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SPECIAL NOTICE

Legislative Changes Passed in 2017 Affecting Admissions Tax, Room Occupancy, Sales and Use Taxes, Transportation Network Company Fee, Dry Cleaning Surcharge, and Rental Surcharge

Effective Dates: The effective dates for these legislative changes are provided below.

Admissions Tax

Exemptions Have Ended: Charges for admission to an athletic event presented by a member team of the Atlantic League of Professional Baseball at the Ballpark at Harbor Yard in Bridgeport were exempt from July 1, 2015 to June 30, 2017. Such admission charges are taxable on and after **July 1, 2017**.

Conn. Gen. Stat. § 12-541(a), as amended by 2015 Conn. Pub. Acts 244, § 216.

Effective **December 1, 2017**, charges for admission to the XL Center in Hartford, the Webster Bank Arena in Bridgeport, the Dunkin’ Donuts Park in Hartford, and athletic events presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium are taxable. The exemption still applies to tickets paid in full before December 1, 2017, for events occurring on or after that date.

Conn. Gen. Stat. § 12-541(a), as amended by 2017 Conn. Public Acts 2 (June Spec. Sess.), § 627.

Changes that Apply to Sales and Use Taxes and Room Occupancy Tax

Seller’s Permit Renewals: Beginning **October 1, 2017**, seller’s permits must be renewed every two years. Prior to this date, permits were required to be renewed every five years. The change applies to new permits issued on or after October 1, 2017, and renewed permits with an expiration date of November 30, 2017, or later.

Conn. Gen. Stat. § 12-409(c), as amended by 2017 Conn. Pub. Acts 147, § 3.

Weekly Remitters: The legislation made a number of changes for delinquent taxpayers that are required to become weekly remitters. Effective **January 1, 2018**, the Department of Revenue Services (DRS) may require that weekly remitters either:

1. Deposit tax on a weekly basis in a separate trust account, from which DRS may demand payment of any delinquent tax from the financial institution holding the trust account, or
2. Contract with a certified service provider that will remit the tax to DRS. A *certified service provider* is any service provider certified by the Streamlined Sales Tax Governing Board.

Conn. Gen. Stat. § 12-414, as amended by 2017 Conn. Pub. Acts 147, § 4.

Room Occupancy Tax

Bed and Breakfast Establishments: Transfers of occupancy for a period of 30 days or less in bed and breakfast establishments are taxable at the rate of 11% on or after **October 1, 2017**. A *bed and breakfast establishment* is defined as any private operator-occupied house, other than a hotel or lodging house, with 12 or fewer rooms in which persons are lodged for hire and a full morning meal is included in the rent.

Lodging Houses: The definition of lodging houses was updated to specifically include furnished residences. Transfers of occupancy for a period of 30 days or less in furnished residences are subject to room occupancy tax at the rate of 15%. See **Policy Statement 2017(3), Room Occupancy Tax on Short-Term Home Rentals**, for more information.

“American Plan”: The term *American Plan* means packages or special price arrangements under which a guest receives lodging and meals at a fixed price. Before this legislation, a portion of the charges paid by the guest was the purchase price of meals and was subject to sales and use taxes. The balance of the

charges paid by the guest was rent for the occupancy of a room and was subject to the room occupancy tax. On or after **October 1, 2017**, the price paid under the “American Plan” can no longer be apportioned between meals and lodging. Instead, the entire amount is subject to room occupancy tax.

Conn. Gen. Stat. § 12-407(a), as amended by 2017 Conn. Pub. Acts 147, § 14; Conn. Gen. Stat. § 12-408(1)(B), as amended by 2017 Conn. Pub. Acts 147, § 12; Conn. Gen. Stat. § 12-411(1)(B), as amended by 2017 Conn. Pub. Acts 147, § 13.

Sales and Use Taxes

“7/7 Program”: Taxpayers that own a brownfield that was not polluted by them or real property that has been abandoned or underutilized for ten or more years may be eligible to participate in the “7/7 program,” which will be established by the Department of Economic and Community Development (DECD). The program is effective for taxable and income years commencing on and after January 1, 2017. Among the benefits that will be available under the program is an exemption from sales and use taxes for any item purchased for use in the ordinary business of a participant at a 7/7 site in the first seven calendar years from the date the 7/7 participant initiates business operations at the site.

2017 Conn. Pub. Acts 2 (June Spec. Sess.), § 168.

Exempt Sales between Affiliates: The definition of “controlling interest” in Conn. Gen. Stat. § 12-412(62) is amended to expand the exemption for sales of services between affiliates for certain entities:

(1) for a corporation engaged in the media business with its principal place of business in the state, on and after **July 1, 2019**, “controlling interest” means ownership of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of such corporation, and

(2) for a single member limited liability company where the single member is a corporation that is engaged in the media business and has its principal place of business in the state, on and after **July 1, 2019**, “controlling interest” means indirect ownership of at least 80% of such single member.

Conn. Gen. Stat. § 12-412(62), as amended by 2017 Conn. Pub. Acts 2 (June Spec. Sess.), § 640.

Accumulated Credit Programs: Participating taxpayers may be eligible to claim certain accumulated corporation business tax credits against sales and use taxes under two DECD programs. The total amount of

credits that may be utilized under these two programs may not exceed \$50 million.

Credit Exchange Program. DECD may permit taxpayers that have unused Research and Development credits under Conn. Gen. Stat. § 12-217n to utilize such credits against the corporation business tax (in excess of the standard limitations of Conn. Gen. Stat. § 12-217zz) and sales and use taxes in exchange for undertaking certain capital projects in the state. Before a taxpayer may use its credits under this program, it must first be approved by DECD and its capital projects must generate revenues for the state in excess of the amount of the credits that it will use.

Credit Auction Program. DECD may conduct auctions for, or enter into agreements with, taxpayers that have unused Research and Development credits under Conn. Gen. Stat. § 12-217n or Research and Experimental credits under Conn. Gen. Stat. § 12-217j. Beginning on **July 1, 2020**, successful bidders, and other eligible taxpayers that contract with DECD, will be allowed to use such credits against the corporation business tax (in excess of the standard limitations of Conn. Gen. Stat. § 12-217zz) and sales and use taxes in exchange for making certain investments in businesses in the state.

Credits allowed under this program may be sold, assigned or otherwise transferred, in whole or in part.

2017 Conn. Pub. Acts 2 (June Spec. Sess.), §§701-703.

Transportation Network Company Fee

Effective **January 1, 2018**, each transportation network company must pay a fee of twenty-five cents on each prearranged ride that originates in Connecticut.

“Transportation network company” means a company, corporation, partnership, trust, association, sole proprietorship or similar organization that operates in Connecticut and uses a digital network to connect transportation network company riders to transportation network company drivers to provide prearranged rides. “Transportation network company” does not include the holder of a certificate of public convenience and necessity to operate a taxicab or the holder of a permit to operate a motor vehicle in livery service.

“Prearranged ride” means transport by a transportation network company driver of a transportation network company rider, (A) beginning when the driver accepts a request from the rider through a digital network, (B) continuing while the driver transports the rider, and (C) ending when the last rider exits the transportation network company vehicle.

On or before the last day of the month following each calendar quarter, each transportation network company must: (1) File a return electronically for the preceding period with DRS; and (2) make payment of the fees by electronic funds transfer.

2017 Conn. Public Acts 2 (June Spec. Sess.), § 654.

Dry Cleaning Surcharge

“Drop Stores” No Longer Collect Surcharge:

Effective for calendar quarters commencing on or after **October 1, 2017**, the 1% dry cleaning surcharge is no longer required to be collected by “drop stores,” which are establishments that do not perform any dry cleaning and only accept clothing or other fabrics to be dry cleaned by another establishment.

Conn. Gen. Stat. § 12-263m, as amended by 2017 Conn. Pub. Acts 147, § 26.

Rental Surcharge

Beginning on **January 1, 2018**, the 3% surcharge on rentals of passenger motor vehicles and rental trucks is repealed. Instead, rental companies have the option to charge individually itemized charges or fees on such rentals for a period of less than 31 days. 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 surcharge.

Conn. Gen. Stat. § 12-692, as amended by 2017 Conn. Public Acts 2 (June Spec. Sess.), § 653.

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

SN 2017(10)
Admissions Tax
Sales and Use Taxes
Room Occupancy Tax
Transportation Network Company Fee
Surcharges
Issued: 12/21/2017

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).

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/DRS/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 Email Service: Get connected to the latest DRS news including new legislation, policies, press releases, and more. 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.