



Q & A on Purchases of Vessels

Purpose: This Informational Publication:

- Describes the reduced tax rate for sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel.
- Describes the reduced tax rate for sales of dyed diesel fuel, as defined in Conn. Gen. Stat. § 12-487(d), that is sold by a licensed marine fuel dock owner or operator exclusively for marine purposes.
- Describes the exemption on Conn. Gen. Stat. § 12-408(1)(E) for the purchase or lease of a vessel. The exemption for purchases or leases of vessels in Conn. Gen. Stat. § 12-412(60) is not addressed, because it has effectively been nullified by the exemption provided in Conn. Gen. Stat. § 12-408(1)(E).
- Describes the taxability of repair and maintenance services to vessels, as well as the exclusions from sales and use taxes for repair and maintenance services to vessels and fabrication labor on existing vessels.
- Describes the sales and use tax treatment of vessels purchased by federally recognized Indian tribes located in Connecticut.
- Clarifies that the sale to nonresident purchasers of trailers used for transporting a vessel are exempt sales of motor vehicles.

Effective Date: Effective upon issuance and applicable to all open periods, except that the reduced tax rate for dyed diesel fuel is effective for sales occurring on and after October 1, 2019.

Statutory and Regulatory Authority: Conn. Gen. Stat. § 12-407(a)(2)(M); Conn. Gen. Stat. § 12-407(a)(11); Conn. Gen. Stat. § 12-407(a)(24); Conn. Gen. Stat. § 12-407(a)(37)(CC) and Conn. Agencies Regs. § 12-407(2)(i)(DD)-1; Conn. Agencies Regs. § 12-407(2)(i)(M)-1; Conn. Gen. Stat. § 12-407(a)(37)(S) and Conn. Agencies Regs. § 12-407(2)(i)(S)-1; Conn. Gen. Stat. § 12-408(1)(E); Conn. Gen. Stat. § 12-411(1)(E); Conn. Gen. Stat. § 12-412(60) and (116); Conn. Gen. Stat. § 12-413a; Conn. Gen. Stat. § 12-430(4); Conn. Gen. Stat. § 12-487(d); Conn. Agencies Regs. § 12-701(a)(1)-1(d); Conn. Agencies Regs. § 12-701(a)(1)-1(e); Conn. Gen. Stat. § 15-127; Conn. Gen. Stat. § 15-142.

Definitions:

Required to be registered means a vessel obligated to display a Connecticut registration decal provided by the DMV under Conn. Gen. Stat. § 15-142(b). Conn. Gen. Stat. § 15-142(b) provides that a vessel that holds a valid marine document issued by the U.S. Coast Guard, a valid certificate of number awarded by the United States under the provisions of the federal Boat Safety Act of 1971, or a valid certificate of number awarded by another state will be required to display a Connecticut registration decal when it is used upon the waters of this state for more than 60 days in any calendar year.

Vessel as defined in Conn. Gen. Stat. § 15-127 means every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water.

Repair services mean mending or bringing back to working order or operating condition a vessel that is broken, damaged, malfunctioning, or defective. Repair services include repair work on any part of a vessel even if performed in a separate location from the vessel itself. Repair services to vessels include, but are not limited to, repairs to sails, sail covers, boat awnings, masts, inboard motors, and outboard motors.

Maintenance services mean sustaining or maintaining safe, efficient, or continuous operation of a vessel or keeping a vessel in good working order. Maintenance services include maintenance work on any part of a vessel even if performed in a separate location from the vessel itself. Maintenance services to vessels include, but are not limited to, services such as shrink wrapping, washing, painting, staining, varnishing, and polishing vessels.

Integral part means a part such as a mast, motor, motor part, or gauge that retains its separate identity even after being incorporated into the vessel undergoing repair or maintenance. The term integral part does not include a material such as lubricant, stain, paint, varnish, polish, wire, solder, or glue that does not retain its separate identity after repair or maintenance services to the vessel.

Maintenance contract means a contract for maintenance service to be performed to a vessel in the future.

Repair contract means a contract for repair services to be performed to a vessel that is broken, damaged, defective, or malfunctioning when the parties enter into the contract.

Warranty contract means a contract for repair services to a vessel to be performed if the vessel malfunctions in the future.

Fabrication labor means labor to customize an existing vessel or assemble components onto an existing vessel for a customer who furnishes, either directly or indirectly, the materials for the vessel. Fabrication labor also means labor to customize an existing vessel or assemble components onto an existing vessel when the fabricator also sells the materials used to fabricate the vessel to the customer.

Existing vessel means a vessel owned by the customer before the labor is performed to it.

Tax Rates:

The sales tax rate of 6.35% applies to the retail sale of most goods.

However, there is a reduced sales tax rate of 2.99% on sales and purchases of vessels, motors for vessels, trailers used for transporting a vessel, and dyed diesel marine fuel. (See Question 17 for more information on dyed diesel marine fuel.) As a general rule, a vessel that is of a type that must be registered with the DMV qualifies for the tax rate of 2.99%.

Vessels of the following types must be registered with the DMV, and qualify for the 2.99% rate:

- All **motorboats**, which are defined as any watercraft fitted with propulsion machinery, whether or not such machinery is the principal source of propulsion;
- All vessels with a length of 19½ feet or more that are not motorboats and are not propelled solely by paddles or oars (e.g., sailboats); **and**
- Personal watercraft such as jet skis.

Vessels propelled solely by paddles or oars, and vessels less than 19½ feet in length that are not motorboats, are not required to be registered with DMV and are not eligible for the reduced 2.99% tax rate.

Sellers, as defined in Conn. Gen. Stat. § 12-407(a)(11), report the total gross receipts from sales of vessels, motors for vessels, trailers used for transporting a vessel, and dyed diesel marine fuel at the 2.99% rate on Line 1 of **Form OS-114, Connecticut Sales and Use Tax Return**. Then follow the instructions for Line 84 of the return; multiply the applicable gross receipts by .5291 and enter the result on Line 84, Column 1. By reducing the gross receipts of these sales, the effective tax rate is 2.99%.

An individual who is required to report use tax must report taxable purchases (including vessels) made in the preceding year on which sales tax was not paid

on the Connecticut income tax return or on **Form OP-186, Connecticut Individual Use Tax Return**.

1. Are sales of vessels taxable?

Yes. Sales of vessels are subject to tax.

2. Is a trade-in credit allowed?

Yes. Conn. Gen. Stat. § 12-430(4) provides a trade-in credit for a vessel traded in to a retailer of vessels toward the purchase of another vessel. The tax that is owed on the purchase of the vessel is computed on the difference between the sales price of the vessel being purchased and the trade-in amount allowed on the vessel purchased. The trade-in must occur at the same time as the sale and purchase.

3. Are there any sales and use tax exemptions available on sales or purchases of vessels?

Yes. The exemptions available for sales and purchases of vessels include:

- Sales of vessels that will be docked in Connecticut for 60 or fewer days in a calendar year. (See Question 4 for more details.)
 - Commercial fishing vessels and machinery or equipment for use on the vessels. See **Informational Publication 2021(4), Commercial Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax**.
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4. How does a purchaser claim an exemption on the purchase of a vessel to be docked in Connecticut for 60 or fewer days in a calendar year?

When a resident or nonresident purchaser intends to dock a vessel in Connecticut for 60 or fewer days in a calendar year, the purchaser may claim exemption from sales and use taxes from a Connecticut retailer using a **CERT-143, Sales and Use Tax Exemption for Purchases of Vessels Docked in Connecticut for 60 or Fewer Days in a Calendar Year**.

5. Will Connecticut allow a credit for sales and use taxes that have been paid on the purchase of a vessel, trailer, or motor for a vessel to another state?

If a vessel, trailer, or motor for a vessel is purchased for use in Connecticut and the purchaser has paid a sales or use tax to another state or political subdivision thereof on the purchase, the amount of tax paid will be an offset against the use tax due to Connecticut, provided such payment to such other state or political subdivision thereof preceded a notice of use tax assessment given by this state to such purchaser.

6. Are the services of a vessel broker subject to sales and use taxes?

No. Sales of marine vessel brokerage services provided by marine vessel brokers selling the vessels for the owners are exempt.

7. Are repair and maintenance services to vessels taxable?

No. Repair and maintenance services to vessels are exempt from sales and use taxes. For the exemption to apply, providers of repair and maintenance services must separately state charges for repair and maintenance services from charges for integral parts on the bill to the customer and charge the appropriate tax on the integral parts. Any additional fees, such as hourly or flat rates, minimum charges or mileage charges, are charges for repair and maintenance services and are not taxable. (For information on repair and maintenance services to trailers used for transporting a vessel, see Question 12.)

8. Is a provider of repair and maintenance services required to keep documentation for the services to be exempt?

Boat yards, marine dealers, and other businesses that repair vessels on a routine or ongoing basis are not required to obtain documentation from their customers to prove their repair and maintenance services are performed to vessels.

However, businesses that do not repair vessels on a routine or ongoing basis should obtain a copy of their customer's vessel registration to prove that the item being repaired is part of a vessel. The copy of the vessel registration should be attached to a copy of the customer's bill or invoice and retained with the service provider's records. For example, if a customer brings a radio or radar equipment used on a vessel to a repairer that does not repair vessels on a routine or ongoing basis, a copy of the vessel registration is sufficient documentation to support the exemption for repair and maintenance services to vessels.

9. May a repair or maintenance service provider make purchases on resale?

Yes. The provider of repair or maintenance services may purchase integral parts or the services of a third party repairer without payment of tax by issuing a resale certificate to the supplier of the parts or the third party repairer. The service provider must pay 6.35% tax on purchases of materials and supplies that are not integral parts used in providing repair or maintenance services, because they are the consumers of these items.

10. Are vessel maintenance, repair, and warranty contracts subject to sales and use taxes?

No. Maintenance, repair, and warranty contracts purchased for vessels or vessel parts such as motors, radios, and radar are not subject to tax. A

maintenance, repair, or warranty contract for a vessel is not taxable regardless of whether it is sold at the same time as the vessel or after the vessel to which it relates is sold.

The service provider for a maintenance, repair, or warranty contract for a vessel is usually the final consumer of parts (other than integral parts), materials, and supplies used to fulfill these contracts and should pay tax on these purchases. Service providers making untaxed purchases on resale of integral parts used to service these contracts must collect sales tax on the charge for the integral parts to the customer. Most charges to customers for integral parts are taxable at 6.35%, but motors for vessels are taxable at 2.99%.

Any additional charge for integral parts a customer is required to pay under the terms of a maintenance, repair, or warranty contract to service a vessel is taxable. However, any additional charge for repair or maintenance services performed on a vessel a customer is required to pay under the terms of a maintenance, repair, or warranty contract is not taxable.

11. Are trailers used for transporting a vessel taxable?

Yes. Sales to Connecticut residents of trailers used for transporting a vessel are taxable at the 2.99% tax rate, if the trailer is for a vessel that qualifies for the 2.99% rate. However, sales to nonresidents of Connecticut of trailers used for transporting a vessel may be exempt under Conn. Gen. Stat. § 12-412(60) as sales of motor vehicles. See **Informational Publication 2004(27), Q & A on Purchases of Motor Vehicles by Nonresidents**, which describes the exemption for the purchase or lease of a motor vehicle by a nonresident of this state. Nonresident purchasers of trailers used for transporting a vessel must use **CERT-125, Sales and Use Tax Exemption for a Motor Vehicle Purchased by a Nonresident of Connecticut**.

12. Are repair and maintenance services to trailers used for transporting vessels subject to sales and use taxes?

Yes. Repair and maintenance services to trailers used for transporting a vessel are subject to 6.35% tax if the repairs are made in Connecticut. The sale of integral parts for trailers used for transporting a vessel is also subject to 6.35% tax. If the repairs are made within Connecticut, the sale of the repair services are taxable even if:

- The materials consumed in performing the services were purchased outside Connecticut;
- Some of the work with respect to the services is performed for a repairer outside Connecticut; **or**
- The purchaser of the services is a nonresident.

However, when a Connecticut repairer picks up a trailer from outside Connecticut, or a trailer is shipped from outside Connecticut to the repairer in

Connecticut, the trailer is repaired in Connecticut, and then is delivered or shipped to the customer at an out-of-state location, the repair services, and any integral parts sold with the services, are not taxable in Connecticut. For more information, see Conn. Agencies Regs. § 12-407(2)(i)(M)-1(e).

13. Is fabrication labor to existing vessels subject to sales and use taxes?

No. Fabrication labor to existing vessels is not taxable. However, the sales of materials, supplies, and parts in connection with fabrication labor remain subject to tax. Charges for fabrication labor to existing vessels are exempt from tax if the charges for materials, supplies, and parts are separately stated from the labor charges on the bill or invoice to the customer. If the charge for materials, supplies, and parts is not separately stated from the charge for fabrication labor to the existing vessel, the total charge on the bill or invoice to the customer is presumed to be subject to tax.

14. Are vessel mooring and storage services taxable?

Yes, but only for part of the year. The transfer for consideration of space or the right to use any space for the purpose of storage or mooring of any noncommercial vessel is taxable, **except** for dry or wet storage, or mooring of any noncommercial vessel from October 1 through and including May 31 of the following year.

From October 1 through and including May 31 of the following year, vessels that would not otherwise be subject to Connecticut sales and use taxes are not subject to use tax when the vessels enter this state exclusively for purposes of: (1) delivery of the vessel to a facility in Connecticut for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance, or repair, or (2) the actual process of storage, maintenance, or repair of the vessel.

Connecticut dues tax is imposed on any amount (including charges for mooring and storage) paid as dues to any social, athletic, or sporting club. Charges for the mooring and storage of noncommercial vessels are also subject to the dues tax without regard to the time of year.

15. Can an Indian tribe located in Connecticut purchase tax-exempt a vessel to be awarded as a prize?

Yes. A federally recognized Indian tribe located in Connecticut that purchases vessels intended as awards to casino patrons may purchase the vessels without paying tax by providing the dealer with a completed **CERT-127, Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe**. Amounts paid by patrons as wagers are not

consideration for the vessels awarded by the casino, and no sales or use taxes apply to the wagers.

16. Is an enrolled member of an Indian tribe located in Connecticut who lives in Connecticut required to pay tax on the purchase of a vessel?

Yes. The individual must pay tax on the purchase of a vessel.

17. Is dyed diesel fuel sold by a licensed marine fuel dock owner or operator subject to sales tax?

Yes. However, dyed diesel fuel, as defined in Conn. Gen. Stat. § 12-487(d), that is sold by a licensed marine fuel dock owner or operator exclusively for marine purposes is taxable at a reduced rate of 2.99%.

Effect on Other Documents: Informational Publication 2018(20), Q & A on Purchases of Vessels is modified and superseded. **CERT-139, Sales and Use Tax Exemption for a Vessel Purchased by a Nonresident of Connecticut**, is obsolete.

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: Visit the DRS website at portal.ct.gov/DRS.

Call DRS Monday through Friday, 8:30 a.m. to 4:30 p.m. at:

- **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. Taxpayers may also call 711 for relay services. A taxpayer must tell the 711 operator the number he or she wishes to call. The relay operator will dial it and then communicate using a TTY with the taxpayer.

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