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SPECIAL NOTICE

2013 Legislative Changes Affecting Sales and Use Taxes

Purpose: This Special Notice summarizes legislative changes made during the 2013 regular session of the Connecticut General Assembly affecting sales and use taxes.

Effective Date: As noted below.

Statutory Authority: 2013 Conn. Pub. Acts 150, §§4 and 5; 2013 Conn. Pub. Acts 151, §§1 and 2; 2013 Conn. Pub. Acts 184, §§77 through 82.

State Tax Payment Is a Condition of Being Issued a License: Effective July 1, 2013, if the Connecticut Department of Revenue Services (DRS) determines that taxes are owed to the State of Connecticut and that all administrative or judicial remedies are exhausted or have lapsed, DRS will not issue or renew a license or seller's permit until the applicant pays the taxes or makes an arrangement with DRS to pay the taxes.

This legislation also applies to cigarette dealer's, distributor's, or manufacturer's licenses, and to tobacco products distributor's and unclassified importer's licenses.

Seller's Permit Compliance: Effective July 1, 2013, penalties will be imposed for failure to obtain or renew a seller's permit. A penalty of \$250 applies for the first day the person engages in business without a seller's permit, and a penalty of \$100 for each following day that the person engages in business without a seller's permit. The penalty may be waived if the person proves that the failure to obtain or renew the seller's permit was due to reasonable cause and was not intentional or due to neglect.

Vessels: Beginning in October 2013, the sales tax exclusion for otherwise taxable vessel mooring and storage services is expanded to include the period

from the first day of October through the last day of May.

Effective for sales occurring on and after July 1, 2013, sales of vessels that will be docked in Connecticut for 60 or fewer days in a calendar year are exempt from sales and use taxes.

Effective for sales occurring on and after July 1, 2013, sales of vessels with a sales price exceeding \$100,000 are taxable at the 6.35% rate, instead of the 7% rate.

Exemption for Clothing and Footwear:

Effective for sales occurring on and after June 1, 2015, the exemption for sales of any article of clothing or footwear intended to be worn on or about the human body costing under \$50 is reinstated. Clothing or footwear qualifying for exemption do not include:

- Special clothing or footwear primarily designed for athletic activity or protective use that is not normally worn except when used for the athletic activity or protective use for which it was designed; **and**
- Jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption.

Although the exemption for articles of clothing and footwear costing less than \$50 will not be available until June 1, 2015, the one-week exclusion for clothing and footwear costing less than \$300 per item from the third Sunday in August through the following Saturday remains in effect for 2013.

Certain Retailers Must Remit Sales Tax Electronically:

Effective for taxable periods beginning on or after October 1, 2013, and before April 1, 2014, where a taxpayer owing sales tax is delinquent as described in Conn. Gen. Stat. §12-7a, DRS may require the taxpayer to remit sales tax

electronically on sales made using consumer credit or debit cards, or made by electronic transfer. DRS must notify the taxpayers in writing on or before October 1, 2013, and must provide a complete listing of all DRS-approved processors of consumer credit or debit card payments or electronic transfers. A taxpayer that fails to comply with these provisions is subject to any and all penalties imposed under sales and use tax law, including revocation of its seller's permit.

Collection of Sales Tax by Cigarette Stampers and Nonstamping Distributors:

Effective for sales occurring on and after July 1, 2013, cigarette stampers and nonstamping distributors must collect sales tax on sales of cigarettes to licensed dealers, regardless of whether the dealer furnishes a resale certificate. Tax must be separately stated on invoices to dealers.

Stampers and nonstamping distributors will report and remit the tax collected from licensed dealers on their sales tax returns.

When a licensed dealer sells cigarettes, it must collect and remit sales tax on the sales price it charges its customers. However, when the licensed dealer files its sales tax return, it will deduct the purchase price of cigarettes on which it paid sales tax to the stamper or nonstamping distributor on the back of the return.

Effect on Other Documents: Informational Publication 2006(12), *Q&A on Purchases of Vessels*, is modified and superseded to the extent it addresses the exclusion from boat mooring and storage services.

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 DRS.

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).

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

Forms and Publications: Visit the DRS website at www.ct.gov/DRS 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 *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.
