
DRS Will Consider Alternate Methods for Exempt Purchasers to Establish that Purchases Were Made from Its Own Funds

Purpose: The purpose of this notice is to provide qualifying exempt organizations with additional information and guidance relative to the various sales and use tax exemption certificates used by said organizations. More specifically, and as explained in the “Supplemental Guidance” section below, the Department of Revenue Services (DRS) has clarified the types and forms of payments that exempt organizations can use to make purchases using these certificates. Additionally, the various certificates that are supplemented by this notice are listed below.

Supplemental Guidance: Currently, the instructions to the various sales and use tax exemption certificates listed below provide that a seller may accept a check drawn on the checking account issued in the name of the exempt organization or a credit card issued in the name of the organization as the only forms of payments for purchases made using said certificates. To that end, these sales and use tax exemption certificates contain language, which, in pertinent part, provides as follows:

An exempt organization must pay for its exempt purchases by a check drawn on its checking account or by a credit card issued in its name (and not in the name of any of its members or officers). An exempt organization may make a purchase of \$10 or less using cash from the organization’s own funds.

Given the financial and technological advancements that have been made since these certificates were initially promulgated, the DRS recognizes that there are other methods for an exempt organization to establish that the purchases it is making using these certificates were paid for from its funds. Accordingly, the DRS will consider alternatives to such forms of payment.

So as to be clear, this guidance does not alter the requirement that an exempt organization must establish that the funds used to make purchases using these certificates are those of the exempt organization. Rather, if an exempt organization is paying for such a purchase with other than a check drawn on its account or by a credit card issued in its name, the DRS will evaluate the specific facts and circumstances surrounding said form of payment and determine whether they affirmatively establish the source of the funds used to pay for said transaction.

The following DRS Sales and Use Tax Exemption Certificates Are Impacted by this Guidance:

- **CERT-112**, *Exempt Purchases of Meals or Lodging by Exempt Entities*
- **CERT-113**, *Purchases of Tangible Personal Property and Services by Certain Hospitals, Nonprofit Nursing Homes, Nonprofit Rest Homes, or Nonprofit Residential Care Homes*
- **CERT-119**, *Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*
- **CERT-122**, *Refund of Tax Paid on Purchases of Meals or Lodging by Exempt Entities*
- **CERT-123**, *Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by Exempt Entities*
- **CERT-134**, *Exempt Purchases by Qualifying Governmental Agencies*
- **CERT-136**, *Purchases of Items by Eleemosynary Organizations and Schools That Will be Resold Tax-Exempt for \$20 or Less*

For additional information regarding this update or questions on alternate methods that DRS will consider for purposes of this update, call or email the DRS Taxpayer Services Division at: **860-297-5962** or DRS@ct.gov

Effective Date: Upon issuance.

Effect on Other Documents: None.

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E-Services Update

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