



2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation

Purpose: This Special Notice summarizes 2002 legislation affecting sales and use taxes and the motor vehicle rental surcharge. **Special Notice 2002(8)**, *2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation*, is being revised to incorporate legislative changes passed in the reconvened May 9 Special Session. It also covers laws enacted before 2002 that take effect in 2002.

Effective Date: Effective dates are noted below.

Statutory Authority: 2002 Conn. Pub. Acts 1 (May 9 Spec. Sess.), 2002 Conn. Pub. Acts 4 (May 9 Spec. Sess.), 2002 Conn. Pub. Acts 70, and previous legislation cited below.

Sales and Use Taxes

Effective February 28, 2002

Patient Care Services. Amends the exclusion for patient care services to provide that patient care services *for which payment is received by the hospital* (formerly "rendered by") between July 1, 2001, and June 30, 2003, are excluded from tax. (2002 Conn. Pub. Acts 3, §1)

Effective July 1, 2002

Aircraft Management Services. Conn. Gen. Stat. §12-407(2)(i) was amended to exclude from the scope of business analysis, management, management consulting, and public relations services those services rendered in connection with an aircraft leased or owned by a certificated air carrier or in connection with an aircraft that has a maximum certificated take-off weight of 6,000 pounds or more, retroactive to January 1, 1994. (2002 Conn. Pub. Acts 1, §§65, 67 (May 9 Spec. Sess.))

Computer and Data Processing Services. The tax on computer and data processing services, which was originally scheduled to expire on July 1, 2002, is extended to July 1, 2004. Therefore, computer and data processing services remain taxable at 1% through June 30, 2004. (2002 Conn. Pub. Acts 1, §§69, 70 (May 9 Spec. Sess.))

Clean Alternative Fuel Exemptions. The exemptions in Conn. Gen. Stat. §12-412(67), (68) and (69) are extended to sales occurring prior to July 1, 2004. The exemptions apply

to new motor vehicles powered by clean alternative fuel; equipment for converting vehicles to the use of clean alternative fuel or to dual use of clean alternative fuel and any other fuel; and equipment incorporated into or used in a compressed natural gas or hydrogen filling station or electric recharging station for vehicles powered by clean alternative fuel.

Hydrogen was added to the definition of *clean alternative fuel* for purposes of Conn. Gen. Stat. §12-412(67) through (69), and the exemption under §12-412(69) was expanded to include equipment used in hydrogen filling stations. *Clean alternative fuel* means natural gas, hydrogen, or electricity and propane in certain vehicles. (2002 Conn. Pub. Acts 4, §10 (May 9 Spec. Sess.))

Sunset of Exemption for High MPG Vehicles. Sales of motor vehicles with an estimated highway gasoline mileage rating of at least 50 miles per gallon on or after July 1, 2002, are now subject to sales and use taxes. (Conn. Gen. Stat. §12-412(110))

Effective August 1, 2002

Cellular Mobile Telephone Service. In accordance with federal law (P.L. 106-274, 4 U.S.C. §§116-126), the Connecticut sourcing rules for taxing cellular mobile telephone service are as follows:

- All charges for cellular telephone service are subject to Connecticut sales and use taxes if the service is billed by or for a customer's *home service provider*, if the street address where the customer's cellular telephone usage primarily occurs (place of primary use) is in Connecticut, regardless of where calls originate, terminate, or pass through;
- The home service provider is the company that contracts with the customer to provide the cellular telephone service. The home service provider is responsible for obtaining and maintaining a record of each customer's place of primary use. It may use any address it has for the customer as of July 28, 2002, unless the Commissioner of Revenue Services (Commissioner) notifies it of a different address;
- The Commissioner may make determinations as to customers' places of primary use and may provide home service providers with electronic databases of customers' places of primary use; and

- Customers have certain appeal rights to the home service provider and to the Commissioner in the case of a claim of an erroneous assignment of a place of primary use.

The current sourcing rules for cellular telecommunications service in Conn. Gen. Stat. §12-407a(b) apply prior to August 2, 2002. If the federal law on which the new changes to these sourcing rules is based is substantially limited or impaired by the final judgment of a court, the original sourcing rules of Conn. Gen. Stat. §12-407a(b) apply to services rendered on or after the date of entry of the judgment.

For *all* telecommunications service providers, nontaxable charges that are not separately stated from taxable charges for telecommunications services may be taxable unless the provider can reasonably identify the nontaxable charges in its books and records. A customer may not assume that any charges are nontaxable unless the provider separately states the charges or the provider supplies verifiable data from its books and records that identifies the nontaxable charges. (2001 Conn. Pub. Acts 6, §71, June Spec. Sess.)

Effective August 15, 2002

Community Antenna Television Services. An exclusion is added to community antenna television services for noncable communications service purchased by a cable network as the term is used in Conn. Gen. Stat. §12-218(1). (2002 Conn. Pub. Acts 4, §16 (May 9 Spec. Sess.))

Effective October 1, 2002

Storage Space. The effective date of the tax imposed on the furnishing of space for storage of tangible personal property by a person engaged in such a business, excluding space used by a person for residential purposes, has been changed from July 1, 2002, to October 1, 2002. Any sales and use taxes collected for these storage services rendered before October 1, 2002, must be refunded to the customers. DRS will issue a revision of **Special Notice 2002(9)**, *Sales and Use Taxes on the Furnishing of Space for Storage*. See also **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*, for more information. (2002 Conn. Pub. Acts 1, §§66, 68 (May 9 Spec. Sess.), as amended by 2002 Conn. Pub. Acts 4, §§13, 14, 15 (May 9 Spec. Sess.))

Effective January 1, 2003

Renumbering of Conn. Gen. Stat. §12-407. Conn. Gen. Stat. §12-407 is renumbered and cross-references to it in other statutes are updated to match. DRS will issue an Announcement to summarize these changes. (2002 Conn. Pub. Acts 103, §1)

Motor Vehicle Rental Surcharge

Effective July 1, 2002

Surcharge Extended to Rental Trucks. The 3% motor vehicle rental surcharge applies to the rental of *rental trucks*, defined as either a vehicle rented without a driver that has a gross vehicle weight rating of 26,000 pounds or less and is used in the transportation of personal property but not for business purposes, or a trailer that has a gross vehicle weight rating of not more than 6,000 pounds. (**Policy Statement 2000(5)**, *Motor Vehicle Rental Surcharge and the Tourism Account Surcharge*, will be updated.) (2002 Conn. Pub. Acts 70, §85)

Effect on Other Documents: Special Notice 2002(8.1) modifies and supersedes **Special Notice 2002(8)**, *2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation*.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information: Call DRS 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)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.