



2001 Legislative Changes Affecting Sales and Use Taxes

The following is a summary of the 2001 legislation affecting sales and use taxes. The effective dates of these legislative changes are also included in the summary. For more information on recently enacted legislation, visit the General Assembly Web site at: www.cga.state.ct.us.

Effective July 1, 2001

- Excludes from the tax on parking services the sale of parking space in a railroad parking facility owned or operated by the state in a municipality located within a severe nonattainment area for ozone under federal law, *retroactive* to such sales on or after April 1, 2000. (An identical exclusion for municipally-operated facilities already exists.)
- Temporarily suspends the 5.75% tax imposed on patient care services from July 1, 2001, through June 30, 2003.
- Exempts materials, tools, fuel, machinery, and equipment sold to and used or consumed by a fuel cell manufacturing facility in Connecticut. A "fuel cell" is defined as a device that directly or indirectly produces electricity directly from hydrogen or hydrocarbon fuel through a noncombustive electro-chemical process.
- Delays sunset of the following three exemptions from January 1, 2002, to July 1, 2002:
 1. New motor vehicles powered by clean alternative fuel (natural gas or electricity, and propane in certain vehicles);
 2. Conversion equipment for converting vehicles to the use of clean alternative fuel, or to dual use of clean alternative fuel and any other fuel; and
 3. Equipment incorporated into or used in a compressed natural gas filling station or electric recharging station for vehicles powered by clean alternative fuel.
- Increases the time from 30 days to 90 days after commencement of the

contract for a person dealing with a nonresident contractor to obtain a bond certificate from DRS, or to deduct and pay over to the DRS 5% of the amount payable to such contractor (or 2% in the case of direct payment permit holders). If the contract is to be completed in less than 90 days, the time limit is no later than 45 days after the commencement of the contract.

- Expands last year's amendment to the funeral expense exemption, which exempted "caskets for burial," to include caskets for cremation. Both casket exemptions take effect this year at the same time.

Effective October 1, 2001

- Changes reference to services rendered by "a hypertrichologist" to services rendered by "an electrologist" licensed in accordance with Chapter 388 in the *exclusions* from taxable miscellaneous personal services.
- Adds federally-recognized Indian tribes to the list of business entities eligible for exemption from sales and use taxes on enumerated services provided between such tribes and business entities in which they own a controlling interest, as defined in this statute, and between affiliated entities in which the tribe owns a controlling interest.

Effective August 1, 2002

- In accordance with federal law (P.L. 106-274, 4 U.S.C. §§116-126), this law changes the Connecticut sourcing rules for cellular mobile telephone service.
 1. All charges for cellular telephone service will be subject to Connecticut sales and use taxes if the service is billed by or for a customer's "home service provider," if the street address

where the customer's cellular telephone usage primarily occurs ("place of primary use") is in Connecticut, regardless of where calls originate, terminate or pass through.

2. The "home service provider" is the company that contracts with the customer to provide the cellular telephone service. The home service provider is responsible for obtaining and maintaining a record of each customer's place of primary use. It may use any address it has for the customer as of July 28, 2002, unless the Commissioner of Revenue Services notifies it of a different address.
3. The Commissioner may make determinations as to customers' places of primary use and may provide home service providers with electronic databases of customer places of primary use.
4. The bill provides for certain appeal rights by customers to the home service provider and the Commissioner in the case of a claim of an erroneous assignment of a place of primary use.
5. The current sourcing rules for cellular service in Conn. Gen. Stat. §12-407a(b) apply prior to August 2, 2002, and if the federal law on which the new changes to these sourcing rules are based is substantially limited or impaired by the final judgment of a court, the original sourcing rules of §12-407a(b) will apply to services rendered on or after the date of entry of such judgment.

Effective for customer bills issued after August 1, 2002 (the first day of the month beginning more than two years after the July 28, 2000, enactment of the federal law).

Recently Issued DRS Publications

DRS recently issued the publications listed below. See the "Forms, Publications or Personal Assistance" section below for ways to obtain these and other DRS forms and publications.

Announcements

AN 2001(2.2), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes

AN 2001(5), Use of Newly Revised Form CT-706 by Estates

AN 2001(6), Nonresident Individuals Now Subject to Connecticut Income Tax on Certain Connecticut Lottery Winnings

Informational Publications

IP 2001(2.2), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2001(3.2), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2001(4.2), Numerical Index to Rulings and Administrative Pronouncements as

Affected, If At All, By Later-Issued Rulings and Pronouncements

IP 2001(5.2), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2001(6.2), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2001(14), Business Taxes

IP 2001(15), Q&A on the Connecticut Use Tax for Businesses and Professions

Policy Statements

PS 2001(5), Sales and Use Tax Exemption for Food Sold Through Coin-Operated Vending Machines

PS 2001(6), Sales and Use Taxes on Retail Sales of Clothing

PS 2001(7), Purchases of Machinery, Equipment, Tools, Materials, and Supplies by Commercial Printers and Publishers

PS 2001(8), Taxation of Internet Access Provided by Community Antenna Television Companies

Special Notices

SN 2001(6), One-Week Sales and Use Tax Exclusion in August for Clothing and Footwear Under \$300

Certificates

CERT-116, Exempt Petroleum Products Certificate

CERT-132, Sales and Use Tax Exemption Under the "Buy Connecticut" Provision

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.

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: cforms.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, 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 DRS.

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CONNECTICUT TAX TOPICS is a quarterly newsletter about sales and use taxes and other state taxes of interest to businesses. This newsletter is designed to provide general information for taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy or practice affecting the liability of taxpayers. Nothing in this publication supersedes, alters or otherwise changes provisions of Connecticut General Statutes, regulations, Department rulings or tax information publications.

Understanding Connecticut Taxes Clearly

DRS is pleased to offer *Understanding Connecticut Taxes Clearly*, a free program designed to provide a broad overview of Connecticut tax requirements for new and existing small businesses.

Space is still available. Call now to register.

Programs are held from 6:30 p.m. to 9:00 p.m. Call Melvin Jones at 860-297-4935 to register.

FALL 2001

WINSTED	September 13
ENFIELD	October 4
FARMINGTON	October 11
DANIELSON	October 18
DANBURY	October 25
MIDDLETOWN	November 1
NORWICH	November 8
NORWALK	November 15
WATERBURY	December 6
MANCHESTER	December 13

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