



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

450 Columbus Blvd Ste 1
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IP 2019(6)

INFORMATIONAL PUBLICATION

The “Buy Connecticut” Provision

Purpose: This Informational Publication describes the “Buy Connecticut” provision, Conn. Gen. Stat. § 12-408c. This provision allows certain purchasers to request refunds of sales and use taxes paid on tangible personal property that is purchased from Connecticut retailers and is eventually shipped out of Connecticut for exclusive use outside Connecticut. The “Buy Connecticut” provision also allows the Department of Revenue Services (DRS) to issue permits that enable qualified purchasers to purchase such property without payment of the sales and use taxes otherwise due to Connecticut.

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. § 12-408c.

The Refund Portion of the “Buy Connecticut” Provision: The “Buy Connecticut” provision allows taxpayers purchasing tangible personal property from Connecticut retailers to request refunds of sales and use taxes paid when the purchaser eventually ships the property out of Connecticut for exclusive use by the purchaser outside Connecticut. Under this provision, tangible personal property purchased from Connecticut retailers may be either stored in Connecticut and subsequently shipped out of Connecticut, or processed, fabricated or manufactured into, attached to or incorporated into, other tangible personal property that is subsequently shipped outside Connecticut.

The “Buy Connecticut” provision imposes certain restrictions and requirements that taxpayers must satisfy in order to file valid claims for refund. These restrictions and requirements are explained in the following paragraphs.

Tangible Personal Property for Use in a Trade, Occupation, Business, or Profession: The “Buy Connecticut” provision applies to any person carrying on a trade, occupation, business or profession in Connecticut who purchases from a retailer tangible

personal property for use or consumption in carrying on such trade, occupation, business or profession. Note that the provision applies only to businesses, not to individuals other than sole proprietors of businesses or single-member limited liability companies.

Transportation of Tangible Personal Property by Common or Contract Carrier: To obtain refunds of use tax paid, a business must purchase tangible personal property from a Connecticut retailer for use or consumption in its trade, occupation, business or profession and must eventually ship the property outside of Connecticut by common or contract carrier. Businesses are not allowed to transport tangible personal property purchased under this provision out of Connecticut in their own vehicles or in vehicles owned by the retailers of the property.

A **common carrier** is a transporter that serves the public, follows a schedule, and generally carries cargo whenever the specified price is paid. A **contract carrier** is a transporter that carries cargo for certain customers only.

Permissible Uses of Tangible Personal Property in Connecticut Prior to Shipment Outside the State: There are two permissible uses of tangible personal property in Connecticut before the property is shipped outside Connecticut.

- Storage:** The “Buy Connecticut” provision provides that any business that purchases tangible personal property from a Connecticut retailer for use or consumption in carrying on its business and subsequently ships the property out of Connecticut by common or contract carrier may be eligible to file a claim for refund. This section allows for the temporary storage in Connecticut of tangible personal property purchased from Connecticut retailers before it is shipped out of Connecticut. The business must own the property at the time it is shipped outside Connecticut, and must use the property exclusively outside

Connecticut after shipment, for as long as it owns the property. Property may be stored in Connecticut for up to three years from the date it is purchased.

2. ***Processing, Fabrication, Manufacturing, or Incorporation Into Other Tangible Personal Property:*** Under the “Buy Connecticut” provision, any business that purchases tangible personal property from a Connecticut retailer for the purpose of being processed, fabricated or manufactured into, attached to or incorporated into, other tangible personal property to be transported outside this state by common or contract carrier may be eligible to file a claim for refund. Upon completion of the processing, fabrication, manufacturing, or incorporation of tangible personal property, the property must be shipped out of Connecticut. The business must own the property at the time it is shipped outside Connecticut, and must use the property exclusively outside Connecticut after shipment, for as long as it owns the property. The property **must** be shipped out of Connecticut within three years from the date of purchase.

Any use of tangible personal property in Connecticut for which a sales and use tax refund has been issued **prior** to its shipment out of Connecticut, other than storage, or use in the course of being processed, fabricated, manufactured, or incorporated into other tangible personal property, subjects the property to use tax on its purchase price as of the date of the use. Likewise, any use of tangible personal property in Connecticut by the purchaser **after** its initial shipment out of Connecticut subjects the property to use tax as of the date of the use.

Use tax is also due on the purchase price if tangible personal property purchased under the “Buy Connecticut” provision remains in Connecticut beyond three years from the date it is purchased and a refund has been issued.

Refund Procedures: The “Buy Connecticut” provision provides that all claims for refund of taxes paid on tangible personal property purchased under the “Buy Connecticut” provision during a calendar year **must** be filed by **April 1** of the next calendar year. (If April 1 is a Saturday, Sunday, or legal holiday, the refund claim must be filed by the next succeeding day that is not a Saturday, Sunday, or legal holiday.)

Taxpayers typically have three years after the due date of sales or use taxes to file a claim for refund of the taxes under the general sales and use tax refund provision, Conn. Gen. Stat. § 12-425. However, Conn.

Gen. Stat. § 12-425 **does not apply** to the “Buy Connecticut” provision. Therefore, it is important to note that the period to file a valid claim for refund under Conn. Gen. Stat. § 12-408c is significantly shorter than the period allowed under Conn. Gen. Stat. § 12-425.

All refund claims must be filed on **Form AU-526, Sales and Use Tax Refund Application for Purchases Made Under the “Buy Connecticut” Provision**, and must be accompanied by substantiating documentation. If the tangible personal property for which a refund is being sought was shipped out of Connecticut prior to filing a refund claim, a taxpayer must submit copies of the shipping documents with Form AU-526. If the tangible personal property has not yet been shipped out of Connecticut when the refund claim is filed, the taxpayer must attest on Form AU-526 that the property will be shipped out of Connecticut within three years from the date of its purchase. DRS requires that taxpayers retain records substantiating refund claims, including but not limited to proof that tax was paid and shipping documents, for six years from the date on which the claims were filed.

DRS will determine the validity of a refund claim within 90 days of receiving a completed Form AU-526 with all required documentation attached. If DRS determines that a claim is not valid, either in whole or in part, DRS will send the taxpayer a notice of proposed disallowance.

Procedures to Protest a Notice of Proposed Disallowance: If the taxpayer does not agree with a proposed disallowance of its refund request, the taxpayer may file a written protest stating the grounds on which the protest is based. The taxpayer must file the protest with DRS within 60 days of the mailing of the proposed disallowance. If no protest is filed within 60 days, a notice of proposed disallowance constitutes a final disallowance. If a protest is timely filed, DRS will reconsider the proposed disallowance and, if the taxpayer has so requested, may grant or deny the taxpayer an oral hearing.

After reconsidering a refund claim, DRS will send the taxpayer a notice of determination. If the taxpayer disagrees with DRS’ determination, under Conn. Gen. Stat. § 12-422, the taxpayer has 30 days from the date the determination was mailed to appeal the determination to the Superior Court. If the taxpayer fails to appeal DRS’ determination within 30 days, the determination is final.

The provisions for protest and appeal in Conn. Gen. Stat. § 12-408c are the same as those in Chapter 219 of the General Statutes.

The Exemption Permit Portion of the “Buy Connecticut” Provision: The “Buy Connecticut” provision allows DRS, at its discretion, to issue permits to taxpayers that enable the taxpayers to purchase tangible personal property from Connecticut retailers exempt from sales and use taxes, for situations when the property is eventually shipped out of Connecticut for exclusive use by the purchaser outside Connecticut.

As with the refund portion of the “Buy Connecticut” provision, tangible personal property purchased with an exemption permit may be stored in Connecticut for up to three years from the date it is purchased. Likewise, upon completion of the processing, fabrication, manufacturing, or incorporation of the tangible personal property allowed by section (b)(2), the property **must** be transported out of Connecticut within three years from the date it is purchased. The business must own the property at the time it is transported outside Connecticut, and must use the property exclusively outside of Connecticut after it is transported, for as long as it owns the property.

The exemption permit portion of the “Buy Connecticut” provision **does not** require that tangible personal property be transported outside Connecticut by common or contract carrier. Purchasers may use their own vehicles or retailers of the property may use their vehicles.

Any use in Connecticut of tangible personal property purchased with an exemption permit, other than storage, or use in the course of being processed, fabricated, manufactured, or incorporated into other tangible personal property, subjects the purchase price of the property to use tax as of the date of the use.

Furthermore, if tangible personal property purchased with an exemption permit under the “Buy Connecticut” provision remains in Connecticut beyond three years from the date it is purchased, the business that purchased the property becomes liable for use tax on the purchase price of the property as of three years after the date it is purchased.

Permit Application Process: Any taxpayer registered to pay Connecticut sales and use taxes that wishes to obtain a permit must apply to DRS. To apply, use **Form AU-863, Application for a Buy Connecticut Provision Exemption Permit.**

Taxpayers should send their permit applications to:

Department of Revenue Services
“Buy Connecticut” Permit Application
450 Columbus Blvd, Ste 1
Hartford CT 06103-1837

Criteria for Issuing a Permit: In deciding whether to issue a permit, DRS will consider an applicant’s compliance history with sales and use taxes and other taxing statutes, including its payment and audit histories, and the nature of the taxpayer’s business. If, upon reviewing all pertinent information, DRS determines that the provisions of Chapter 219 of the General Statutes will not be adversely affected, DRS may issue the taxpayer an exemption permit. DRS will make a determination on an application for an exemption permit within 90 days of its receipt.

If a taxpayer’s application is approved, DRS issues a numbered permit that entitles the taxpayer to make exempt purchases using **CERT-132, Sales and Use Tax Exemption for Purchases Made Under the Buy Connecticut Provision.** The permit is valid from the date it is issued through the end of the calendar year in which it was issued.

If a taxpayer’s application is not approved, DRS will notify the taxpayer of the disapproval in writing. A taxpayer that is not issued a permit may utilize the refund procedures outlined previously in this publication.

Procedures for Purchasing Tangible Personal Property With an Exemption Permit: If approved, DRS issues a taxpayer a permit allowing the taxpayer to purchase tangible personal property from a Connecticut retailer exempt from tax under the “Buy Connecticut” provision. The taxpayer must **either** provide a copy of its exemption permit and a completed CERT-132 to a retailer each time it makes a purchase under Conn. Gen. Stat. § 12-408c or issue the retailer a *blanket certificate* for a continuing line of exempt purchases. A *blanket certificate* remains in effect from the date of the first purchase in a calendar year until the end of the calendar year, unless the taxpayer revokes it, in writing, before the period expires.

CERT-132 will contain information about the permit holder and will inform the retailer of its record keeping obligations. Acceptance in good faith of a properly completed and signed CERT-132, along with a copy of a taxpayer’s exemption permit, relieves a retailer from the burden of proving that the sale, and the storage, use or other consumption, of the tangible personal property is not subject to sales and use taxes. Retailers are not to accept CERT-132 without a copy of the taxpayer’s permit.

Any misuse of a permit by a taxpayer will result in immediate revocation of the permit and will subject the taxpayer to other penalties as provided in the Connecticut General Statutes.

Reporting Requirements: The “Buy Connecticut” provision requires a taxpayer that was issued an exemption permit to submit a report with each **Form OS-114, Connecticut Sales and Use Tax Return**, that the taxpayer is required to file (either monthly, quarterly, or annually) under Conn. Gen. Stat. § 12-414. Taxpayers that have made exempt purchases during the reporting period must complete **Schedule OS-114A**.

Schedule OS-114A requires the taxpayer to list the:

- Purchases made under the “Buy Connecticut” provision;
- Dates on which the purchases were made; **and**
- Vendors from whom the purchases were made.

Taxpayers filing Form OS-114 electronically should retain Schedule OS-114A for three years from the date of filing, to be provided to DRS upon request.

Permit Renewal Process: The taxpayer must reapply for a permit every year following the procedures in *Permit Application Process* on Page 3. The permit is valid from January 1 or the date it is issued (whichever is later) through the end of the calendar year in which it is issued. Allow at least a month for DRS to issue a permit after it receives an application. To ensure that the permit does not lapse, the applicant should apply for a renewal by December 1.

Sections Not Affected by the “Buy Connecticut” Provision: The “Buy Connecticut” provision does not apply to tangible personal property that becomes an ingredient or component part of tangible personal property intended to be sold as a finished product by the purchaser. Such property may be able to be purchased exempt under Conn. Gen. Stat. § 12-412(18).

The “Buy Connecticut” provision also does not apply to printed material that has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to such purchaser, is to be delivered for use outside Connecticut. Such material may be able to be purchased exempt under Conn. Gen. Stat. § 12-412(31).

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Sales and use taxes
“Buy Connecticut”
Issued: 08/28/2019

Effect on Other Documents: Special Notice 2001(5), *The “Buy Connecticut” Provision*, is modified and superseded and may not be relied upon on or after the date of issuance of this Informational Publication.

Effect of This Document: An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

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

- **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 portal.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 portal.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. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.