



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

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INFORMATIONAL PUBLICATION

Annual One-Week Sales and Use Tax Exclusion for Clothing and Footwear Costing Less Than \$100

Purpose: This Informational Publication describes the annual Connecticut sales and use tax exclusion during a one-week period in August for clothing and footwear. Legislation enacted in 2015 reduced the exemption to clothing and footwear costing less than \$100 per item. The “sales tax holiday” occurs the third Sunday in August through the following Saturday.

Effective Date: Effective for sales occurring the week starting with the third Sunday in August 2015 through the following Saturday, and applicable to that week in following years.

Statutory Authority: 2015 Conn. Pub. Acts 244, §§ 71, 222; Conn. Gen. Stat §12-407e; and Conn. Agencies Regs. §12-426-30.

Definitions: This informational publication uses the following terms as defined below.

- **Pay in full** means the customer pays or is charged the full purchase price of the item.
 - **Delivery** means when the customer takes possession of the clothing item at the retail location, or when the retailer delivers or places the clothing item in shipment to the customer.
 - **Exclusion week** means the one-week period that begins on the third Sunday in August and ends on the following Saturday.
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Nontaxable Sales of Clothing or Footwear During the “Sales Tax Holiday”: Sales or purchases of clothing or footwear costing less than \$100 per item are not subject to Connecticut sales and use taxes during the exclusion week.

This one-week exclusion applies to clothing sales made by Connecticut and out-of-state retailers to Connecticut customers.

Exclusion applies to each item sold. The exclusion applies to each item of clothing or footwear sold, regardless of how many items are sold to a customer on the same invoice. However, for any item that costs \$100 or more, sales tax applies to the entire price of that item.

Articles normally sold as a unit. Articles that are normally sold as a unit (for example, a pair of shoes) must continue to be sold in that manner; they cannot be separated and sold as individual items to qualify for the exclusion.

Example: A suit normally sells for \$150. The retailer cannot sell the pants for \$75 and the suit coat for \$75 in order to qualify the suit for the exclusion. However, if the pants and the coat are normally sold as separate items with separate price tags, the exclusion may apply to each item sold.

Clothing and Footwear Defined: The exemption during the “sales tax holiday” week for articles of clothing and footwear, as described in Conn. Agencies Regs. § 12-426-30, includes most articles of clothing and footwear intended to be worn on or about the body. However, certain items are excluded.

Items not subject to the exemption. For purposes of the exemption, clothing and footwear do **not** include:

- Any special clothing or footwear primarily designed for athletic activity or protective use that is not normally worn except when used for the athletic activity or protective use for which it was designed.
- Jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing, and
- Articles of clothing considered safety apparel are fully exempt under a separate exemption in Conn. Gen. Stat. §12-412(91). (See **Policy Statement** 2004(4), *Sales and Use Tax Exemption for Safety Apparel*).

See the DRS website’s frequently asked questions (FAQs) for more details about what is considered exempt clothing and footwear during the exclusion week.

Cash Discounts, Coupon Sales, and Rebates:

Cash discounts are price reductions that a store offers its customers, such as back-to-school sales. Tax is calculated on the final sales price (after all reductions have been taken). To determine if an item of clothing or footwear will be taxed during the exclusion week, the retailer should use the reduced sales price after the cash discount is deducted from the full or original sales price.

Example: A retailer sells a coat for \$115. The retailer offers a 20% discount on the coat during the exclusion week. The sales price of the coat is reduced to \$92 after the discount is taken. The coat is not taxable because it costs less than \$100 during the exclusion week.

Coupons result in an immediate reduction of the sales price of an item when the coupon is presented to the retailer. Tax is calculated on the final sales price of the item after all coupons and other reductions have been applied. A retailer, a manufacturer, or another third party may issue coupons. To determine whether an item of clothing or footwear costs less than \$100, the retailer should use the sales price after the face value of the coupon (or any higher value given to the coupon by the retailer) is deducted from the original sales price.

Example: A retailer sells a coat for \$120. The retailer has a 25% off coupon in its advertising flyer, which the customer presents when buying the coat during the exclusion week. The sales price after the coupon is used is \$90.00. The coat is not taxable because it costs less than \$100.

“Buy one, get one free” and similar offers. If a retailer offers “buy one, get one free” or “two for the price of one” on items of clothing or footwear during the exclusion week, the exemption applies as long as the total sales price for each item is less than \$100.

However, if a retailer offers “buy one, get one for a reduced price,” the two prices cannot be averaged to qualify both items for the exemption.

Example: A retailer sells a suit for \$130 and offers a second suit for half price when bought with the first suit. The first suit costs \$130 and does not qualify for the exemption. The second suit costs \$65 (half price) and does qualify for the exemption. Together the two suits cost \$195. The retailer cannot average the price of the two suits, to \$97.50 apiece, to qualify both suits for the exemption.

Rebates, unlike discounts and coupons, do not reduce the sales price of an item. The tax applies to the sales price of an item *before* the customer obtains a rebate from a manufacturer or third party. The customer gets a rebate separately after the retail sale of the item.

Rain Checks: An article of clothing or footwear costing less than \$100 that is purchased during the exclusion week using a rain check is not taxable. If a retailer issues a rain check to a customer during the exclusion week for an article of clothing or footwear costing less than \$100 and the customer purchases the item after the exclusion week has ended using the rain check, the item is taxable.

Determining When a Sale Takes Place: The following rules determine whether a sale takes place during the exclusion week.

Retail Store Sales: If a customer purchases an article of clothing or footwear costing less than \$100 during the exclusion week and the customer pays in full or is fully charged for the item, the clothing exclusion applies even if delivery is made after the exclusion week. If a customer pays a deposit to the retailer for an article of clothing or footwear costing less than \$100 during the exclusion week that is not currently in stock, the exclusion will not apply if delivery is made to the customer after the exclusion week. Delivery is made to the customer when the retailer delivers the item to the customer at the retailer’s establishment or at the customer’s location, or ships the item to the customer.

Layaway Sales: A layaway sale is made when the customer puts a deposit on the item and the retailer removes it from inventory.

If a customer puts an article of clothing or footwear that costs less than \$100 on layaway during the exclusion week, the item qualifies for the tax exclusion, and none of the customer’s payments on the item are taxable even if they are made after the exclusion week. The item will not be taxable when the customer takes delivery or possession of it.

The selling price of an article of clothing or footwear plus any additional charges a retailer imposes or will impose for a layaway sale are combined to determine whether the item costs less than \$100.

If an article of clothing or footwear was put on layaway prior to the exclusion week and the customer takes possession of the item during the exclusion week, the item does not qualify for the exclusion, even if its total cost is less than \$100.

Mail Order, Telephone, and Internet Sales: Tax does not apply to the sale of an article of clothing or footwear costing less than \$100 sold during the exclusion week by mail, telephone, or over the Internet.

An article of clothing or footwear that costs less than \$100 is sold during the exclusion week by mail, phone, or Internet when the customer pays the full purchase price or is fully charged for the item regardless of when the item is delivered. If an order for an article of clothing or footwear that costs less than \$100 is placed prior to the exclusion week and the customer pays the full purchase price or is fully charged for the item during the exclusion week, the exclusion applies. If an order for an article of clothing or footwear that costs less than \$100 is placed during the exclusion week and the article is not currently in stock, the exclusion does not apply **unless** the customer pays the full purchase price or is fully charged for the item during that week.

Custom Orders: If the customer places a custom order for an article of clothing or footwear costing less than \$100 during the exclusion week and pays for the clothing item in full at the time the order is placed, the customer will receive the benefit of the exclusion even if the item is delivered to the customer after the exclusion week. If the customer places a custom order for an article of clothing or footwear costing less than \$100 during the exclusion week, and the customer does not pay in full for the item until it is delivered to the customer, the exclusion does not apply if the article of clothing is delivered after the exclusion week.

Shipping and Handling Charges: Generally, tax applies to any charges by the retailer to the purchaser for shipping or delivery. See Conn. Gen. Stat. §12-407(a)(8) and (9). However, no tax is due on shipping and delivery charges in connection with any sale that is not taxable before adding the shipping and delivery charges.

Adding shipping and delivery charges to an item of clothing or footwear costing less than \$100 does not make the item taxable, even if the price of the item exceeds \$100 after the shipping and delivery charges are added.

Handling charges. Whenever handling charges and shipping charges both appear on the same invoice, whether lumped together or separately stated, the handling charges are considered part of shipping and delivery charges. However, when handling charges appear alone on an invoice without shipping charges, the handling charges are not considered shipping and delivery charges. Instead, the handling charges are service charges that are part of the sales price of the item sold.

Example: An item of clothing costs \$95. The customer is charged an additional \$15 shipping and handling fee, bringing the total to \$110. The \$95 sales price of the

clothing item is not subject to tax. The \$15 shipping and handling charge also is not taxable.

Example: An item of clothing costs \$95. The customer is charged an additional \$15 handling fee, but no shipping or delivery fee. The sales price of the clothing item is \$110 and the entire amount is taxable.

Clothing or Footwear Rentals: The rental of an article of clothing or footwear costing less than \$100 during the exclusion week is not taxable. The date the customer takes possession of the rented clothing or footwear determines if the rental is made during the exclusion week, even if the customer returns the item to the retailer after the exclusion week.

If the rental period begins before the exclusion week, the exclusion does not apply even if the item is returned to the retailer during the exclusion week

Example: A customer rents a tuxedo for \$75 from a formalwear rental shop. The customer picks up the tuxedo from the shop on the Friday before the exclusion week begins and returns the tuxedo to the shop on the Monday during the exclusion week. The tuxedo rental is taxable.

Example: A customer rents a tuxedo for \$75 from a formalwear rental shop. The customer picks up the tuxedo from the shop on the Friday during the exclusion week and returns it to the shop on the Monday after the exclusion week. The tuxedo rental is not taxable.

Exchanges: When a customer purchases an article of clothing or footwear costing less than \$100 during the exclusion week and the customer exchanges the item for a like item after the exclusion week, the exchange is not taxable provided the sales price of the like item is also less than \$100. A like item is the same item with a different style, different size, or different color (such as a shirt for a shirt).

If the article of clothing or footwear costing less than \$100 is exchanged after the exclusion week for a different type of clothing item (not a like item), the exclusion does not apply, even if the original purchase was made during the exclusion week and cost less than \$100.

If a customer purchases an article of clothing or footwear costing less than \$100 during the exclusion week, then returns it during the exclusion week for a refund or credit toward another item costing more than \$100, the customer may not use the refund or credit to reduce the price of the second item, even if the customer purchases

the second item during the exclusion week. The second item is taxable.

Example: A customer purchases a short sleeve cotton blend dress during the exclusion week for \$65 and exchanges it after the exclusion week for a short sleeve silk dress costing \$98. The second dress is not taxable because the customer exchanged like items and both items cost less than \$100.

Example: A customer purchases a shirt during the exclusion week for \$80 and exchanges it after the exclusion week for a pair of pants costing \$85. The pants are taxable because the customer did not exchange like items.

Example: A customer purchases a suit for \$98 during the exclusion week. Later in the exclusion week, the customer returns the suit and receives full credit toward the purchase of another suit, costing \$150. The second suit is taxable.

Repeal of the Year-Round Exemption for Clothing and Footwear: The exemption for clothing or footwear costing less than \$50 was repealed for sales occurring on and after July 1, 2011. Legislation passed in 2014 that was to have made such items exempt for sales made on and after July 1, 2015, was repealed before the exemption became effective. Therefore, all sales of clothing and footwear are taxable, except for sales made during the tax holiday week described in this publication.

Effect on Other Documents: Special Notice 2012(12), *One-Week Sales and Use Tax Exclusion in August for Clothing and Footwear Under \$300*, is modified and superseded.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently-asked questions about a current position, policy, or practice.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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