



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

PS 2010(7)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

POLICY STATEMENT

**Tax Exempt Purchases by
Connecticut State Agencies and Municipalities**

Purpose: This Policy Statement discusses tax-exemption numbers for Connecticut government agencies and certain municipalities and the use of purchasing cards (P-cards) by Connecticut government agencies and municipalities that qualify for sales and use tax exemption under Conn. Gen. Stat. §12-412(1)(A).

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-412(1)(A).

Background: State government agencies sometimes have difficulties substantiating their tax-exempt status with retailers when purchasing tangible personal property or services that are exempt under Conn. Gen. Stat. §12-412(1)(A). Retailers that deal with government agencies also experience problems in verifying such tax-exempt purchases. In an effort to allow both the agencies and their retailers to operate more efficiently, the Department of Revenue Services (DRS) has issued tax-exemption numbers to state government agencies since 2006. As some municipalities have encountered similar difficulties substantiating their tax-exempt status, DRS has begun to issue tax-exemption numbers to municipalities. Additionally, as explained herein, some state government agencies and municipalities issue P-cards to certain employees for use in making purchases on behalf of such government agency or municipality.

Tax-Exemption Numbers for State Agencies and Municipalities: DRS has issued tax-exemption numbers to Connecticut state agencies and to municipalities that participate in the Office of the State Comptroller's P-card program. Tax-exemption

numbers are not assigned to agencies of the U.S. government.

For paper purchase orders, the agency's or municipality's tax-exemption number is used in conjunction with **CERT-134, Exempt Purchases by Qualifying Governmental Agencies**. The tax-exemption number also appears on the agency's or municipality's P-cards (see *Purchasing Cards*).

Purchasing Cards: In addition to the tax-exemption number, the Comptroller's Office and the Department of Administrative Services have developed a purchasing card program (P-cards) for state agencies which has been extended to municipalities. P-cards, which are similar to credit cards, may be used by authorized personnel to make agency or municipality purchases of \$2,500 or less. In addition to having the agency's or municipality's tax-exemption number on the face of the P-card, State of Connecticut or the municipality's name is printed on the card. Although state-issued P-cards include the individual state or municipal employee's name, the purchase is made by the qualifying agency or municipality and, therefore, is exempt from tax. As government agencies and municipalities move from paper purchase orders to P-cards, tax-exemption numbers are particularly important in helping the P-card program operate smoothly.

Verifying Authorized Connecticut P-Card Purchases: To verify that the person using a state-issued P-card is authorized to use it, a retailer must require identification, such as an employee photo identification badge, establishing the person's identity and status as a Connecticut state employee or municipal employee. The retailer must note the employee's name, the Connecticut government agency or municipality that employs the individual,

and the agency's or municipality's tax-exemption number on the merchant copy of the sales receipt, which is retained by the retailer, for its records.

If the retailer has reason to believe that a P-card is being used to make any purchase not directly billed to and paid by the Connecticut government agency or municipality, or that for any other reason the purchase does not qualify for exemption under Conn. Gen. Stat. §12-412(1), the retailer must charge sales and use tax on the purchase. The P-card holder can request a refund from DRS for the tax by submitting evidence that the purchase was paid directly by the qualifying agency or municipality. The purchaser should follow the procedures in **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*.

Retailers failing to follow the verification guidelines established by DRS for authorized P-card users may be held liable for sales and use taxes on those sales.

Meals and Lodging Preapprovals: DRS requires qualifying state agencies, municipalities, and all other exempt organizations to obtain advance approval for sales and use tax exemptions for meals and lodging. See **Policy Statement 2006(3)**, *Purchases of Meals or Lodging by Exempt Entities*; **CERT-112**, *Exempt Purchases of Meals or Lodging by Exempt Entities*; and **CERT-123**, *Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency*.

Sales and Purchases by Federal Government Agencies: For information on sales and purchases by federal government agencies, see **Policy Statement 2009(2)**, *Retailer's Acceptance of U.S. Government "GSA SmartPay 2" Charge Cards for Exempt Purchases*.

Effect on Other Documents: **Policy Statement 2010(7)** *Tax Exempt Purchases by Connecticut State Agencies and Municipalities* modifies and supersedes **Policy Statement 2006(4)**, *Tax Exempt Purchases by Connecticut State Agencies*.

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

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.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at **www.ct.gov/DRS** and select *e-alerts* from the left navigation bar.