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 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 services, such as telecommunication services, gas and electric service, recreation services, and television and entertainment services. The purchase of professional services, such as accounting services, legal services, consulting services, and 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 essence 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 or labor 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. Carpenter is a furniture builder with a small shop in Aurora. He builds custom furniture for his clients, purchasing his materials and tracking his time on a job-by-job basis. 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, Carpenter must collect Aurora sales tax on the total purchase price including all of these charges.

3. An Aurora resident takes their vehicle to a licensed repair shop to have her oil changed. 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 the half hour of labor.
Related Topics
Automotive Service & Repair
Filing Frequencies & Due Dates
Licensing
Linen Rental & Service
Manufacturing & Fabrication
Mixed Transactions
Previously Paid Sales/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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