



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

**SN 2003(10)**

25 Sigourney Street  
Hartford CT 06106-5032

**SPECIAL NOTICE**

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**2003 Legislative Changes to Sales and Use Taxes**

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**Purpose:** This Special Notice summarizes 2003 legislation affecting the sales and use taxes passed during the 2003 regular and special sessions. Legislation passed in February 2003 has already been summarized in **Special Notice 2003(2)**, *February 2003 Legislative Changes*.

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**Effective Date:** As noted below.

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**Statutory Authority:** 2003 Conn. Pub. Acts 147, 2003 Conn. Pub. Acts 225, 2003 Conn. Pub. Acts 1 (June 30 Spec. Sess.), and 2003 Conn. Pub. Acts 6 (June 30 Spec. Sess.).

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**Effective July 1, 2001**

**Patient Care Services:** The tax on patient care services scheduled to become effective on July 1, 2003 has been repealed. Therefore, patient care services remain nontaxable.

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**Effective July 1, 2003**

**Media Advertising and Cooperative Direct Mail Advertising Services:** The exclusion from taxable advertising services for media advertising and cooperative direct mail advertising that was repealed effective April 1, 2003, has been restored effective July 1, 2003. Therefore, media advertising and cooperative direct mail advertising once again are not taxable.

**Deposits or Bonds for Nonresident Contractors:** New procedures were enacted that affect contracts with nonresident contractors in connection with real property located in Connecticut, replacing the prior bonding requirements of Conn. Gen. Stat. §12-430(7). These requirements apply without regard

to the nature of the real property affected or the tax-exempt status of the property owner.

Two alternatives in the amended law are:

- The person entering the contract with the nonresident contractor must withhold payment in the amount of 5% of the total contract price and remit it to DRS as a deposit within 30 days after completion of the contract; or
- Within 120 days of commencing the contract, the nonresident contractor may petition DRS to furnish a guarantee bond for 5% of the total contract price.

In either case, after the contract has been completed, the nonresident contractor submits a request for DRS to audit its records for the project and, if no tax is due from the nonresident contractor, DRS will return the deposit or bond to the nonresident contractor.

DRS will soon issue a Special Notice providing additional details on these new procedures.

**Contracts with State of Connecticut Agencies:** State agencies contracting for provision of tangible personal property must enter into an agreement with the contractor where the contractor agrees, on its own behalf and on behalf of its affiliates, for the term of the state contract to collect and remit to DRS any use tax due from its customers for tangible personal property sold by the contractor or its affiliates.

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**Effective October 1, 2003**

**Resale of Services by Affiliated Taxpayers:** Services taxable under Conn. Gen. Stat. §12-407(a)(2)(I) may not be sold on resale when purchased by one affiliate described in Conn. Gen. Stat. §12-412(62) for resale to another affiliate.

**Commercial Fishermen:** The look-back period to determine if a commercial fisherman may renew an exemption permit is amended. The test is now based on the gross income from commercial fishing from the immediately preceding taxable year or, on average, the two immediately preceding taxable years.

**Seller's Permit:** The fee to apply for a seller's permit is increased from \$20 to \$50, and the duration of the permit is increased from two years to five years.

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### Effective July 1, 2004

**Computer and Data Processing Services:** The termination of the tax on computer and data processing services scheduled to take place on July 1, 2004, has been repealed. The services remain taxable at 1%.

**Magazines and Newspapers:** The exemption for sales of magazines, including publications containing only puzzles, by subscription and of newspapers is restored.

**One-Week Exclusion for Clothing and Footwear:** The exclusion from tax for one week each August for sales of clothing and footwear costing under \$300 is repealed.

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### Effective July 1, 2005

**Sales to and by For-Profit Hospitals:** Sales of medical equipment and supplies for patient care to and by acute care for-profit hospitals are exempt.

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**Effect on Other Documents:** None affected.

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**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.

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SN 2003(10)  
Sales and use taxes  
2003 Legislation  
Issued: 09/03/2003

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

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

**TTY, TDD, and Text Telephone users only** may transmit anytime by calling 860-297-4911.

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**Forms and Publications:** Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at [www.CT.gov/DRS](http://www.CT.gov/DRS)
  - **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** (in-state) and select **Option 2** from a touch-tone phone.
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**Paperless Filing Methods (fast, easy, free, and confidential):**

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the Internet or telephone. Visit the DRS Web site at [www.CT.gov/DRS](http://www.CT.gov/DRS) and click on *File Returns On-Line* or call **860-947-1988**.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at [www.CT.gov/DRS](http://www.CT.gov/DRS) and click on *File Returns On-Line*.