. specifically outlining amounts owed and paid, refund requested, etc. and copies of applicable tax-exempt certificates, credit memos, etc.
4. Power of Attorney (if an agent is applying for a refund on behalf of the taxpayer)

Depending upon the complexity of the claim, review of completely documented claims can take as little as 7 days or as many as 90 days. If additional information or documentation is needed, the claimant will be contacted by the City official reviewing the claim.

If the claim is approved, a check will be issued to the claimant within 14 days of approval. If the claim is denied, in whole or in part, the claimant will receive written notice of the denial.

### Refund Denials and Right to Appeal

If a claim for refund is denied by the Tax Division, the City will issue a written notice of denial. Upon denial, the applicant has the right to appeal and request a hearing before the City of Aurora finance director. Any appeal must be received in writing within 30 days of the City’s Notice of Denial.

Following the hearing, an aggrieved applicant may seek de novo review of the final decision of the finance director by either the district court or the executive director of the state department of revenue in the manner provided by section 164(e) of the Aurora Municipal Code.

### Related Topics

Bad Debts  
 Construction – Materials  
 Construction Projects Not Requiring City Building Permits  
 Contractors Brochure  
 Statute of Limitations  
 Wholesale Sales

### Citations

*Aurora Municipal Code*  
 § 130-31. Definitions  
 § 130-33 Legislative Intent  
 § 130-156 Taxable Items  
 § 130-62(c) Examination of Returns, Refunds, Credits, and Deficiencies  
 § 130-62 Tax on Construction Materials  
 § 130-63 Collection and Refund of Disputed Tax  
 § 130-64 Review Procedure for Aggrieved Taxpayers.  
 § 130-157 Items Exempt from Taxation

### Contact Us

For additional assistance, please contact us:

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 15151 E. Alameda Parkway Ste. 5700  
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## Tax Compliance Guide

### Repair and Maintenance

(12/2022)

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)

Parts and materials provided by a person/vendor/seller to repair or maintain property belonging to others is a taxable retail sale. The purchase price is subject to sales tax and the person/vendor/seller must collect sales tax from the purchaser following these guidelines (to include all intercompany transactions).

- ❖ A person/vendor/seller performing repair and maintenance work should provide their customer with an itemized invoice separately stating taxable charges and non-taxable charges. Aurora sales tax should be collected from the customer on the taxable charges and remitted to the City.
- ❖ A person/vendor/seller performing repair and maintenance work may not avoid collection of sales tax from the customer by paying sales tax on their original purchase of the parts and materials.
- ❖ When invoicing a customer for repairs and maintenance charges, a credit to the customer for any sales taxes paid by the original person/vendor/seller, or statements on the invoice/receipt such as "taxes paid" or "all taxes included" are not permitted by the City.
- ❖ Sales tax paid on the purchase of parts and materials that are later sold as part of a sale subject to Aurora sales tax may be eligible for a refund of the sales tax paid on the original purchase of the parts and materials.

repairs of radios, televisions, computers, vehicles, watches and jewelry and other such articles, and on the sale of complete units.

#### Lum-Sum Charges are Taxable:

If, at the time of sale, the person/vendor/seller performing the repair work provides the purchaser with an invoice that does not state separately or segregate a fixed price for parts, materials, transportation fees, installation fees, labor, and any other fees or services rendered in installing, applying, remodeling, repairing, and maintaining tangible personal property. Tax is due on the full purchase price stated on the invoice.

#### Jobs Not Requiring Building Permits:

A contractor performing repair jobs not requiring a city building permit must do so on a retail time and material basis.

1. The contractor must obtain a sales tax license from the city.
2. Materials must be purchased for resale.
3. The contractor must collect sales tax on the full purchase price paid by the purchaser if materials charges are not separately stated on the invoice separate from labor or other non-taxable services.
4. Materials purchased for resale that are later removed from inventory for use by the contractor are subject to use tax to the contractor.

#### Separately Stated Labor is Non-Taxable:

If, at the time of sale, the person/vendor/seller performing the repair work provides the purchaser with an invoice that itemizes a fixed price for parts and materials, and states separately any amounts for labor or other non-taxable services; the labor and non-taxable services will not be subject to Aurora sales tax. The person/vendor/seller shall be considered a retailer of the parts, materials, markup, transportation fees, or any other taxable fees or services, and is required to collect sales tax from the purchaser.

The foregoing applies to all repairs and maintenance services, and it is not limited to general repairs, building repairs (non-permitted projects), remodeling and leasehold improvements, removable fixtures, carpeting, cabinetry, HVAC, electrical, title and plumbing repairs, general and preventive maintenance repairs, landscaping and maintenance, irrigation repairs, electrical appliance repairs,

#### Examples

1. Contractor A is a licensed Aurora plumbing business. Contractor A maintains a retail inventory of parts, which they purchase for resale. Contractor A receives a call from a customer, an Aurora resident who has a leaky faucet. Contractor A charges \$100.00 to repair it. The invoice states, charges included are parts, labor, and transportation fees. The purchase price of \$100.00 is taxable because fixed charges for labor or installation were not stated on the invoice.
2. Contractor B is a licensed Aurora plumbing business. Contractor B maintains a retail inventory of parts, which they purchase for resale. Contractor B receives a call from a customer, an Aurora resident who has a leaky faucet. Contractor B states on the invoice, \$25.00 for materials, \$25.00 transportation fee, and \$50.00 for installation labor. Tax is not due on the \$50.00 installation labor

charge. Tax is due on \$25.00 materials and \$25.00 transportation charge.

3. Company C, a window and glass repair company, charges an Aurora customer \$500.00 to remove and replace a broken window on their property. Company C does not annotate an amount for materials and labor, includes a comment on the invoice stating “All taxes included in quoted price”, and does not charge sales tax to the customer. Company C is liable for sales tax not collected from the customer on the \$500.00 lump-sum repair charge.

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## Related Topics

Construction Projects not Requiring Building Permits  
Freight, Delivery, and Transportation  
Maintenance Agreements  
Mixed Transactions  
Professional Services  
Wholesale Sales

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## Citations

*Aurora Municipal Code*  
§ 130-31. Definitions  
§ 130-156 Taxable Items  
§ 130-62 Tax on construction materials  
§ 130-33 Legislative intent  
§ 130-157 Items exempt from taxation  
§ 130-63 Collection and refund of disputed tax.

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## Contact Us

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## Tax Compliance Guide

### Restaurants & Bars

(9/2023)

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Restaurants, bars, and other food & beverage establishments engaged in business in Aurora are responsible for the collection and payment of sales/use tax.

#### Sales by Restaurants & Bars (Sales Tax)

The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. This includes alcoholic beverages and food or drink serviced or furnished in or by restaurants, cafes, lunch counters, cafeterias, hotels, drugstores, social clubs, nightclubs, cabarets, resorts, snack bars, caterers, carryout shops, and other like places of business at which prepared food or drink is regularly sold.

The sales tax must be shown as a separate and distinct charge issued to the customer at the time of the sale. Sales tax may be imbedded and not separately stated only on the sale of alcoholic drinks.

Common examples of taxable sales in restaurants and bars include, but are not limited to:

- ❖ The sale of food, beverages, and liquor.
- ❖ Mandatory tips & gratuities.
- ❖ Restaurant merchandise such as promotional clothing, glasses, and other sundry items.
- ❖ Admission tax, which applies to restaurants and bars collecting a cover charge for admission.
- ❖ Charges for recreation services such as juke boxes, billiards/pool, bowling, and electronic games for entertainment.
- ❖ Vending machine sales – Sales of tangible personal property such as snacks, soft-drinks, sundries, or other property from vending machines are taxable; it is not required if the price of the item sold is less than \$0.30.

#### Purchases by Restaurants & Bars (Sales/Use Tax)

Restaurants and bars, like other retailers, must pay Aurora sales/use tax on the purchase price paid for tangible personal property and taxable services used in the business and not for resale. Food and beverage inventory may be purchased for resale if it meets the

qualifications of a wholesale sale. Packaging items such as essential food containers and lids qualify to be purchased wholesale. Common examples of property and services subject to sales/use tax specific to restaurants and bars include, but are not limited to:

- ❖ Complimentary Meals – The cost of complimentary meals provided to customers or employees is subject to City use tax on the business' cost of the meal. Because food and beverage inventory is generally purchased tax-free for resale, this tax must be self-imposed as a use tax.
- ❖ Nonessential articles and containers are taxable. An article or container is nonessential if it is primarily used for the convenience of the consumer and is not necessary to effectuate the sale of food. Example of nonessentials articles are: utensils, skewers, napkins, towelettes, serving trays, platters, dome lid covers, placemats, tray liners, tablecloths, sacks, bags, carryout containers for leftovers, straws, toothpicks, stirring sticks, cup sleeves, portion dividers, and single-use baking dishes.
- ❖ Packaging materials used in a nonessential manner are taxable. Examples of this are butcher paper used as table liner or use of to-go containers to store food rather than on customer orders. Other taxable items include plastic wrap for food storage, aluminum foil use for cooking, food labels, single-use baking dishes, and cooking tray liners.
- ❖ Condiments that are not incorporated into the prepared meal at the time it is transferred to the consumer are taxable. Example of taxable condiments are: ketchup, mustard, dipping sauces, and spices, packets of ketchup placed in bags given to customer.
- ❖ Gas, electricity, and steam – There is no exemption for gas, electricity, or steam used in the kitchen for food production.
- ❖ Providers of satellite television services are not required to collect Aurora sales tax on their services per federal statute. The television services are a taxable pay televisions service subject to use tax in the City.

#### Examples

1. Bar A sells mixed drinks for \$5.00 per drink at the bar. This charge is subject to Aurora sales tax, tax may be included in the \$5.00 total, subject to the election made per section 130-163 of the Aurora Municipal Code.

2. At Bar A, customers can rent pool tables for a fee of \$6.00 per hour. This fee is collected by the bartender when the customer returns the pool balls. This charge is subject to Aurora sales tax.
3. Bar A imposes a \$10.00 cover charge on weekends. This charge is subject to Aurora tax.
4. Restaurant B purchases food inventory, including 0.3 oz of half and half liquid creamer, 7 gm hot sauce packets, paper napkins, and disposable forks and spoons, from a vendor outside the City who does not collect Aurora sales tax. Restaurant B must report and pay use tax on the half and half creamers, hot sauce packets, paper napkins, and disposable forks and spoons on their next periodic City sales/use tax Return.
5. Restaurant B offers employees a 10% discount on all food purchased by employees. Aurora sales tax would be charged to the employee on the discounted purchase price of the meal and remitted on the Aurora sales tax return.
6. Restaurant B gives its managers a free meal during their shift. Restaurant B must report and pay a use tax on its cost of the free meal.

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## Contact Us

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## Related Topics

Admissions Tax  
 Coin Operated Devices  
 Coupons, Discounts, & Promotional Items  
 Employee Sales  
 Food and Related Items  
 Gas and Electric Services, Steam and Other Heating Services  
 Governments & Charitable Organizations  
 Linen Rental & Services  
 Lodging Industry  
 Pay Television and Entertainment Services  
 Properly Exempted Purchases Converted to Taxable Use  
 Recreation Services  
 Use Tax  
 Tips & Gratuities  
 Wholesale Sales

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## 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  
 § 130-163. Assuming or Absorbing Tax  
 § 130-196. Levy  
 § 130-199. Use tax credit

**DIVISION 6. - SALES TAX ON ADMISSIONS**

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## Tax Compliance Guide

### Returns and Restocking Fees

(2/2022)

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The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain taxable services purchased at retail in the City. Sales tax is imposed upon the purchaser. Retailers are responsible to collect this tax on behalf of the City and remit it periodically with City sales and use tax returns.

The Code permits retailers to deduct from gross sales the price of tangible personal property or taxable services returned by the purchaser, provided that both of the following apply:

1. The price of the property returned was included in gross sales on the current return or a return filed within the past 36 months; and
2. The price and the tax collected thereon are refunded to the purchaser in cash or by credit.

Retailers who refund only a portion of the purchase price may deduct the refunded portion from gross sales and refund the corresponding amount of sales tax to the purchaser. Any amounts not refunded to the customer may not be deducted.

Some automated sales systems refund the full price and the tax thereon while simultaneously charging a "restocking fee" or similar charge. Because this fee represents an amount of the price not refunded to the purchaser, this amount may not be deducted from gross sales. In these cases, retailers will accomplish this by charging tax on the restocking fee in lieu of refunding tax on the net refunded price.

The tax character of restocking fees is not dependent upon whether the fee is netted against the purchase price and shown as a single refund amount or stated separately on the invoice or receipt.

2. In February, a licensed Aurora retailer sells a telephone to a purchaser for \$100 and collects Aurora tax on that price. The retailer reports this sale on their February sales and use tax return. In March, the purchaser returns the phone. The retailer refunds the \$100 price, the Aurora tax thereon, and charges a \$10 restocking fee. The retailer should collect tax on the \$10 restocking fee because the retailer may only deduct \$90 (\$100 less the \$10 restocking fee) on the March sales/use tax return.

#### Related Topics

Bad Debts  
Coupons, Discounts & Promotional Items

#### Citations

*Aurora Municipal Code*  
§ 130-33. Legislative Intent  
§ 130-156. Taxable Items  
§ 130-160. Responsibility for payment  
§ 130-161. Schedule of Taxes  
§ 130-199. Use tax credit

#### Contact Us

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#### Examples

1. In February, a licensed Aurora retailer sells a telephone to a purchaser for \$100 and collects Aurora sales tax on that price. The retailer reports this sale on the February sales/use tax return. In March, the purchaser returns the phone and the retailer refunds \$90. The retailer may deduct \$90 from the gross sales reported on the March sales/use tax return.



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# Tax Compliance Guide

## Samples, Demonstrations, & Displays

(09/2023)

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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.

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## Related Topics

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

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## 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

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## Tax Compliance Guide

### Software

(09/2022)

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#### PRE-WRITTEN COMPUTER PROGRAMS

"Pre-written" software includes, but is not limited to, "canned," "shrink-wrapped," "off-the-shelf," or any other data processing software developed for sale or license to multiple users. Pre-written software also includes data processing program modules of components that are designed to be integrated into larger software packages. "Pre-written" software can be either system software or application software.

System software is defined as a set of statements or instructions in a machine-readable format that is capable of causing a machine or device having information processing capabilities to indicate, perform, or achieve a particular function, task or result. In other words, system software is software that controls the hardware itself. These programs are not normally accessible or modifiable by the user.

Application software is defined as software created to perform business functions, or control, or monitored processes.

Pre-written software is tangible personal property and sales and purchases of it are subject to city sales and use taxes, regardless of how the software is acquired by the purchaser or downloaded to the purchaser's computer.

Charges for implementation or installation are not subject to tax if separately stated on the customer's invoice. Other charges associated with the purchase of pre-written software that are not implementation or installation charges are subject to tax.

A software retailer or supplier that sells prepackaged software for use with computer equipment, when such programs are fully usable by the customers, is considered to be a vendor of tangible personal property and subject to sales tax on the purchase price of such property.

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#### CUSTOM SOFTWARE

"Custom" software includes data processing programs designed and/or created to meet the needs of a specific user or set of users is not subject to tax. The software is created specifically for the user. It

is frequently created for the user to own, though in other cases custom software is provided to the user under an agreement specifying an exclusive license to the user. The buyer is obtaining the programming labor and the software is created as a result of the labor and services performed. Modifications to custom software are not subject to tax.

The "true object" of a customer for custom software development is the programming service; the program software is the means of transferring the ideas that the customer desires to develop. Therefore, custom software contracts are contracts where the "true object" is a service of creating new, original intellectual property that is owned by the buyer/user. Software that does not meet the criteria of being created as a service is subject to tax as acquisition of tangible personal property. Subsequent sales of custom software by the original buyer or software developer are subject to sales tax, as the software becomes tangible personal property.

A company that leases a computer with exempt custom software and does not segregate the charge for the software lease in its billing is subject to tax on the entire lease amount.

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#### APPLICATION SERVICE PROVIDER/SOFTWARE AS A SERVICE

Software that is provided through an application service provider, subscription, or a software as a service model is a common alternative delivery method for software. Users of the software typically access the software via the Internet. The software providers may charge the user a license fee for the software and/or a fee for maintaining the software/hardware used by its customer.

The license fee for the software and/or fee for maintaining the software/hardware is subject to Aurora tax if the user is located in the city of Aurora, regardless of whether billed as "subscription fee," "license fee," "service," or otherwise.

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#### MAINTENANCE AGREEMENTS

Maintenance agreements often include additional periodic fees. A software maintenance agreement in which updates/upgrades are applied to pre-written software is taxable. A maintenance



agreement for mere technical support services is not subject to tax. If the maintenance agreement contains provisions for both technical support and updates/upgrades, then the entirety of the maintenance agreement is taxable unless the amount for technical support is separately stated on the customer's invoice. Any mandatory fees to maintain the right to use the software are subject to tax

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#### MULTIPLE POINTS OF USE

In the event an Aurora purchaser pays a vendor for a quantity of software licenses that are taxable under this regulation, with the intent to distribute the software to any of the purchaser's locations outside of Aurora, the measure of Aurora tax due is the total of the license fees associated only with the licenses that are actually used in Aurora. The Aurora purchaser shall provide a written statement regarding intended usage locations of the software licenses.

Software sold with a single license, but a set number of users, that is located on a computer or at data center in the City of Aurora is subject to use tax regardless of where the users are located. If the software is located outside the City of Aurora, only charges for users located in the City of Aurora are subject to Aurora sales/use tax.

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#### SOFTWARE STORED IN THE CITY

Charges for software that is installed or otherwise stored on a computer or at a data center located in the City of Aurora is subject to use tax regardless of the location of the software's user. The software falls under the criteria of being used, stored, or consumed in the City of Aurora.

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#### Examples

1. An individual is starting a home-based business. In order to help track her sales, she downloads a sales program from the internet for \$29.95. The software vendor does not collect sales tax. She must report and pay a use tax on the \$29.95 charge on her next periodic City sales/use tax return.
2. An out-of-state business maintains a local office in Aurora. The local office purchases 10 annual software licenses for the Aurora employees to use the corporate accounting system, which is housed out-of-state. The charge for each license is \$100 and the system requires minimal software to be installed locally. Each \$100 charge is subject to Aurora sales/use tax because it represents the grant of a license to use a pre-written computer program in Aurora.
3. A business located in Aurora hires a payroll service provider to process its bi-weekly payroll. The business accesses the service's website to input details regarding the employees. Such as: hours, pay rates, withholding amounts, start and termination dates, and direct deposit information. The payroll service provider automatically calculates payroll, direct deposits employee wages, and files all tax forms related to the payroll. The service charges a \$50 base fee and an additional \$5 per employee. The full charge for the payroll service is taxable software.
4. A business located in Aurora receives an invoice for their accounting software's optional annual maintenance agreement in the amount of \$3,000.00. The invoice states that the agreement includes 500 hours of technical support and free upgrades. Because the agreement includes the right to future upgrades, the full \$3,000.00 fee is taxable.

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#### Related Topics

Maintenance Agreements  
Mixed Transactions  
Previously Paid Sales or Use Tax

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#### 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

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#### Contact Us

For additional assistance, please contact us:

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## Tax Compliance Guide

### Statute of Limitations

(3/2024)

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 statute of limitations under the Aurora tax code establishes a three year, or 36 month, look back period that restricts the City from assessing or collecting municipal taxes. Additionally, the statute of limitations also limits a taxpayer's ability to file a claim for refund for overpaid taxes or to amend a previous city tax return to the same three year look back period.

When seeking to establish if a sale or purchase is within or outside the statute of limitations lookback period, the best way to do so is to identify when said taxes were paid to the city. For purchases by individuals, if the transaction date is within three years of the current date, the transaction is within statute.

For tax returns filed with the City, if the return **filing date** is within three years of the current date, that return and all sales and purchases that are included or would have been required to be reported on that return are considered within statute. This includes late filed returns that are received after their due date.

Tax returns filed before their due date are treated as if received on their due date. For example, a tax return due January 20<sup>th</sup> but received on January 15<sup>th</sup> is considered received on the January 20<sup>th</sup> due date.

**Important note:** If a tax return was filed on a date that is within the look-back period, and that return is reporting sales or purchases for dates that are more than three years prior, all dates that are included on that return, even those that are more than three years prior, are considered within statute for both the taxpayer and the city. For more information see "Initial Returns and Start-up Costs" later in this guide.

### Audits

If the finance director initiates an audit, the periods covered under that audit do not fall out of statute until the audit is completed and a final assessment or notice of final determination is issued. The City, however, cannot select periods that have a return due date greater than three years (36 months) from the date of the notice of audit except in cases where the business was not licensed with the city or where tax returns were late filed after their due date

### Unlicensed Vendors

In cases where a business has been operating in the city without an Aurora business license, the city of Aurora is not limited to a three

year look back period and the city can assess taxes or engage the business in an audit for the entirety of its operation in the city.

The City of Aurora operates a voluntary disclosure agreement program for businesses to voluntarily come forward and license with the City and pay any delinquent taxes owed. Voluntary disclosure agreements are filed through the Aurora Tax Portal under "Submit a Voluntary Disclosure Agreement".

### Refunds

If an individual or business overpaid taxes on a purchase from a licensed Aurora vendor, the statute of limitations for requesting a refund is three years from the date that the purchase took place. Those seeking a refund should file a claim for refund with the city and include all documentation to support the claim.

Businesses that overpaid taxes on a previously filed sales tax return and are seeking a refund are instructed to file an amended return for the period in question within three years of the return due date. Doing so will establish a credit on their account which they may then file a refund claim for. Both the filing of the amended return and the claim for refund are done online through the Aurora Tax Portal. Depending on the claim and the circumstances surrounding it, the city may request additional documentation to support the refund claim.

A refund claim for an overpayment of use tax on a City of Aurora building permit must be remitted within one year of the Certificate of Occupancy, final inspection, or the date the work was abandoned or otherwise terminated.

### Initial Returns and Start-up Costs

Businesses filing their first tax return with the city should include their sales and purchases subject to tax since becoming a resident of the city. Subsequent tax returns cover all sales and purchases since the previous filing, so the first return for new businesses encompasses all transactions since their inception including initial start-up costs. For established businesses, the initial return covers all transactions subject to Aurora tax since becoming a resident of the City

If a business is audited including the period of the first return, records of start-up expenses or purchases subject to use tax since becoming a resident of the city must be provided, even if they

occurred more than three years prior, as they would have been included in the initial return.

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## Examples

- 1) The current date is June 23, 2023. Business A is an annual filer of sales tax and filed their last return, which covered January 1, 2022 through December 31, 2022, on January 10, 2023. How far would the look-back period be for any refund request initiated by the business via amending a return or audit review period initiated by the city of Aurora?

Answer: Three years from the current date is June 23, 2020. Periods eligible for a claim for refund due to amending the return include the 2020, 2021, and 2022 annual returns. The 2019 annual return, originally due January 20, 2020, could no longer be amended since the statute of limitations expired prior to June 23, 2020.

- 2) Person B was shopping at a licensed Aurora business and purchased consulting services on March 3, 2021, and was charged Aurora sales tax on the service. Recently, Person B became familiar with local sales tax laws and learned that consulting services were not subject to city sales tax. Person B determined that the business did in fact charge him sales tax for a non-taxable transaction. Is Person B still within statute to claim a refund if he requested it today, June 23, 2023?

Answer: The date of purchase was March 3, 2021. The Aurora Municipal Code gives taxpayers three years from the date of purchase to file a claim for refund for any overpaid taxes. Person B would have until March 3, 2024, to file a claim for refund with the city. This claim would need to include proof of taxes paid such as a copy of the check and the original purchase receipt. Therefore, yes, person B is within statute to file a claim for refund with the city of Aurora.

- 3) Business C has been in operation for two years and is a monthly filer of sales taxes. They received a notice of audit from the City of Aurora stating that they will be reviewing all returns filed in the past two years including the first return filed with the city. How far is the look-back period for the Aurora audit?

Answer: Aurora audits initiated by the city can go back up to three years. In this example, Business C is a monthly filer and has been in business for two years, meaning all the returns would be within statute. Additionally, the first return is also included meaning that any start-up costs or purchases associated with opening the business in Aurora would be within the audit period. Therefore, the audit period would cover from the inception of the business to the date of the last return filed.

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## Related Topics

Refund Claims  
Vendor Assessments  
Voluntary Disclosure:  
[https://www.auroragov.org/business\\_services/taxes/voluntary\\_disclosure](https://www.auroragov.org/business_services/taxes/voluntary_disclosure)

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## Citations

*Aurora Municipal Code*  
§ 130-61. Tax on Construction Materials  
§ 130-62. Examination of Returns, Refunds, Credits, and Deficiencies  
§ 130-63. Collection and Refund of Disputed Tax  
§ 130-90. Statute of limitations  
§ 130-471. Refund of disputed tax

---

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# Tax Compliance Guide

## Telecommunications

(12/2022)

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Aurora sales/use tax is imposed upon the purchase price paid for telecommunications services except interstate telecommunications. Charges for all telecommunications services originating from or received on telecommunications equipment in the City are taxable when the charges for the services are billed for an apparatus or telephone account in the City, to an account or customer location in the City, or to a person residing in the City, without regard to where the bill for such services is actually received. These charges are taxable whether billed on a flat or metered basis.

"Telecommunications services" are defined as the service of which the objects is the transmission of any two-way interactive or electromagnetic communications including but not limited to voice, image, data and any other information, by the use of any means, but not limited to wire, cable, fiber optical cable, microwave, radio wave, voice over internet protocol (VoIP), or any combination of such media, including any form of mobile two-way communication. Examples of telecommunications services include basic local exchange telephone service, toll telephone service, teletypewriter service, directory assistance, cellular mobile telephone or telecommunication service, specialized mobile radio, and two-way pagers and paging service, including any form of mobile two-way communication.

If a telecommunications service provider elects to "bundle" taxable and non-taxable services or items, the entire purchase price becomes subject to Aurora sales/use tax. In order to avoid taxation of non-taxable services or items, the charges for such items must be separately stated from the charges for taxable items.

City sales tax is also imposed on the sale, lease, or rental of telecommunications equipment such as: mobile phones, telephones, modems, routers, or any other equipment charges invoiced to the subscriber.

Telecommunications services do not include separately stated non-transmission services that constitute computer processing applications used to act on the information to be transmitted.

Specific telecommunications services which are subject to Aurora sales/use tax, include, but are not limited to, charges for the following:

- ❖ T1, T3, DSL, frame relay and similar services
- ❖ Private Data Line and Network services
- ❖ Voice over Internet Protocol (VoIP) based telecommunications

- ❖ Phone cards
- ❖ Fax request, broadcast fax, fax mail, and never-busy fax
- ❖ Call completion, call forwarding, call waiting, conference calling, caller ID, and related services
- ❖ Voice messaging or voice mail
- ❖ Pay-per-use services such as continuous redial, last call return, and directory assistance
- ❖ Two-way radio communications
- ❖ Mobile telecommunications, provided the customer's place of primary use is in Aurora

The determination of whether the City sales tax is applicable is based on the apparatus or equipment location, not on the billing address.

### Indirect Taxes and Fees

Fees and indirect taxes, such as business and occupation taxes and Universal Service Fund charges, which are passed on to the purchaser by the telecommunications service provider are part of the taxable purchase price.

Government fees or charges which constitute a fee on the purchaser only, rather than the provider, are not subject to Aurora sales tax. For example, the E911 surcharge or Colorado Retail Delivery Fee.

### Mobile Telecommunications

Pursuant to the Mobile Telecommunications Sourcing Act (4 U.S.C. §§ 116 to 126, as amended), charges for mobile telecommunication service, as defined in the act, are taxed according to the customer's place of primary use. This will usually be the customer's residence or business location. For taxpayers with multiple locations, it is important to notify home service providers of which location each unit will be used at to avoid being improperly assessed tax based upon an incorrect service address.

### Interstate Telecommunications

Non-taxable interstate telecommunications services are defined as follows: "Monthly or other periodic usage charges that represent varying amounts billed to accounts for a subscribers actual use of interstate services provided by a long-distance telecommunications company and charged to the subscriber by or on behalf of a long-distance telecommunications company."

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## Related Topics

Leased and Rented Property  
Mixed Transactions

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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

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## Tax Compliance Guide

### Temporary Vendors

(9/2023)

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The *Aurora Municipal Code* requires all retailers engaged in business in the City of Aurora to obtain an Aurora business license and collect and remit Aurora sales tax on taxable sales made in the City. Retailers who operate a temporary location or special event in the City may obtain a temporary City of Aurora business license and sales tax account. There is no fee for temporary licenses which are for businesses who will be operating in the City for a period not to exceed seven consecutive days. No more than five temporary licenses may be issued to any business within a 12-month period. In all other cases, a permanent City of Aurora business license is required.

Temporary licenses may be obtained at the Aurora Tax and Licensing Portal (Portal) by selecting "Register to Attend a Special Event (Vendors)" from within the Registration box of the Portal. Have a copy, or PDF, of the license available at the event.

Vendors participating in temporary events who already hold a current City of Aurora general business license are encouraged to obtain a special event license but are not required to do so. Vendors with existing licenses are also encouraged to remit their taxes by selecting "File a Special Event Sales Tax Return" but may elect to remit any tax owed through their normal tax account(s).

### Reporting Period/Due Date

Temporary licenses are valid for the duration of the event or operation of the location, not to exceed 7 consecutive days. This period is the reporting period. A City of Aurora sales/use tax return must be filed on or before the 20<sup>th</sup> day of the month following the end of the reporting period. Filing a return is recommended even if no tax is due. Returns can be filed by selecting "File a Special Event Sales Tax Return" on the Portal.

### Related Topics

Direct Sales Companies

### Citations

*City of Aurora Municipal Code*

- § 86-86. Definitions
- § 86-86. License Required
- § 86-89. Application
- § 86-90. Term
- § 86-91. Issuance; denial
- § 86-94. Fees
- § 130-160. Responsibility for Payment

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## Tax Compliance Guide

### Tips & Gratuities

(2/2022)

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The *Aurora Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property and certain services sold at retail. Such property includes, but is not limited to, food or meals sold by restaurants, bars and other food service establishments. The purchase price is defined broadly as "the aggregate value measured in currency paid or delivered, or promised to be paid or delivered, in consummation of a sale," and includes "the amount of money received or due in cash or credits." Retailers may not avoid the collection and payment of tax by categorizing charges as non-taxable services.

Food service establishments that impose mandatory gratuity charges must include such charges in the taxable purchase price even though the full amount of the gratuity may be paid to the server. Retailers who include a suggested gratuity on the bill, which is not mandatory and may be reduced by the purchaser, need not collect tax on this charge. The retailer's policy of allowing the purchaser to reduce the gratuity must be clearly stated on the menu or the receipt. Similarly, retailers should not collect or remit tax on voluntary tips or gratuities added to the total by the purchaser.

Mandatory service charges or gratuities added by catering services or banquet halls to the price of food must be similarly taxed.

### Examples

1. Restaurant A charges a mandatory gratuity of 12% for parties of eight or more. The bill for a party of nine included \$400.00 for meals, a \$50.00 bar tab, and a \$54.00 mandatory gratuity. Restaurant must collect sales tax on the entire bill (\$504.00).
2. Restaurant B provides a receipt to each customer prior to their final bill with a blank line labeled "Tip/Gratuity". The customer then enters a gratuity amount and pays the total bill including the gratuity. The amount of the voluntary gratuity is not subject to sales tax.

### Related Topics

Restaurants & Bars  
Lodging Industry

### 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

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## Tax Compliance Guide

### Trade-Ins

(3/2024)

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The *Aurora Municipal Code* provides for a reduction of the taxable purchase price by the fair market value of property exchanged at the same time and place of the sale if:

1. The property exchanged is to be resold thereafter in the usual course of the retailer's business; or
2. The property exchanged is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under the laws of this state, including but not limited to, vehicles operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft.

Any money or other consideration paid by the purchaser in excess of the value of the exchanged property is subject to Aurora sales/use tax. Amounts paid by the seller to satisfy liens or loans/chattel mortgages on the property taken in trade do not reduce the trade-in allowance, even where the amount is in excess of the fair market value.

### Examples

1. A resident of Aurora buys a car from a licensed Aurora car dealer. The price of the car is \$20,000. The resident is trading in his used car for \$3,000. The taxable purchase price for the new car is \$17,000.
2. A resident of Aurora buys a car from a licensed Aurora car dealer. The price of the car is \$20,000. The resident is trading in his used car for \$3,000 and also puts down \$1,000 in cash. The resident owes \$4,000 on the old car, which the dealer agrees to pay off. Thus, the resident will borrow \$20,000. The taxable basis for the new car is \$17,000 (\$20,000 less \$3,000 trade-in allowance).
3. Furniture Dealer A, an Aurora retailer, makes a deal with Warehouse Operator B to furnish Warehouse Operator B's Aurora office space in exchange for a forklift, which Furniture Dealer A plans to use in their own warehouse. Furniture Dealer A must collect Aurora sales tax on the full purchase price of the office furniture supplied to Warehouse Operator because Furniture Dealer B is not engaged in business selling used forklifts and intends to use the forklift in their business.

### Related Topics

Automotive Vehicles  
Coupons, Discounts, & Promotional Items

### 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

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## Tax Compliance Guide

### Use Tax for Individual Residents

(5/2023)

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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.

Use tax is imposed both upon business consumers and individual consumers. Business consumers remit use tax on their required periodic sales and use tax return. Individual resident consumers are required to remit use tax when incurred; but are not required to file regular returns with the City if no taxes are due.

#### What is use tax?

Use tax is complimentary to sales tax but is paid directly to the City rather than to a vendor collecting on behalf of the City. In general, if sales tax would apply to a purchase from an Aurora retailer, then use tax will apply to the same purchase made from a retailer in another city or state. The City sales tax and use tax rates are the same (3.75% of the purchase price).

The purpose of use tax is to protect local sellers who would otherwise be at a competitive disadvantage when out-of-city retailers make sales to Aurora customers without collecting Aurora sales tax. Use tax also compensates for tax avoided by purchasing in cities with lower tax rates. While credit is allowed for lawfully imposed tax paid to other municipalities, partial Aurora use tax is due where such credit is less than the total tax due.

#### Common Sources of Use Tax

Several common transactions by residents may result in a use tax, including:

- ❖ Purchases made from a mail-order catalog or over the internet
- ❖ Purchases delivered from a retailer in another city or state
- ❖ Purchases picked up from a retailer in an unincorporated area or in a city with a lower sales tax rate
- ❖ Purchases of motor vehicles and other goods from private individuals who are not licensed to collect tax

Some retailers located outside the City voluntarily obtain a business license with the City and collect Aurora sales tax on items delivered to Aurora customers. If Aurora sales tax was collected by a licensed Aurora retailer, no use tax is due. Use taxes on motor vehicles are collected by the county of residence upon registration.

#### Use Tax is Transactional

Sales and use taxes are transaction taxes. That is, they are imposed each time a new sale/transaction occurs, even if the same property has been taxed in a previous sale/transaction. While credit is allowed for 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.

#### Reporting & Paying Use Tax

Use tax is due on the 20<sup>th</sup> of the month following the taxable purchase. To report the tax, residents must file a Consumer Use Tax Return and make payment of use tax online through the Aurora Tax Portal using the "File a Consumer Use Tax Return." Visit the tax portal at [www.auroragov.org/ola](http://www.auroragov.org/ola).

#### Examples

1. Mail Order Company Z sends catalogues to Aurora residents. Resident A purchases a sweater for \$100 from the company that is shipped to Resident A via U.S. Mail. Mail Order Company Z does not collect sales tax. Aurora use tax is due on the purchase price paid for the sweater in the amount of \$3.75 (\$100 x 3.75%).
2. Resident B purchases a computer from Internet Company Y for \$1,000. Internet Company Y is licensed by Aurora to collect tax, and collects \$37.50 in city tax from Resident B. Resident B does not owe any Aurora use tax on the computer purchase.
3. Resident C purchased a new car several years ago and paid Aurora sales tax on the \$25,000 purchase price. Resident C has decided to sell the car to Resident D for \$5,000. When Resident D registers the car, they will be required to pay Aurora use tax to the County Clerk on the \$5,000 purchase price even though Resident C paid tax previously.

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## Related Topics

Automotive Vehicles  
Internet Sales/Purchases  
Previously Paid Sales & Use Tax

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## Citations

*Aurora Municipal Code*

§ 130-31. Definitions  
§ 130-62. Deductions & Credits  
§ 130-156. Taxable Items  
§ 130-157. Items Exempt from Taxation  
§ 130-160. Responsibility for payment  
§ 130-199. Use  
§ 130-200. Filing of return.

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## Tax Compliance Guide

### Use Tax

(9/2023)

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[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

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# Tax Compliance Guide

## Vendor Assessments

(09/2023)

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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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# Tax Compliance Guide

## Warranties

(2/2022)

A warranty is a guarantee that an article of property will be free of defects for a specific period of time. Usually the warrantor indemnifies the purchaser against the cost of replacing or repairing defective property. The primary distinction between a warranty and a maintenance agreement is that work is performed under a warranty only if a defect is discovered.

### Manufacturer's Warranty

Many articles of property will be sold with a warranty by the manufacturer against defects. This warranty is usually included in the purchase price paid for the property. Authorized dealers or repair agents may subsequently remove property from inventory in order to replace the defective parts. This inventory, presumably purchased tax-free for resale, is not subject to additional sales/use tax because it is covered by the warranty that was included in the taxable purchase price paid for the original product.

### Extended Warranties

Extended warranties are normally offered by the manufacturer or the seller in conjunction with the sale of the warranted property. Such warranties expand the initial warranty by indemnifying the purchaser for an extended period of time and/or covering additional losses outside the scope of the manufacturer's warranty.

Optional extended warranties that include free repair and/or replacement are subject to Aurora sales and use tax. Optional extended warranties are not taxable if they are for labor only and stipulate that all parts or full replacement will be a separate charge. Parts or materials used in fulfilling taxable extended warranties are not subject to Aurora sales/use tax. Subsequent sales of tangible personal property in addition to the extended warranty are taxable retail sales.

Mandatory warranties are considered to be part of the purchase price of the item and are taxable regardless of if they are separately stated on the invoice or receipt. No additional sales or use tax is due from the seller or buyer on materials used when performing the warranty repairs.

### Examples

1. Dealer A sells all new cars with a 3,000 mile manufacturer's warranty. After 1,500 miles, Customer B finds that the air conditioner does not work. He takes the car to the dealer, who

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has to replace a defective component. The dealer removes the component from resale inventory and installs it into Customer B's car at no charge. There is no use tax due on this transaction.

2. Customer C purchases a copy machine from Seller D. The copy machine comes with a mandatory 24-month warranty; which will cover defective parts and labor. Customer C must pay tax on the purchase price of the copy machine, including the charge for the mandatory warranty. No additional sales or use tax will be due from customer C or Seller D when performing repairs on the copy machine under the warranty.
3. Customer E purchases a home theater system from Retailer F. The system comes with a standard manufacturer's 90-day warranty for defective parts. Customer E also purchases an optional one-year extended warranty that covers all repair costs and replacement of the home theater system if not repairable. The optional extended warranted is subject to Aurora sales and use tax.
4. Customer G purchases a computer from Retailer H, including an extended warranty that includes unlimited technical and set-up support for one year. The agreement states that all technical support and repair labor are included in the agreement, and also that any charges for repair parts, or replacement if the computer is not repairable, will be a separate charge to customer H. This extended warranty is not subject to Aurora sales and use tax since it does not include repair parts or replacement. Any subsequent charges for parts or replacement of the computer would be a taxable retail sale.

### Related Topics

Automotive Service & Repair  
Maintenance Agreements  
Use Tax

### 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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## Tax Compliance Guide

### Wholesale Sales

(12/2022)

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Wholesale sales are exempt from Aurora sales/use tax. The *Aurora Municipal Code* defines "wholesale sales" to mean sales to licensed retailers, jobbers, dealers, or other wholesalers for resale. Sales by wholesalers to consumers are not wholesale sales. Sales by wholesalers to unlicensed retailers are not wholesale sales. The burden of proving that a transaction qualifies as a wholesale sale is on the seller/wholesaler.

In the event of an audit, the wholesaler may be required to prove that items purchased by the customer were reasonably for resale. Items sold at wholesale that are not reasonably for resale may be disallowed and Aurora sales tax, including penalty and interest, assessed to the wholesaler.

### Documentation Required

In order to exempt purchases for resale, wholesalers must obtain and retain sufficient information and documentation to verify the eligibility of the sale for exemption. In addition to the completed affidavit of exempt sale, the wholesaler must retain on file either verification that the purchaser's sales tax license or exemption certificate is current at the time of sale, or a full copy of the purchaser's sales tax license or certificate. A license can be verified at the time of sale through both the Aurora Tax Portal and the State of Colorado web portal.

### Disputed Tax

Should a dispute arise between a wholesaler and a purchaser as to whether a transaction or item is subject to tax, the wholesaler, in order to avoid potential liability resulting from improper exemption, is required to collect the tax in dispute from the purchaser and remit these funds to the City. The purchaser may then submit a *Claim for Refund* form to the City within three years of the purchase. This form is available on the tax section of the City website or by contacting the Tax Division. If the Tax Division determines the transaction was in fact exempt from tax, a refund will be issued directly to the purchaser.

The City of Aurora requires that exempt wholesale sales be documented either with the City of Aurora Standard Municipal Home Rule Affidavit of Exempt Sale or State of Colorado Affidavit of Exempt Sale (Colorado DR5002).

### Examples

When reviewed under a City tax audit, exemptions that are not adequately documented will be disallowed and the seller will be responsible for the resulting sales tax deficiency, plus penalty and interest charges.

1. Company A is a licensed wholesaler selling auto parts and supplies. Company B, a plumbing company, purchases a battery for one of their business vehicles and presents Company A an affidavit of exempt sale for resale. Because the battery is not for resale, but instead for Company B's use, Company A must collect city sales tax on the purchase price of the battery.
2. Company C manufactures aluminum construction products, such as gutters and siding. As part of the manufacturing process, the aluminum is pre-treated in a chemical bath prior to painting which helps the paint adhere to the metal. Although some of the chemical remains on the metal and mixes with the paint, the majority evaporates off prior to painting. Because the pre-treatment chemical does not become a component part of the finished product, it is not a raw material for manufacturing/resale. Company C must pay Aurora sales or use tax when purchasing the chemical.
3. Company D is a national leasing company leasing various furniture and equipment. Company E leases equipment to Customer X, Customer X is located in the city of Aurora. Company D purchases the equipment it intends to lease from Company E, a licensed dealer who drop ships the equipment directly to Customer X. Company D does not have a valid Aurora

Documenting exempt wholesale sales includes transactions whereby the wholesale seller delivers property or services directly to the purchaser's customer in Aurora but bills the purchaser for the sale (drop shipments). Each invoice should include the complete name, address, and license or resale number of the purchaser.

### Duty to Inquire

Wholesalers have a duty to reasonably inquire as to the nature of the customer's exemption, as well as the burden of proof to demonstrate that the purchaser is eligible for an exemption.

If a business or customer attempts to purchase an item for resale that would not normally be resold in their ordinary course of business, the wholesaler must deny the exemption until additional information is provided that demonstrates the item is reasonably for resale.

business license. Even though Company D intends to lease the equipment, Company E must collect city sales tax from Company D on the purchase price because Company D does not have a valid Aurora business license.

Note that payment of Aurora sales tax on the purchase does not relieve Company D of its burden to collect Aurora sales tax on the lease payments. Company D must obtain an Aurora business license and collect and remit this tax on periodic city sales/use tax returns. Upon licensing, Company D may apply for a refund of the city sales tax paid to the equipment dealer.

4. Customer F issues a purchase order to Company G, a licensed Aurora retailer, for a quantity of two parts. The purchase order states that Customer F agrees to pay applicable use tax on any parts it ultimately uses. Company G is unsure if Customer F will resell the parts given the nature of Customer G's business and the small quantity ordered. Company G should collect Aurora sales tax and direct Customer F to seek a refund from the City if the parts are resold. In doing so, Company G avoids the risk of being assessed the tax, plus penalty and interest, if the exemption is disallowed.
5. An automotive repair shop presents an automotive parts store with an Aurora business license when purchasing spray lubricant and towels. The repair shop contends that they charge a shop supplies fee, and the items should be tax-exempt for resale. The parts store should deny the exemption and collect sales tax, as the repair shop is using the spray lubricant and towels in its business and is not transferring the items to the consumer, regardless of the shop supplies fee.

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## Related Topics

Automotive Service and Repair

Manufacturing & Fabrication

Restaurants & Bars

Use Tax

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## Citations

*Aurora Municipal Code*

§ 130-31. Definitions

§ 130-63. Collection and refund of disputed tax

§ 130-156. Taxable Items

§ 130-157. Items Exempt From Taxation

§ 130-160. Responsibility for payment

§ 130-161. Schedule of Taxes

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