



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

**SN 2004(3)**

25 Sigourney Street  
Hartford CT 06106-5032

**SPECIAL NOTICE**

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**2004 Legislative Changes Affecting Sales and Use Taxes**

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**Purpose:** This Special Notice summarizes 2004 legislation affecting the sales and use taxes passed during the 2004 regular session.

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**Effective Dates:** As noted below.

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**Statutory Authority:** 2004 Conn. Pub. Acts 136, §44; 2004 Conn. Pub. Acts 201, §§11, 12; 2004 Conn. Pub. Acts 216, §71; 2004 Conn. Pub. Acts 217, §22; 2004 Conn. Pub. Acts 218, §13; 2004 Conn. Pub. Acts 231, §§1, 7; 2004 Conn. Pub. Acts 2, §§25, 103, 104 (May Spec. Sess.); and 2003 Conn. Pub. Acts 1, §98 (June 30 Spec. Sess.).

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**Effective January 1, 2002:**

**Federally Exempt Hospital Gift Shops:** Sales of tangible personal property made on the premises of a hospital by any exempt organization that the U. S. Treasury Department has expressly determined, by letter, to be an organization described in Section 501(c)(3) of the Internal Revenue Code are exempt.

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**Effective May 12, 2004:**

**Coin and Currency Services:** Sales of coin and currency services provided to a financial service company by or through another financial service company are excluded from taxable private investigation, protection, patrol work, watchman, and armored car services. For purposes of this exclusion, a financial service company has the same meaning as provided in Conn. Gen. Stat. §12-218b(a)(6)(A)-(H):

- A. Any corporation or other business entity registered under the laws of any state as a bank holding company or registered under the federal Bank Holding Company Act of 1956, as amended, or registered as a savings and loan holding

company under the federal National Housing Act, as amended;

- B. A national bank organized and existing as a national bank association under the provisions of the National Bank Act, 12 USC Section 21 et seq.;
- C. A savings association or federal savings bank, as defined in the Federal Deposit Insurance Act, 12 USC 1813(b)(1);
- D. Any bank, banking association, trust company, savings and loan association, or thrift institution incorporated or organized under the laws of any state, or any other corporation or other business entity, the deposits or accounts of which are insured under the Federal Deposit Insurance Act or by the Federal Deposit Insurance Corporation;
- E. Any corporation organized under the provisions of 12 USC 611 to 631;
- F. Any foreign bank that has an agency or branch, as defined in 12 USC 3101;
- G. A credit union organized under the laws of any state the loan assets of which exceed fifty million dollars as of the first day of its income year; **and**
- H. A production credit association organized under the federal Farm Credit Act of 1933, all of whose stock held by the Federal Production Credit Corporation has been retired.
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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 is restored for sales of magazines, including publications containing only puzzles, by subscription and of newspapers.

- Over-the-counter sales of magazines have been and remain subject to tax.
- Over-the-counter and honor box sales of newspapers on or after July 1, 2004, are exempt.
- Payments made before July 1, 2004, for a subscription period beginning before July 1, 2004, and ending after that date are taxable.
- Payments made before July 1, 2004, for a subscription period beginning on or after July 1, 2004, are fully exempt.
- Payments made on or after July 1, 2004, for a subscription period beginning before July 1, 2004, and ending after that date are exempt on the portion of the subscription provided on or after July 1, 2004.
- Payments made on or after July 1, 2004, that are for past due charges for subscription periods that ended before July 1, 2004, are taxable.
- Charges to access magazines or newspapers over the Internet are considered charges for on-line access to information, and are taxable as computer and data processing services at the reduced rate of 1%. Computer and data processing services are subject to tax if the purchaser's computer equipment used to access the information is located in Connecticut. In the case of mobile computer equipment, the benefit of the service is received in Connecticut if the home base of the mobile computer is located in Connecticut.

**Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*, provides guidance on requesting refunds. In brief, the Department of Revenue Services (DRS) will accept refund claims filed by retailers on behalf of their purchasers, when the retailers can prove that they have collected the tax from the purchasers and remitted it to DRS, and when the retailers refund the tax to their purchasers.

DRS will accept refund claims filed by purchasers:

- When purchasers have self-assessed use tax and have not paid sales tax to retailers; **or**
- When purchasers have paid sales tax to retailers, have receipts from the retailers showing the tax was paid, and submit copies of **Form AU-524**, *Assignment of Retailer's Rights for Refund*, signed by retailers to which they paid tax, certifying that tax was collected from the purchasers and remitted to DRS, and that the retailers waive their right to claim refunds of the same amounts.

**One-Week Exclusion for Clothing and Footwear:** The exclusion from tax for the week from the third Sunday in August until the following Saturday for sales of clothing and footwear costing under \$300 is reinstated. In 2004, the exclusion applies to purchases made from August 15 through August 21.

**Clean Alternative Fuel Vehicles and Equipment:** The exemptions for motor vehicles powered by clean alternative fuel, conversion equipment to convert vehicles to use clean alternative fuel, and equipment incorporated into or used in a compressed natural gas or hydrogen filling or electric recharging station remain in effect through July 1, 2008.

**Sales to and by For-Profit Hospitals:** An exemption is added for sales of tangible personal property and services to an acute care, for-profit hospital operating as such on July 1, 2004, for purposes of the hospital in connection with constructing and equipping any facility of the hospital for which a certificate of need was filed before and is pending on July 1, 2004. This replaces the exemption added by 2003 Conn. Pub. Acts 6, §54 (June 30 Spec. Sess.) for sales of medical equipment and supplies for patient care to and by acute care for-profit hospitals, which was to have been effective for sales occurring on and after July 1, 2005.

**Tax Collection Reporting:** Certain retailers, as described below, making sales as defined in the Sales and Use Taxes Act, including but not limited to sales of tangible personal property, leases of tangible personal property, sales of taxable services, sales of meals, or transfers of room occupancy, are required to make an additional report annually to DRS. Those retailers:

- Have two or more places of business for which a *Sales and Use Tax Permit* (seller's permit) is required and have been issued two or more seller's permits; **and**
- Have places of business located in two or more Connecticut towns.

On the additional annual report, those retailers must provide a breakdown by Connecticut town of the sales tax they collected for each calendar quarter.

**Example 1:** A retailer has a place of business in Manchester and in Farmington, and has been issued a seller's permit for each location. DRS has permitted this retailer to file one **Form OS-114**, *Sales and Use Tax Return*, covering both locations for each taxable period. In its annual report, this retailer will report a

breakdown by calendar quarter of the sales tax collected at its Manchester location and the sales tax collected at its Farmington location.

**Example 2:** A retailer has two places of business in Hartford and a place of business in Wethersfield, and has been issued a seller's permit for all three locations. DRS has permitted this retailer to file one **Form OS-114** covering all three locations for each taxable period. In its annual report, this retailer will report a breakdown by calendar quarter of the sales tax collected at its Wethersfield location and the total sales tax collected at its two Hartford locations.

The filing requirements for sales and use taxes returns remain unchanged.

The retailers described above are required to file a report electronically. The report will be filed annually and will cover the period from July 1 through June 30. The report will be due on or before September 1 of each year. DRS will provide additional information on this requirement.

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#### **Effective October 1, 2004:**

**Hybrid Passenger Cars:** Sales of passenger cars utilizing hybrid technology with an estimated highway gasoline mileage rating of at least 40 miles per gallon are exempt. This exemption will sunset on September 30, 2008.

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**Effect on Other Documents: Special Notice 2003(5.1), *Sales and Use Taxes on Sales of Magazines and Newspapers***, is obsoleted with respect to sales occurring on and after July 1, 2004.

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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. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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SN 2004(3)  
Sales and use taxes  
2004 Legislation  
Issued: 07/16/2004

**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 inquiries 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. Only forms (not publications) are available through TAX-FAX.
- **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, estimated corporation tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at **[www.ct.gov/DRS](http://www.ct.gov/DRS)** and click on *File/Register OnLine*.
- **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/Register OnLine*.