



Q & A on the Connecticut Individual Use Tax

Purpose: This Informational Publication answers commonly-asked questions about Connecticut individual use tax.

This Informational Publication has been updated to reflect legislation enacted during the 2016 regular session of the Connecticut General Assembly that affects Connecticut use tax filing and payment obligations.

Examples of taxable services include repair services to your television, motor vehicle, or computer; landscaping services for your home; and reupholstering services for your household furniture.

Legislation enacted in 2016 made certain goods and services exempt from sales and use taxes. See **Special Notice 2016(6)**, *Important Legislative Changes Passed in 2016 or Affecting 2016 Periods*.

1. What is use tax?

Use tax is the tax you are required to pay when you use a taxable good or service in Connecticut on which you did not pay sales tax to a retailer. The use tax is complementary to the sales tax. Together, the sales and use taxes treat purchases of taxable goods and services that are used in Connecticut equally, whether the goods and services are purchased within or outside Connecticut.

2. When is the use tax due?

Any individual who purchases taxable goods or services for use in Connecticut and does not pay Connecticut sales tax on such goods or services owes Connecticut use tax at the time said individual uses the goods or service in Connecticut. The Connecticut Use Tax may be paid at the time of purchase, but not later than April 15 for purchases made during the preceding calendar year.

For purchases made by a person engaged in a trade or business, see *Question 9*.

3. On what kinds of goods or services must I pay use tax?

You must pay use tax on taxable goods whether purchased, leased or rented, and taxable services. Examples of taxable goods include furniture, jewelry, automobiles, appliances, cameras, computers, and computer software.

4. What are the individual use tax rates?

The use tax rates for purchases of taxable goods or services are identical to the sales tax rates:

- 6.35% for most goods and services;
- 7.75% for luxury items including jewelry with a sales price of more than \$5,000 and most motor vehicles with a sales price of more than \$50,000;
- 9.35% for the rental or leasing of a passenger motor vehicle for 30 consecutive days or less; **and**
- 1% for computer and data processing services.

5. Are there exemptions from the use tax?

Yes. Generally, any purchase or lease of goods or services exempted from Connecticut sales tax is also exempted from Connecticut use tax. Some examples are newspapers, magazines by subscription, Internet access services and repair and maintenance services to vessels.

6. What if a Connecticut retailer does not collect tax on a sale of goods or services that is subject to Connecticut tax?

If a Connecticut retailer does not collect sales tax on a sale of taxable goods or services, you must remit the use tax liability for your purchases to the Department of Revenue Services (DRS).

7. How do I report use tax liability to DRS?

You are required to report your use tax liability on **Form OP-186**, *Connecticut Individual Use Tax Return*, **Form CT-1040**, *Connecticut Resident Income Tax Return*, or **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*, for purchases made during the preceding calendar year.

8. When must individuals pay use tax?

You must pay use tax no later than April 15 for purchases made during the preceding calendar year.

As explained in *Question 7* above, your use tax liability may be reported either on **Form OP-186**, **Form CT-1040** or **CT-1040NR/PY**. If you are not required to file a Connecticut income tax return, you must file and pay your use tax liability using Form OP-186 no later than April 15. You may file one Form OP-186 for the entire year or you may file several returns throughout the year.

9. Does a person engaged in a trade or business have to pay use tax on purchases made for use in the trade or business?

Yes. If the person makes purchases of taxable goods (such as office furniture, computers, and supplies) or services out-of-state for use in a trade or business in Connecticut, that person must register with DRS for business use tax purposes and report purchases on **Form OS-114**, *Sales and Use Tax Return*. See **Informational Publication 2015(16)**, *Q & A on the Connecticut Use Tax for Businesses and Professions*.

10. What if I buy taxable goods or services from an out-of-state mail-order company, television shopping channel, or over the Internet and the vendor does not charge Connecticut tax?

If you buy taxable goods or services for use in Connecticut and did not pay Connecticut sales tax, you owe and must remit use tax to Connecticut on those purchases.

11. Is an out-of-state merchant misleading me if he tells me I do not need to pay Connecticut tax on my purchase?

Yes. While you may not have to pay sales tax in the state where you bought the goods or services, you **must** pay Connecticut use tax on taxable goods or services purchased for use in Connecticut.

12. Can an out-of-state business, such as an online retailer, collect Connecticut use tax on taxable goods mailed or delivered into Connecticut?

Yes. If the business has registered to collect Connecticut use tax, it must collect the tax from you. If the business has not collected Connecticut use tax, you must report and pay the tax yourself.

13. What if I buy taxable goods or services in another state and the vendor charges sales tax for the other state?

If you purchased the goods or services for use in Connecticut and the sales tax paid to the other state is less than the Connecticut use tax, you must report and pay the difference between the Connecticut tax and the tax paid to the other state. If the sales tax paid correctly to the other state is equal to or more than the Connecticut tax, you owe no use tax to Connecticut. There is no credit given for tax paid to another state when that state's tax rate exceeds Connecticut's tax rate or if the tax was incorrectly paid to another state.

Example: A business purchased a \$1,000 computer in another state, and paid \$50 ($\$1,000 \times 5\%$) tax to that state. If the business bought the computer for use in Connecticut, it owes Connecticut use tax. The Connecticut tax of \$63.50 ($\$1,000 \times 6.35\%$) is reduced to \$13.50, after allowing \$50 credit for the tax paid to the other state. If no tax was paid to the other state, the Connecticut use tax is \$63.50.

14. Do I owe Connecticut use tax on all my out-of-state purchases of goods that are taxable in Connecticut?

No. If all the goods purchased and **brought into** Connecticut at one time total \$25 or less, you do not have to pay Connecticut use tax. The \$25 exemption does not apply to goods **shipped or mailed** to you.

15. What are the use tax filing requirements for motor vehicles, snowmobiles, vessels, and aircraft?

Generally, if the item is not purchased from a retailer, the Connecticut Department of Motor Vehicles collects the use tax when you register a motor vehicle, snowmobile, or vessel. You must report the use tax liability on aircraft on your Connecticut income tax return or on **Form OP-186**.

If you do not intend to register your motor vehicle, snowmobile, or vessel immediately after you purchase it, you must report the use tax liability for purchases made during the prior calendar year on your Connecticut income tax return or **Form OP-186**. If the purchase is made in connection with a trade or business carried on by an individual, see *Question 9*.

16. How does an individual calculate their use tax liability?

Calculate the use tax by multiplying the total cost of the taxable goods or services purchased, including separately stated charges such as shipping and handling, by the applicable tax rate.

17. Are there penalties and interest for not paying the use tax?

Yes. The penalty is 10% of the tax due. Interest is charged at the rate of 1% per month from the due date of the tax return. There are also criminal sanctions for willful failure to file a tax return.

18. What if I do not report and pay the use tax I owe?

You or your preparer must sign and attest that your income tax filing is “true, complete and correct.” That includes calculating and reporting all purchases of goods or services, whether in Connecticut or from outside the state, on which Connecticut sales tax was due but not paid. Failure to report use tax due and include that amount in the total amount due may subject you to a penalty of up to \$5,000, imprisonment for up to 5 years, or both.

Effect on Other Documents: This Informational Publication modifies and supersedes **Informational**

Publication 2015(21), Q & A on the Connecticut Individual Use Tax.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently-asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For More 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 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.
