



450 Columbus Blvd Ste 1  
Hartford CT 06103-1837

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POLICY STATEMENT

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## The Tourism Account Surcharge

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**Purpose:** This Policy Statement has been updated to reflect recent legislative changes. Effective January 1, 2018, the 3% surcharge on rentals of passenger motor vehicles and rental trucks is no longer imposed.

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**Effective Date:** Upon issuance.

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**Statutory Authority:** Conn. Gen. Stat. §§ 12-665 through 12-668 and § 12-692, as amended by Public Acts 2017, No. 17-2, (June Spec. Sess.) § 653.

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### Part I. Tourism Account Surcharge

**Definitions:** As used in this Policy Statement and for purposes of the tourism account surcharge:

**Passenger motor vehicle** means every vehicle that is a passenger motor vehicle, as defined in Conn. Gen. Stat. § 14-1(68). That definition provides that a passenger motor vehicle is “a motor vehicle used for the private transportation of persons and their personal belongings, designed to carry occupants in comfort and safety, with a capacity of carrying not more than ten passengers including the operator thereof.”

**Lessor** means any person licensed by the Connecticut Department of Motor Vehicles (DMV) under Conn. Gen. Stat. § 14-15 to engage in the business of leasing or renting motor vehicles without drivers in this state.

**Day** means each day, or portion of a day, for which a lessor charges a lessee for the lease or rental of a passenger motor vehicle. For example, a lessee rents a passenger motor vehicle on 8 a.m. one day, and returns it before 8 a.m. the following day. If the lessor charges one day’s rental to the lessee, the lessor imposes a \$1 surcharge only, even though the rental period includes a portion of two calendar days.

**Imposition of the Tourism Account Surcharge:** A \$1 per day tourism account surcharge is imposed on every lessor for the rental or lease of a passenger motor vehicle, if the vehicle is delivered to a lessee in Connecticut for a period of 30 consecutive calendar days or less.

The surcharge applies regardless of where the vehicle is subsequently used or ultimately dropped off. The tourism account surcharge is added to the total amount that the lessor charges for the rental of the vehicle. The Connecticut sales tax is not charged or collected on the tourism account surcharge.

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**Filing of Return and Payment of the Tourism Account Surcharge:** On or before the last day of the month following the end of each calendar quarter, each lessor must file **Form OP-337, Tourism Account Surcharge Return on the Rental/Leasing of Passenger Motor Vehicles**, with the Department of Revenue Services (DRS). The lessor lists on Form OP-337 the number and rental period of all passenger motor vehicles leased during the preceding reporting period and the amount of tourism account surcharge for the period. If the total tourism account surcharge liability for the twelve-month period ending on September 30 was \$4,000 or more, DRS may require the lessor to file returns and pay the tourism account surcharge on a monthly basis.

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**Rentals Not Subject to Tourism Account Surcharge:** If a passenger motor vehicle is delivered to a lessee outside Connecticut or if the rental is for a term of more than 30 consecutive calendar days, the rental is **not subject** to the tourism account surcharge, regardless of where the vehicle is subsequently used or ultimately dropped off.

In addition, if a lessee rents a passenger motor vehicle from a person that is *not* a lessor or rents a motor vehicle *other than* a passenger motor vehicle, the rental is **not subject** to the tourism account surcharge.

**United States Government:** A rental of a passenger motor vehicle by an agency of the US government is **not subject** to the tourism account surcharge as long as the agency (and not one of its employees) is the lessee.

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**United States Government Employees:** The rental of a passenger motor vehicle by an employee of a US government agency is **subject** to the tourism account surcharge unless the rental company directly invoices and charges the agency for the rental and the agency directly pays the rental company for the rental. The agency must pay with a check drawn on its own account or with a credit card issued in its name (and not in the name of one of its employees, unless the credit card is an exempt “GSA SmartPay 3” card). A rental of a passenger motor vehicle by an employee of a US government agency using an exempt “GSA SmartPay 3” credit card issued in the name of the employee may not be subject to the tourism account surcharge. Refer to **Policy Statement 2019(1), Retailer's Acceptance of US Government "GSA SmartPay 3" Charge Cards for Exempt Purchases**, for additional information.

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**Foreign Missions and Mission Personnel:** Subject to the conditions in **Policy Statement 2015(1.1), Sales and Use Tax Exemptions for Foreign Missions and Mission Personnel**, the rental of a passenger motor vehicle to foreign missions and mission personnel is **not subject** to the surcharge.

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**All Other Rentals Subject to the Tourism Account Surcharge:** All other leases or rentals of passenger motor vehicles for a term of 30 consecutive calendar days or less are subject to the tourism account surcharge. This includes leases or rentals that are exempt from sales and use taxes, such as leases or rentals to an agency of the State of Connecticut (or an employee of the agency), a Connecticut municipality (or an employee of the municipality), or a tax-exempt organization.

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## Part II. Rental Surcharge

Beginning on January 1, 2018, the 3% surcharge on rentals of passenger motor vehicles and rental trucks is no longer imposed. Instead, rental companies have the option to charge individually itemized charges or fees on such rentals for a period of less than 31 days.

These charges or fees are subject to sales and use taxes. Such charges or fees may include, but are not limited to, a vehicle cost recovery fee, airport access fee, or airport concession fee.

Beginning with the 2018 calendar year, only companies that rent pieces of machinery must file a consolidated report with DRS and remit the rental surcharge.

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## Part III. Application of the Tourism Account Surcharge and the Sales and Use Taxes

### Where the Tourism Account Surcharge Applies:

- A new car dealer, repairer, or limited repairer that is licensed or required to be licensed by DMV under Conn. Gen. Stat. § 14-52 and that is also licensed by DMV to lease or rent motor vehicles under Conn. Gen. Stat. § 14-15 must collect the tourism account surcharge on its motor vehicle rentals or leases.
- A used car dealer that is licensed or required to be licensed by DMV under Conn. Gen. Stat. § 14-52 and that is also licensed by DMV to lease or rent motor vehicles under Conn. Gen. Stat. § 14-15, but that is not primarily engaged in the business of renting passenger motor vehicles without drivers in Connecticut to lessees, must collect the tourism account surcharge on its rentals or leases of passenger motor vehicles.

The tourism account surcharge is not included in the amount on which the sales tax must be charged or collected.

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### Amounts to Which Sales and Use Taxes Apply:

- Rental charges to which sales and use taxes apply under Conn. Agencies Regs. § 12-426-25(c) include, but are not limited to: maintenance and service charges, cancellation charges, and transportation charges for delivery to the lessee, whether or not these amounts are separately stated. Rental charges to which sales and use taxes do not apply under Conn. Agencies Regs. § 12-426-25(c) include the cost of gasoline or insurance when these amounts are separately stated and the lessee has the option to either accept or reject the rental company's offer.
- Individually itemized charges or fees by rental companies on rentals of passenger motor vehicles and rental trucks for a period of less than 31 days are subject to sales and use taxes. Such charges or

fees may include, but are not limited to, a vehicle cost recovery fee, airport access fee, or airport concession fee.

- The tourism account surcharge is not included in the amount on which sales and use taxes must be collected.

The sales tax rate of 9.35% applies to the rental or lease of a passenger motor vehicle for a period of 30 consecutive calendar days or less.

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**Example:** A rental company rents a passenger motor vehicle to a lessee for five days. The total amount that the rental company charges the lessee for the rental of the motor vehicle is \$40 per day.

Application of the sales tax and tourism account surcharge:

Rental charge (\$40 multiplied by 5 days)	\$200.00
Amount on which sales tax must be charged and collected	\$200.00
Sales tax (9.35%, or .0935 multiplied by \$200)	+ 18.70
Subtotal	\$218.70
Tourism account surcharge (\$1 multiplied by 5 days)	+ 5.00
Total	\$223.70

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**Effect on Other Documents:** Policy Statement 2002(5), *The Motor Vehicle Rental Surcharge and the Tourism Account Surcharge*, is modified and superseded and may not be relied upon on or after the date of issuance of this Policy Statement.

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PS 2019(2)  
Sales and Use Taxes  
Tourism Account Surcharge  
Issued: 03/07/2019

**Effect of This Document:** A Policy Statement is a document issued by DRS that explains in depth a current position, policy, or practice affecting the tax liability of taxpayers.

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

- **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.

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**Forms and Publications:** Visit the DRS website at [portal.ct.gov/DRS](http://portal.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 [portal.ct.gov/TSC](http://portal.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. Choose 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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