

# Connecticut Tax News

quarterly

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## From The Commissioner *Gene Gavin*

### Tax changes a DRS priority

As the new fiscal year approaches, DRS is hard at work implementing the many changes in Connecticut tax laws that will take effect July 1 and in the following twelve months and beyond. Although the short 2000 session of the General Assembly was primarily to make minor adjustments to the two-year state budget, Governor John Rowland and our legislators once again built the bipartisan bridges necessary for

leadership in strong tax policy. Together, the \$171 million in tax cuts will have positive benefits to individual taxpayers and Connecticut

businesses and continue to drive our state economy into the powerhouse it is now and can continue to be for the future.

Prior to and during the legislative session, DRS staff are called upon to contribute research on tax policy and data to the Governor's Office, Office of Policy and Management, and members of the General Assembly. This body of knowledge is crucial to our elected officials to enable them to accomplish their goals. I want to thank our staff for their excellent work and professionalism throughout the busy session.

► COMMISSIONER, page 2



picture not available in PDF version

## New Employer's Tax Guide Now Available

In mid-June, DRS will mail **Informational Publication 2000(11), Connecticut Circular CT, Employer's Tax Guide**, to all Connecticut employers, payroll companies, and software development firms. **IP 2000(11)** updates the withholding requirements, tables, and forms previously included in **IP 92(8.4)**.

**IP 2000(11)** includes new withholding tables which reflect the increased personal exemption and credit available to single employees under 1999 Conn. Pub. Acts 173, §§5 and 6, as  
► **2000 Withholding Guide**, page 3

## Gavin Speaks at Georgetown University's Advanced State and Local Tax Institute

On May 18, 2000, Commissioner Gene Gavin spoke at the 23<sup>rd</sup> Annual Advanced State and Local Tax Seminar in Washington D.C. The seminar was sponsored by the Georgetown University Law Center.

Commissioner Gavin took part in a roundtable discussion with key Tax Administrators from Delaware and Illinois. The roundtable discussion was moderated by Harley T. Duncan, Executive Director of the Federation of Tax Administrators,

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## New DRS Chief Of Staff

Tina M. Lawson has been appointed Chief of Staff for DRS. Ms. Lawson has worked for the State of Connecticut since 1978, starting her public service career at the Department of Mental Health. She has held various senior management positions, serving at the Department of Administrative Services as Director of Human Resources for the State of Connecticut and as Chief of Administration for the Department of Environmental Protection. She has also worked on various statewide projects, including the initiative to outsource all information technology services.

Ms. Lawson spent her first few weeks at DRS meeting with the Process Group Leaders to understand the agency business plan and current

► **Lawson**, page 3

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

We have briefly summarized many of the tax changes in this issue, but I would like to highlight a few here as a demonstration of the scope of tax changes. Be sure to read about the six-year phaseout of the gift tax (see page 7), accelerated phaseout of Internet access charges, and clarification of taxation of computer software (see **SN 2000(3)**, *2000 Legislation Affecting Sales and Use Taxes and Admissions and Dues Tax*). Consumers in every income bracket will be immediately enjoying the tax relief of the expanded sales tax exemption (to purchases under \$75) on clothing and the 7-cent per gallon gas tax cut. The annual week free of sales tax on clothes and footwear under \$300 should be especially welcome for families. Scheduled for August 20-26 this year, it will provide a special back-to-school break. Connecticut manufacturing is getting a big economic boost with the change to a single factor apportionment formula for corporation business tax. Effective for 2001

### Commissioner

from page 1

income years, corporation tax will be calculated on sales only rather than the current formula based on sales (double-weighted), payroll and property. In prior issues of *Connecticut Tax News*, I described the study committee DRS formed to research this tax policy at the request of Speaker of the House Moira Lyons. We are especially pleased and proud to have played a key role in developing this exciting and leading edge legislation.

Be sure to check our Web site ([www.drs.state.ct.us](http://www.drs.state.ct.us)) frequently for the latest releases of complete administrative pronouncements regarding new tax measures. As policy statements, special notices, announcements, and revised tax returns are approved, they will be posted. I also want to remind you that our DRS E-News, a free, e-mail subscriber service, will alert you to new releases, with links to the documents. To become a

subscriber, simply log on to our Web site and register. As always, our Taxpayer Services Representatives are available to answer your specific questions about tax law changes. Call toll-free, 1-800-382-9463, between 8:00 a.m. and 5:00 p.m., Monday through Friday.

### Goodbye and Hello ...

In March, DRS sadly said goodbye to Joe Mooney, who resigned as Chief of Staff after more than six years in the post. We wish him well in his future endeavors. However, I am very pleased to welcome Tina Lawson as our new Chief of Staff. Tina brings extensive management experience to DRS (see interview, page 11) that will be critical as we move ahead with our Integrated Tax Administration System and fulfill our Business Plan goals. As the newest member of the DRS executive team, Tina is already well on the way to helping us solidify our reputation for excellence in state tax administration. Please extend a warm hello to Tina when you have the opportunity.

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### Georgetown Seminar, from page 1

and Bobby L. Burgner, Senior Tax Counsel for General Electric Company. Among the issues discussed were new legislation and the status of litigation issues.

During his introductory comments, Commissioner Gavin received applause for his remarks about the substantial tax reductions that have taken place in Connecticut during his tenure as Commissioner under the Rowland Administration.

Commissioner Gavin also took the

opportunity to encourage the audience to use the Department's Web site and subscribe to DRS E-News.

Commissioner Gavin then updated those in attendance about the outcome of some significant cases in Connecticut over the last year, including the Department's victory in *Chase Manhattan Bank v. Gavin*. Commissioner Gavin also explained that Connecticut is attracting national attention with *America Online v. Gavin*, where the issue is the

applicability of Connecticut's sales and use tax to AOL's services, which Connecticut deems to be computer and data processing services.

Commissioner Gavin also summarized some of the recently enacted legislation in Connecticut. Included among the provisions highlighted by Commissioner Gavin were: the new single-factor apportionment for manufacturers and broadcasters, the new sales tax provision where clothing and footwear under \$300 will not be taxable in Connecticut from the third Sunday in August to the following Saturday annually, and the increase in the exemption from sales tax for most items of clothing and footwear from \$50 to \$75.

When asked about his participation in the Advanced State and Local Tax Institute, Commissioner Gavin said that "being asked to participate in such a prestigious event shows that Connecticut continues to be recognized nationally as a leading model in state tax policy and service excellence."

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### DRS and IPT Offer Tax Seminar

The Department of Revenue Services and the Institute of Professionals in Taxation (IPT) will present their third annual state tax seminar on September 14, 2000, from 8:30 a.m. to 4:30 p.m. at the Radisson Hotel and Conference Center on Route 372 in Cromwell.

DRS speakers will explain legislative changes and discuss issues covering audit programs and procedures, tax credits, sales tax, and other taxes.

Registration materials will be available in July on the DRS Web site

[www.drs.state.ct.us](http://www.drs.state.ct.us)

You may also contact Joan Testori, Taxpayer Services, at 860-297-4992 or by e-mail at [joan.testori@po.state.ct.us](mailto:joan.testori@po.state.ct.us)

**Lawson, from page 1**

issues. She has also toured the units and met several hundred staff, emphasizing that each employee's contribution is vital to providing quality service. To date, Ms. Lawson sees implementation and management of a new Integrated Tax Administration System (ITAS) as her most exciting challenge. ITAS will improve revenue collection, reduce cost, and improve customer service. She believes it is

important to welcome change, not change just for the sake of change, but for the sake of "cents."

In her free time, Tina enjoys spending time with family and friends, restoring her 1783 home, gardening, and antiques. When the snow falls, you'll find her heading south to her home in Clearwater, FL, whenever possible to enjoy the beach and perhaps even a little fishing. Tina remarked that employees have warmly welcomed her and she looks

forward to meeting and working with everyone.

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**2000 Withholding Guide, from page 1**

amended by 2000 Conn. Pub. Acts 174, §40. The withholding tables are effective for wages paid on or after July 1, 2000, and will remain in effect until new tables are issued. Prior to July 1, 2000, single employees were allowed the same personal exemption and credit as

married filing separate, or married filing jointly (where certain conditions apply) employees who checked Box A on **Form CT-W4, Employee's Withholding or Exemption Certificate**. A new Column F was added to the withholding tables for single employees to correspond to the new

Box F that was added to **Form CT-W4**. The new withholding tables are effective for wages paid on or after July 1, 2000. Columns A, B, C, and D for taxpayers who will file as other than single on their federal income tax return are unchanged from the withholding tables included in **IP 92(8.4)**.

The following forms and publication included in **IP 2000(11)** have also been revised and are effective July 1, 2000:

- **Form CT-W4, Employee's Withholding or Exemption Certificate** (including the Supplemental Table for Married Couples Filing Jointly)
- **Form CT-W4NA, Employee's Withholding or Exemption Certificate - Nonresident Apportionment**
- **AN 2000(4), Information About the Supplemental Withholding Table For Married Individuals Filing Jointly Who Both Earn Wage Income**

These forms and publications may be obtained from the DRS Web site or by contacting the DRS Forms Unit.

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**Form CT-W4 Revised For July 1, 2000**

Beginning July 1, 2000, employees who will file as single on their federal income tax return are entitled to an increased personal exemption and credit. A new Box "F" was added to **Form CT-W4, Employee's Withholding or Exemption Certificate** (revised July 1, 2000), for employees who will file as "single" on their federal income tax return. Previously, employees who filed as "single" or as "married filing separate" and certain employees who filed as "married filing joint" checked Box A. Employers must provide **Form CT-W4** (revised July 1, 2000) to all employees who checked Box "A" on a previously filed **Form CT-W4**. Employees who will file as

single on their federal income tax return should check Box "F" to notify their employer to reduce the amount of Connecticut income tax withholding.

1999 Conn. Pub. Acts 173, §§5 and 6, as amended by 2000 Conn. Pub. Acts 174, §40, increased the personal exemption and credit for single filers over an eight-year period for taxable years beginning on or after January 1, 2000. For the first six months of the 2000 calendar year, employers were required by 1999 Conn. Pub. Acts 173, §8, to withhold Connecticut income tax from the wages of employees who will file as single on their federal income tax return without regard to the exemption and credit changes.

In addition to the change for single employees, the format of **Form CT-W4** was revised to allow the Department of Labor (DOL) to use scanning equipment. Using the new scanning equipment will improve the accuracy and efficiency of recording new hire data. Please encourage your clients to use **Form CT-W4** (revised July 1, 2000), when reporting newly hired employees to DOL.

The new **Form CT-W4** is included in **Informational Publication 2000(11), Connecticut Circular CT, Employer's Tax Guide**, which will be mailed to all Connecticut employers, payroll companies, and software development firms registered with DRS.

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# 2000 CONNECTICUT LEGISLATION

The Connecticut General Assembly adjourned its 2000 legislative session on May 3, 2000. Highlights of the newly enacted tax legislation are outlined below. More detailed explanations of newly enacted tax legislation will be provided in the July/August edition of *Connecticut Tax News*.

## SALES AND USE TAXES

### *Effective July 1, 2000:*

- Increases the exemption for items sold in vending machines to items costing 50 cents or less;
- Increases the exemption for items of clothing or footwear from items under \$50 to items under \$75;
- Exempts child car seats;
- Exempts college textbooks sold to students;
- Exempts passenger cars with EPA ratings of 50 mpg or more through June 30, 2002;
- Excludes from sales tax certain compensation and benefits of employees who are covered by a professional employee agreement.



### *Effective October 1, 2000:*

- Exempts candy, confectionery, and non-alcoholic beverages in school dining halls, cafeterias, dormitories, fraternities, and sororities, to students or members, including all items sold under prepaid meal plan cards or arrangements;
- Exempts candy, confectionery, and beverages sold to residents or care recipients in assisted living facilities, senior centers, day care centers, hospitals, residential care homes, convalescent homes, nursing homes, and rest homes;
- Clarifies that nonprescription medicines used on animals are exempt;
- Expands existing language to enable the start-up farmer to apply for and receive a farmer's permit as long as the farmer intends to carry on agricultural production as a trade or business for at least two years and will meet income and expense requirements;
- Allows the start-up fisherman to apply for and receive a fisherman tax exemption permit as long as the fisherman intends to carry on commercial fishing as a trade or business for at least two years and will meet income requirements;
- Requires purchasers of prepaid phone service (including cards) to pay sales tax when the service is purchased and removes prepaid phone service from telecommunications service category;



- Reduces the bond requirements for a nonresident contractor that has entered into a contract with a direct payment permit holder from 5% to 2%;
- Exempts from use tax any articles of tangible personal property purchased by a retailer for resale, if those articles are later withdrawn from inventory and donated by the retailer to:
  1. The United States, the State of Connecticut or any of its political subdivisions or its or their respective agencies; or
  2. Any organization that is recognized as exempt from federal income tax under I.R.C. §501(c)(3).

### *Effective July 1, 2001:*

- Exempts canes, support hose specially designed to aid in the circulation of blood that is purchased by a person who has a medical need for such hose, and closed circuit TV equipment used as a reading aid for the visually impaired;
- Exempts caskets used for burial;
- Exempts smoking cessation items, including specially formulated gum, inhalants or similar products;
- Exempts sales of equipment to a telecommunications or cable television company to provide telecommunications, high-speed data transmission or broadband Internet service;
- Exempts Internet access service (now subject to tax at reduced rate).

### No Sales Tax on Clothing Under \$300 for One Week Per Year

Each year from the third Sunday in August through the following Saturday, most items of clothing and footwear costing less than \$300 each will not be subject to the Connecticut sales and use tax. In 2000, the week is from August 20 through August 26.

Clothing or footwear does not include:

- Any special clothing or footwear primarily designed for athletic activity or protective use and which 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.

## CORPORATION BUSINESS TAX

*Effective for income years beginning on or after January 1, 2000:*

- Creates a new tax credit in an amount equal to 50% of the fair market value of computers donated to a local or regional board of education or public school. The computer equipment that is donated must be new or not more than two years old. The fair market value of the donated computers is determined at the time of donation. The amount of the credit granted to any business firm cannot exceed \$75,000 annually, and the total amount of credits allowed to all business firms cannot exceed \$1,000,000 in any one fiscal year;
- Creates a new tax credit that will be administered by the Department of Economic and Community Development for moneys invested in an eligible "urban investment project" or eligible "industrial site investment" project;
- Closes the Insurance Reinvestment Fund Tax Credit to fund managers who are not registered on or before July 1, 2000, and further provides that no tax credits will be allowed for any investments in any insurance reinvestment fund created on or after July 1, 2000;
- Amends the Housing Program Contribution tax credit to:
  1. Provide that only cash contributions may be made;
  2. Remove the \$75,000 annual maximum credit allowed to any business firm; and
  3. Allow an S corporation to take 100% of the allowable credit on its 2000 tax return, rather than the prorated amount of the credit;
- Amends the credit for the donation of open space land to provide that the credit may be carried forward for a period of 10 years.

*Effective for income years beginning on or after January 1, 2001:*

- Creates a new single-factor apportionment formula for "manufacturers" that allows manufacturers to apportion their net income based on a ratio of the manufacturer's gross receipts assignable to Connecticut over gross receipts whether or not assignable to Connecticut;
- Amends the Human Capital Investment Credit to include in the definition of "human capital investment" contributions made by a corporation to the Individual Development Account Reserve Fund, a fund administered by the Department of Labor to support

the Connecticut Individual Development Account (IDA) initiative.

*Effective for income years beginning on or after October 1, 2001:*

- Allows "Broadcasters" to use a new single-factor apportionment formula that apportions net income based on a ratio of the broadcaster's gross receipts from sources assigned to Connecticut over gross receipts whether or not assignable to Connecticut.

## ADMISSIONS AND DUES TAX

*Effective July 1, 2000:*

- Admission charges to establishments formerly subject to the cabaret tax are exempt from the 10% admissions tax;
- Admission charges to the Connecticut Exposition Center are exempt from the admissions tax;
- The admissions tax rate for charges to motion picture shows is reduced to 8%, and is further reduced to 6% on and after July 1, 2001. (Motion picture show admission charges of not more than \$5 are fully exempt.)



*Effective October 1, 2000:*

- Charges for locker rentals are exempt from the dues tax.

## EXCISE TAX

*Effective April 1, 2000:*

- Hospital gross earnings tax eliminated.

*Effective July 1, 2000:*

- Motor vehicles fuels tax on gasoline is reduced by \$.07 to \$.25 per gallon;
- Motor vehicles fuels tax on gasohol is reduced by \$.07 to \$.24 per gallon.

## PUBLIC SERVICE TAX

*Effective January 1, 2000:*

- A credit against the Health Care Center tax is created for health care centers providing medical coverage through HUSKY A, HUSKY B or HUSKY Plus programs.

### State/Municipal Revenue Sharing Program for Taxes Collected on Unregistered Vessels

Now that the summer boating season is upon us, NDRS would like to remind and encourage municipal agencies to participate in the joint state/municipal revenue sharing program.

The municipal agency revenue sharing program, which is authorized by Conn.



Gen. Stat. §12-416a, as amended by 2000 Conn. Pub. Acts 174, §14,

allows DRS to share with municipalities a percentage of certain tax revenue that is collected on untaxed vessels.



## INCOME TAX

### *For taxable years beginning on or after January 1, 1999:*

- Adopts the claim of right doctrine which provides that if:
  1. An unrestricted payment is included in Connecticut adjusted gross income in a preceding taxable year(s); and
  2. Is repaid during the taxable year; and
  3. The taxpayer determines their federal income tax liability for the taxable year under Section 1341(a)(4) or (5) of the Internal Revenue Code, then the tax imposed for the taxable year shall be an amount equal to:
    - A. The tax for the taxable year computed without regard to the repayment; minus
    - B. The decrease in tax for the preceding taxable year(s) which would result solely from the exclusion of such payment from the Connecticut adjusted gross income for the preceding taxable year(s).

### *For a taxable year beginning on or after January 1, 1999, and prior to January 1, 2000:*

- As a result of the April 4, 2000, New York Court of Appeals decision which deemed the New York City nonresident earnings tax to be unconstitutional, interest and penalty is waived if:
  1. The individual filed a Connecticut income tax return for a taxable year beginning on or after January 1, 1999 and prior to January 1, 2000, and claimed a credit for the New York City nonresident earnings tax; and
  2. The individual filed an amended return to report that the nonresident earnings tax has been refunded; and
  3. The amount of income tax shown on the amended return, after taking into account the reduction in credit for taxes paid to another jurisdiction, exceeds the income tax that was paid for the taxable year.

### *For taxable years beginning on or after January 1, 2000:*

- The credit for alternative minimum tax paid to a Canadian province is eliminated;
- The term "resident of this state" is redefined to exclude individuals who are present in a foreign country and meet other specific criteria during the taxable year;
- The subtraction modification for any refund or credit for overpayment of income taxes imposed by a Canadian province to the extent includable in federal gross income is eliminated;

- Clarifies that taxpayers who pay 90% or more of their total income tax due with their extension request by the original due date of the return and pay the remaining 10% balance with the income tax return will avoid penalty for failure to pay the full amount due by the original due date;
- Provides that if a due date for an income tax return has been extended, a refund claim may be filed within three years after the date on which the income tax return is filed or within three years after the extended due date of the income tax return, whichever is earlier;
- Provides a subtraction modification for purposes of both the income tax and the alternative minimum tax for Holocaust victims' settlement payments received in the taxable year by a Holocaust victim.

### *Effective March 1, 2000:*

- Specifies that individuals must file a 1998 state or federal income tax return on or before March 1, 2000, to qualify for the sales tax rebate.

### *Effective May 26, 2000:*

- A technical correction is made to properly reflect the increase in the single filer exemption over an eight year period.

### *For taxable years beginning on or after January 1, 2001:*

- Provides a subtraction modification (to the extent properly includable in federal gross income) for interest earned on funds deposited in a Connecticut individual development account.

#### Vessel Revenue Sharing, from page 5

A municipal agency wishing to submit information about a vessel sighted in Connecticut waters must complete **Form AU-497**. When completing a **Form AU-497**, a municipal agency should include as much information as possible to help DRS identify the vessel.

If an assessment is made against the purchaser of a vessel as a result of information received from a municipal agency, the municipal agency will be entitled to up to 50% of the tax revenue actually collected by DRS.

DRS is currently distributing 50% of the use tax collected to participating municipalities.

To obtain **Form AU-497** or **Special Notice 98(5)**, *Sharing Certain Use Tax Revenue With Municipal Agencies*, visit the DRS Web site. T<sub>N</sub>

### Phaseout of Connecticut Gift Tax on Gifts Under \$1 Million

Conn. Pub. Acts 170, §8, provides for a phaseout of the Connecticut gift tax on gifts under \$1,000,000 over a six-year period beginning in calendar year 2001 and ending in calendar year 2006. The Connecticut gift tax rates for calendar year 2000 are unchanged.

The Connecticut gift tax applies to gifts that are subject to federal gift tax.

If the amount of taxable gifts is more than the exempt amounts, Connecticut gift tax applies to the **total amount** of such gifts.

The new *Gift Tax Rate Schedule* for calendar year 2001 is shown below. A complete schedule for calendar years 2001 through 2006 will be included in an upcoming Special Notice.

#### Gift Tax Rate Schedule

Calendar Years prior to 2001	
Amount of Taxable Gifts	Tax
\$25,000 or less	1%
over \$25,000 but not over \$50,000	\$250 plus 2% of the excess over \$25,000
over \$50,000 but not over \$75,000	\$750 plus 3% of the excess over \$50,000
over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
over \$100,000 but not over \$200,000	\$2,500 plus 5% of the excess over \$100,000
Over \$200,000	\$7,500 plus 6% of the excess over \$200,000
Calendar Year 2001	
Amount of Taxable Gifts	Tax
\$25,000 or less	EXEMPT
over \$25,000 but not over \$50,000	\$250 plus 2% of the excess over \$25,000
over \$50,000 but not over \$75,000	\$750 plus 3% of the excess over \$50,000
over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
over \$100,000 but not over \$675,000	\$2,500 plus 5% of the excess over \$100,000
Over \$675,000	\$31,250 plus 6% of the excess over \$675,000

### Agricultural Employers

In general, an agricultural employer must withhold federal and Connecticut income tax from an agricultural worker who receives cash wages, if those wages are subject to FICA (Social Security) tax withholding. An agricultural employer must register with the DRS by completing **Form REG-1** and withhold Connecticut income tax from the wages of agricultural workers if:

- The employer is required to withhold federal income tax; or
- The employer and employee voluntarily agree to have Connecticut income tax withheld.



However, the employer may submit a written request for annual filer status with a completed **Form REG-1**. The request should state that the employer is an agricultural employer who employs farm workers only and will file federal Form 943. If the employer is already registered to withhold Connecticut income tax, the employer may still send a written request for annual filer status to DRS. Send the request to:

**State of Connecticut  
Department of Revenue Services  
Registration Unit  
PO Box 2937  
Hartford CT 06104-2937**

Every agricultural employer must file federal Form(s) W-2, with **Form CT-W3**, whether or not the employer is registered with DRS, or whether or not the employer has withheld any Connecticut income tax. **Form CT-W3** is due on or before the last day of February for wages paid in the preceding year. Unregistered agricultural employers should enter the words "Agricultural Employer" in the space reserved for the Connecticut tax registration number on **Form CT-W3**.

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### Seasonal Employers

If a new employer who will only be liable seasonally, and in the same one or more quarters each year, for Connecticut withholding, the employer may request seasonal filer status. The employer must complete **Form REG-1** to register with the Department of Revenue Services and submit a written request for seasonal filer status. The request must state the quarters that there are employees.

DRS must receive this request on or before the last day of a calendar quarter to be effective for that calendar quarter. The employer does not have to submit a new request in succeeding calendar years as

# Connecticut Tax Calendar

If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

## JUNE

- 1** Corporation Business Tax Annual Return for February 2000 year-end corporations
- 15** Unrelated Business Tax Return  
CT-G  
Connecticut S Corporation Information and Composite Income Tax Return  
Connecticut Partnership Income Tax Return  
Connecticut Individual Estimated Income Tax Return 2nd installment  
Fiduciary Estimated Payment 2nd installment  
Connecticut Estimated Group Income Tax Return Installment Payment  
Connecticut Estimated Composite Income Tax Return Installment Payment  
Corporation Business Tax Installment Payments  
*Form CT-1120 ESA for year ending March 2001*  
*Form CT-1120 ESB for year ending December 2000*  
*Form CT-1120 ESC for year ending September 2000*  
*Form CT-1120 ESD for year ending June 2000*  
Insurance Companies 2nd Estimated Payment  
Health Care Centers 2nd Estimated Payment  
Unrelated Business Income Tax Return (Foreign Trust)  
Estimated Unrelated Business Income Tax Installments  
Cigarette Vending Machine Tax Return
- 25** Motor Vehicle Fuels Tax Return
- 30** Sales and Use Taxes Return - Monthly Filers  
Room Occupancy Tax Return - Monthly Filers  
Admissions and Dues Tax Return - Monthly Filers  
Tourism and Rental Surcharge - Monthly Filers

## JULY

- 1** Corporation Business Tax Return for year ending March 2000
- 15** Unrelated Business Tax Return  
CT-G  
Connecticut S Corporation Information and Composite Income Tax Return  
Connecticut Partnership Income Tax Return  
Gross Earnings Tax on Railroad Companies  
Corporation Business Tax Installment Payments  
*Form CT-1120 ESA for year ending April 2001*  
*Form CT-1120 ESB for year ending January 2001*  
*Form CT-1120 ESC for year ending October 2000*  
*Form CT-1120 ESD for year ending July 2000*  
Estimated Unrelated Business Income Tax Installments  
Cigarette Vending Machine Tax Return
- 25** Motor Vehicle Fuels Tax Return
- 31** Sales and Use Taxes Return - Monthly and Quarterly Tax Filers  
Connecticut Quarterly Reconciliation of Withholding  
Dry Cleaning Surcharge Return  
Motor Carrier Road Tax Return  
Petroleum Companies Gross Earnings Tax Return  
Room Occupancy Tax Return - Monthly and Quarterly Tax Filers  
Admissions and Dues Tax Return - Monthly Tax Filers  
Tourism and Rental Surcharge Monthly and Quarterly Tax Filers



## July 31 (continued)

- Connecticut Hazardous Waste Tax Return
- Connecticut Solid Waste Tax Return
- Gas, Electric and Steam Companies Gross Earnings Tax Return
- Seed Oyster Tax Return

## AUGUST

- 1** Corporation Business Tax Annual Return for year ending April 2000
- 15** Unrelated Business Tax Return  
CT-G  
Connecticut S Corporation Information and Composite Income Tax Return  
Connecticut Partnership Income Tax Return  
Corporation Business Tax Installment Payments  
*Form CT-1120 ESA for year ending May 2001*  
*Form CT-1120 ESB for year ending February 2001*  
*Form CT-1120 ESC for year ending November 2000*  
*Form CT-1120 ESD for year ending August 2000*  
Estimated Unrelated Business Income Tax Installments  
Cigarette Vending Machine Tax Return
- 25** Motor Vehicle Fuels Tax Return
- 31** Sales and Use Taxes Return - Monthly Filers  
Room Occupancy Tax Return - Monthly Filers  
Admissions and Dues Tax Return - Monthly Filers  
Tourism and Rental Surcharge - Monthly Filers

## SEPTEMBER

- 1** Corporation Business Tax Annual Return for year ending May 2000
- 15** Unrelated Business Tax Return  
CT-G  
Connecticut S Corporation Information and Composite Income Tax Return  
Connecticut Partnership Income Tax Return  
Connecticut Individual Estimated Income Tax Return 3rd installment  
Fiduciary Estimated Payment 3rd installment  
Connecticut Estimated Group Income Tax Return Installment Payment  
Connecticut Estimated Composite Income Tax Return Installment Payment  
Corporation Business Tax Installment Payments  
*Form CT-1120 ESA for year ending June 2001*  
*Form CT-1120 ESB for year ending March 2001*  
*Form CT-1120 ESC for year ending December 2000*  
*Form CT-1120 ESD for year ending September 2000*  
Insurance Companies 3rd Estimated Payment  
Health Care Centers 3rd Estimated Payment  
Estimated Unrelated Business Income Tax Installments  
Cigarette Vending Machine Tax Return
- 25** Motor Vehicle Fuels Tax Return
- 30** Admissions and Dues Tax Return - Monthly Filers  
Room Occupancy Tax Return - Monthly Filers  
Sales and Use Taxes Return - Monthly Filers  
Tourism and Rental Surcharge - Monthly Filers

### Neighborhood Assistance Act Tax Credit Increased

New legislation amends the Neighborhood Assistance Act Tax Credit (NAA) increasing the total amount of all NAA tax credits allowed in any one fiscal year to **\$5 million**, of which \$3 million shall be granted to business firms eligible for the 60% tax credit as provided in Conn. Gen. Stat. §12-635.

Additionally, a new NAA provision allows a 40% tax credit for contributions made to an open space acquisition fund. Business firms contributing to these open space acquisition funds are not subject to the requirement that the amount expended for charitable purposes must equal or exceed the amount expended in the previous year.

Business firms that wish to make a program proposal in order to be eligible for the NAA tax credit must complete **Form NAA-02, 2000 Neighborhood Assistance Act Business Application**. The completed form must be mailed or hand-delivered on or after September 15, 2000, but not later than October 2, 2000, to:

**Department of Revenue Services  
Attn.: Research Unit  
25 Sigourney Street  
Hartford CT 06106**

Program proposals received by DRS before September 15 or after October 2 will be disregarded. Faxed applications will not be accepted. For additional information contact the DRS Research Unit at 860-297-5687. <sup>T</sup><sub>N</sub>

Seasonal, from page 7

long as it remains a seasonal filer.

If the employer is already registered to withhold Connecticut income tax, it may still request seasonal filer status with DRS. Send a written request, stating the quarters that the business is active, to the Registration Unit at the address on page 17. <sup>T</sup><sub>N</sub>

### Businesses Benefit from Assisting Employees with Housing Costs

It sounds too good to be true: Employers provide low-cost housing loans to their staff members and in return, the state grants tax credits for the full amount paid into the loan fund; then as employees repay the funds over time, the capital returns to the firm! Everybody wins. That's the crux of the state's Employer Assisted Housing Tax Credit program.

A total of \$1 million in credits is available to businesses which apply to the Connecticut Housing Finance Authority by the November 1 deadline. An interested firm can apply for a tax credit allocation of \$1,000 to \$100,000. If the application is approved, then the firm sets up a revolving loan fund from which its employees can borrow to meet specified housing costs such as rental security deposits or home purchase down

payments. The loan fund must remain open for a minimum of five years and the firm must loan at least 60% of the fund within three years to avoid being subject to a recapture of tax credits; after five years the capital invested returns to the firm.

It's important to note that not all businesses are eligible for Employer Assisted Housing Tax Credits. A firm such as a bank, trust company, savings association, and insurance company, may not get a credit for activities that are part of its normal course of business.

For further information about the program or to request an application, interested parties are encouraged to contact the Connecticut Housing Finance Authority at 860-721-9501 extension 362, 238 or 265. <sup>T</sup><sub>N</sub>

## DO YOU WANT TO REDUCE YOUR CORPORATE BUSINESS TAXES?

THE STATE OF CONNECTICUT'S EMPLOYER ASSISTED HOUSING TAX CREDIT PROGRAM IS THE ANSWER.

The Connecticut Housing Finance Authority will be holding a seminar on **June 29, 2000** that can show you how to save money while also helping your employees.

#### HOW THE PROGRAM WORKS

- ◆ An employer sets up a revolving loan fund from which eligible employees can borrow to meet their housing needs. The company's contribution can be as little as \$1,000 or as much as \$100,000.
- ◆ C-corporations earn a dollar-for-dollar reduction in tax liability for their investment. Use of the tax credits by S-corporations will be subject to the same percentage phase out being applied to the Corporation Business Tax. The tax credits are applied to business taxes incurred in the income year the investment is made; any remainder can be carried forward or back up to five years.
- ◆ After a minimum five-year period, the initial capital investment is returned to the firm. Any firm which does not loan at least 60% of the fund's capital within three years will be subject to recapture of some or all of its tax credits.

#### TO LEARN MORE

Call the Connecticut Housing Finance Authority at (860) 721-9501. Ask for extension 362, 238 or 265 to request a brochure and application, or reserve your space at our free informational seminar in June.

**EMPLOYER ASSISTED HOUSING TAX CREDIT APPLICATION DEADLINE: NOVEMBER 1, 2000**

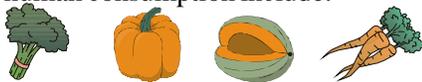
PLEASE NOTE:  
FIRMS WHICH MAKE LOANS AS PART OF THEIR NORMAL COURSE OF BUSINESS ARE NOT ELIGIBLE TO RECEIVE EMPLOYER ASSISTED HOUSING TAX CREDITS.



## Garden Variety Sales Tax

Each spring DRS receives calls about the sales and use taxes exemption for seeds. DRS reminds Connecticut taxpayers that the exemption is limited to seeds that are suitable for planting to produce food for human consumption. The exemption does not extend to spores, seedlings, roots, bulbs, tubers, cuttings, bushes or any other propagative forms of vegetables, fruits, and herbs. Nor does the exemption apply to seeds of plants that are commonly regarded as flowers, or to plants that are ornamental, inedible, or for consumption only by animals.

Although the list is not exclusive, plants that are consumed by humans or that are used as an ingredient or flavoring in food for human consumption include:



- asparagus
- berries
- broccoli, cauliflower, and cabbage
- carrots, beets, turnips, and other root vegetables
- collards, spinach, and other greens
- corn and other grains
- cucumbers
- melons
- lettuce and other leafy vegetables
- parsley, basil, sage, and other herbs
- peas and beans
- peppers
- pumpkins
- squash
- tomatoes



Plants whose seeds are **not** exempt from sales and use taxes include: flowers and shrubs, gourds, ornamental corn, and tobacco.

Other taxable items commonly purchased at this time of year include: bird seed, peat moss, loam, humus, trees, bushes, shrubberies, top soil, potting soil, bark chips, and garden tools.

## DRS Employees Host Young Workers

On April 27, 2000, DRS was host to 90 young people between the ages of 8 and 15 who participated in the *Take a Young Person to Work Day*.

Commissioner Gene Gavin welcomed the children at an opening breakfast and invited them to stop by his office during their day of events at DRS.

Representatives of DRS divisions made presentations explaining the functions of each division.

The children pitched in throughout DRS helping their sponsors with assorted tasks.

Division directors presented each young worker with a certificate of appreciation for their participation in the program.

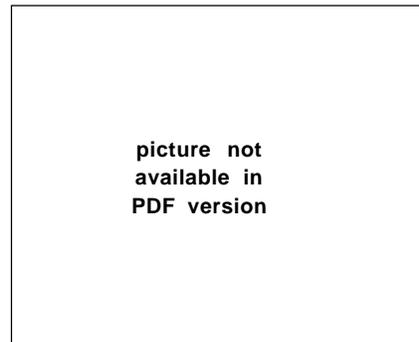
Many of the children said they enjoyed their day at DRS and said that they look forward to coming back next year.

Ella M. Rochester, coordinated DRS' 7th year of participating in the program. Ms. Rochester was very happy with the success of the program and wished to thank the members of the *Take a Young Person to Work Day* committee for all of their help.

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## DRS Customer Service Award Winners

Deborah Chandler, Sherri Logan, and Shelly Lavigne were recently recognized for their outstanding



*Deborah Chandler (L) and Sherri Logan (R) receive their award from Commissioner Gavin.*

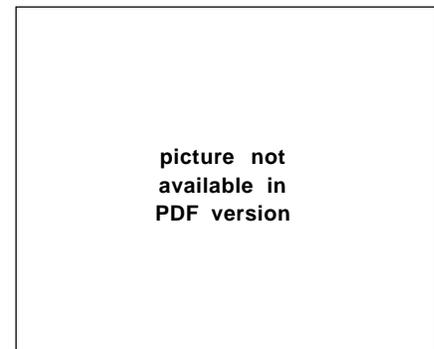
service by Connecticut taxpayers and DRS Commissioner Gene Gavin. They are the most recent recipients of the DRS Customer Service Award.

Ms. Logan and Ms. Chandler received the award for the quarter ending September 30, 1999. They are Revenue Agents in the Collection and Enforcement Division.

Commissioner Gavin received a letter from Governor John G. Rowland acknowledging their outstanding ability and dedication to their work. It was noted that an additional effort was made on a

holiday weekend to aid a taxpayer. Governor Rowland also acknowledged their help in providing a "firm foundation for the progress and accomplishments of State government".

Shelly Lavigne received the award for the quarter ending December 31, 1999. She is a Lead Revenue Processor in the Penalty Waiver Unit of the Operations Division.



*Shelly Lavigne (C) is presented her award by Commissioner Gavin and Don Pecor, Operations Division Director.*

Ms. Lavigne has been recognized by numerous taxpayers for her professionalism and understanding when helping them with their problems. One couple pointed out how precise and reassuring she was and they said this is "my kind of government professionalism".

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# DRS Tax Product Update

DRS recently issued the following tax products. DRS forms and publications are available any hour of the day, seven days a week, by visiting the **DRS Web site** at [www.drs.state.ct.us](http://www.drs.state.ct.us) or by calling **DRS TaxFax** at **860-297-5698** from the handset attached to your fax machine.

Forms and publications can be ordered by **E-mail** at [ctforms@po.state.ct.us](mailto:ctforms@po.state.ct.us), or by calling **CONN-TAX**, the DRS information line. Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2** or **860-297-4753** (from anywhere) 24 hours a day, to order forms and publications.

## ANNOUNCEMENTS

- AN 2000(3)**, Use of Newly Created Form UCT-212 EDC by Electric Distribution Companies
- AN 2000(2)**, Annual List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2000(2.1)**, Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2000(1)**, Due Dates Unchanged for Filing Informational Returns with the Department of Revenue Services

## INFORMATIONAL PUBLICATIONS

- IP 2000(11)**, Connecticut Circular CT, Employer's Tax Guide
- IP 2000(6.1)**, Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics
- IP 2000(5.1)**, Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes
- IP 2000(4.1)**, Numerical Index to Rulings and Administrative Pronouncements as Affected, if at all, by Later-Issued Rulings and Pronouncements

- IP 2000(3.1)**, Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax
- IP 2000(2.1)**, Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

## POLICY STATEMENTS

- PS 2000(4)**, Sales and Use Taxes on Charges for Personnel Training Services
- PS 2000(3)**, Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax
- PS 2000(2)**, Destruction Procedures for Alcoholic Beverages
- PS 99(7)**, Premiums not Subject to the Insurance Premiums Tax
- PS 99(6)**, Subscriber Charges not Subject to the Health Care Center Tax

## SPECIAL NOTICES

- SN 2000(3)**, 2000 Legislation Affecting Sales and Use Taxes and Admissions and Dues Tax
- SN 2000(2)**, Application of Sales and Use Taxes to Vessels
- SN 2000(1)**, "Pay When Paid" Method for Materialmen
- SN 99(15)**, Innocent Spouse Relief, Separation of Liability, and Equitable Relief

## Sales Tax and Vessels

**Sales to Residents.** Sales of vessels to Connecticut residents are subject to 6% tax. Conn. Gen. Stat. §12-430(4) provides a trade-in credit for a vessel that is traded in to a retailer of vessels toward the purchase of another vessel.



The tax is computed on the difference between the sales price of the vessel being purchased and the trade-in amount allowed on the vessel purchased. The trade-in must occur at the same time as the sale.

**Sales to Nonresidents.** Before July 1, 1999, sales of vessels by Connecticut retailers to nonresident individuals were subject to sales and use taxes at the lesser of 6% or the state sales tax rate in the purchaser's state of residence. Effective July 1, 1999, under Conn. Gen. Stat. §12-412(60), sales of vessels to nonresidents are exempt from tax if:

1. The nonresident does not maintain a permanent place of abode in Connecticut;

2. The vessel is not registered with the Connecticut Department of Motor Vehicles; and
3. The nonresident gives the retailer **CERT-125, Sales and Use Tax Exemption for a Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut.**

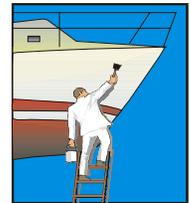
This exemption applies to individuals and to corporations, partnerships, and other business entities, if the individual or business entity meets each of the requirements stated above.



**Repair and Maintenance Services to Vessels.** The tax rate for repair and maintenance services to vessels was phased out over a two-year period. The repair and maintenance services are exempt from tax for sales on or after July 1, 1999. Providers of repair and maintenance services must separately state charges for repair and maintenance services from charges for integral parts on

the bill to the customer. The sales of integral parts are subject to 6% tax. Any additional fees, such as hourly or flat rates, minimum charges or mileage charges, are charges for repair and maintenance services and are not taxable.

Materials, supplies, and parts for vessels remain subject to 6% tax.



### Labor Performed to Vessels.

Fabrication labor to an existing vessel was subject to 6% tax prior to July 1, 1999. Fabrication labor to an existing vessel is exempt from tax effective July 1, 1999. The charge for fabrication labor to a vessel must be separately itemized on the bill from the charge for materials, supplies, and parts. Materials, supplies, and parts remain subject to 6% tax.

For more information and for definitions of terms, see **Special Notice 2000(2), Application of Sales and Use Taxes to Vessels.**<sup>T<sub>N</sub></sup>

# For Tax Forms, Publications or Personal Assistance

- Visit the DRS Web site: [www.drs.state.ct.us](http://www.drs.state.ct.us)



- Call CONN-TAX at 1-800-382-9463 (toll-free from within Connecticut) or 1-860-297-5962 (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

- Write to: Department of Revenue Services  
Taxpayer Services Division  
25 Sigourney Street  
Hartford CT 06106-5032



Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



**Internet:** Preview and download forms from the DRS Web site at [www.drs.state.ct.us](http://www.drs.state.ct.us)

**DRS TaxFax:** Call 860-297-5698 from the handset attached to your fax machine



**E-mail:** E-mail your request for forms to:  
[ctforms.drs@po.state.ct.us](mailto:ctforms.drs@po.state.ct.us)

**Telephone:** From a touch-tone phone 24 hours a day call 1-800-382-9463 (toll-free from within Connecticut) and select Option 2 or 860-297-4753 (from anywhere).



For free assistance on forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices, call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT	HAMDEN	HARTFORD	NORWICH	WATERBURY*
10 Middle St. 203-579-6251	3074 Whitney Ave., Bldg 2 203-287-8243	25 Sigourney St. 860-297-5962	2 Cliff St. 860-889-2669	91 Schraffts Dr. 203-596-4310

\*This office will be moving. To verify the address, please call before you visit.



**CONNECTICUT TAX NEWS**, from the Connecticut Department of Revenue Services, is published five times a year.

This newsletter is designed to provide general information to taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy affecting the liability of taxpayers. Nothing in this publication supersedes, alters, or otherwise changes the provisions of the Connecticut General Statutes, regulations, Department rulings or tax information publications.

**Gene Gavin,  
Commissioner**

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