

# Getting Started In Business:





STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES  
GENE GAVIN, COMMISSIONER

A message from the Commissioner:

Owning and operating a business can be exciting and rewarding. To help you on the road to success in your chosen venture, the Department of Revenue Services (DRS) has prepared this booklet, *Getting Started in Business: Understanding Connecticut Taxes*. It contains the general information on Connecticut business taxes and sales and use taxes that you may be obligated to collect and pay, as well as other state and federal requirements for business owners. It also has a list of other resource organizations that can assist you.

One of our goals at DRS is to help taxpayers better understand the state tax laws so that they may readily comply. Our Taxpayer Services Division is able to answer your questions on specific situations that may not be covered in this booklet. Phone numbers and locations of DRS offices are listed inside the back cover of this booklet. Our Web site ([www.drs.state.ct.us](http://www.drs.state.ct.us)) is also a good resource for information and updates on taxes and changes in the laws.

WE value your comments and suggestions on how DRS can serve you better. Please feel free to write, phone or e-mail us with your ideas.

Gene Gavin  
Commissioner

*Creating Partnerships with Connecticut Businesses*

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# 1

## GETTING STARTED



### Choosing a Business Structure

An important step in forming a new business is to determine the business structure that you will use. There are several business structures to choose from, including sole proprietorship, partnership, corporation, limited liability company, and limited liability partnership. Each has advantages and disadvantages as well as tax consequences of which you should be aware. You have to decide which of these structures best suits your business objectives and needs.

The Department of Revenue Services (DRS) cannot advise you on choosing a business structure. For help in making this decision, you may wish to consult a tax practitioner (accountant, enrolled agent, attorney, etc.) or one of the resource organizations listed in Chapter 10. A tax practitioner can also provide information about how to establish the business structure that you choose. (See Page 24 for more information on record keeping requirements.)



**An important step in forming a new business is to determine the business structure that you will use.**

### Business Income Tax Filing Requirements

Depending upon the business structure you choose, you will need to file certain tax forms to report your business income. An explanation of state income tax requirements that apply to each business structure follows. For federal tax information and filing requirements, contact the Internal Revenue Service (IRS). See Chapter 10 for information on contacting the IRS.

**A. Sole Proprietorship:** A sole proprietorship is a business that is owned and operated by one individual. This is the simplest and most common form of small business organization. Income earned by the business is reported on the owner's individual income tax return. Because sole proprietors are not employees of their businesses and personal income taxes are not withheld from their income, estimated income tax payments may be required. Use the forms listed below to report your income.

- **Form CT-1040ES** – *Estimated Connecticut Income Tax Payment Coupon for Individuals* – If you expect to owe more than \$500 in Connecticut income tax for the year in addition to any Connecticut income tax withheld from

earnings at another job or from a pension, you should make estimated payments. In general, four equal installments are due on April 15, June 15, September 15, and January 15. This requirement applies to residents, part-year residents, and nonresidents who have income derived from or connected with Connecticut sources. *Income derived from or connected with Connecticut sources* includes income from a business, trade, profession, or occupation carried on in Connecticut and income from any interest in real estate or personal property located in Connecticut or from intangible personal property to the extent it is used in a business, trade, profession or occupation carried on in Connecticut.

If your income fluctuates throughout the year, you may benefit from using the *annualized income installment method*. If this method is used, the

size of the installments may vary, depending upon the amount of income earned during each particular quarter. For more information about estimated income tax, see the most current

version of **Informational Publication 99(35)**, *Estimated Connecticut Income Taxes*. If you need information about the annualized income installment method, see the most current version of **Informational Publication 99(33)**, *A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040AES*. Both publications are available on the DRS Web site at [www.drs.state.ct.us](http://www.drs.state.ct.us) or from the DRS Forms Unit.

- **Form CT-1040, Form CT-1040EZ or Form CT-1040NR/PY** – *Individual Income Tax Returns* – When the tax year ends, you will file a Connecticut income tax return. Connecticut residents report their income on **Form CT-1040** or **Form CT-1040EZ**. Nonresidents and part-year residents must use **Form CT-1040NR/PY**. For most taxpayers, the income tax return is due on or before April 15.

**B. Partnership:** A partnership is the formal relationship between two or more persons who join together to carry on a trade or business. The terms of the partnership are generally spelled out in a formal partnership agreement. The partnership must apply for a Federal Employer Identification Number (FEIN) from the IRS and also register as a partnership with DRS for Connecticut tax purposes.

Each partner contributes money, property, labor or skills and agrees to share in the profits or losses of the business. A partnership with income from Connecticut sources must file **Form CT-1065**, *Connecticut Partnership Income Tax Return*, annually. Although the partnership is not subject to Connecticut income



tax, its partners must report their distributive share of partnership income on a Connecticut individual income tax return, or on **Form CT-G**, *Connecticut Group Income Tax Return*, for partnerships with at least ten qualifying nonresident partners who elect to be included on a group return.

- **Form CT-1065**, *Connecticut Partnership Income Tax Return* – A partnership must file **Form CT-1065** annually if it had any income derived from or connected with Connecticut sources during the taxable year. *Income derived from or connected with Connecticut sources* includes income from a business, trade, profession, or occupation carried on in Connecticut and income from any interest in real estate or personal property located in Connecticut or from intangible personal property to the extent it is used in a business, trade, profession, or occupation carried on in Connecticut.

**Note:** An association of two or more people that has **no** FEIN and **no** formal partnership agreement should **not** register as a partnership for Connecticut tax purposes. For example, spouses whose business is treated as a sole proprietorship for federal income tax purposes should register as a sole proprietorship, not a partnership, for Connecticut tax purposes.

**C. Corporation:** A corporation is an entity created under state law with a legal existence separate and apart from its shareholders. Under both federal law and Connecticut law, certain small business corporations, which meet the requirements of I.R.C. §1361 et seq., may qualify as subchapter S corporations. S corporations are taxed differently from other corporations. Effective for income years beginning on or after January 1, 2001, S corporations are not subject to the corporation business tax. Connecticut, like the federal government, treats S corporations as flow-through entities. Consequently, in Connecticut, S corporation shareholders report their share of separately stated S corporation income and nonseparately stated income on a Connecticut individual income tax return. The S corporation must also file **Form CT-1120SI**.

 *Depending upon the business structure you choose, you will need to file certain tax forms to report your business income.*

Generally, corporations other than S corporations must file **Form CT-1120** to report their income. These corporations pay tax at the rate of 7.5% for income years beginning on or after January 1, 2000. For more information about the taxation of corporations, review the tax forms referenced below.

- **Form CT-1120** (C corporations), *Corporation Business Tax Return* – **Form CT-1120** is due on or before the first day of the fourth month after the end of the corporation's taxable year (**April 1** for calendar year corporations). Four estimated payments are required if the corporation's current year tax exceeds \$1,000.
- **Form CT-1120SI**, *Connecticut S Corporation Information and Composite Income Tax Return* – The return is due from all S corporations on or before the fifteenth day of the fourth month after the close of the S Corporation's taxable year (**April 15** for calendar year corporations).

**Note:** If you intend to form a corporation or if your out-of-state corporation will transact business in Connecticut, you should also contact the Connecticut Office of the Secretary of the State. (See Chapter 9 for information on other state agencies.)

**D. Limited Liability Company:** A limited liability company (LLC) and a single member limited liability company (SMLLC) are hybrid forms of business operations - a combination of the corporate and partnership form (LLC) or corporate and sole proprietorship form (SMLLC). An LLC and an SMLLC limit the liability of their owners by limiting the owners' debts and obligations. LLC owners, like partners, can make agreements on how income, loss, gains, and deductions are shared, if the rules of the entity are met.

In determining the Connecticut income tax treatment of both an SMLLC and an LLC with two members or more, DRS adopts the entity's federal income tax classification, as determined under the federal check-the-box rules. Thus, an SMLLC is disregarded as an entity separate from its owner for Connecticut income tax purposes, in which case it is treated as a sole proprietorship, branch, or division of the owner, if it is so disregarded for federal income tax purposes. Otherwise, an SMLLC is treated as a corporation for Connecticut income tax purposes if it is classified as such for federal income tax purposes. Similarly, an LLC with two members or more is treated as a partnership for Connecticut income tax purposes if it

is classified as such for federal income tax purposes. Otherwise, an LLC with two members or more is treated as a corporation for Connecticut income tax purposes if it is classified as such for federal income tax purposes.

SMLLCs that elect to be treated as sole proprietorships are not required to file **Form CT-1065, Connecticut Partnership Income Tax Return**. LLCs that are treated as partnerships for federal income tax purposes and that have income, gain, loss, or deductions derived from or connected with Connecticut sources during the year *must* file **Form CT-1065**.

For more information, see **Special Notice 99(3), Effect of Federal Law Changes on the Taxation of Limited Liability Companies and S Corporations and Their Shareholders**.

**E. Limited Liability Partnership:** Limited liability partnerships (LLP) allow partners to limit the exposure of their personal assets for the debts and obligations of the registered LLP. The liability is limited to the extent that such debts and obligations arise from negligence, wrongful acts or misconduct of another partner, or an employee, agent or representative of the partnership in the course of the partnership business. This limitation does not protect a partner for the negligence, willful act or misconduct of that partner or anyone under that partner's direct supervision or control. Generally, an LLP is treated as a partnership for federal tax purposes.

## Purchasing an Existing Business

If you purchase an existing business you should consult a practitioner or business advisor to be certain you take all the steps necessary to protect your interests. In certain cases, the tax liabilities of the former owner can become your liabilities if you do not take precautions. You are also required to obtain your own Connecticut *Sales and Use Tax Permit*. You may **not** use the *Sales and Use Tax Permit* issued to the previous owner. (See *Who Must Obtain a Sales and Use Tax Permit* on Page 7.)

## Successor Liability

If you purchase an existing business, you may be held personally liable for the former owner's sales and use tax or admissions and dues tax liabilities up to the full amount of the purchase price for the business. To avoid this problem, notify DRS by letter of the impending purchase at least one month before the closing and request

**Form AU-712, Tax Clearance Certificate for Sales and Use Taxes**. Clearances are issued **only** to the purchaser, not to the seller.

The purchaser's letter of request must include:

- Name and address of the purchaser;
- Purchaser's Connecticut tax registration number (if assigned);
- Purchase price, including the fair market value of any consideration other than money, paid directly or indirectly by the purchaser to the seller;
- Name and address of the seller;
- Seller's Connecticut tax registration number;
- Expected closing date of the sale; and
- A copy of the purchase agreement (including the cover page, signature page, and purchase price) and any attachments to the agreement.

Send your letter by certified or registered mail to:

**Department of Revenue Services  
Refunds, Clearance and Adjustments Unit  
Request for Tax Clearance Certificate  
25 Sigourney Street  
Hartford CT 06106-5032**

You may also fax the request to the Refunds, Clearance and Adjustments Unit at 860-541-7698. However, if you choose to fax your request, you must also send a request for clearance by certified or registered mail.

Within 60 days of receiving the written request, DRS will either issue the tax clearance certificate or notify you of the amount of tax that must be paid before a certificate will be issued. You should withhold the anticipated tax liability from the purchase price at the closing and place that amount in an escrow fund from which the outstanding taxes can be paid. DRS will also advise you if an audit of the business will be conducted. If an audit is planned, you may wish to withhold payment of the entire purchase price and place it in escrow until the audit is completed. If you fail to withhold a sufficient amount, you may be personally liable for the outstanding taxes up to the full amount of the purchase price.

Once all outstanding taxes are paid and outstanding returns are filed, **Form AU-712, Tax Clearance Certificate for Sales and Use Taxes**, is issued to you. Any money remaining in the escrow fund can then be released to the seller.

For more information about the *Tax Clearance Certificate for Sales and Use Taxes*, call the DRS Refunds, Clearance and Adjustments Unit at 860-541-7654.



# 2

## REGISTERING TO MAKE SALES IN CONNECTICUT



### Who Must Obtain a Sales and Use Tax Permit

You must obtain a *Sales and Use Tax Permit* from DRS if you intend to engage in any of the following activities in Connecticut:

- Sale, rental, or lease of goods;
- Sale of a taxable service; or
- Operation of a hotel, motel, or lodging house.

You must obtain a *Sales and Use Tax Permit* **before** making any sales. If you are purchasing an existing business, you may **not** use the *Sales and Use Tax Permit* issued to the previous owner. (See the *Successor Liability* section on Page 6.) You are required to obtain a new *Sales and Use Tax Permit*. If you will have more than a single place of business, you **must** obtain and display a *Sales and Use Tax Permit* for **each** location.

The requirement to obtain a permit applies to individuals, corporations, partnerships, and all other business entities that will make sales in this state, regardless of the number of sales that will be made or the amount of tax that will be collected. (Please note: These rules do not apply to casual or isolated sales, which are infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property or taxable services.) Manufacturers and wholesalers as well as retailers must obtain a permit.

As a seller, you are responsible to collect sales and use taxes and you are liable for their payment whether or not you collect them as required from your customers. You must file returns and pay the full amount of tax due DRS.

Failure to obtain a tax permit will result in a fine of not more than \$500 or imprisonment of not more than three months, or both, for each offense.

If a business is located outside the state but has any physical presence in Connecticut (owning or leasing real or tangible personal property, maintaining an office, or having employees or agents present in this

state), it must register to collect Connecticut use tax on sales to Connecticut customers and must obtain a *Connecticut Sales and Use Tax Permit*.

If the business does not have any physical presence in Connecticut, but wishes to register to collect Connecticut use tax, it may also register for a permit.

### How to Obtain a Sales and Use Tax Permit

To register for sales and use taxes, use **Form REG-1, Business Taxes Registration Application**. **Form REG-1** is also used to register for most other business taxes administered by DRS. You must furnish a general description of your business activities on **Form REG-1**. If your business is a sole proprietorship you must give your Social Security Number. If it is a partnership, corporation, limited liability company or limited liability partnership, you must furnish the company's Federal Employer Identification Number (FEIN) and the Social Security Numbers, names, and addresses of the partners, officers, or members. If there are more than three partners, officers, or members, attach a list of the remaining names and Social Security Numbers to **Form REG-1**.

Use **Form REG-1** to register for:

- Admission and Dues Tax
- Authority to Collect Use Tax
- Business Use Tax
- Cigarette Taxes
- Tobacco Products
- Alcoholic Beverages Tax (Distributor only)
- Corporation Business Tax
- Dry Cleaning Establishments Surcharge
- Withholding for Income Tax
- Motor Vehicle Rental Surcharge
- Motor Vehicle Fuels Tax (Distributor only)
- Petroleum Products Gross Earnings Tax
- Room Occupancy Tax
- Tourism Account Surcharge
- Unrelated Business Income Tax
- Sales and Use Taxes

You may register by mail or apply in person at the DRS main office in Hartford or at any of the regional offices. If you register by mail, it will take approximately 2-3 weeks to get the permit. If you apply in person, you will immediately be issued a temporary seller's permit and assigned a Connecticut tax registration number. Once you have the temporary seller's permit you may begin making sales. DRS will mail you your permanent *Sales and Use Tax Permit*, which will be valid for two years.



**You must obtain a Sales and Use Tax Permit before making any sales.**

There is a \$20 fee (an additional \$25 for a retail cigarette dealer's license if you will be selling cigarettes) to register for a *Sales and Use Tax Permit* that is payable at the time of registration. If you register at a regional office, you must pay by check or money order. You must bring photo identification, such as a driver's license, with you. The application must be signed by the individual owner, partner, officer of the corporation, member of the limited liability company, or another who has written Power of Attorney to sign.

## Changes to Your Registration

You must notify the DRS Registration Unit in writing if any of the following changes to your business occur:

- Change to the business name or address;
- Change in business owners (including adding or deleting partners or changing corporate officers);
- Change to business structure (incorporating your business, forming a partnership, etc.);
- Addition of new tax liabilities or deletion of tax liabilities for which you are no longer liable;
- Addition of new business locations or the sale or closure of one or more existing locations.

Your permit **cannot** be assigned or transferred. If you close or discontinue business, you **must** file a final sales and use tax return and return the permit for that location to the DRS Registration Unit.

## Renewal

Your *Sales and Use Tax Permit* expires every two years and must be renewed. The permit is automatically renewed and mailed to you if your account shows no sales tax delinquencies. If your account shows one or more delinquencies, you will be mailed **Form OR-219, Registration Renewal Form**, before the renewal date.

If your permit is lost or destroyed, you may obtain a replacement by writing to:

**Department of Revenue Services  
Registration Unit  
PO Box 2937  
Hartford CT 06104-2937**

Be sure to include your Connecticut tax registration number in all correspondence with DRS. There is no charge for renewal or replacement of your *Sales and Use Tax Permit*.

## Cooperative Interstate Sales and Use Tax Agreement

An agreement between the states of New York and Connecticut allows participating businesses that make sales across state lines to voluntarily collect the neighboring state's tax. The agreement also allows the two states to actively exchange sales and use tax information.

## Who Can Participate in This Agreement

As a seller, you are eligible to participate if you:

- Are registered for sales tax collection in the state in which you have a physical location (New York or Connecticut);
- Do not have outstanding sales tax liabilities in New York or Connecticut;
- Buy or sell taxable goods across the New York/Connecticut border; and
- Do not have a physical place of business in both states.

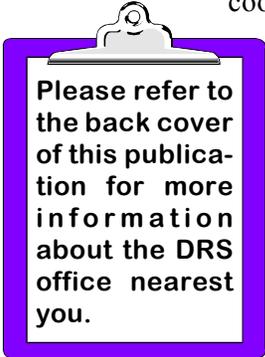
## Benefits of Participation

If you are eligible and choose to participate, you benefit from the following:

- Filing one registration form with your home state;
- Filing one tax return with your home state;
- Paying one remittance to your home state; and
- Being subject to only one sales and use tax audit, coordinated by your home state.

## How to Sign Up

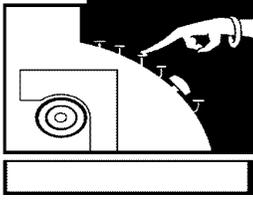
You can register for this program by requesting an *Application For Connecticut/New York Simplified Sales and Use Tax Reporting* from the state in which you are registered to collect sales and use taxes. Submit the completed application to that state. If, after review by both states, your application is accepted, you will receive a certificate of authorization from the neighboring state, authorizing you to collect and remit the neighboring state's tax directly to the state in which you are registered and authorizing you to issue the neighboring state's resale and exemption certificates. For more information, contact the Connecticut DRS Taxpayer Services Division.



**Please refer to the back cover of this publication for more information about the DRS office nearest you.**

# 3

## SALES SUBJECT TO TAX



### Sales Tax, Use Tax, Room Occupancy Tax

The *sales tax* is a tax imposed on the retailer for the privilege of doing business in the state. The **rate of 6%** applies to the retail sale, lease or rental of most goods and taxable services. There are no additional sales taxes imposed by local jurisdictions in Connecticut.

If you sell goods or taxable services in Connecticut, you are required by law to charge and collect Connecticut sales tax. You must also file timely returns and pay the sales tax to DRS, whether or not you collected the tax as required from your customers.

*Use tax* is due when taxable purchases are made but Connecticut sales tax is not paid. Any individual or business that purchases taxable goods or services for use in Connecticut without paying Connecticut sales tax **must** pay use tax. If no tax was paid because the purchase was made from an out-of-state mail order company, the use tax due is equivalent to the Connecticut sales tax that would have been due on the sale if it occurred in Connecticut. If another state's tax was paid on purchases made in that state, the use tax due is limited to the amount, if any, by which the Connecticut use tax exceeds the sales tax already paid. Goods or services that are not subject to Connecticut sales tax are not subject to use tax.

**Example:** You purchased a \$1,000 computer in another state and paid \$50 tax to that state. If you bought the computer for use in Connecticut, you owe Connecticut use tax. The Connecticut tax of \$60 is reduced to \$10, after allowing a \$50 credit for the tax paid to the other state. If no tax was paid to the other state, the Connecticut use tax is \$60.

Use tax applies to any purchases of goods and taxable services made by a business, except those purchases made for resale. The tax applies to the purchase or lease of assets such as furniture, equipment, machines, instruments, and computers, and to the purchase of consumable goods such as office supplies, paper, stationery items, certain publications, prewritten software, and books. Use tax also applies to purchases of promotional items, items given away to customers free of charge, as well as to services used by the business, such

 **If you sell goods or taxable services in Connecticut, you are required by law to charge and collect Connecticut sales tax.**

as vehicle repair, landscaping, janitorial, or snow removal services. Use tax does not apply to items held for resale that retailers remove from inventory and donate to the United States or its agencies; Connecticut, its political subdivisions or their agencies; or any I.R.C. §501(c)(3) organization.

If purchases were made in connection with carrying on a trade, occupation, business, or profession that is not otherwise required to register to collect sales tax, the purchaser must register for business use tax by completing **Form REG-1, Business Taxes Registration Application**. The business must report taxable purchases on **Form OS-114, Sales and Use Tax Return**, for the reporting period in which the taxable purchase was made.

If purchases were made by an individual and not in connection with a business, the individual must report taxable purchases made in the preceding year on his or her Connecticut income tax return.

The *room occupancy tax* of 12% is imposed on the occupancy charges for 30 consecutive days or less of a room in a hotel, motel, or rooming house. Beginning on the 31st consecutive day of occupancy by the same person, the tax no longer applies. The rental of a room that does not have sleeping facilities for a business meeting, conference, or seminar is not taxable, provided meals are not served in the meeting room. If meals are served in the meeting room, the total charges for the meeting room and the meals are subject to 6% sales and use taxes.



### Special Rates for Certain Sales

- The rate is **4½%** on the sale of a motor vehicle to a nonresident member, or a member and his or her spouse jointly, of the armed forces of the United States stationed on full-time active duty in Connecticut. The nonresident member of the armed forces must complete **CERT-135, Reduced Sales and Use Tax Rate for Motor Vehicles Purchased by Nonresident Military Personnel and Their Spouses**, and provide it to the Connecticut retailer.
- The tax on paving, painting or staining, wallpapering, roofing, siding, and exterior sheet metal work to other than industrial, commercial or income-producing real property is being phased out under Conn. Gen. Stat. §12-407(2)(i)(BB). The reduced rates are:

**effective July 1, 2000 - 2%**

**effective July 1, 2001 - 0%**

- The rate for the sale of computer and data processing services is being reduced annually and is scheduled to be completely phased out, effective July 1, 2002. The reduced rates are:

**effective July 1, 2000 - 2%**

**effective July 1, 2001 - 1%**

**effective July 1, 2002 - 0%**

- Internet access services, otherwise taxable as computer and data processing services, will be nontaxable effective July 1, 2001. Internet access services are taxable at **2%** from July 1, 2000, through June 30, 2001.

## Sale, Lease, or Rental of Goods

In general, all sales, leases, and rentals of goods in Connecticut are subject to sales and use taxes when the title of goods transfers from the seller to the buyer in Connecticut. Exceptions are sales specifically exempt from tax and sales made for resale. (For more information, see *Exemptions From Sales and Use Taxes*, Chapter 4, and *Sales for Resale*, Chapter 5.)

## Taxability of Sales of Goods

Connecticut sales or use tax applies to any transaction where title to the goods being sold transfers from the seller to the buyer in Connecticut. Sometimes the agreement between the seller and buyer establishes where title transfers, in which case the agreement controls whether Connecticut tax applies. In the absence of an agreement on transfer of title, use the following guidelines to determine taxability.

A sale made by a Connecticut business **is not** subject to Connecticut sales tax if the purchaser:

- Does not come to a Connecticut location but instead contacts the Connecticut business by telephone or mail to place the order and the item is delivered to an out-of-state address using a vehicle owned or rented by the Connecticut business or by common carrier (such as Federal Express, the U.S. Postal Service, or another shipping service); or
- Comes to a Connecticut location, purchases the item and does not take title to the item in Connecticut, but arranges with the Connecticut business to ship the item using a vehicle owned or rented by the Connecticut business or by common carrier to its out-of-state address.

A sale made by a Connecticut business **is** subject to Connecticut sales tax if:

- The purchaser comes to a Connecticut location and **takes actual possession** of the item in Connecticut, even if the purchaser then takes the item in his own

vehicle to an out-of-state location or arranges to have the item picked up from the Connecticut business and delivered to an out-of-state location by common carrier.

**Note:** If the Connecticut business delivers the item in a vehicle that is owned or rented by the business to a location in another state, it is likely that the physical presence of the Connecticut business in the other state constitutes “doing business” in that state and makes the transaction subject to that state's tax. The Connecticut business may be required to also obtain a seller's permit from that state and collect the tax. Contact that state for more information.

## Sales of Taxable Services

In general, services are not subject to sales and use taxes unless specifically enumerated as taxable by statute. Charges for the following commonly used services are taxable (except when rendered by an employee for his or her employer). For a complete list of taxable services, refer to Conn. Gen. Stat. §12-407(2) or contact the DRS Taxpayer Services Division.

When ordering any publication referred to below, ask for the most current version. (See the inside back cover for how to order publications.)

Taxable services include but are not limited to:

- Advertising or public relations services not related to the development of media advertising or cooperative direct mail advertising;
- Business analysis, management, management consulting, and public relations services, excluding any environmental consulting services;
- Cable and satellite television services;
- Computer and data processing services, including but not limited to charges for on-line access to computer services and Internet access (but excluding services connected with the creation, development, hosting or maintenance of all or part of a web site on the World Wide Web) (see **Policy Statement 98(2)**, *Sales and Use Taxes on Access to the Internet and Other On-line Sales of Goods and Services*, and **Policy Statement 98(3)**, *Sales and Use Taxes on Computer-Related Services and Sales of Tangible Personal Property*);



The tax on computer and data processing services is being phased out through a series of annual rate reductions. See *Special Rates* on Page 9.

- Contractor services (see **Informational Publication 99(19)**, *Building Contractors' Guide to Sales and Use Taxes*);

- Credit information and reporting;
- Employment agencies and agencies providing personnel services (see **Policy Statement 93(3.2)**, *Taxation of Services by Employment Agencies and Agencies Providing Personnel Services*);
- Exterminating services;
- Flight instruction and chartering by a certificated air carrier (see **Policy Statement 94(8.1)**, *Aircraft Chartering and Flight Instruction Services*);
- Furniture reupholstering and repair services;
- Janitorial services (including cleaning homes, offices, and commercial property);
- Landscaping and horticulture services;
- Lobbying or consulting services for the purpose of representing a client's interests with any Connecticut state or local governmental bodies;
- Locksmith services;
- Maintenance services;
- Miscellaneous personal services, exclusive of services rendered by licensed massage therapists and licensed hypertrichologists (see **Special Notice 91(4)**, *Miscellaneous Personal Services*);
- Motor vehicle repairs, including any type of repair, painting or replacement to the body or operating parts of a motor vehicle;
- Painting and lettering services;
- Parking services, other than metered space, in a lot with 30 or more spaces, excluding valet parking at airports and space in certain municipal railroad parking lots;
- Personnel training services when the training service provider is engaged by an employer to provide job-related training to personnel whose primary workplace is located in Connecticut (see **Policy Statement 2000(4)**, *Sales and Use Taxes on Charges for Personnel Training Services*);
- Photographic studio services;
- Piped-in music provided to business or professional establishments;
- Prepaid telephone calling services, including prepaid calling cards, and the recharge of such service (see **Special Notice 2000(3.1)**, *2000 Legislation Affecting Sales and Use Taxes and Admissions and Dues Tax*);



- Private investigation, protection, patrol work, watchman, and armored car services, exclusive of these services provided by off-duty police officers and firefighters;
  - Radio or television repair services;
  - Repair services to electrical or electronic devices, including but not limited to air conditioning and refrigeration equipment;
  - Repair or maintenance services to tangible personal property (other than services to vessels and shoe repair);
  - Repair or renovation services to residential real property, limited to: paving, painting or staining, wallpapering, roofing, siding, and exterior sheet metal work;
- The tax on repair or renovation services to residential real property is being phased out through a series of annual rate reductions. See *Special Rates* on Page 9.
- Sales agent services for selling tangible personal property, except for the services of a consignee selling works of art or clothing or the services of an auctioneer;
  - Services to industrial, commercial, and income-producing real property, including but not limited to management, repair, and renovation services, but excluding voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil (see **Informational Publication 99(19)**, *Building Contractors Guide to Sales and Use Taxes*);
  - Stenographic services;
  - Storage or mooring of any noncommercial vessel on land or in the water, **except** the nonseasonal (November 1 through April 30) dry or wet storage or mooring of noncommercial vessels;
  - Swimming pool cleaning and maintenance services;
  - Telecommunications services;
  - Telephone answering services;
  - Warranty and service contracts for any item of tangible personal property; and
  - Window cleaning services.

# 4

## EXEMPTIONS FROM SALES AND USE TAXES

Some sales you make will be exempt from sales and use taxes because certain goods and services are exempt from the tax by statute. Other sales may be exempt because the purchaser is an organization that is exempt from paying tax by statute. This section explains both types of exempt transactions. Purchases and sales for resale are explained in Chapter 5.

### Keeping Records of Exempt Sales

If you make sales of goods or services that are exempt from tax, keep careful records to support the exemption or you may be liable for payment of the tax. Many, but not all, exemptions require the use of a specific Connecticut tax exemption certificate that the purchaser must complete and provide to the seller. If you are making a sale in Connecticut, do not accept an exemption certificate issued by another state. Keep copies of exemption certificates for a minimum of six years.

 *If a business makes a sale in Connecticut, it cannot accept an exemption certificate issued by another state.*

### Single Purchase or Blanket Certificate

An exemption certificate may be issued for a single exempt purchase or may be used for a continuing line of purchases of the same type provided the certificate is marked *Blanket Certificate*. Most blanket certificates are valid for three years from the issue date if the exemption remains in effect.

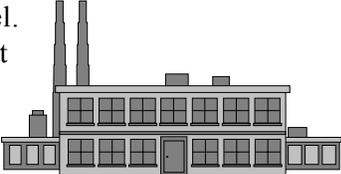
### Responsibility of Those Accepting or Issuing Certificates

You should accept an exemption certificate **only** if you can accept in good faith that the statements made by the purchaser are true and accurate. If you have reason to believe that the information on the certificate is incorrect and you do not charge the tax, you may be liable for payment of the tax, plus penalty and interest. Likewise, a purchaser who gives a false or fraudulent exemption certificate may be subject to civil and criminal penalties.

### Statutory Exemptions for Certain Sales

The following list includes many of the goods that are exempt from sales and use taxes. These exemptions are commonly used by businesses and their customers. For a complete list of exemptions or for additional information on the exemptions listed, consult Conn. Gen. Stat. §12-412 or contact the DRS Taxpayer Services Division. If an exemption certificate is required, it is so noted.

- **Agricultural exemption for items sold exclusively for use in agricultural production.** The purchaser must have a current *Farmer Tax Exemption Permit* issued by DRS and should provide you with a copy of the permit for your records. (See **Informational Publication 2000(13)**, *Farmer’s Guide To Sales and Use Taxes, Motor Vehicle Fuels Tax, and Estimated Income Tax.*) *Conn. Gen. Stat. §12-412(63)*
- **Aircraft.** See *Motor vehicles, aircraft, and vessels* on Page 14.
- **Biotechnology industry.** Machinery, equipment, tools, materials, supplies, and fuel used in the biotechnology industry. The purchaser must complete **CERT-129, Exemption for Items Used Directly in the Biotechnology Industry.** (See **Policy Statement 98(8)**, *Exemption from Sales and Use Taxes for Items Used Directly in the Biotechnology Industry.*) *Conn. Gen. Stat. §12-412(89)*
- **Broadcasting.** Filmed and taped television and radio programs and any materials becoming part of films or tapes broadcast to the general public or used for medical or surgical training; motion picture or video production equipment or sound recording equipment purchased or leased for production activities relating to master tapes, records or films produced for commercial entertainment, advertising or educational purposes; and certain equipment used by television and radio stations. *Conn. Gen. Stat. §12-412(44)*
- **Child car seats.** *Conn. Gen. Stat. §12-412(108)*
- **Clothing, fabric and apparel:**
  - ✓ **Articles of clothing or footwear costing under \$75 each.** *Conn. Gen. Stat. §12-412(47)*
  - ✓ **Bicycle helmets.** *Conn. Gen. Stat. §12-412(102)*
  - ✓ **Cloth or fabric purchased for noncommercial sewing used in making clothing** (including other items that become a component part of the clothing such as zippers, buttons, and thread).  *Conn. Gen. Stat. §12-412(52)*
  - ✓ **One-week annual exclusion in August for clothing and footwear under \$300.** (See **Special Notice 2000(8)**, *One-Week Sales and Use Tax Exclusion in August for Clothing and Footwear Under \$300.*) *Conn. Gen. Stat. §12-407d*

- ✓ **Safety apparel.** Defined as any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment. (See **Policy Statement 2000(6)**, *Sales and Use Tax Exemption for Safety Apparel.*) *Conn. Gen. Stat. §12-412(91)*
- ✓ **Yarn for noncommercial use.**  
*Conn. Gen. Stat. §12-412(97)*
- **Commercial fishing:**
  - ✓ Materials, rope, fishing nets, tools, and fuel or any substitute, used directly in the commercial fishing industry.   
*Conn. Gen. Stat. §12-412(18)*
  - ✓ Commercial fishing vessels and machinery or equipment for use on the vessels. The purchaser must have a *Commercial Fisherman Exemption Permit* issued for a two-year period by DRS. (See *Exempt Organizations* on Page 16.)  
*Conn. Gen. Stat. §12-412(40)*
- **College textbooks.** (See **Special Notice 2000(9)**, *Sales and Use Exemption on College Textbooks*, for more information.)  
*Conn. Gen. Stat. §12-412(109)*
- **Current United States and Connecticut flags.**  
*Conn. Gen. Stat. §12-412(23)*
- **Firearm safety devices.**  
*Conn. Gen. Stat. §12-412(101)*
- **Food products for human consumption:**
  - ✓ The exemption does not include meals, carbonated beverages, candy, and alcoholic beverages. The exemption **does include** sales of candy, confectionery, and nonalcoholic beverages in schools and sales of candy, confectionery, beverages, and other items to persons in health care facilities. Food products sold through coin-operated vending machines, meals delivered to the elderly, disabled or homebound, and purchases made with federal food stamp coupons also are exempt from tax. (See **Policy Statement 99(1)**, *Sales and Use Taxes on Meals*, for information on the taxability of meals.) *Conn. Gen. Stat. §12-412(13) and Conn. Gen. Stat. §12-412(27), (46) and (57)*
  - ✓ Vegetable seeds suitable for planting to produce food for human consumption.  
*Conn. Gen. Stat. §12-412(96)*
- **Fuel:**
  - ✓ Aviation fuel. *Conn. Gen. Stat. §12-412(59) and (75)*
  - ✓ Diesel fuel used in portable power system generators larger than 150 kilowatts.  
*Conn. Gen. Stat. §12-412(107)*
  - ✓ Marine fuel. *Conn. Gen. Stat. §12-412(79)*
  - ✓ Certain fuel for heating purposes is exempt when used in:
    - 1. Residential dwellings; **or**
    - 2. Any metered building, location or premises used directly in agricultural production, or the fabrication of a finished product to be sold; **or**
    - 3. An industrial manufacturing plant, provided that not less than 75% of the fuel used in the metered building, location or premises is used for production, fabrication or manufacturing. (The purchaser must complete **CERT-115**, *Certificate for Exempt Purchases of Gas, Electricity and Heating Fuel.*) *Conn. Gen. Stat. §12-412(16)*
- **Manufacturing, fabricating, and processing:**
  - ✓ Machinery used in manufacturing, and repair, replacement, component, and enhancement parts for the machinery. The purchaser must complete **CERT-101**, *Machinery, Component Parts, and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process.*  
*Conn. Gen. Stat. §12-412(34)*
  - ✓ Component parts for the assembly of manufacturing machinery. *Conn. Gen. Stat. §12-412(73)*
  - ✓ Materials, tools, and fuel. The purchaser must complete **CERT-100**, *Materials, Tools, and Fuel Certificate.*   
*Conn. Gen. Stat. §12-412(18).*
  - ✓ Partial exemption for materials, tools, fuels, machinery, and equipment used in manufacturing. (Manufacturing Recovery Act of 1992) The purchaser must complete **CERT-108**, *Certificate of Partial Exemption - Materials, Tools and Fuel*, or **CERT-109**, *Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts.*  
*Conn. Gen. Stat. §12-412i*
  - ✓ Certain calibration services for manufacturing machinery, equipment, or instrumentation.  
*Conn. Gen. Stat. §12-412(104)*
- **Medical goods and equipment:**
  - ✓ Prescription medicines, syringes, and needles.  
*Conn. Gen. Stat. §12-412(4)*
  - ✓ Oxygen, blood, or blood plasma for medical use in humans or animals.  
*Conn. Gen. Stat. §12-412(19)*

- ✓ Artificial devices that become a brace, support, supplement, correction, or substitute for a bodily structure or functioning portion of the body, including but not limited to artificial limbs and artificial eyes, and repair services to these devices. *Conn. Gen. Stat. §12-412(19)*
- ✓ Hearing aids, crutches, walkers, and wheelchairs and repair services to such items. *Conn. Gen. Stat. §12-412(19)*
- ✓ Vital life support equipment, including oxygen supply equipment used for humans or animals, kidney dialysis machines, apnea monitors, and repair services rendered to these items. *Conn. Gen. Stat. §12-412(19)*
- ✓ Custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss from disease or the treatment of disease. *Conn. Gen. Stat. §12-412(19)*
- ✓ Nonprescription drugs and medicines used in or on the body including vitamin or mineral concentrates; dietary supplements; natural or herbal medicines; cough, cold, or allergy medicines; antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antiviral, and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and eye, ear, or nose medications. Excluded from the exemption are cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps, and deodorants. (See  **Special Notice 99(12), Sales and Use Tax Exemption for Nonprescription Drugs and Medicines.**) *Conn. Gen. Stat. §12-412(48)*
- ✓ Diabetic supplies (test strips and tablets, lancets, and glucose monitoring equipment). *Conn. Gen. Stat. §12-412(54)*
- ✓ Telephone equipment designed exclusively for deaf or blind persons. *Conn. Gen. Stat. §12-412(38)*
- ✓ Disposable pads used for incontinency (infant diapers, adult diapers, and underpads). *Conn. Gen. Stat. §12-412(53)*
- **Repair, replacement, and enhancement parts.** Repair, replacement, and enhancement parts for the following exempt items are also exempt, whether purchased separately or with the item:
  - ✓ Medical equipment (such as corrective supports, wheelchairs, and equipment used to support vital life functions). *Conn. Gen. Stat. §12-412(19)*
  - ✓ Glucose monitoring equipment. *Conn. Gen. Stat. §12-412(54)*
  - ✓ Special equipment installed in motor vehicles for persons with physical disabilities. *Conn. Gen. Stat. §12-412(80)*
  - **Inclined stairway chairlifts.** Inclined stairway chairlifts for persons with disabilities, repair, replacement, and enhancement parts, and repair services for the chairlifts. *Conn. Gen. Stat. §12-412(19)*
  - **Motor vehicles, aircraft, and vessels:**
    - ✓ Flyable aircraft sold by a manufacturer of aircraft located in this state to certificated or licensed carriers engaged in interstate or foreign commerce or to nonresidents for use exclusively outside Connecticut. Purchasers must complete **Affidavit SUT-16a-3**. *Conn. Gen. Stat. §12-412(20)*
    - ✓ Aircraft having a maximum certificated takeoff weight of 6,000 pounds or more. *Conn. Gen. Stat. §12-412(99)*
    - ✓ Repair or replacement parts exclusively for use in aircraft owned or leased by a certificated air carrier or an aircraft having a maximum certificated takeoff weight of 6,000 pounds or more **and** aircraft repair services when rendered in connection with aircraft owned or leased by a certificated air carrier or an aircraft having a maximum certificated takeoff weight of 6,000 pounds or more. The purchaser must complete **CERT-110, Aircraft Repair Services Certificate and Aircraft Repair and Replacement Parts Certificate**. *Conn. Gen. Stat. §12-412(76) and (77)*
    - ✓ Motor vehicles purchased but not registered in this state by persons who are nonresidents and do not maintain a permanent place of abode in Connecticut. The purchaser must complete **CERT-125, Sales and Use Tax Exemption for Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut**. *Conn. Gen. Stat. §12-412(60)* 
    - ✓ Motor vehicles sold to limited liability companies or their members in connection with the organization or termination of the limited liability company, provided the last taxable sale was subject to tax. *Conn. Gen. Stat. §12-431(a)*
    - ✓ New motor vehicles powered by clean alternative fuel. *Conn. Gen. Stat. §12-412(67)*
    - ✓ Equipment for converting vehicles to the use of clean alternative fuel. *Conn. Gen. Stat. §12-412(68)*
    - ✓ Equipment for compressed natural gas filling stations or electric recharging stations for such vehicles. *Conn. Gen. Stat. §12-412(69)*

**Clean alternative fuel** means natural gas, electricity, or propane when used in vehicles that meet certain emissions standards. The three exemptions end January 1, 2002.

*Conn. Gen. Stat. §12-412(67), (68), and (69)*

- ✓ On and after July 1, 2000, and before July 1, 2002, any passenger car with an EPA estimated highway gasoline mileage rating of at least 50 miles per gallon. *Conn. Gen. Stat. §12-412(110)*
- ✓ Commercial trucks, truck tractors, tractors, semitrailers, and vehicles used in combination with commercial trucks, truck tractors, tractors, and semitrailers that have a gross vehicle weight rating in excess of 26,000 pounds; or that are operated actively and exclusively during the one-year period beginning on the date of purchase for the carriage of interstate freight pursuant to a certificate or permit issued by the Interstate Commerce Commission or its successor agency.  
*Conn. Gen. Stat. §12-412(70)*
- ✓ Equipment installed in motor vehicles for persons with physical disabilities.  
*Conn. Gen. Stat. §12-412(80)*
- ✓ Commercial fishing vessels and machinery or equipment for use on the vessels. See *Exempt Organizations* on Page 16.  
*Conn. Gen. Stat. §12-412(40)*
- ✓ Vessels when purchased by nonresidents who maintain no permanent place of abode in Connecticut and who will not register them in Connecticut. (*Vessel* means every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water.) The purchaser must complete **CERT-125, Sales and Use Tax Exemption for Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut**. *Conn. Gen. Stat. §12-412(60)*
- ✓ Repair and maintenance services to vessels. *Conn. Gen. Stat. §12-408(1) and Conn. Gen. Stat. §12-411(1)*
- ✓ Fabrication labor to existing vessels.  
*Conn. Gen. Stat. §12-408(1)*
- ✓ Property tax payments under motor vehicle leases (if separately stated on the bill to the lessee from the lessor). *Conn. Gen. Stat. §12-412(49)*

- **Magazines sold by subscription and all newspapers.**

*Conn. Gen. Stat. §12-412(6)*

- **Personal property used in burial or cremation with value up to \$2,500 for any single funeral.**

*Conn. Gen. Stat. §12-412(55)*



- **Pollution control equipment** used in the operation of air pollution control facilities or in the operation of facilities for the treatment of industrial waste that are approved by the Department of Environmental Protection. The purchasers must complete **CERT-117, Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities**, or **CERT-124, Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities**.  
*Conn. Gen. Stat. §12-412(21) and (22)*

- **Printing equipment:**

- ✓ Machinery, equipment, tools, materials, and supplies used in commercial printing.  
*Conn. Gen. Stat. §12-412(71)*
- ✓ Machinery, equipment, tools, materials, and supplies for typesetting, color separation, finished copy, or similar products. The purchasers using either exemption must complete **CERT-120, Certificate for Machinery, Equipment, Tools, Materials, and Supplies Used in the Production of Printed Material or in Prepress Production**.  
*Conn. Gen. Stat. §12-412(72)*

- **Printed material** manufactured for a purchaser in Connecticut to be delivered for use outside the state within 30 days following delivery. The purchaser must provide a *Printed Material Certificate*.  
*Conn. Gen. Stat. §12-412(31)*

- **Rare or antique coins.**  
*Conn. Gen. Stat. §12-412(45)*

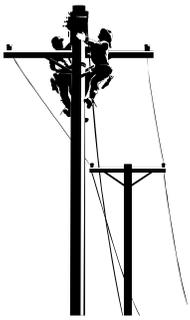


- **Shoe repair services.**  
*Conn. Gen. Stat. §12-412(105)*

- **Certain services that are rendered at the residence of a disabled person.** Landscaping and horticulture services, window cleaning, and maintenance services rendered at the residence of a person eligible for and currently receiving total disability benefits under the Social Security Act. The purchaser must complete **CERT-121, Exemption for Landscaping and Horticulture Services, Window Cleaning Services and Maintenance Services Rendered to Recipients of Total Disability Benefits**.  
*Conn. Gen. Stat. §12-412(85)*

- **Use Tax Exemption for Retailers.** Items held for resale that retailers remove from inventory and donate to the United States or its agencies; Connecticut, its political subdivisions or their agencies; or any I.R.C. §501(c)(3) organization.  
*Conn. Gen. Stat. §12-413(4)*

- **Utility exemptions.** Gas or electricity for residential use and certain manufacturing or agricultural production. Sales for use directly in agricultural production, fabrication of a finished product to be sold, or in manufacturing production in a metered premises at which not less than 75% of the gas or electricity is used for agricultural, fabrication or manufacturing purposes. In addition, the first \$150 in electric charges to a business for any month of service. Water, steam, and telegraph services when delivered to consumers through mains, lines, pipes or bottles. The purchaser must complete



**CERT-115**, *Certificate for Exempt Purchases of Gas, Electricity and Heating Fuel*.

*Conn. Gen. Stat. §12-412(3)*

- **Vending machine sales.** Sales of any items costing 50 cents or less. *Conn. Gen. Stat. §12-412(27)*
- **Effective July 1, 2001.**
  - ✓ The exemption for the first \$2,500 of funeral expenses is expanded to include a total exemption for caskets used for burial. *Conn. Gen. Stat. §12-412(55)*
  - ✓ Closed circuit television equipment used as reading aids by visually impaired persons. *Conn. Gen. Stat. §12-412(19)*
  - ✓ Canes. *Conn. Gen. Stat. §12-412(19)*
  - ✓ Sales of gum, inhalants or similar products designed to aid in smoking cessation. *Conn. Gen. Stat. §12-412(111)*
  - ✓ Internet access service. *Conn. Gen. Stat. §12-408(1)*
  - ✓ Support hose specially designed to aid in the circulation of blood, purchased by persons with medical need for the hose. *Conn. Gen. Stat. §12-412(19)*
  - ✓ Sales to a telecommunications company or community antenna television company of equipment used to provide telecommunications, high-speed data transmission or broad-band Internet services. *Conn. Gen. Stat. §12-412(112)*

## Exempt Organizations

Some qualifying organizations and entities are entitled by statute to make purchases without payment of sales and use taxes. In general, to qualify for exemption, the purchases of these organizations must meet the following tests:

- The purchase must be for the exclusive use of the organization (not for the convenience or use of individual members or officers); **and**

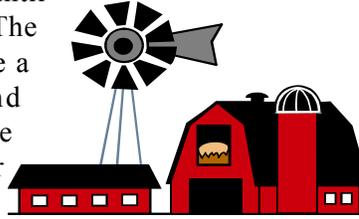
- The payment must be from the organization's own funds. Purchases made with cash (except for purchases for \$10 or less), personal checks or personal credit cards are not eligible for exemption. However, credit cards issued in the name of the exempt organization may be used. Payment of the credit card charges **must** be paid by a check drawn on the exempt organization's checking account; **and**
- The purchase must be accompanied by a properly completed exemption certificate or other documentation of exemption.

## Qualifying Exempt Organizations

Major exempt organizations include but are not limited to:

- **The State of Connecticut**, its political subdivisions (cities and towns), and Connecticut state and municipal agencies (including Connecticut public schools) may purchase goods and services, other than meals or lodging, exempt from tax by using **CERT-134**, *Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies*, or providing the Governmental Agency Exemption Number. The exemption does **not** apply to other states, their political subdivisions, or their agencies. (See **Policy Statement 98(4)**, *Tax Exemption Number for Connecticut State Agencies*.)
- **The United States government**, its agencies, and instrumentalities may make exempt purchases of goods and services, other than meals or lodging, using **CERT-134**.
- **Federally recognized Indian tribes** located in Connecticut (the Mashantucket Pequot Tribe of Connecticut and the Mohegan Tribe of Connecticut) may make exempt purchases of goods and services, provided the goods and services are used by the tribes within Indian country of these tribes. The Mashantucket Pequot and the Mohegan Tribes must use **CERT-127**, *Certificate for Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe*. Contractors making purchases of tangible personal property used exclusively for construction projects on either reservation must use **CERT-128**, *Certificate for Exempt Purchases by Contractors in Connection with Construction Projects on the Mashantucket Pequot or Mohegan Reservations*.
- **Farmers** that have been issued **Form OR-248**, *Connecticut Farmer Tax Exemption Permit*, by DRS can make purchases of goods (not services) to be used exclusively in agricultural production by presenting a valid permit to the retailer. Beginning in 2001, permits will be issued for a two-year period and will be valid

from October 1, 2001, until September 30, 2003. The permit can be treated like a *Blanket Certificate* and may be used to make qualifying purchases for the entire period from the same retailer.



Effective October 1, 2000, start-up farmers can obtain an exemption permit without meeting the previous year income requirements. (See **Informational Publication 2000(13)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, and Estimated Income Tax*.)

*Conn. Gen. Stat. §12-412(63)*

- **Fishermen** that have been issued **Form OR-256**, *Commercial Fisherman Exemption Permit*, by DRS can make qualifying purchases of materials, rope, fishing nets, tools, and fuel that are used directly in the fishing industry, any vessel used exclusively in commercial fishing, and any machinery or equipment for use on a commercial fishing vessel, by presenting a copy of the current permit to the retailer. The exemption does not apply to repair and replacement parts for vessels and equipment or to raw materials (lumber, steel, etc.) to be used in the construction of vessels or equipment. Beginning in 2001, permits will be issued for a two-year period and will be effective from July 1, 2001, through June 30, 2003. The permit can be treated as a *Blanket Certificate* and may be used to make qualifying purchases for the entire period from the same retailer.



Effective October 1, 2000, new legislation relieves the start-up fisherman of the 50% previous year income requirements if the fisherman intends to carry on commercial fishing as a trade or business for at least two years after a permit is issued. (See **Informational Publication 2000(3)**, *Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax*.)

*Conn. Gen. Stat. §12-412(40)*

- **Qualifying exempt organizations** may make purchases of goods and services without paying sales and use taxes by using **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*. A qualifying exempt organization is one that has been issued a determination letter or group exemption letter by the IRS that establishes the organization as exempt under I.R.C. §501(c)(3) or (13). A *qualifying exempt organization* may have been issued a *Sales and Use Tax Exemption Permit* (an E-Number) by DRS. DRS no longer issues exemption permits to exempt organizations. After July 1, 1995, a qualifying organization attaches the first page of its I.R.C. §501(c) determination letter to the **CERT-119** presented to the seller to purchase goods and services exempt from sales tax. The exemption does **not** apply to organizations with exemption permits issued by other states unless the organization provides a copy of its federal determination letter or group exemption letter. In most instances, **CERT-119 cannot** be used to purchase meals or lodging exempt from tax. (For more information, see **Policy Statement 96(7)**, *Purchases of Meals or Lodging By Exempt Organizations or Qualifying Governmental Agencies*, **CERT-112**, *Certificate for Exempt Qualifying Purchases of Meals or Lodging By An Exempt Organization or Qualifying Governmental Agency*, and **CERT-122**, *Certificate for Refund of Sales Tax Paid on Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency*.)

- **Nonprofit charitable hospitals, nursing homes, rest homes, and residential care homes** may make purchases and sales of goods and services without paying sales and use taxes by using **CERT-119**, *Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations* (for nonprofit charitable hospitals only), or **CERT-113**, *Certificate for Purchases of Tangible Personal Property and Services by a Nonprofit Nursing Home, Nonprofit Rest Home or Nonprofit Home for the Aged*.  
*Conn. Gen. Stat. §12-412(5)*



# 5

## SALES FOR RESALE



If you purchase goods or services and intend to resell them or physically incorporate them into another product or service that you will sell, you must issue a resale certificate or you must pay sales tax to the seller. As a seller of goods or services, you may also accept a resale certificate from other retailers. If the purchaser does not give you a resale certificate or other exemption certificate, you must charge sales tax.

### Who May Issue a Resale Certificate

The issuer of the resale certificate (customer or purchaser) must be a person who:

- Is engaged in the business of selling tangible personal property or selling a taxable service;
- Has been issued a *Sales and Use Tax Permit* by DRS or by the revenue agency of another jurisdiction; and
- At the time of purchase, intends to resell the goods or services in the regular course of business; or resell goods that become an integral or component part of a finished product to be sold; or resell services enumerated in Conn. Gen. Stat. §12-407(2)(i) that become an integral, inseparable component part of services enumerated under Conn. Gen. Stat. §12-407(2)(i).

**Note:** Contractors who purchase materials for use in construction projects (such as lumber, nails, etc.) may **not** use a resale certificate to purchase these goods. Contractors are the consumers of the goods and must pay tax to the seller. (For more information, see **Informational Publication 99(19)**, *Building Contractors' Guide to Sales and Use Taxes*.)

### What Information Must be Included on the Resale Certificate

The purchaser should complete a *Connecticut Sales and Use Tax Resale Certificate*, available from the DRS Forms Unit or the DRS Web site, or a certificate that substantially resembles the official DRS form.

The certificate must include the following information:

- Seller's name and address;
- Signature of the purchaser;
- Purchaser's name and address;
- A description of the type of property or service sold by the purchaser in the regular course of business;
- Tax registration number assigned to the purchaser, which appears on the purchaser's Connecticut Sales and Use Tax Permit; and
- A description of the property or service being purchased from the seller.

Retailers making sales in Connecticut should not accept a resale certificate (or exemption certificate) issued by another state. DRS accepts the Multistate Tax Commission's *Uniform Sales and Use Tax Certificate – Multijurisdiction* as a valid resale certificate. This certificate is not valid as an exemption certificate for any purpose other than as a resale certificate.

### Certain Out-of-State Businesses

If the purchaser is an out-of-state business that is not required to be registered in Connecticut because it makes no sales in Connecticut, the purchaser may use the tax identification number issued by the state in which it does business when completing the Connecticut resale certificate. If the purchaser has no tax identification number because the home state does not have a sales tax, the federal identification number should be provided. In addition, the purchaser must attach to the resale certificate a signed statement that the business does not make sales in Connecticut and some documentation (including a location and telephone number) that the issuer is engaged in business (for example, a business card, brochure, business stationery, etc.).

 **If the purchaser does not give you a resale certificate, you must charge sales tax.**

### Blanket Certificate or Single Purchase for Resale

The resale certificate may be used to make a single purchase for resale or it may be used to make a continuing line of purchases of the same type of goods or services for resale if the form is marked *Blanket Certificate*. A blanket certificate is valid for up to three years from the date it is issued if during that time the purchaser continues to resell the products or services described on the certificate.

## Your Responsibilities When Using (or Accepting) a Resale Certificate

The misuse of a resale certificate can result in civil and criminal penalties. Whether you are using a resale certificate to make a purchase or accepting a resale certificate from someone making a purchase, you should be aware of your responsibilities.

Responsibilities when using a resale certificate as a **purchaser**:

- Use a resale certificate only if, at the time of purchase, you intend to resell the goods or services in the regular course of business; or resell goods that become an integral or component part of a finished product to be sold; or resell services enumerated in Conn. Gen. Stat. §12-407(2)(i) that become an integral, inseparable component part of services enumerated under Conn. Gen. Stat. §12-407(2)(i).
- If you are purchasing items from a seller, some that are for resale and some that will be used by the business (such as office supplies, office furniture etc.) or for personal use, clearly identify the items not being purchased for resale and pay the sales tax to the seller.
- If you purchase an item with the intention of reselling it but you later remove it from inventory for personal or business use, you must report the purchase price on your sales and use tax return for the period in which you made the use and pay the use tax.

Responsibilities when accepting a resale certificate as a **seller**:

- Be sure you identify the type of business the purchaser is engaged in. If the goods or services you are selling are not normally sold by that type of business, you should question the use of the certificate.
- Sellers must act in good faith when accepting a resale certificate. The certificate will be deemed to be taken in good faith if the tangible personal property purchased is similar to or of the same general character as property which the seller could reasonably assume would be sold by the purchaser in the regular course of business.

**Example:** If the owner of a retail computer store purchases computers from you, you can feel confident that the purchase is for resale. However, if the computers are purchased by the owner of a grocery store, you should question whether the purchase is truly for resale. If you cannot accept the resale certificate in good faith because you have reason to believe that the goods will not be resold, you should reject the resale certificate and charge the purchaser sales tax.

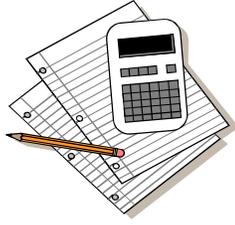
- Keep the resale certificate with your sales records for at least six years. If the purchaser uses a blanket certificate, be sure to keep records that adequately connect the purchases throughout the period to the blanket certificate.

## Penalties for Improper Use of a Resale Certificate

Resale certificates are subject to review by DRS. Audit assessments will be made against those who do not accept a resale certificate in good faith. The good faith of the seller will be questioned if the seller knows of facts that suggest the purchaser does not intend to resell the property. Those who issue improper certificates are also subject to penalties. False statements made on a resale certificate are punishable by a fine of up to \$2,000 or by imprisonment of up to one year, or both.

# 6

## REPORTING AND RECORD KEEPING



### Calculating Sales and Use Taxes

Sales and use taxes are computed on the selling price of the goods or services. The selling price includes expenses related to the sale, such as charges for shipping the goods to the purchaser (for example, charges for U.S. postage), handling charges, charges for labor, and charges for any other services that are part of the sale, whether or not separately stated on the invoice. (For more information, see *Shipping and Delivery Charge*.)

The tax must be computed in one of the following ways:

- Tax included, in which case the sales receipt must be marked *tax included*; or
- Tax added to the sales price and separately stated on the sales receipt.

The gross receipts (actual sales price, not including tax) of all sales must be reported on **Form OS-114, Sales and Use Tax Return**, for the reporting period. Therefore, if you bill your customers *tax included*, multiply the total bill by 94.3% (.943) to calculate the cost of the goods or services without the tax. The result is the gross receipts of the sale.

#### Example:

Billed Amount (Tax Included)	\$100.00
Multiplication factor (94.3%)	x 0.943
Gross Receipts of Sale	\$ 94.30

If you bill your customers *tax included*, you must keep accurate records of the gross receipts of the sale. If the customer requests a bill on which the tax is itemized, you are required to provide such a bill.

### When is the Sale Made

Sales must be reported for the period in which the sale is made. In general, the sale is made when the purchaser takes possession of the goods or when the service is rendered. The following rules apply to certain types of sales and help to explain when the sale is made.

**Layaway Sales.** A layaway sale is a sale where a retailer sets aside an item for future delivery to a customer who makes a deposit and agrees to pay the balance of the sales price before taking delivery or possession of the item. The sale is deemed to have been made when the customer puts a deposit on the item and the retailer removes it from inventory.

**Mail Order, Telephone, and Internet Sales.** A sale by mail order, telephone, or the Internet is made and must be reported on **Form OS-114** for the period in which the order is placed if the order is for immediate shipment. An order is for “immediate shipment” when the customer does not request that the shipment be delayed. If the retailer delays shipment of an order because of a backlog or because stock is currently unavailable, the order is still for immediate shipment.

**Custom Orders.** If a customer places an order with a retailer to custom make an item, the sale of the custom-made item takes place when the item is delivered to the customer, regardless of when the order for the item was placed. Delivery is made to the customer when the customer picks up the item at the retailer's business location or when the retailer places the custom order in shipment to the customer through the U.S. mail or by common carrier.

### Shipping and Delivery Charges

Shipping and delivery charges (including charges for U.S. postage) made by a retailer to a customer are subject to sales and use taxes when connected with the sale of **taxable** tangible personal property or services. The tax applies even if the charges are separately stated and regardless of whether the shipping or delivery is provided by the seller or by a third party.

No tax is due on shipping and delivery charges connected with any sale that is **not** subject to sales or use tax.



**Example:** Shipping or delivery charges related to sales for resale or sales of exempt items are not taxable.

Likewise, charges for mailing or delivery services are not subject to tax if they are connected with the sale of nontaxable services.

Special rules apply when calculating sales tax where the order contains both taxable and nontaxable goods.

- **Taxable and Nontaxable Items.** Where freight charges apply to both taxable and nontaxable items and are separately accounted for on an invoice, the tax on freight should be prorated using the same measure used to determine the shipping charges. For example, if weight is used to determine the shipping charges, then weight is used to determine the proration of tax; likewise, if sales price is used to determine the freight charges, then sales price is used to determine the proration of the tax.

**Example 1:** A delivery fee of \$75 is charged for shipment of 100 lbs. of taxable and nontaxable goods (\$0.75 per lb.). The taxable goods weigh 60 lbs. The portion of the freight charge attributed to the delivery

of the taxable goods is \$45 (60 lbs. X \$0.75 per lb.). Therefore, only \$45 of the \$75 delivery fee should be included in the calculation of sales and use taxes.

**Example 2:** A delivery fee of \$30 is charged for shipment of \$200 of taxable and nontaxable merchandise (\$0.15 per dollar value of merchandise). The cost of the taxable merchandise is \$120. The portion of the freight charge attributed to the delivery of the taxable merchandise is \$18 (\$120 x \$0.15). Therefore, only \$18 of the \$30 delivery fee should be included in the calculation of the sales and use taxes.

## Coupons

Sales and use taxes **do not** apply to the full face value or higher value assigned by the retailer of any coupon used by the purchaser to reduce the price paid to the retailer. This includes manufacturer's coupons (whether or not reimbursable), store coupons, scan cards or other discounts that result in a reduced price to the consumer.

**Example:** A supermarket advertises a weekly special on laundry detergent, reducing the price from \$5.99 to \$4.99 if the customer uses the store's scan card. A customer purchases the laundry detergent using the store's scan card and a manufacturer's coupon with a face value of \$0.50. In addition, the store triples the value of the manufacturer's coupon increasing the value by another \$1.00. The final price of the detergent to the customer is \$3.49. The sales tax due on the purchase of the detergent is \$0.21, which is 6% of \$3.49 (\$5.99 minus the scan card price reduction of \$1.00, minus the \$0.50 face value of the coupon and minus the \$1.00 from the tripling of the face value of the coupon).

## Rebates

The initial purchase of an item of tangible personal property or taxable service and the honoring of a rebate claim by the manufacturer are two separate and distinct transactions. Even though the purchaser may later obtain a cash rebate from the manufacturer or other third party, the rebate does not reduce the sales price paid for the item.

Manufacturers of motor vehicles frequently offer cash rebates on particular models to purchasers, who then typically assign the rebates to the dealership to reduce the amount that the purchasers pay for the vehicles. In addition, the motor vehicle dealers may offer their own discounts on vehicles. Although discounts offered by dealers may be excluded from the gross receipts subject to sales tax, rebates paid by manufacturers must be included in the measure of tax even if the purchasers assign them to the dealers to reduce the amount the purchasers pay for the vehicles.

**Example:** An automobile manufacturer offers a \$1,000 rebate on one of its models. In addition, the dealership offers a \$500 discount on the same model, which it terms a "dealer rebate." A customer buying a \$15,000 car assigns his right to the manufacturer's rebate to the dealership, reducing the amount he must pay for the car by a total of \$1,500. The sales tax due on the transaction is 6% of \$14,500 (\$15,000 - \$500), or \$870. Even though the manufacturer's rebate of \$1,000 reduces the amount paid by the customer, it may not be used to reduce the measure of tax.

## Trade-ins

The value of trade-ins of all like-kind items is excluded from sales and use taxes. The exclusion extends to any property that a retailer accepts and intends to resell. Specific rules apply for trade-in allowances for motor vehicles, snowmobiles, vessels, and farm tractors as described in Conn. Gen. Stat. §12-430(4), and for certain construction equipment as described in Conn. Gen. Stat. §12-430(a).

## Sale and Leaseback Arrangements

Sales and use taxes do not apply to the original sale of tangible personal property in a sale and leaseback arrangement, if within 120 days from the original sale the original purchaser sells or contracts to sell the property to a retailer that leases it back to the original purchaser in a taxable lease.

## Taxability of the Sales of Services

Sales and use taxes apply to any transaction where the benefit of the taxable service is received in Connecticut. This generally means that when the service recipient is located in Connecticut or, if the service recipient has more than one location, and the location that receives the benefit of the service is in Connecticut, the service is taxable.

## Shops with Common Registers

Shops with common registers include shops that rent space to other vendors to display their goods and that collect and remit tax to DRS on behalf of these vendors. The shops do not own the goods of the vendors. Customers making purchases from the various vendors pay for the merchandise at registers that are owned and operated by the shop. In this situation, the shop is not purchasing goods for resale and the vendor is not selling the items to the shop for resale.

Both the shop and the vendor must obtain a Connecticut Sales and Use Tax Permit. The shop and the vendor are held jointly and severally liable for the payment of sales tax. The shop must include all sales as gross receipts on Line 1 of **Form OS-114**, *Sales and Use Tax Return*, and

pay the sales tax on behalf of the vendors. Each vendor must file **Form OS-114** and report the gross receipts of the sales made on its behalf through the shop on Line 1 and deduct the sales on the back of the return using Line A, *Other Adjustments*. Include on Line A the statement “Sales made and tax collected by (name of shop and the shop's Connecticut Tax Registration Number).”

## Consignment Sales

A consignment sale is one in which the retailer, also known as consignee, agrees to sell goods for the owner of the goods or consignor. In return for selling the goods, the consignee is paid a commission or fee.

The consignee must collect the 6% sales and use tax from the purchaser if the item being sold is subject to tax. In addition, the consignee charges the original owner 6% sales tax on the commission or fee received for making the sale, unless the commission is for the sale of a work of art or for articles of clothing.

The shop and the vendor are held jointly and severally liable for the payment of sales tax. The consignee reports the gross receipts from the sale of the tangible goods on Line 1 of **Form OS-114**. The gross receipts from the commission or fee are reported on Line 3 of the return as a taxable service.

If the consignor or owner is also a retailer, the consignor must also report the sale of the goods on **Form OS-114**, but may deduct it on the back of the return on Line A, *Other Adjustments*. Include on Line A the statement “Sales made and tax collected by (name of consignee and the consignee's Connecticut Tax Registration Number).”

## Reporting Sales: Accrual and Cash Basis

In general, sellers of goods and taxable services must report sales on the *accrual basis*. All sales must be reported for the reporting period in which the sale is made, not for the period when the customer pays for the purchase.

**Example:** If a sale is made on March 30 and payment is received on April 12, the sale must be reported and tax paid for the reporting period ending March 31.

Sellers whose only sales are of certain taxable services, and who file with the IRS on a cash basis, may also be able to report their sales of those services to DRS on the *cash basis*. This means they can report the sale for the reporting period in which payment for the service is received rather than when the sale is made. Contact the DRS Taxpayer Services Division for more information about who may file on the cash basis.

The “pay when paid” provision allows certain sellers (materialmen) of building materials and services an exception to this general rule. Under this method, a materialman who receives permission from DRS may collect and remit tax on sales of building materials and taxable services to contractors at the time and to the extent that the materialman receives payment. (For more information, see **Special Notice 2000(1)**, “*Pay When Paid*” Method for Materialmen.)

## Reporting Periods: Quarterly, Monthly, or Annually

The reporting period for most sellers is the calendar quarter. However, if your sales and use taxes total more than \$4,000 a year, you may be required to report on a monthly basis. If, on the other hand, you expect your annual tax liability to be \$1,000 or less, you may request permission to file an annual return. For each reporting period, file a sales and use tax return reporting sales made during the period and making payment of taxes due. To request a change in your filing status, mail a written request to:

**Department of Revenue Services  
Registration Unit  
PO Box 2937  
Hartford CT 06106-2937**

## Filing Timely Returns

DRS mails **Form OS-114**, *Sales and Use Tax Return*, to each registered seller at the end of its reporting period (monthly, quarterly, or annually). You are required to file a timely return even if you do not receive one in the mail. If your copy of **Form OS-114** does not arrive within 15 days following the end of the reporting period, call the DRS Registration Unit. The unit will check to see if the correct mailing information is on file and will mail you a return.

The due date for returns is the last day of the month following the end of the reporting period.

The return will be timely filed if the date shown by the U.S. Postal Service cancellation mark is on or before the due date of the return. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date. If the return is filed late, you will be subject to penalties and interest.

**Note:** Taxpayers can use certain designated private delivery services (designated PDS), in addition to the U.S. Postal Service, for delivering returns, claims, statements or other documents or payments, and meet the timely filed and timely payment rules. DRS has accepted the list that is currently published by the Internal Revenue Service.

The following are the designated PDSs and the specific types of service at the time of publication:

- |                                 |                          |
|---------------------------------|--------------------------|
| Airborne Express                | DHL Worldwide Express    |
| • Overnight Air Express Service | • DHL “Same Day” Service |
| • Next Afternoon Service        | • DHL USA Overnight      |
| • Second Day Service            |                          |
| Federal Express                 | United Parcel Service    |
| • FedEx Priority Overnight      | • UPS Next Day Air       |
| • FedEx Standard Overnight      | • UPS Next Day Air Saver |
| • FedEx 2Day                    | • UPS 2nd Day Air        |
|                                 | • UPS 2nd Day Air A.M.   |

Not all services provided by these designated PDSs qualify. Only those specific services listed above qualify at this time. See **Special Notice 99(14)**, *Designated Private Delivery Services*. This list is subject to change. To verify the names of designated PDSs and the specific types of service, check the DRS Web site or call DRS.

For **quarterly filers**, the reporting periods and due dates are:

Reporting Periods	Due Dates
January 1 - March 31	April 30
April 1 - June 30	July 31
July 1 - September 30	October 31
October 1 - December 31	January 31

**Monthly filers** must file returns for each monthly period on or before the last day of the following month.

**Annual filers** who report their sales from January 1 through December 31 must file a return on or before January 31 of the next year.

**Seasonal Businesses:** If you operate a seasonal business (such as a beach concession) and only make sales at certain times of the year, you may request permission to file a return for only those periods when you are in operation. Written requests for seasonal filing status may be included with **Form REG-1**, *Business Taxes Registration Application*, or sent separately to the DRS Registration Unit.

**Combined Returns:** In general, a return must be filed for each business location. However, if a single business operates multiple locations, it may request permission to file a combined sales and use tax return for all locations. Send a written request to the DRS Registration Unit.

You **must** file a return **even if you made no sales** during the reporting period and no taxes are due. If no sales were made and no purchases were made that are subject to use tax, enter “zero” sales, “zero” purchases, and “zero” taxes due. Sign the return and file it on time.

## Penalty and Interest

If you file your return late and a payment of tax is due, you will be subject to additional charges for penalty and

interest. The penalty is 15% of the tax due or \$50, whichever is greater. Interest is computed at the rate of 1% per month or fraction of a month.

## Filing an Amended Return

If you make a mistake or leave something off your return, you must correct the mistake by filing an amended return. Using a new **Form OS-114**, write **Amended** across the top and complete it using the correct figures and information for the reporting period.

An amended return claiming a refund of taxes already paid must be filed within three years of the original due date of the return and must be accompanied by an explanation of the claim for refund. If tax was incorrectly collected from a customer, you must prove that the sale was not subject to sales and use taxes or that sales tax was otherwise paid in error and prove that the tax was returned to the customer (a cancelled check or receipted bill).

Alternatively, the retailer may provide DRS with copies of letters or memoranda issued to its purchasers in which it promises either to refund the tax to them or, for current, active customers of the retailer, to credit the refund amounts against amounts due from the purchasers.

If the retailer has not refunded the tax to its purchasers before DRS issues the refund to the retailer, then within 120 days after DRS issues the refund, the retailer must prove that it has refunded or credited the refund amounts to its purchasers. A retailer must immediately return to DRS any amounts not refunded or credited to the retailer’s purchasers within 120 days after DRS issues a refund.

Conn. Gen. Stat. §12-407(8) and (9) allows that the sales price and gross receipts do not include any portion of the amount charged for property returned by the purchaser if the item is **returned within 90 days from the date of purchase**. If you accept returned merchandise within 90 days of the sale, you may refund the sales tax. If the tax was already reported on a previously filed **Form OS-114**, you may report the refund of the tax directly on **Form OS-114** as a deduction from sales on Line 52. Any returns made after the 90-day period are not eligible for this deduction.

A retailer must maintain detailed records to support a deduction for sales cancelled within 90 days. A retailer can require the customer to provide the original sales slip that shows the date of the sale and the tax charged in order to claim a refund.

Businesses may apply to DRS for a refund of sales and use taxes paid on tangible personal property purchased from a Connecticut retailer when those goods will be:

- Shipped outside of Connecticut by common or contract carrier for exclusive use outside of Connecticut; or

- Incorporated into other property to be shipped outside of Connecticut for exclusive use outside of Connecticut.

This is known as the “Buy Connecticut” provision. This provision also allows the Commissioner of Revenue Services to issue permits that enable qualified purchasers to purchase such property without payment of the taxes otherwise imposed by the Sales and Use Taxes Act. (See **Special Notice 98(10)**, *The “Buy Connecticut” Provision 1997 Conn. Pub. Acts 243, §48.*) *Conn. Gen. Stat. §12-408c.*

Send amended returns to:

**Department of Revenue Services  
Refunds, Clearance and Adjustments  
25 Sigourney Street  
Hartford CT 06106-5032**

**Note:** For more information about DRS policies on issuing refunds of sales and use taxes, see **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*.

## Filing a Final Return

A final sales and use tax return must be filed if you close your business. Write **Final** across the top of the front page and complete the return to report sales made and taxes due, if any. Enter the last date of business in the space designated at the bottom of the front page, sign it, and file it on time. Return your *Sales and Use Tax Permit* in the same envelope with your final return.

## Keeping Good Records

Every seller must keep accurate and complete records of all transactions subject to tax and all purchases made by the business for resale. These records will assist you when you file your federal and state tax returns and must be available if your business is audited. You must keep these records for at least six years. Records showing purchases made by the business for resale should show the disposition of that property. If the property is taken out of inventory and is no longer held for resale, records must show the payment of use tax by the business.

Other records that you should keep include:

- Records of sales (sales receipts, cash register tapes, guest checks, invoices, etc.);
- Purchase records (invoices, cash disbursement journal);
- State and federal tax returns (including schedules and worksheets);
- Resale and exemption certificates (and records of purchases made with certificates); and
- Electronic records. (See Conn. Agencies Regs. §12-2-12 for the requirements where all or a part of the taxpayer’s records are received, created, maintained or generated through various computer, electronic, and imaging processes and systems.)

# 7

## EMPLOYER INFORMATION



If you employ one or more workers in your business, you may be required to register with DRS to withhold Connecticut income tax. Use **Form REG-1, Business Taxes Registration Application**, to register for income tax withholding. If you are already registered for other state taxes (for example, sales and use taxes or corporation business tax), use **Form REG-1** to add withholding tax to your registration.

If you acquire an existing business, you must complete **Form REG-1** to obtain your own Connecticut tax registration number. You cannot use the previous owner's registration number or withholding coupons.

### Income Subject to Withholding

All wages of a Connecticut **resident** are subject to Connecticut income tax, even though the resident works outside of Connecticut. However, if the employee works in another state, Connecticut income tax must be withheld only to the extent the Connecticut tax **exceeds** the amount that must be withheld for the other state(s) for services performed there. Wages of a **nonresident** are subject to Connecticut income tax withholding if the wages are paid for services performed in Connecticut.

### Knowing How Much to Withhold

Employers determine how much tax to withhold by using the income tax withholding tables in the current edition of **Informational Publication 2000(11), Employer's Tax Guide, Connecticut Circular CT**, along with the information on **Form CT-W4, Employee's Withholding or Exemption Certificate**. You must have a completed **Form CT-W4** on file for each of your employees.

### Reporting Requirements

All employers who are registered with DRS for Connecticut income tax withholding receive the *Employer's Withholding Remittance Coupon Book* containing the following reporting forms:

- **Withholding coupon: Form CT-WH, Connecticut Withholding Tax Payment**, must be mailed to DRS with each Connecticut income tax withholding payment. Due dates for payment of Connecticut income tax withholding are the same as the due dates

for the employer's deposits of federal income tax withholding.

- **Quarterly reconciliation: Form CT-941, Connecticut Quarterly Reconciliation of Withholding**, must be filed by all employers and payers (except seasonal filers) who are registered for Connecticut income tax withholding, even if no tax is due or has been withheld for that quarter.
- **Annual reconciliation: Form CT-W3, Connecticut Annual Reconciliation of Withholding**, is due from all employers on or before the last day of February. No payment is to be made with this form. Employers must file all state copies of federal Form W-2 (Copy 1 of the optional six-part federal Form W-2 or equivalent) reporting Connecticut wages paid during the previous calendar year with the annual reconciliation, even if no Connecticut income tax was withheld.

### Other Employer Requirements

Employers must also register with the IRS to withhold federal income tax and Social Security tax, and with the Connecticut Department of Labor for unemployment compensation tax. For more information on business requirements, see Chapters 8 and 9.

### Withholding Rules for Seasonal Employers and Annual Filers

Employers who operate their businesses on a seasonal basis may submit a written request to DRS for seasonal filer status. The request must include the quarter or quarters during which the employer's business is active each year.

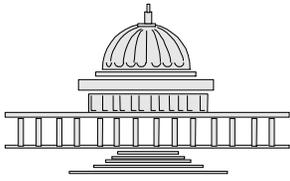
A business that is required to deduct and withhold Connecticut income tax from nonpayroll amounts may be eligible to request annual filer status. To be eligible, the payer must pay only nonpayroll amounts, file federal Form 945, and not be required to file federal Forms 941. A written request for annual filer status may be made if all three requirements are met.

Written requests for seasonal or annual filer status may be submitted by new registrants along with **Form REG-1**. Those who are already registered for Connecticut income tax withholding must mail the request for a change in filer status to:

**Department of Revenue Services  
Registration Unit  
PO Box 2937  
Hartford CT 06104-2937**

# 8

## OTHER STATE TAX REQUIREMENTS



### Corporation Business Tax

#### C CORPORATIONS

If your business is a C corporation, register for the Connecticut corporation business tax by completing **Form REG-1, Business Taxes Registration Application**. The corporation business tax is a tax on the privilege of carrying on business in a corporate capacity in Connecticut. Corporations must calculate their tax under two alternative methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax, which is currently \$250.

**Net income base:** Federal net income is modified by certain additions and subtractions to compute Connecticut net income. For income years beginning on or after January 1, 2000, a corporation's Connecticut net income is taxed at 7.5%.

**Minimum tax base:** The Connecticut minimum tax base is:

- 1) The average value of issued and outstanding capital stock, surplus, and undivided profits and surplus reserves reduced by:
- 2) The average value of any deficit carried on the balance sheet and holdings of stock of private (nongovernmental) corporations including treasury stock. Multistate corporations multiply their Connecticut minimum tax base by an apportionment fraction that is the average of the intangible personal property and tangible personal property ratios. The Connecticut minimum tax base, or apportioned Connecticut minimum tax base for multistate corporations, is taxed at a rate of 3.1 mils (\$0.0031) per dollar. The tax cannot be more than \$1,000,000 nor be less than \$250.

A corporation must make estimated tax payments when its estimated current year tax exceeds \$1,000.

The required estimated payments are the lesser of:

1st installment	30% of prior year's tax or 27% of current year's tax;
2nd installment	70% of prior year's tax or 63% of current year's tax;
3rd installment	80% of prior year's tax or 72% of current year's tax;
4th installment	100% of prior year's tax or 90% of current year's tax.

C corporations must file **Form CT-1120, Corporation Business Tax Return**, on or before the first day of the fourth month following the end of the income year.

#### S CORPORATIONS

For income years beginning on or after January 1, 2001, S corporations are no longer subject to the corporation business tax.

S corporation shareholders pay personal income tax on the portion of their pro rata share of nonseparately stated income as well as their Connecticut sourced portion of their share of separately stated income when filing **Form CT-1040, Form CT-1040NR/PY, Form CT-1120SI, or Form CT-G**.

S corporations must file **Form CT-1120SI, Connecticut S Corporation Information and Composite Income Tax Return**, on or before the fifteenth day of the fourth month following the end of the income year.

#### Tax Credits

Credits against the corporation business tax are available. See **Informational Publication 95(2.1), A Guide to Connecticut Corporation Business Tax Credits**, and **Special Notice 2000(15), Connecticut Corporation Business Tax Credits 1999/2000 Update**, for more information on corporation business tax credits.

## Motor Vehicle Fuels Tax

A tax is imposed on motor vehicle fuel used to propel motor vehicles. The rate, effective July 1, 2000, is 25¢ per gallon for gasoline, and 24¢ per gallon for gasohol. The diesel fuel tax rate is 18¢ per gallon. *Fuel* includes gasoline, diesel, aviation fuel, and any other combustible gas or liquid that generates the power needed to propel a motor vehicle.

Motor vehicle fuel distributors report monthly the gallonage sold or used, and remit the tax owed. The tax return and remittance for sales made in the month are due no later than the 25th day of the following month.

The Connecticut General Statutes provide several exemptions from the motor vehicle fuels tax. They include, but are not limited to, fuel that is sold to the United States government, the State of Connecticut, and any Connecticut municipality or transit district, when the fuel is used in vehicles owned and operated, or leased and operated by any of the entities mentioned above.

## Motor Carrier Road Tax

A tax is imposed on the use of motor fuel by motor carriers operating qualified motor vehicles in Connecticut. The rate is equivalent to the Connecticut motor vehicle fuels tax rate. **A qualified motor vehicle** is a motor vehicle that is used, designed or maintained for transportation of persons or property and that:

- Has two axles and a gross vehicle weight or registered gross vehicle weight exceeding 26,000 pounds; or
- Has three or more axles regardless of weight; or
- Is used in combination and the combined gross vehicle weight or registered gross vehicle weight exceeds 26,000 pounds.

Connecticut is a member of the International Fuel Tax Agreement (IFTA). IFTA is an agreement among jurisdictions (states of the United States and Canadian provinces) to simplify the reporting of the fuel use taxes by interstate carriers. All 48 contiguous states are members of the IFTA program as well as 10 Canadian provinces.

Each motor carrier based in Connecticut that operates in at least one other IFTA jurisdiction must obtain a Connecticut IFTA license and decals. For carriers based in another jurisdiction that is also an IFTA member, the IFTA license and decals from that jurisdiction satisfy Connecticut fuel use tax requirements. Qualified motor vehicles based outside Connecticut in a non-IFTA jurisdiction or that operate only in Connecticut must obtain Connecticut fuel tax decals. Applications for registration may be obtained by contacting the DRS Registration Unit at 860-297-4872.

## Real Estate Conveyance Tax

There is a municipal conveyance tax imposed on deeds conveying real estate. The tax rate is eleven one-hundredths of one percent of the consideration received for the real property.

There is also a state conveyance tax imposed on deeds conveying real estate. The tax rate on the consideration received for the real estate is as follows:

Unimproved land	0.5%
Nonresidential property other than unimproved land	1.0%
Residential dwelling: Portion \$800,000 or less	0.5%
Portion that exceeds \$800,000	1.0%
Residential property other than residential dwelling	0.5%
Deed in lieu of foreclosure to financial institution or its subsidiary which holds a delinquent mortgage on the property where mortgage payments have been delinquent for not less than 6 months	0.5%

A real estate conveyance tax return must be completed, and the taxes must be paid by the seller before the deed can be recorded.

## Admissions and Dues Tax

An **admissions tax** of 10% (.10) is imposed on the admission charge to any place of amusement, entertainment, or recreation, including but not limited to theaters, amusement parks, fairgrounds, racetracks, dance halls, ballparks, golf courses, etc.

**Reduced Tax Rate on Motion Picture Shows.** The admissions tax rate on motion picture shows was reduced from 10% to 8% on July 1, 2000. On July 1, 2001, the rate will be reduced to 6%. (Motion picture show admission charges of not more than \$5 are fully exempt.)

A **dues tax** of 10% (.10) is imposed on any amount paid as dues or initiation fees to any social, athletic or sporting club which is either owned or operated by its members. A club is exempt from the dues tax if the annual dues of every member and any initiation fee are each \$100 or less.

## Cigarette Taxes

All cigarettes sold in Connecticut are subject to an excise tax, which is paid by the distributor. The tax is 50¢ per pack of twenty. Cigarettes are also subject to the 6% (.06) sales and use taxes. Licensed distributors purchase stamps or heat-applied decals that are affixed to each pack of cigarettes to indicate that the cigarette tax has been paid. These individuals are responsible for filing monthly reports with DRS indicating their activity for the month no later than the 25th day of the following month. A cigarette dealer's license is required by those making over-the-counter sales of cigarettes. The annual fee is \$25. The license is valid from October 1 through September 30 each year.

Restrictions have been placed on “gray market” cigarettes, most notably the prohibition on the sale or possession of such cigarettes by licensed cigarette distributors or licensed cigarette dealers in Connecticut.

Gray market cigarettes are those manufactured in the United States and intended to be sold outside the United States, but which reenter the United States market.

Effective July 1, 1999, licensed cigarette distributors and licensed cigarette dealers are prohibited from affixing Connecticut cigarette tax stamps (including heat-applied decals) to gray market cigarettes. For more information, see **Special Notice 99(8), Sale and Possession of “Gray Market” Cigarettes.**

## Alcoholic Beverages Tax

The alcoholic beverages tax is an excise tax paid by each alcoholic beverage distributor to the State of Connecticut. All alcoholic beverages removed from inventory are taxable except for authorized adjustments or tax exempt sales. All alcoholic beverage distributors are also regulated by the Department of Consumer Protection, Liquor Control Division.



Applicable tax rates are:

BEVERAGE	SIZE	TAX
Beer	Barrel	\$6.00
Beer	Wine Gallon	.20
Cider (7% or less alcohol)	Wine Gallon	.20
Cider (over 7% alcohol)	Wine Gallon	.60
Distilled Liquor	Wine Gallon	4.50
Still Wine	Wine Gallon	.60
Sparkling Wine	Wine Gallon	1.50
Alcohol (Over 100 Proof)	Proof Gallon	4.50
Liquor Cooler	Wine Gallon	2.05
Still Wine (Small Wineries)	Wine Gallon	.15

## Tourism Account Surcharge

A surcharge of \$1 per day, or portion of a day, is imposed on every lessor for the rental or lease of a passenger motor vehicle that is delivered to a lessee in Connecticut (regardless of where the vehicle is subsequently used) for a term of 30 consecutive calendar days or less. The lessor collects reimbursement for the surcharge from the lessee. The surcharge is due and payable with **Form OP-337, Tourism Fund Surcharge Return**, to be filed quarterly (or monthly if total yearly surcharge liability is \$4,000 or more). The return must show the number and rental period of all passenger motor vehicles leased by the lessor during the reporting period. (For more information, see **Policy Statement 2000(5), The Motor Vehicle Rental Surcharge and the Tourism Account Surcharge.**)

## Motor Vehicle Rental Surcharge

A 3% (.03) rental surcharge is imposed on each private passenger motor vehicle rental in Connecticut by a rental company for a term of 30 consecutive calendar days or less. On or before February 15, each rental company must file **Form OP-383, Motor Vehicle Rental Surcharge Report**, with DRS and report the total motor vehicle rental surcharge actually collected on the rental of passenger motor vehicles by the rental company during the calendar year. Each rental company must also remit with **Form OP-383** the portion of the motor vehicle rental surcharge collected that *exceeds* the sum of:

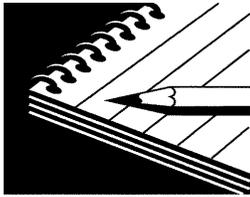


1. The personal property tax that it actually paid during the year to a Connecticut municipality on passenger motor vehicles that were rented by it to lessees during the year; **and**
2. The registration and titling fees that it actually paid the Connecticut Department of Motor Vehicles on the vehicles.

(See **Policy Statement 2000(5), The Motor Vehicle Rental Surcharge and the Tourism Account Surcharge.**)

# 9

## PERMITS, LICENSES, AND OTHER REQUIREMENTS



In addition to understanding the requirements of DRS, a new business owner should become familiar with the requirements of other state agencies, municipalities, and the federal government. This chapter provides an overview of some of these requirements and refers you to other agencies you should contact for more information.

### Permits and Licenses

Certain businesses are subject to regulation by the state or the federal government, or both, and may be required to obtain a permit or license to operate. **Smart Start** is a program initiated by the Office of Policy and Management (OPM) and the Department of Economic and Community Development, and overseen by the Connecticut Economic Resource Center, Inc. **Smart Start** can provide you with information about state permits, licenses, initial and annual fees, and other information about the application process. You can contact **Smart Start** at 1-800-392-2122. The Connecticut Licensing Info Center Web site is an on-line, searchable database of over 900 licenses, permits, and registrations administered by 25 Connecticut state agencies. Visit the Web site at: [www.ct-clic.com](http://www.ct-clic.com)

### Federal Tax Requirements

Contact the Internal Revenue Service (IRS) for information about federal tax liabilities and requirements. Federal taxes that may apply to your business include income tax, self-employment tax, employment taxes, and excise taxes. You can contact the IRS for assistance by calling 1-800-829-1040. Telecommunications Device for the Deaf users can call 1-800-829-4059. You can also visit an IRS walk-in center. Check the “blue pages” of your Connecticut telephone directory under “United States Government” for the office nearest to you.

The IRS has free publications for small businesses. You may wish to order Publication 334, *Tax Guide for Small Business*, and Publication 583, *Taxpayers Starting a Business*. You can order federal tax forms and publications by calling the IRS at 1-800-829-3676 or on the IRS Web site at: [www.irs.gov/forms\\_pubs](http://www.irs.gov/forms_pubs)

## Requirements of Other State Agencies and Municipalities

The following Connecticut taxes are administered by other state agencies: corporation franchise tax, unemployment compensation tax, and motor vehicle fees. Each municipality administers a property tax on real and tangible personal property.

### Office of the Secretary of the State

**Corporation franchise tax** - The Office of the Secretary of the State collects a franchise tax from Connecticut corporations. Conn. Gen. Stat. §33-305 establishes the corporate franchise tax. For more information contact the Office of the Secretary of the State at 860-509-6002.

- **Domestic corporations:** A domestic corporation must pay a franchise tax to the Secretary of the State at the time of incorporation and at the time of any increase in the number of shares of authorized capital stock:

NUMBER OF SHARES	TAX RATE
First 10,000 shares	1¢ per share
10,001-100,000 shares	1/2¢ per share
100,001-1,000,000 shares	1/4¢ per share
1,000,000+ shares	1/5¢ per share

#### (Minimum franchise tax: \$150)

Additional fees for an incorporating domestic corporation include:

- \$50 for filing the certificate of incorporation;
- \$75 for filing the organization report;
- \$75 for filing the annual report that is due every year on or before the last business day of the month in which occurs the anniversary date of incorporation; and
- \$25 for a certified copy of a corporate document.
- **Foreign corporations:** A corporation organized outside the state may obtain a certificate of authority to transact business in Connecticut by filing an application with the Secretary of the State and appointing a registered agent to accept service of process. Applications may be obtained from the Secretary of the State and must be accompanied by a filing fee of \$275 and a certificate of legal existence from the state of its incorporation. Foreign corporations must file annual reports that are due on or before the last business day of the month that is the anniversary date of the filing of the application for

certificate of authority. The annual report and license fee of \$300 is payable upon filing of the annual report.

For 1999 and future years the range is from 0.0% to 1.4%.

## Department of Labor

**Unemployment Compensation Tax** – The Department of Labor administers the Unemployment Compensation Tax. For more information and registration forms, write to:

**Connecticut Department of Labor**  
**Attn: Employer Status Unit**  
**200 Folly Brook Boulevard**  
**Wethersfield CT 06109**  
 or call **860-263-6550**.

- Employers engaged in covered activities are subject to the Unemployment Compensation Act if:
  1. During a calendar quarter of the current or preceding calendar year they paid wages totaling \$1,500 or more, or
  2. They had, during the current or preceding calendar year, one or more employees at any time in each of 20 calendar weeks.
- Agricultural employers are subject to the Unemployment Compensation Act if:
  1. During any calendar quarter of the current or preceding calendar year they paid cash wages totaling \$20,000 or more, or
  2. They had, during the current or preceding calendar year, 10 or more employees at any time in each of 20 calendar weeks.
- Domestic employers are subject to the Unemployment Compensation Act if they paid cash wages totaling \$1,000 or more during any calendar quarter of the current or preceding calendar year.
- The Unemployment Compensation Fund is financed through a benefit ratio system. For employers who qualify to be experience-rated (those who have been chargeable with benefits for at least one year ending June 30), taxes are based on:
  1. The benefit ratio of each employer, which determines the charged tax rate; and
  2. Unemployment compensation fund reserves, which determine a fund solvency tax rate. The fund solvency tax rate may increase an employer's total contribution rate, depending on the solvency of the unemployment compensation fund. Calculated annually, it applies uniformly to all employers who qualify for experience rating.

These rates are recalculated annually for qualified employers. An employer's charged tax rate is the ratio of charges during the applicable experience period to the taxable payroll for the same period; it can range from 0.5% to 5.4% of taxable payroll.

- An employer who has not been subject to the Unemployment Compensation Act for a sufficient period of time to be experience-rated pays contributions at a rate that is the higher of 1.0% of taxable wages, or the Connecticut five-year benefit cost rate. For any calendar year beginning on or after January 1, 1999, an employer's taxable wages is the sum of each employees' wages except that part of the employee's wages that exceeds \$15,000.
- The maximum unemployment compensation rate is \$397 per week, effective October 2000. The rate is revised annually as of the first Sunday in October. The annual increase is limited to \$18 over the previous maximum benefit. However, the maximum benefit cannot exceed 60% of the average weekly wage of manufacturing production and related workers in Connecticut.

## Department of Motor Vehicles

**Motor Vehicle Fees** – Motor vehicle registration is administered by the Department of Motor Vehicles. For more information on motor vehicle fees write to:

**Connecticut Department of Motor Vehicles**  
**60 State Street**  
**Wethersfield CT 06161**  
 or call **1-800-842-8222** (within Connecticut but outside the Hartford area); **263-5700** (in the Hartford area); **860-263-5700** (from out-of-state)

- There is a biennial registration fee of \$70 for passenger cars and \$78 for passenger cars used for business purposes. Upon renewal, there is an additional \$4 Clean Air Act fee for all classes of motor vehicles. Operator licenses are renewed every four years for \$35.50. Commercial driver licenses are renewed every four years for \$50.
- Registration fees for commercial motor vehicles and tractors are based on vehicle gross weight as follows:

WEIGHT	REGISTRATION FEE
Up to 20,000 lbs.	\$1.15 per 100 lbs. (or fraction of 100 lbs.)
20,001 - 30,000 lbs.	\$1.40 per 100 lbs. (or fraction of 100 lbs.)
30,001 - 73,000 lbs.	\$1.75 per 100 lbs. (or fraction of 100 lbs.)
73,001 lbs. – and up	\$1.90 per 100 lbs. (or fraction of 100 lbs.)

- There is a \$306 registration fee per year (not prorated) for *heavy duty vehicles* (55,000 lbs. gross weight and over). Overweight vehicles require a special permit from the Department of Transportation.
- Any municipality with a population in excess of 35,000 may establish a special service district to construct, own, operate, and maintain public improvements, and to provide within that district the services that a municipality is authorized to provide (except elementary and secondary education). The district may levy a property tax, to be administered by the municipality.

## **Office of Policy and Management**

**Property Tax** – The property tax is administered by each Connecticut municipality. For more information on property tax, write to:

**Intergovernmental Policy Division  
Office of Policy and Management  
450 Capitol Avenue  
Mail Stop 54 FOR  
Hartford CT 06106-1308**

You can obtain specific information from the city or town assessor where the business will be located.

- Each company pays an ad valorem property tax to the community in which it has real or personal property. Manufacturing inventories of finished goods and goods in process are exempt, as are mercantile inventories.
- October 1 is the annual assessment date. Not later than November 1, each company must file a declaration of its personal property with the local assessor. Personal property and motor vehicles are revalued annually. Real property is revalued every four years. Increases in assessed values of real property resulting from revaluation may be phased-in for up to four years, at the community's option.
- Newly acquired manufacturing machinery and equipment (including property used in the production of motion pictures, videos, and sound recordings) may be exempt from the property tax for a five-year period. New commercial motor vehicles used exclusively for the interstate or intrastate transport of freight for hire, may also be exempt for a five-year period. Both exemptions must be claimed annually between October 1 and November 1. Applications for exemption and personal property declaration forms are available from the local assessor.
- Connecticut has a free port law that permits goods shipped in from out-of-state to remain free of local property taxes while stored in a public warehouse not owned by seller or buyer, provided the goods remain in their original packages.



## FOR MORE HELP



The following agencies can help you in planning and starting your new business.

### Connecticut Department of Revenue Services (DRS)

Telephone numbers and addresses of DRS walk-in locations are listed on the back cover. Contact DRS Monday through Friday, between 8:00 a.m. and 5:00 p.m., for tax information, forms, publications, and other services. Services for businesses include:

#### Understanding Connecticut Taxes Clearly

*Understanding Connecticut Taxes Clearly*, a free evening workshop on state taxes offered throughout the year at locations around the state. Registration information is available from the DRS Taxpayer Services Division.

#### CONN-TAX

The DRS tax information telephone system. Using a touch-tone phone, you can access our automated services at any time. You may also use CONN-TAX to speak with DRS staff during regular business hours. See telephone numbers on the back cover.

#### TAX-FAX

If you have a fax machine with a handset or calling capabilities, you may order and receive information and forms 24 hours a day. To use TAX-FAX dial 860-297-5698 from your fax machine and follow the voice prompt messages.

**DRS Web Site:** [www.drs.state.ct.us](http://www.drs.state.ct.us)

### Internal Revenue Service (IRS)

Call the IRS to order federal tax forms and publications or for federal tax information.

#### IRS Toll-Free Numbers:

Federal Tax Information	1-800-829-1040
Tele-Tax (recorded tax information)	1-800-829-4477
Federal Tax Forms and Publications	1-800-829-3676
Telecommunications Device for the Deaf	1-800-829-4059

**IRS Web Site:** [www.irs.gov](http://www.irs.gov)

### Small Business Workshops:

Basic federal tax information is provided in these IRS sponsored seminars. Call 1-800-829-1040 to request an application. DRS representatives provide a brief overview of Connecticut state taxes at each session.

### Resource Organizations to Assist Businesses

#### Community Accounting Aid & Services, Inc.

1800 Asylum Avenue, 4th Floor  
West Hartford CT 06117  
860-570-9113

#### Connecticut Small Business Development Center State Headquarters

University of Connecticut  
2 Bourn Place, U94  
Storrs CT 06269-5094  
860-486-4135  
e-mail: [StateDirector@ct.sbdc.uconn.edu](mailto:StateDirector@ct.sbdc.uconn.edu)  
[Questions@ct.sbdc.uconn.edu](mailto:Questions@ct.sbdc.uconn.edu)  
[www.sbdc.uconn.edu](http://www.sbdc.uconn.edu)

#### Hartford Economic Development Corporation

15 Lewis Street, Suite 204  
Hartford CT 06103  
860-527-1301

#### Connecticut Economic Resource Center (CERC) Smart Start

805 Brook Street - Bldg. 4  
Rocky Hill CT 06067  
860-571-7136 or 1-800-392-2122  
[www.cerc.com](http://www.cerc.com)

#### Minority Business Entrepreneurial and Development Center

194 Capen Street  
Hartford CT 06120  
860-247-9203

#### Connecticut Development Authority

999 West Street  
Rocky Hill CT 06067  
860-258-7800

#### U.S. Small Business Administration

330 Main Street  
Hartford CT 06106  
860-240-4700

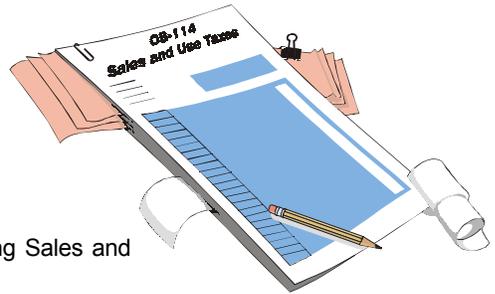
# APPENDIX

## Connecticut Tax Forms, Publications, and Certificates

The following forms, publications, and certificates will be of interest to most business people. The publication numbers referenced are updated at the time of printing, but because the information may change, request the most current version when you order.

### Sales and Use Taxes

<b>OS-114</b>	Sales and Use Tax Return
<b>OP-186</b>	Connecticut Individual Use Tax Return
<b>IP 2000(24)</b>	Q & A on Sales and Use Taxes for a New Business
<b>IP 93(3.1)</b>	Q & A on the Connecticut Use Tax for Businesses and Professions
<b>IP 2000(14)</b>	Notice to Retailers on Sales and Use Tax Resale Certificates
<b>IP 2001(5.2)</b>	Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes
<b>IP 2000(13)</b>	Farmer's Guide to Sales & Use Taxes, Motor Vehicle Fuels Tax, and Estimated Income Tax
<b>IP 2001(11)</b>	Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax
<b>IP 99(18)</b>	Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors
<b>IP 99(19)</b>	Building Contractors' Guide to Sales and Use Taxes
<b>PS 98(5)</b>	Sales and Use Tax Refund Policy
<b>SN 98(10)</b>	The "Buy Connecticut" Provision



### Miscellaneous

<b>REG-1</b>	Business Taxes Registration Application
<b>LGL-001</b>	Power of Attorney
<b>LGL-002</b>	Request for Disclosure of Confidential Information Reported on a Tax Return
<b>LGL-003</b>	Limited Power of Attorney
<b>CT-8822</b>	Change of Address
<b>IP 95(3.1)</b>	International Fuel Tax Agreement — What It Means for a Connecticut Motor Carrier
<b>IP 2001(4.2)</b>	Numerical Index to Rulings and Administrative Pronouncements As Affected, If At All, By Later-Issued Rulings and Pronouncements
<b>IP 2001(6.2)</b>	Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics
<b>IP 99(11.1)</b>	Business Taxes
<b>IP 96(14)</b>	Q & A Concerning Freedom of Information Act Requests
<b>IP 2000(27)</b>	Procedures to Request Disclosure of Tax Return and Tax Return Information
<b>PS 2000(7)</b>	Procedures in Handling Requests for Issuance of Rulings
<b>PS 99(4)</b>	Your Rights as a Connecticut Taxpayer
<b>PS 92(12.1)</b>	Limited Liability Companies

### Sales and Use Taxes Exemption Certificates

•	Sales & Use Tax Resale Certificate
<b>CERT-100</b>	Materials, Tools and Fuel Certificate
<b>CERT-101</b>	Machinery, Component Parts and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process
<b>CERT-102</b>	Certified Rehabilitation Certificate for Certified Historic Structures
<b>CERT-103</b>	Residential Condominium Association Certificate
<b>CERT-104</b>	New Construction Certificate
<b>CERT-105</b>	Commercial Motor Vehicle Purchased Within Connecticut to be Used Exclusively in the Carriage of Freight in Interstate Commerce
<b>CERT-106</b>	Claim for Refund of Use Tax Paid on Motor Vehicle Purchased from Other than a Motor Vehicle Dealer
<b>CERT-108</b>	Certificate of Partial Exemption for Materials, Tools and Fuels
<b>CERT-109</b>	Certificate of Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts

<b>CERT-110</b>	Aircraft Repair Services Certificate, Aircraft Repair and Replacement Parts Certificate
<b>CERT-111</b>	Certificate for Machinery, Equipment, Materials, Tools and Fuel Used by an Aircraft Manufacturer Operating an Aircraft Manufacturing Facility
<b>CERT-112</b>	Certificate for Exempt Qualifying Purchase of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency
<b>CERT-113</b>	Certificate for Purchases of Tangible Personal Property and Services by a Nonprofit Nursing Home, Nonprofit Rest Home or Nonprofit Home for the Aged
<b>CERT-114</b>	Commercial Motor Vehicle or Motor Bus Purchased Within Connecticut to be Used in Interstate Commerce as an Interstate Motor Bus
<b>CERT-115</b>	Certificate for Exempt Purchases of Gas, Electricity, and Heating Fuel
<b>CERT-116</b>	Exempt Petroleum Products Certificate
<b>CERT-117</b>	Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities
<b>CERT-119</b>	Certificate for Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations
<b>CERT-120</b>	Certificate for Machinery, Equipment, Tools, Materials, and Supplies Used in the Production of Printed Material or in Prepress Production
<b>CERT-121</b>	Exemption for Landscaping and Horticulture Services, Window Cleaning Services and Maintenance Services Rendered to Recipients of Total Disability Benefits
<b>CERT-122</b>	Certificate for Refund of Sales Tax Paid on Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency
<b>CERT-123</b>	Blanket Certificate For Exempt Qualifying Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency
<b>CERT-124</b>	Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities
<b>CERT-125</b>	Sales and Use Tax Exemption for Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut
<b>CERT-126</b>	Certificate for Exempt Purchases of Tangible Personal Property for Low and Moderate Income Housing Facilities
<b>CERT-127</b>	Certificate for Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe
<b>CERT-128</b>	Certificate for Exempt Purchases by Contractors in Connection with Construction Projects on the Mashantucket Pequot or Mohegan Reservations
<b>CERT-129</b>	Exemption for Items Used Directly in the Biotechnology Industry
<b>CERT-130</b>	Sales and Use Tax Exemption for Purchases by Water Companies
<b>CERT-131</b>	Exemption for Projects of the Connecticut Resources Recovery Authority and Solid Waste-to-Energy Facilities
<b>CERT-132</b>	Sales and Use Tax Exemption under the "Buy Connecticut" Provision
<b>CERT-133</b>	Contractor's Exempt Purchase Certificate for a Renovation Contract with a Direct Payment Permit Holder
<b>CERT-134</b>	Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies
<b>CERT-135</b>	Reduced Sales and Use Tax Rate for Motor Vehicles Purchased by Nonresident Military Personnel and Their Spouses
	<ul style="list-style-type: none"> <li>• Charitable and Religious Organization Exemption Certificate (used by nonprofit housing organizations that were issued a Connecticut exemption permit before July 1, 1995, by DRS.)</li> <li>• Contractor's Exempt Purchase Certificate</li> <li>• Printed Material Certificate</li> </ul>

## **Withholding Tax**

<b>CT-WH</b>	Connecticut Withholding Tax Payment Form
<b>CT-941</b>	Connecticut Quarterly Reconciliation of Withholding
<b>CT-941X</b>	Amended Connecticut Quarterly Reconciliation of Withholding
<b>CT-W3</b>	Connecticut Annual Reconciliation of Withholding
<b>CT-W4</b>	Employee's Withholding or Exemption Certificate
<b>CT-W4P</b>	Withholding Certificate for Pension or Annuity Payments
<b>CT-W4NA</b>	Employee's Withholding or Exemption Certificate – Nonresident Apportionment

- **Denotes a form without a specific form number**

## For Tax Forms, Publications or Personal Assistance

Visit the **DRS Web site** at: [www.drs.state.ct.us](http://www.drs.state.ct.us)

**General E-mail:** [drs@po.state.ct.us](mailto:drs@po.state.ct.us)

**Forms and Publications by E-mail:** [ctforms.drs@po.state.ct.us](mailto:ctforms.drs@po.state.ct.us)

**Conn-Tax:** If you have a touch-tone phone, you can obtain important tax information 24 hours a day from Conn-Tax, DRS's telephone information line.



Call **1-800-382-9463** (toll-free within Connecticut) or **860-297-5962** (from anywhere).



For **prerecorded tax information**, select a topic from the menu options provided.

For **forms or publications**, press 2.

To speak to a **Taxpayer Services representative**, call between 8 a.m. and 5 p.m., Monday through Friday, and press "0."

**TTY, TDD, and Text Telephone** users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

**DRS TaxFax:** Get forms and publications any hour of the day, seven days a week, by calling 860-297-5698 from the handset attached to your fax machine.



### **Write to:**

DRS Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106-5032



**DRS Offices:** Visit our main office in Hartford or visit our field offices in Bridgeport, Hamden, Norwich, or Waterbury weekdays, 8 a.m. to 5 p.m. Call **Conn-Tax** or the locations listed below for directions.

**HARTFORD**  
25 Sigourney Street  
Hartford CT 06106-5032  
860-297-5962

**HAMDEN**  
3074 Whitney Ave.  
Hamden CT 06517  
203-287-8243

**WATERBURY**  
55 West Main Street, Suite 100  
Waterbury CT 06702-2004  
203-805-6789

**BRIDGEPORT**  
10 Middle Street  
Bridgeport CT 06610  
203-579-6251

**NORWICH**  
2 Cliff Street  
Norwich CT 06360  
860-889-2669



## MISSION STATEMENT

The Mission of the  
Connecticut Department of Revenue Services  
is to administer the tax laws of the State of Connecticut  
and collect the tax revenues  
in the most cost effective manner;  
achieve the highest level of voluntary compliance  
through accurate, efficient and courteous customer services;  
and perform in a manner  
which instills public confidence in the integrity  
and fairness of the state's tax programs.

**IP 2000(26), *Getting Started in Business: Understanding Connecticut Taxes***

**State of Connecticut  
Department of Revenue Services  
25 Sigourney Street  
Hartford CT 06106**