



order to exempt purchases from tax. Please note that the State Certificate of Exemption (98), which is issued to exempt organizations, **MAY NOT** be used by contractors to purchase materials and fixtures. Contractors working on exempt projects are still subject to tax liability for equipment used on site, equipment rental, consumable supplies and other taxable transactions not specifically exempted, and these projects must be reconciled.

3. SUBCONTRACTORS

Subcontractors are responsible for use tax on their equipment, equipment rentals, consumable supplies and other taxable transactions not specifically exempted by a permit or State Exempt Certificate. Please be sure that you qualify as a subcontractor; if not, you are considered a vendor/retailer, and must charge sales tax on qualifying sales. Contact Audit/Project Reconciliation at the number below if you are unsure of your status.

4. NON-PERMITTED PROJECTS

The materials component (including markup and fabrication labor) of improvements and repairs to real property not covered by a building permit is considered a sale of tangible personal property, and sales tax should be collected on such transactions, as required by the city of Aurora tax code. If non-taxable service/labor is not separately stated on the invoice provided to the purchaser, the entire transaction is taxable.

5. CODE SECTIONS

The city of Aurora Code of Ordinances contains much more detail regarding contractors and taxation. Please consult the following sections in particular:

- 130-31 – Definitions.
- 130-61 – Tax on construction materials and fixtures.
- 130-202 – Proration as applied to certain construction equipment.



CITY RESOURCES

Building Division – Permit Center
303.739.7420

Licensing
303.739.7057

Audit/Project Reconciliation
303.326.8829

auroragov.org/doingbusiness

CONTRACTORS AND USE TAX:

WHAT YOU DON'T KNOW CAN COST YOU

Use Tax Explained In 5 Things To Know

This brochure will give you a basic knowledge of use tax as it applies to all contractors in the city of Aurora. Knowing these items can help to save you money, in excess taxes or additional penalty and interest down the road. This basic understanding of your legal responsibilities as a contractor will help you in planning for your project so it can go as smoothly as possible.

1. TAX RESPONSIBILITIES FOR CONTRACTORS

All materials and fixtures that become part of a piece of real property in the course of a permitted project in the city of Aurora are subject to Aurora use tax, as are all supplies, taxable services and equipment used, stored or consumed in the course of doing business in the city. When you pull a permit for a project in Aurora, you pay a deposit toward that liability, but this may not cover all tax due. As a contractor, you are responsible for tracking all of these items and ensuring that the appropriate tax is remitted to the city.

PAYMENT OPTION 1: TAX ACCOUNT/ FILING RETURNS

Obtaining a contractor's license for the city makes you automatically eligible to be set up at the same time with a city tax account at no charge. This tax account is required for all contractors based in Aurora, and optional for those based elsewhere; it allows you to remit taxes by regularly filing sales and use tax returns, which may be the easiest and most appropriate method for those who serve

primarily as subcontractors and/or whose contracting work is mostly done on a smaller scale.

If you are set up with a tax account, you may still be required to pay any taxes owed through use tax deposits paid with permits and reconciliations, as described below. However, if at any point you do pay taxes through the tax account, you will be set up to file a sales and use tax return on a regular basis (yearly, quarterly, or monthly, depending on the amount of tax liability). Failure to file a scheduled return will result in the creation of an estimate for your tax liability, for which you will then receive notices until you file the necessary return. If you are not based in Aurora and do not wish to file regular returns, you should not request the tax account.

PAYMENT OPTION 2: DEPOSITS/ RECONCILIATION

Permit: When a permit is created for a project, the party named on the permit is considered the contractor regarding tax liability for the project. The permit must be presented to vendors when purchasing qualifying materials and fixtures in order to exempt the purchase from Aurora or another city's sales tax, which you will pay as use tax instead. Construction-material suppliers will still collect state sales tax from you on these purchases. Please note that no credit is given in a permit reconciliation for sales tax paid to another city or for any sales tax paid by subcontractors (including Aurora sales tax).

Use-tax deposit/Project reconciliation: The amount paid with the permit, shown as the USE TAX line item on your receipt, is actually a use tax deposit calculated on the estimated value of the project. 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 report to the city and remit any tax owed to the city in excess of the deposit. If a refund is due, a Claim for Refund form must accompany the project reconciliation. Note that there is a one-year statute of limitations for refund claims on permitted projects.

An individual reconciliation must be filed for projects over \$250,000 in value. While you are always welcome to file an individual reconciliation or refund claim for a project, the city encourages roofers and other contractors performing smaller permitted jobs to reconcile all Aurora jobs completed within a given period (matching their normal filing frequency if regular filers) on line 10 of the sales, use a tax return and remit tax due or file a claim for refund covering the entire period.

2. EXEMPT PROJECTS

Projects in Aurora for which the property owner is the U.S. government, the state of Colorado, the city of Aurora or a charitable organization acting in the conduct of its regular charitable functions, are considered exempt projects, for which materials and fixtures are not subject to city use tax. The city of Aurora recognizes the State Contractors Exempt Certificate (89), which must be issued to the general contractor for a specific project in