

Connecticut Tax News

quarterly

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A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From the Commissioner Gene Gavin

Comments on proposed tax legislation and the filing season wrap-up

As this issue goes to press, the Connecticut General Assembly is working through its heavy agenda of proposed new legislation, including those affecting the state's tax statutes. The General Assembly is in



session until June 6 this year, so the final results of their deliberations will not be known until some time shortly thereafter.

Legislators are currently considering 26 bills that relate to taxes, originating in both the House and Senate. Two of these bills contain proposals made by DRS concerning a variety of taxes. Within the DRS bills are many changes that are technical in nature. Some sections correct references in the statutes or fine tune procedures relating to specific taxes. Our focus was primarily on providing clarity, conformity, and certainty for taxpayers to enhance voluntary compliance. These three "Cs"



► COMMISSIONER, Page 2

Growth of Internet Use Marks Filing Season

The income tax filing season for Year 2000 returns is now behind us, and DRS is pleased to report significant progress toward our goals of increased paperless filing and improved customer service. This year we got a big assist from the Internet, which is being used by Connecticut taxpayers in growing numbers to both obtain tax information and to file their returns.

The DRS Web site provided tax information and forms to 164,789 customers. The new Connecticut "fill-in" Form CT-1040EZ had 25,000 hits, with 4,000 people

► Filing Season, Page 4

Employer's Tax Guide and Withholding Requirements for 2001

Informational Publication 2000(11), *Connecticut Circular CT, Employer's Tax Guide*, remains in effect and, as of this writing, there are no plans for any changes. However, proposed legislation (SB 1338 and HB 6939) before the Connecticut General Assembly, if approved, could affect withholding requirements. Any changes to withholding requirements passed into law during the legislative session will be announced in the July/August issue of Connecticut Tax News.

► Employer's Tax Guide, Page 4

2001 Legislative Changes

The 2001 session of the Connecticut General Assembly is scheduled to conclude on Wednesday, June 6, 2001. At the time of this writing, legislation affecting Connecticut taxes has not been enacted or is not available. (See information on pending legislation in Commissioner Gene Gavin's column at left.)

Look for the July/August edition of *Connecticut Tax News* for summaries of important legislation affecting Connecticut tax laws.

For more information on the status of proposed legislation go to the Connecticut General Assembly Web site at: www.cga.state.ct.us

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are the foundation for good tax policy, which is our goal.

One significant DRS proposal is of special benefit to individual taxpayers. Section 1 of Senate Bill 1182 proposes to enable DRS to make public the names and addresses of people whose refund checks are unclaimed after a certain period of time. Our objective is to use our Web site to reach people whose refunds have been issued, but returned to us as undeliverable. This would be efficient, cost-effective, and user-friendly. While we currently make every effort to locate these people, we must use manual processes that are resource-intensive and often futile. Ultimately, our goal is to return to taxpayers the money that rightfully belongs to them, as quickly as possible.

Watch for our **Special Issue: Legislative Summary** in the July/August, *Connecticut Tax News*, for summaries of legislation that is signed into law. We will be posting the changes on our Web site (www.drs.state.ct.us) as soon as possible after the bills are signed by Governor John G. Rowland. However, you may obtain the "file copies" of proposed bills and follow their progress by logging on to the Connecticut General Assembly's

Commissioner

from Page 1

Web site (www.cga.state.ct.us). I am pleased to report that the filing season for 2000 income tax returns was a true success. DRS again logged over 1.5 million individual income tax returns with its well-established efficiency. Connecticut taxpayers did their part by turning to paperless, electronic filing methods in greater numbers. When taxpayers file by electronic filing, on-line filing, or Telefile, the error rate is minimal, and we are able to process refunds faster. Again this year, Connecticut can claim its place as the fastest state on the Planet to return refunds to taxpayers! More filing season statistics are described in the article on Page 1.

Our DRS employees are to be commended for their teamwork and dedication during this peak time of year. Very few DRS work units are isolated from filing season responsibilities. The workload increases across the board, even with the addition of the much-appreciated temporary staff that joins us from January to April.

I would like to give special recognition to our mail room staff for its outstanding performance

this year. All year long, the mail operation is of utmost importance to the smooth flow of tax returns into the processing operation. During the filing season their workload is staggering. Even with the growth of paperless filing, DRS still received close to 900,000 paper returns, with 150,000 arriving on April 17 alone! Many of these returns are sent by certified mail, requiring special handling by DRS. DRS mail room staff worked round-the-clock to pick up and process certified mail and deliver it to our offices. In one 10-day period, they handled over 92,000 pieces of certified mail — processing over 20,000 pieces on one peak day. Our mail personnel are to be congratulated for the success of their close planning with the local U.S. Postal Service facility, which followed our discussions at the administrative level between DRS and Postal Service authorities. Together these steps ensured that there would not be a repeat of last year's backlog of unprocessed certified mail by the Postal Service.

Connecticut taxpayers should be very proud of the dedication and effort of all DRS employees, not only during the filing season, but all year long.

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Commercial Fisherman Tax Exemption Permit Applications Due

A Connecticut **Commercial Fisherman Exemption Permit** allows fishermen to purchase the following items exempt from sales and use taxes:

- Materials, rope, fishing nets, tools, and fuel, or any substitute, which are used directly in the fishing industry;
- Any vessel used exclusively in commercial fishing; and
- Any machinery or equipment used on a commercial fishing vessel.

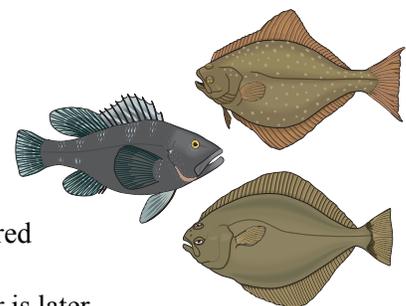
To make exempt purchases on or after July 1, 2001, a commercial fisherman must hold a valid exemption permit. Current permits expire on June 30, 2001. To request a new permit or renew an existing permit, a commercial fisherman must file **Form REG-14, Application for Commercial Fisherman Tax Exemption Permit**, with DRS. Renewal applications were mailed to all registered fishermen.

An exemption permit is effective from July 1 or the date it is issued, whichever is later.

Beginning in 2001, DRS will issue exemption permits every two years. Permits issued in 2001 with an effective date of July 1, 2001, will expire June 30, 2003.

For more information request **IP 2001(11), Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax** or call Ron Dreher at 860-297-4930.

T_N



Save This Date for DRS/IPT Tax Seminar

DRS and the Institute of Professionals in Taxation (IPT) will present their fourth annual Connecticut tax seminar on November 8, 2001.

Further details about registration and the seminar will be available in the September issue of *Tax News*. Please mark your calendar so you won't miss it!

DRS speakers will explain the latest legislative tax changes, audit programs, *Fast-File*, tax credits, sales tax, and other taxes. ^{T_N}

DRS Customer Service Award Winner

Richard LaRose, a Revenue Examiner IV, was recently recognized for his outstanding service by Connecticut taxpayers and DRS Commissioner Gene Gavin. Mr. LaRose works in the Audit Division, Excise Field Unit, and has served as International Fuels Tax Administration (IFTA) Audit Committee Chairperson for the past several years. He received the award for the quarter ending March 31, 2001.

A tax manager at UPS wrote to Commissioner Gavin thanking him for Rick's service and leadership in the audit area. He went on to say, "All of us, both industry and the IFTA jurisdictions, realize the sacrifice that your agency and the state has made both in terms of precious time and resources."

At a recent awards ceremony, Commissioner Gavin presented Rick with his DRS Customer Service Award certificate and praised his work at DRS stating, "Rick's dedication and knowledge of his job and the IFTA committee helps to portray a positive image for the Agency." ^{T_N}

An open invitation...

Join your colleagues at the
NESTOA 2001 Annual Conference
September 23 - 26, 2001
 at The Water's Edge Resort
 Westbrook, CT

Featuring:

- ◆ Distinguished speakers, including Walter Hellerstein, Gerald Goldberg, and others
- ◆ Discussions on today's hottest tax topics
- ◆ Meet tax professionals from across the country

More information:

www.nestoa2001.com



hosted by

Connecticut Department of Revenue Services

NORTH EASTERN STATES TAX OFFICIALS ASSOCIATION

GENE GAVIN, PRESIDENT

DRS Employees Host Young Workers

On April 26, 2001, DRS staff sponsored over 70 young people between the ages of 8 and 15 in the *Take a Young Person to Work Day*.

Commissioner Gene Gavin welcomed the "young workers" at an opening reception and invited them to stop by his office during their day of events at DRS. Participants then had pictures taken with their sponsors and met with DRS Chief of Staff, Tina Lawson.

The "young workers", who spent the day with their sponsors learning about DRS, asked many questions, and even helped out when asked. Also, during the day they were given the opportunity to participate in tours of various DRS areas and in a tour of the State Capitol which was sponsored by the Permanent Commission on the Status of Women.

In the afternoon, the young people were asked to write an essay about the importance of *Take a Young Person to Work Day*. Awards for three age groups, and a Grand Prize, were presented to the authors of essays selected as the best of the best. The winners were:

8-9	Jasmine Harris, daughter of Kim Harris, Taxpayer Services
10-12	Krista Blackwell, daughter of Maria Blackwell, Taxpayer Services
13-15	Darryl Jones, nephew of John McCrory, Administration
Grand Prize	Stephanie Smith (age 13), daughter of Jean Smith, Audit

The essays expressed that the children enjoyed their day at DRS and some said that they are already looking forward to coming back next year! ^{T_N}

Employer's Tax Guide from Page 1

Unless otherwise advised, employers should continue to use the withholding tables from **IP 2000(29)**, *Connecticut Income Tax Withholding Tables, Effective January 1, 2001*, and the instructions, forms, and publication included in **IP 2000(11)**.

These withholding tables are effective for wages paid on or after January 1, 2001, and will remain in effect until new tables are issued.

The following forms and publication are included in **IP 2000(11)**, 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*; and
- **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 (see back cover). ^{T_N}

Filing Season from Page 1

accessing the form in the last three days of the filing season.

Taxpayers chose e-mail to ask more questions this year, with the Taxpayer Services Division responding to close to 2,200 e-mails during the January through April filing season. This was a 35% increase from last year.

Paperless filing, which includes electronic filing (using a third party electronic return originator or transmitter), on-line filing (using one's own personal computer and purchased software), and telefiling again saw gains. Good news for DRS, and for our customers, was that on-line filing grew more than 53% over last year, and electronic filing increased 24%. Connecticut also saw a 16% increase in Telefile, bucking the nationwide trend toward zero growth, or even reduced participation in some states. The number of paper returns we received was almost 12% lower than in 2000, although total returns received increased by a small amount.

Telephone inquiries about income tax totaled 45,210. DRS improved the average waiting time for those wishing to speak with a representative to 16 seconds, down from an average of 24 seconds in 2000. Our improved Spanish assistance phone option logged close to 1,000 calls, up 73% from last year. The Spanish language option is only operational during the filing season, but is staffed by DRS employees from all divisions who are fluent in Spanish. They accept phone calls and answer questions in addition to their normal workload.

Taxpayers who find face-to-face communications valuable found our five DRS walk-in offices ready to help. These offices served 11,410 customers and filed 2,082 federal and Connecticut tax returns at no cost to our customer (a 62% increase).

In all, DRS is proud of its high levels of customer service, as well as its internal efficiency and productivity this tax season. Planning has already begun for the next tax filing season, with further enhancements to the filing process to make it even easier for our customers. ^{T_N}

Corporation Business Tax

Committee to Study Tax Credits

Conn. Gen. Stat. §12-217z, which was enacted in 1997, establishes a Corporation Business Tax Credit Review Committee that is required to study and evaluate all existing business tax credits. The committee will be comprised of the chairperson and ranking members of the Finance, Revenue, and Bonding Committee of the General Assembly or their designees; one member appointed by each of the following: the Governor, the president pro tempore of the Senate, the speaker of the House of Representatives, the majority leader of the House of Representatives, the majority leader of the Senate, the minority leader of the House of Representatives and the minority leader of the Senate; and the Commissioners of Revenue Services and Economic and Community Development, or their designees.

The committee will study the following with respect to each tax credit:

- Has the credit provided a benefit to Connecticut in terms of measurable economic development, new investments in Connecticut, new jobs or retention of existing jobs, or measurable benefits for the work force in Connecticut?;
- Is there sufficient justification to continue the credit as it currently exists or is it obsolete?;
- Could the credit be more efficiently administered as part of a broad-based credit?; and
- Whether the credit adds unnecessary complexity in the application, administration, and approval process for the credit.

Connecticut *Fast-File*



DRS Invites Businesses to Begin *Fast-File*

Invitations to join the Connecticut *Fast-File* pilot program were recently sent to businesses. If you did not receive an invitation, it's not too late to request to participate.

If you are interested, check the eligibility criteria listed below in *Is My Business Eligible?*. If you are

eligible and wish to file using *Fast-File*, contact DRS by e-mail at:

drs.fastfile@po.state.ct.us

Additional information about the program is available on the DRS Web site at: *www.drs.state.ct.us*



Is My Business Eligible?

You **are** eligible to *Fast-File* your Connecticut business tax return(s) if **all** of the following are true:

- ✓ Your business is registered with the DRS for sales and use taxes, business use tax, room occupancy tax, or income tax withholding;
- ✓ You have a valid 10-digit Connecticut Tax Registration Number;
- ✓ You are filing your business return(s) on time; **and**
- ✓ You agree to pay electronically the amount of tax due, if any.

What businesses are saying ...

"... am very much interested in your *Fast-File* program."

"We would be very interested in filing via the internet."

"... definitely be interested in filing over the Internet."

"I would love to participate in *Fast-File!*"

"... would like to get started filing on-line, absolutely excellent idea whose time has come!"

Frequently-Asked Questions

What is *Fast-File*?

Fast-File allows you to file certain Connecticut business tax returns over the Internet or by telephone. You choose when and how you file.

NOTE: Any taxpayer can access *Fast-File* to register with DRS as a new business.

If you are already registered for sales and use taxes, business use tax, income tax withholding, or room occupancy tax, *Fast-File* on the Internet also allows you to:

- Change your Personal Identification Number (PIN) anytime. If the need arises, you can access *Fast-File* and change the PIN without filing a return;
- Make a change to your business name, trade name, mailing address, or physical location;
- Advise DRS that you are out of business or that you no longer have employees; and
- Register for additional taxes (admissions and dues tax, authority to collect use tax, business use tax, corporation business tax, dry cleaning surcharge, income tax withholding, motor vehicle rental surcharge, room occupancy tax, sales and use taxes, tourism account surcharge, and unrelated business tax).

How do I begin using *Fast-File*?

To file by **Internet:** Visit the DRS Web site at: *www.drs.state.ct.us* and click on the *Fast-File* button. Then

follow the links to file or register on-line.

To file or register by **telephone:** Call 860-947-1988 and follow the instructions.



How do I make my payment?

You must pay the amount of tax due electronically.

- **Direct Payment:** Direct payment is the preferred method. You authorize DRS, when you are filing your return, to transfer funds for the amount of your tax payment from your bank account by entering your bank account number and the bank routing transit number.
- **Electronic Funds Transfer (EFT):** If you are currently registered for EFT with DRS, you may continue to use the EFT system or you may use the direct payment method. ^T_N

Sales and Use Taxes

Campground and Cottage Rentals

DRS recently issued **Policy Statement 2001(2)**, *Room Occupancy Tax and Sales and Use Taxes on Campgrounds and Cottage Rentals*, to address areas of confusion identified by owners of campgrounds. **PS 2001(2)** explains the room occupancy tax and sales and use taxes obligations of campgrounds and persons who rent cottages.

Campgrounds typically offer several types of accommodations. Some of these accommodations may be considered **lodging houses**, the rental of which are subject to the room occupancy tax. A **lodging house** is any building or portion of a building, other than a hotel or apartment hotel, in which persons are lodged for hire with or without meals, including, but not limited to, any motel, motor court, motor inn, tourist court or similar accommodation.

The term **lodging house** does not include privately owned and operated summer camps for

children, summer camps for children operated by religious or charitable organizations, or lodging accommodations at any facility operated by and in the name of any nonprofit charitable organization, provided the income from the lodging accommodations at the facility is not subject to federal income tax.

The taxability and tax rate of rentals by campgrounds depends on the kind of property being rented:

- **A campsite (with or without a lean-to)** is not a lodging house and is not taxable. Rental of a campsite that does not have a building on it (other than an open structure such as a lean-to) is the rental of real property, which is not subject to either the room occupancy tax or sales and use taxes. This is the case whether or not the campsite has electricity or sewer hookups and whether or not the customer parks a recreational vehicle (RV) or erects a tent on the campsite.

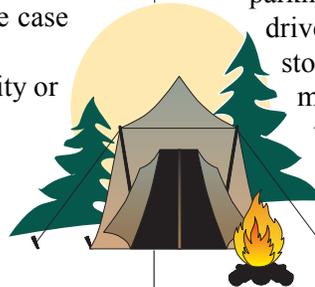
- **A campsite with a tent, RV, or trailer included in the rental** is taxable at 6% as the sale or rental of tangible personal property. (If the charge for the rental of the RV or tent is separately stated from the charge for the rental of the campsite, the charge for the campsite is excluded from tax. If the charge is not separately stated, the total charge is subject to tax.) Since this rental is subject to sales tax, not room occupancy tax, it is taxable at 6% even if the rental continues beyond 30 days. In addition, the exclusion from the room occupancy tax for rentals made by a charitable organization does

not apply to this type of rental because it is subject to the sales tax. However, the sales tax exemption for sales of \$20 or less per item by eleemosynary organizations or certain schools for youth activities may apply.

- **A campsite with a cabin and common facilities** is taxable at 12% as occupancy in a lodging house. However, if the rental is for at least 31 consecutive calendar days, the tax no longer applies beginning on the 31st consecutive day of occupancy by the same person. **Common facilities** are those that are made available to all occupants of the campground and include, but are not limited to, a campground management office, parking lot, common driveway, convenience store, restaurant or other meal service offered by the campground, playground, pool, or shower building. Whether or not water, gas or electric services are offered, such a campsite is considered a lodging house.

- **Cabin or Cottage Rentals:** The rental of a cabin or cottage **without** common facilities is the rental of real property and not taxable. This kind of cabin or cottage is a self-contained private residence, not located on a campground, which typically is rented out by its owner during the summer months.

Operators of campgrounds should also refer to **Policy Statement 92(15.1)**, *Application of Sales and Use Taxes and the Room Occupancy Tax to the Hotel/Motel Industry*, for additional information about how to properly collect tax on their charges. ^T_N



Tax Rates

The **room occupancy tax** is imposed on the rental of any room or rooms in a hotel or lodging house for 30 consecutive calendar days or less. The tax rate is 12% of the total rent received for occupancy of the room or rooms for **up to 30 consecutive calendar days**. Beginning on the 31st consecutive day of occupancy by the same person, the tax no longer applies. The term **person** includes, among others, any individual, firm, partnership, joint venture, association, social club, fraternal organization, corporation, or limited liability company.

Sales and use taxes are imposed on the sale or rental of tangible personal property at a rate of 6%.

Sales and Use Taxes, continued

Legislative Changes

Effective July 1, 2001

Purchases of the following goods and services made on or after July 1, 2001, are **exempt** from Connecticut sales and use taxes:

- Canes, support hose specially designed to aid in the circulation of blood that are 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;
- Caskets used for burial;
- Smoking cessation items, including specially formulated gum, inhalants or similar products;
- Sales of equipment to a telecommunications or cable television company to provide telecommunications, high-speed data transmission or broadband Internet service; and
- Internet access service. ^{T_N}

Tax on Sales of Awnings and Awning Services

Generally, a retailer of awnings is considered to be a seller of tangible personal property and must charge 6% Connecticut sales tax on its total selling price. However, a separately stated installation charge is not subject to tax. This exclusion from tax on the separately stated installation charge, according to Conn. Agencies Regs §12-426-18(e), is regardless of the type of real property (commercial, industrial, income-producing, residential or new construction) on which the awning is being installed. The sale of an annual maintenance contract to remove, store, clean, repair, and reinstall the awning is subject to 6% Connecticut sales tax as a contract for maintenance or repair service rendered to tangible personal property. Services later rendered under such a contract are not taxable because the tax was paid upon the purchase of the contract. Repair or maintenance services rendered to an awning, whether it is removed from the structure or still attached, are taxable if such services are not rendered under a repair or maintenance contract. ^{T_N}

Tax Credit Review
from Page 4

In addition, the study will analyze the history, rationale, and estimated revenue loss as a result of each tax credit and recommend changes to eliminate any redundant, obsolete, or unnecessary tax credit or any credit that is not providing a measurable benefit sufficient to justify any revenue loss.

The Corporation Business Tax Review Committee will report its findings and recommendations to the Finance, Revenue, and Bonding Committee of the General Assembly no later than January 30, 2002, and every five years thereafter.

In order to assist the Corporation Business Tax Review Committee, DRS is creating a new guide to Connecticut corporation business tax credits that will combine **IP 95(2.1)**, *Guide to Connecticut Corporation Business Tax*, and **SN 2000(15)**, *Connecticut Corporation Business Tax Credits, 1999 – 2000 Update*. The guide will include any new tax credits and any revisions to existing credits that are enacted in the 2001 legislative session. DRS plans to release this new tax credit guide in the fall of 2001. ^{T_N}

Sales Tax in the Garden

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 following list is not exhaustive, 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. ^{T_N}



FROM THE COURTS



SUPREME COURT

In *Andersen Consulting, LLP v. Gene Gavin, Commissioner of Revenue Services*, 255 Conn. 498 (March 27, 2001), the Connecticut Supreme Court ruled that a consulting company's development of customized computer software programs constituted taxable computer and data processing services subject to Connecticut sales and use taxes under Conn. Gen. Stat. §12-407(2)(i)(A) and Conn. Agencies Regs. §12-426-27(b)(1). Legislative amendments in 2000 to Conn. Gen. Stat. §12-407(2) were meant to clarify, rather than change, the meaning of the statute. The Superior Court's decision was reversed and the case was remanded for further proceedings.

SUPERIOR COURT TAX SESSION

In *Vincenzo Verna and Patricia Verna v. Commissioner, Department of Revenue Services*, No. CV 99 0493961S (April 26, 2001), the Superior Court ruled that the removal of a vacant aerospace manufacturing plant and pollution resulting from the manufacturing were substantial improvements to real property. Therefore, the land was not unimproved and was subject to real estate conveyance tax at the rate of 1%, rather than 0.5%. The taxpayer has appealed the decision to the Appellate Court.

In *Ger Oil Company, Inc. v. Commissioner, Department of Revenue Services*, No. CV 98 0492495S (December 19, 2000), the Superior Court upheld the Department's assessment of petroleum products gross earnings tax under Conn. Gen. Stat. §12-587(c) on purchases of various petroleum products in Connecticut by the taxpayer, a distributor. The taxpayer did not appeal the decision.

In *City of Stamford v. Commissioner, Department of Revenue Services*, No. CV 99 0493545S (December 13, 2000), the Superior Court granted the Department's motion for summary judgment, ruling that the City of Stamford was liable under Conn. Gen. Stat. §12-407(2)(i)(N) during the tax periods in question for collecting and paying sales tax on parking services provided as a result of its operation of the parking garage at the Stamford Transportation Center. The taxpayer did not appeal the decision.

In *Michael G. Moore, et al. v. Commissioner, Department of Revenue Services*, No. CV 98 0492593S (November 22, 2000), the Superior Court ruled in favor of the Commissioner. The court held that where a taxpayer has a statutory obligation to file an amended income tax return and fails to do so, there is no statute of limitations barring the Commissioner from making an assessment. The taxpayers did not appeal the decision.

RULING OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

The following ruling, summarized below, has been released by the DRS Legal Division. To obtain a complete text of any ruling, visit the DRS Web site (www.drs.state.ct.us), or send your name, mailing address, and the number of the ruling or rulings to: **Department of Revenue Services, Forms Unit, 25 Sigourney Street, Hartford, CT 06106-5032**



RULING NO. 2001-3

Sales and Use Taxes, Sales for Resale, Electricity Exemption

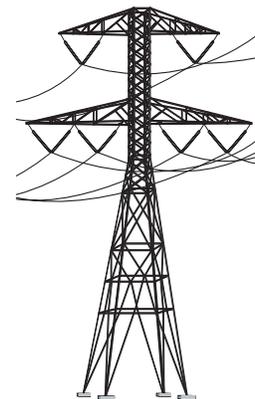
The ruling held that a company:

1. May purchase electricity to be sold to wholesalers and distributors of electricity on a resale basis and thereby not pay sales tax on such purchases.
2. May purchase electricity tax exempt under Conn. Gen. Stat. §12-412(3)(E) only if it is used directly in the generation of electricity, such as to operate machinery and equipment that produces electricity or to power the movement of water through the electricity generation system.

Conn. Gen. Stat. §12-412(3)(E) does not exempt sales of electricity that is not used in the actual generation or distribution of electricity, such as electricity used to light the facility, heat or cool the building or operate office equipment.

3. May **not** purchase electricity tax exempt under Conn. Gen. Stat. §12-412(18). Electricity is not a fuel or a substitute for fuel under Conn. Gen. Stat. §12-412(18).

Issued: February 28, 2001



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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 DRS by completing **Form REG-1, Application for Tax Registration Number**, 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 to DRS 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:

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

Every Connecticut agricultural employer must file federal Form(s) W-2, with **Form CT-W3, Connecticut Annual Reconciliation of Withholding**, 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. An unregistered agricultural employer should enter the words "Agricultural Employer" in the space reserved for the Connecticut tax registration number on **Form CT-W3**. T_N

Seasonal Employers

If you are a new seasonal employer you may request seasonal filer status with DRS. You must have a liability in the same quarter(s) each year and request in writing to be a seasonal filer. The employer must complete **Form REG-1** to register with DRS 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 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 to the left. T_N



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 for year ending February 2001
- 15** Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Payment, 2nd Installment 2001
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending March 2002
 - Form CT-1120 ESB for year ending December 2001
 - Form CT-1120 ESC for year ending September 2001
 - Form CT-1120 ESD for year ending June 2001
 - Estimated Fiduciary Tax payment, 2nd Installment 2001
 - Estimated Group Income Tax Payment, 2nd Installment 2001
 - Estimated Health Care Centers Tax Payment, 2nd Installment 2001
 - Estimated Insurance Companies Tax Payment, 2nd Installment 2001
 - Estimated Income Tax Payment for Individuals, Trusts, and Estates, 2nd Installment
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending February 2001
 - Group Income Tax for year ending February 2001
 - Partnership Income Tax for year ending February 2001
 - S Corporation Business Tax for year ending February 2001
 - S Corporation Information and Composite Income Tax for year ending February 2001
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products
- 30** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

JULY

- 1** Corporation Business Tax for year ending March 2001
- 15** Cigarette Vending Machine Tax
 - Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending April 2002
 - Form CT-1120 ESB for year ending January 2002
 - Form CT-1120 ESC for year ending October 2001
 - Form CT-1120 ESD for year ending July 2001
 - Fiduciary Income Tax for year ending March 2001
 - Group Income Tax for year ending March 2001
 - Partnership Income Tax for year ending March 2001
 - S Corporation Business Tax for year ending March 2001
 - S Corporation Information and Composite Income Tax for year ending March 2001
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products
- 31** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Monthly and Quarterly Tax Filers
 - Sales and Use Taxes, Monthly and Quarterly Filers
 - Tourism and Rental Surcharge, Monthly Filers

AUGUST

- 1** Corporation Business Tax for year ending April 2001
- 15** Cigarette Vending Machine Tax
 - Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending May 2002
 - Form CT-1120 ESB for year ending February 2002
 - Form CT-1120 ESC for year ending November 2001
 - Form CT-1120 ESD for year ending August 2001
 - Fiduciary Income Tax for year ending April 2001
 - Group Income Tax for year ending April 2001
 - Partnership Income Tax for year ending April 2001
 - S Corporation Business Tax for year ending April 2001
 - S Corporation Information and Composite Income Tax for year ending April 2001
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products
- 31** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

SEPTEMBER

- 1** Corporation Business Tax for year ending May 2001
- 15** Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Payment, 3rd Installment 2001
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending June 2002
 - Form CT-1120 ESB for year ending March 2001
 - Form CT-1120 ESC for year ending December 2001
 - Form CT-1120 ESD for year ending September 2001
 - Estimated Group Income Tax Payment, 3rd Installment 2001
 - Estimated Health Care Centers Tax Payment, 3rd Installment 2001
 - Estimated Insurance Companies Tax Payment, 3rd Installment 2001
 - Estimated Income Tax Payment for Individuals, Trusts, and Estates, 3rd Installment
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending May 2001
 - Group Income Tax for year ending May 2001
 - Partnership Income Tax for year ending May 2001
 - S Corporation Business Tax for year ending May 2001
 - S Corporation Information and Composite Income Tax for year ending May 2001
 - Unrelated Business Income Tax (Domestic Trusts)
- 25** Motor Vehicle Fuels Tax
 - Tobacco Products
- 30** Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

DRS Tax Product Update

DRS recently issued the following tax products. DRS forms and publications are available 24-hours a day, 7 days a week, by visiting the **DRS Web site** at 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.drs@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 2001(1), List of Registered Natural Gas Suppliers

AN 2001(2), Annual List of Distributors For Motor Vehicle Fuels Tax Purposes

AN 2001(3), Obtaining Connecticut Publications in Booklet Form

AN 2001(4), Taxability of Social Security Benefits for Connecticut Income Tax Purposes

INFORMATIONAL PUBLICATIONS

IP 2001(2.1), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2001(3.1), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2001(4.1), Numerical Index to Rulings and Administrative Pronouncements as Affected, If At All, By Later-Issued Rulings and Pronouncements

IP 2001(5.1), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2001(6.1), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2001(7), Q & A on the Connecticut Direct Payment Permit Program

IP 2001(8), Connecticut Managed Compliance Program

IP 2001(9), Q & A The Connecticut Alternative Minimum Tax

IP, 2001(10), Procedures for Making Offers of Compromise

IP 2001(11), Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax

IP 2001(12), Personal Taxes

IP 2001(13), "Pay When Paid" Method for Materialmen

IP 2000(26), Getting Started in Business

IP 2000(27), Procedures to Request Disclosure of Tax Returns and Tax Return Information

POLICY STATEMENTS

PS 2001(2), Room Occupancy Tax and Sales and Use Tax on Campground and Cottage Rentals

PS 2001(3), Your Rights as a Connecticut Taxpayer

PS 2001(4), Sales of Motor Vehicles to Nonresident Military Personnel and Joint Sales of Motor Vehicles to Nonresident

SPECIAL NOTICES

SN 2001(1), Escrow Accounts Required to be Established by Nonparticipating Manufacturers

T_N

Connecticut Tax Research Reminder

If you need to look up information on a Connecticut tax issue for a particular tax type, remember to use the DRS **Indexes to Rulings and Administrative Pronouncements**. Each quarter these indexes are updated to include the latest issued information from DRS. The indexes include:

IP 2001(2.1), *Topical Index to Rulings and Administrative Pronouncements Covering Income Tax* (as of April 1, 2001)

IP 2001(3.1), *Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax* (as of April 1, 2001)

IP 2001(4.1), *"Numerical" Index to Rulings and Administrative Pronouncements, As Affected, If At All, By Later-Issued Rulings and Pronouncements* (as of April 1, 2001)

IP 2001(5.1), *Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes* (as of April 1, 2001)

IP 2001(6.1), *Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics* (as of April 1, 2001)

The "Numerical" Index (**IP 2001(4.1)**) is a very important tool for verifying if information listed in the other indexes is up-to-date and where to locate current materials.

Indexes are available on the DRS Web site under **Publications** and **Tax Type Indexes** or in hard copy by contacting DRS. T_N

For Tax Forms, Publications or Personal Assistance

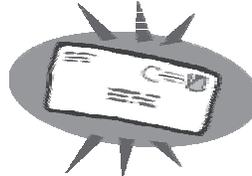
- Visit the **DRS Web site**: www.drs.state.ct.us



- 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

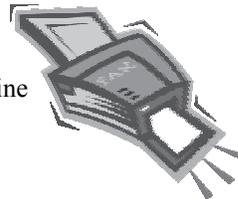


Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



Internet: Preview and download forms from the DRS Web site at www.drs.state.ct.us

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

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

10 Middle St.
203-579-6251

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3074 Whitney Ave., Bldg 2
203-287-8243

HARTFORD

25 Sigourney St.
860-297-5962

NORWICH

2 Cliff St.
860-889-2669

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55 West Main St.
Suite 100
203-596-4310



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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 informational publications.

Gene Gavin, Commissioner

CONTRIBUTORS:

John M. Dunham
Ellen R. Schneider
David P. Barry
Louis P. Bucari
Mary E. Chamberland
Frederick P. Clark
Anna Crawford
Ron F. Dreher
Freida R. Hampton
Felicia S. Hoeniger
Marcelle Lavoie
Elaine M. Leon
Jean E. Morrison
Melissa M. Pescetelli
Jason C. Purslow
Peter A. Santagata
Peter A. Teeuwissen
Sharon P. Walters
Holly J. Wilson

Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032