

## Sales and Use Taxes on Charges for Personnel Training Services

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**Background and Purpose:** On March 30, 1994, the Department of Revenue Services issued **Policy Statement 92(2.1)**, *Sales and Use Taxes on Charges for Personnel Training Services*, setting forth its position on the taxability of personnel training services. These services are subject to sales and use taxes as business management consulting services pertaining to human resource management activities involving job-related training of personnel.

This Policy Statement updates **Policy Statement 92(2.1)** to include subsequent legislative changes affecting the application of sales and use taxes to charges for personnel training services.

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**Statutory and Regulatory Authority:** Conn. Gen. Stat. §12-407(2)(i)(J), as amended by 1999 Conn. Pub. Acts 173, §10. Conn. Agencies Regs. §12-407(2)(i)(J)-1(f) and (i)(1).

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**Effective Date:** Applicable to sales of personnel training services on or after July 1, 1999.

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**Definitions:** As used in this Policy Statement:

**Personnel training services** is referred to as “training”; such training is provided primarily as classes, seminars, sessions or conferences.

**Employer** means a self-employed person, a single employer or a group of employers.

**Service provider** means any retailer, as defined in Conn. Gen. Stat. §12-407(12), providing training to personnel.

**Personnel** means those persons employed or self-employed in a business, occupation, trade or profession.

**Job-related training** means training that is directly related to teaching, maintaining, upgrading or improving the specific skills required in the employee's day-to-day job performance.

An employer *engages* the services of a service provider when the employer hires the service provider to train its personnel and pays the service provider directly or indirectly to provide training.

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**Taxable Services:** Conn. Gen. Stat. §12-407(2)(i)(J) imposes tax on the rendering of business management consulting services. “Business management consulting services” include furnishing advice and assistance on the management of a service recipient’s core business activities or human resource management activities, including job-related training. See Conn. Agencies Regs. §12-407(2)(i)(J)-1(f) and (i)(1).

These services include personnel training services when a service provider is engaged and paid by an employer to provide job-related training to personnel whose primary work place is in Connecticut.

When taxable training services are rendered outside of Connecticut and the employees' primary work place is in Connecticut, the Connecticut employer is subject to use tax if the out-of-state service provider fails to charge Connecticut sales tax or collect Connecticut use tax.

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**Services That Are Not Taxable:** Training on topics **indirectly** related to an employee's job skills is not taxable. Such topics include but are not limited to motivation, self-image, time management, public speaking, and interpersonal skills.

Training on topics **unrelated** to the skills required of employees in the day-to-day performance of their jobs is not taxable. Such topics include but are not limited to defensive driving skills, alcohol and drug awareness, eldercare, physical fitness, and wellness.

However, if these topics should be **directly related** to the employee's job activity, such training is job-related and subject to tax, if the provider of the training is engaged and paid by an employer.

Before July 1, 1999, taxable training did not include courses open to the general public when offered by an accredited college, university or graduate center only if the entities were not directly engaged and paid by an employer to supply job-related training for its employees.

**Effective July 1, 1999**, training courses provided by an institution of higher education licensed or accredited by the Connecticut Board of Governors of Higher Education are not taxable, whether or not the courses are open to the general public, and whether or not the entities are directly engaged and paid by an employer to provide job-related training for its employees.

General education seminars, such as refresher courses, courses on current developments in a particular field, and courses for continuing education credits are not subject to tax.

Because Conn. Gen. Stat. §12-407(2)(i)(J) excludes environmental consulting services from sales and use taxes, any job-related training associated with environmental matters is not subject to tax. See **Special Notice 95(17)**, *Certain Environmental Services Excluded from Sales and Use Taxes*.

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**Taxable Course Materials and Meals:** When any course materials and meals are provided with the training at no additional charge, the service provider is the consumer of the materials and meals and must pay sales tax on these purchases to their vendor. If the service provider makes any additional charges for the materials and meals, the service provider must charge sales tax, and may purchase these items on resale.

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### Examples

**Example A:** A banking association is engaged and paid on a fee-per-participant basis by its member banks to conduct teller training classes for employees of the member banks. This training is **taxable** job-related training because it is directly related to the employees' job skills and because the service provider is engaged and paid by the employer.

**Example B:** A service provider provides job-related training on computer programming and advertises this course to employers and to the general public through direct mail and other media. Employers who send their computer programming personnel to these training sessions have “engaged” the services of the service provider. The training is **taxable** because it is job-related and is paid for by the employer.

**Example C:** A service provider runs sessions on motivation for an employer who pays the service provider. The training is **not taxable** because it is indirectly related to the employees' job skills.

**Example D:** A service provider has designed a seminar relating to the care of the elderly and is engaged and paid by an employer:

- If the service provider presents the seminar to employees of an insurance company whose jobs do not relate to caring for the elderly, the training is **not taxable** because it is unrelated to the job skills of the employees.
- If the service provider presents the seminar to employees of a long-term health care facility whose jobs involve caring for the elderly, the training is **taxable** because the service provider is providing job-related training to the employees.

**Example E:** The Connecticut Society of Certified Public Accountants (CSCPA) provides a general seminar on continuing developments in Connecticut tax law. Accounting firms and self-employed accountants pay the CSCPA a fee for attending, and the accountants in attendance receive continuing education credits. The training is **not taxable** because it is a general education seminar.

**Example F:** A service provider conducts training for employees of a manufacturer in the disposal of hazardous waste to comply with federal and state environmental laws. The training is **not taxable** because it is environmental consulting.

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**Employer Reimbursed Training:** Connecticut employers who reimburse their employees for taxable training have “engaged” the services of a service provider and must self-assess use tax on the reimbursement. The employer does not self-assess use tax if the employees paid sales tax to the service provider.

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**Effect on Other Documents:** This Policy Statement modifies and supersedes **Policy Statement 92(2.1)**, *Sales and Use Taxes on Charges for Personnel Training Services*.

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**Effect of This Document:** A Policy Statement is a document that explains in depth a current Department position, policy or practice affecting the tax liability of taxpayers.

**For Further Information:** Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

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

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