



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

SN 2011(9)

25 Sigourney Street Ste 2  
Hartford CT 06106-5032

SPECIAL NOTICE

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## 2011 Legislative Changes Affecting Sales and Use Taxes

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**Purpose:** This Special Notice summarizes legislative changes made during the 2011 regular session of the Connecticut General Assembly affecting sales and use taxes.

**Important Note:** As taxpayers are aware, the General Assembly made numerous legislative changes affecting the Sales and Use Tax. The Department has and continues to receive questions regarding these changes. In an effort to provide guidance, the Department is issuing this special notice. This publication will be updated as further guidance is developed.

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**Effective Date:** As noted below.

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**Statutory Authority:** 2011 Conn. Pub. Acts 6; 2011 Conn. Pub. Acts 61; Conn. Gen. Stat. § 12-408(1).

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**New Tax Rates:** The following tax rates are in effect as of July 1, 2011:

- The general sales and use tax rate increases from 6% to 6.35%;
- The room occupancy tax increases from 12% to 15%;
- The tax on the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less increases from 6% to 9.35%;
- A tax rate of 7% applies to the following:
  - Most motor vehicles with a sales price of more than \$50,000. Please see **Special Notice 2011 (10)**, *2011 Legislative Changes Affecting Motor Vehicles*, for additional guidance/full details regarding the tax changes affecting motor vehicles.
  - Vessels with a sales price of more than \$100,000. Note: As provided in Conn. Gen. Stat. §12-430(4), the sales price of a vessel is not changed or otherwise

impacted by a trade-in, but instead is adjusted by the amount allowed for a trade-in. Therefore, if the sales price of a vessel exceeds \$100,000 prior to the application of a trade-in; the transaction is subject to tax at the rate of 7%.

- Items of jewelry, whether real or imitation, with a sales price of more than \$5,000; and.
- Articles of clothing or footwear intended to be worn on or about the human body, or a handbag, luggage, umbrella, wallet or watch, with a sales price of more than \$1,000

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**Services Now Subject to the Sales and Use Taxes:** Effective July 1, 2011, sales of the following services are taxable:

- Services rendered in the voluntary evaluation, prevention, treatment, containment or removal of hazardous waste or other contaminants of air, water or soil are included as taxable services to industrial, commercial or income-producing real property;
- Valet parking provided at any airport;
- Yoga instruction provided at a yoga studio is taxable as a health and athletic club service. Note: A studio, like a club, is a fixed interior location substantially dedicated to yoga instruction ;
- Motor vehicle storage services, including storage of motor homes, campers and camp trailers;
- Packing and crating services, other than those provided in connection with the sale of tangible personal property by the retailer of such property;
- Motor vehicle towing and road services. Note: Towing and road services provided to motor clubs are taxable, however, membership fees by motor clubs are not taxable as a towing and road service;

- Intrastate transportation services provided by livery services, including limousines, community cars or vans, with a driver. Intrastate transportation services shall not include transportation by taxicab, motor bus, ambulance or ambulette, scheduled public transportation, nonemergency medical transportation provided under the Medicaid program, paratransit services provided by agreement or arrangement with the state or any political subdivision of the state, dial-a-ride services or services provided in connection with funerals;
- Pet grooming and pet boarding services, except if such services are provided as an integral part of professional veterinary services, and pet obedience services. Note: Pet daycare services provided outside the home are included in the scope of pet boarding services.
- Services in connection with a cosmetic medical procedure. "Cosmetic medical procedure" means any medical procedure performed on an individual that is directed at improving the individual's appearance and that does not meaningfully promote the proper function of the body or prevent or treat illness or disease. "Cosmetic medical procedure" includes cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins, and sclerotherapy. "Cosmetic medical procedure" does not include reconstructive surgery. "Reconstructive surgery" includes any surgery performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors or disease, including procedures to improve function or give a more normal appearance ;
- Manicure services, pedicure services and all other nail services, regardless of where performed, including airbrushing, fills, full sets, nail sculpting, paraffin treatments and polishes; and
- Spa services, regardless of where performed, including body waxing and wraps, peels, scrubs and facials. Note: Massage services by a licensed massage therapist remain nontaxable.

**Exemption for Equipment in Motor Vehicles Used by the Disabled:** The exemption for special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities is expanded to include such equipment when it has previously been installed in a motor vehicle that is

sold by a licensed motor vehicle dealer for use by a person with physical disabilities. The sales and use taxes do not apply to the portion of the sales price attributable to such equipment.

**Repealed Exemptions:** The following formerly exempt items become taxable for sales occurring on and after July 1, 2011:

- Clothing or footwear costing under \$50;
- Nonprescription drugs and medicines, including vitamin or mineral concentrates; dietary supplements; natural or herbal drugs or medicines; products intended to be taken for coughs, colds, asthma or allergies; antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antibacterial, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and any medication prepared to be used in the eyes, ears or nose. Note: Cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps and deodorants all remain taxable;
- Smoking cessation products; and
- Cloth or fabric for noncommercial sewing, including other items necessary in sewing that become component parts of clothing, and yarn for noncommercial use.

**Remote Affiliates:** Expands Connecticut law to provide that an out-of-state retailer will have nexus with Connecticut based on certain arrangements with remote affiliates located in Connecticut.

### **Transition Rules:**

**The following are the transition rules for Sales, Leases or Rentals of Tangible Personal Property:** The new 6.35%, 7% and 9.35% rates of tax are applicable to sales, leases or rentals of tangible personal property occurring on or after July 1, 2011, except that the new rates will not apply to any sale of tangible personal property under a binding sales contract without an escalator clause that was entered into prior to July 1, 2011, where delivery is made within 90 days after July 1, 2011.

With regard to leases of tangible personal property, the new 6.35% or 7% rates apply to lease payments due and owing on or after July 1, 2011. The following example illustrates how the transition rule applies to leases of tangible personal property:

**Example 1:** On January 1, 2011, an individual enters a 36-month lease for a motor vehicle with an agreed upon value of less than \$50,000. Under the terms of this lease, the first monthly payment was due January 15, 2011, and the last monthly payment is due December 15, 2013. Those lease payments due before June 30, 2011, are subject to sales and use taxes at the 6% rate. However, those lease payments that are due on or after July 1, 2011, are subject to tax at the 6.35% rate.

With regard to the rental of a passenger motor vehicle for a period of 30 consecutive calendar days or less where the rental period overlaps the effective date of the sales tax rate increase, the 6% rate applies to the portion of the rental term occurring on or before June 30, 2011 and the 9.35% rate applies to the portion of the rental term occurring on or after July 1, 2011. The following example illustrates how the transition rule applies to a short-term rental of a passenger motor vehicle:

**Example 2:** On June 28, 2011, an individual enters into a five-day rental agreement with a car rental company for a passenger motor vehicle. The sales tax rates apply to this rental as follows:

- The gross receipts attributable for the rental days of June 28, 29, and 30 are subject to sales and use tax at the 6% rate;
- The gross receipts attributable for the rental days of July 1 and 2 are subject to sales and use tax at the 9.35% rate.

**Gas and electricity:** As sales of gas and electricity are considered to be sales of tangible personal property for sales and use tax purposes, certain utility companies must calculate the taxes due for metered service periods that include days before and after the July 1, 2011 in accordance with the following example:

**Example 3:** If a meter is read on July 5, 2011, with 30 days in the service period since the previous reading, 25/30ths of the charges for the period will be subject to the tax at the 6% rate that was applicable before July 1, 2011. The remainder, or 5/30ths of the charges for the period, will be subject to the 6.35% rate applicable to sales for periods on and after July 1, 2011. These fractions will change for each meter reading date.

**The following are the transition rules for Sales of Services:** Payments made on or before May 4, 2011, for services provided before and after July 1, 2011, are not subject to additional tax.

Payments made after May 4, 2011, for services provided on or after July 1, 2011, are fully subject to tax.

Payments made after May 4, 2011, for services provided before and after July 1, 2011, are subject to tax at the 6.35% rate.

Payments made at any time, including payments for past due charges, for services provided during periods before July 1, 2011, are subject to the applicable sales and use tax rate in effect during the period or periods.

**The following is the transition rule for Room Occupancy:** Where the period of occupancy overlaps the effective date of the sales tax rate increase, the 12% rate applies to the portion of the occupancy term occurring on or before June 30, 2011 and the 15% rate applies to the portion of the occupancy term occurring on or after July 1, 2011. The following example illustrates how the transition rule applies to room occupancy with a term spanning July 1, 2011:

**Example 4:** On June 28, 2011, an individual checks into a hotel for a six-day stay. The tax rates apply to the room occupancy tax as follows:

- The gross receipts attributable for days of occupancy of June 28, 29, and 30 are subject to tax at the 12% rate;
- The gross receipts attributable for the rental days of July 1, 2 and 3 are subject to tax at the 15% rate.

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**Information for New Retailers:** If you or your business is not registered for sales tax and you sell any of the items or services described above, please consult **Informational Publication 2006(11), *Getting Started In Business***, for information on how to register as retailers and file sales and use tax returns.

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**Registering with DRS:** You may register as a retailer in a variety of ways. The fee to register is \$100, and you will be issued a Sales and Use Tax Permit that will be valid for five years.

**Online registration:** Save time and register for a Connecticut Tax Registration Number at your convenience when you file **Form REG-1, *Business Taxes Registration Application***, online using *Fast-File* through the ***Taxpayer Service Center (TSC)***. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS).

You will receive your tax registration number in the mail in about six days. You must pay the registration fee electronically by entering the account number and routing number for your checking or savings account. See Form REG-1 and applicable addenda for fee information.

**Mail in Registration: Complete** Form REG-1 and mail it to DRS at:

Department of Revenue Services  
PO Box 2937  
Hartford CT 06104-2937

You must include payment of the registration fee by check or money order with the application. You will receive your Connecticut tax registration number in the mail in five to six weeks.

**Walk-in Registration:** You may file Form REG-1 in person at DRS' main office at 25 Sigourney Street in Hartford, Connecticut. If you register in person, you must pay by check or money order. You must bring photo identification, such as a driver's license, with you. The application must be signed by the individual owner, partner, officer of the corporation, member of the limited liability company, or another who has written power of attorney to sign. If you apply in person, DRS issues a temporary seller's permit and assigns a Connecticut Tax Registration Number immediately. Once you have a temporary seller's permit, you may begin making sales. DRS will mail you your permanent Sales and Use Tax Permit.

**Effect on Other Documents:** The Department is in the process of identifying those documents affected by the legislative changes described herein, and will update those publications as soon as practicable.

**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 the Department of Revenue Services (DRS).

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**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).

Select **Option 6** to speak with a representative.

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

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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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**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](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose to get first-time filer information and filing assistance, or can 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.

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**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](http://www.ct.gov/DRS) and select e-alerts from the left navigation bar.

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