



## Sales and Use Taxes

See **Special Notice 2002(8.1)**, *2002 Sales and Use Tax and Motor Vehicle Rental Surcharge Legislation*

### Storage Space

The effective date of the tax on the furnishing of space for storage of personal property by persons engaged in the business of furnishing such space has been changed from July 1, 2002 to October 1, 2002. Any sales and use taxes collected on these services that were rendered before October 1, 2002, must be refunded to the customers.

**2002 Conn. Pub. Acts 1, §§66, 68 (May 9 Spec. Sess.), as amended by 2002 Conn. Pub. Acts 4, §§13-15 (May 9 Spec. Sess.)**

**Effective:** Services rendered on or after October 1, 2002.

DRS will issue **Special Notice 2002(9.1)**, *Sales and Use Taxes on the Furnishing of Space for Storage* to reflect this change. See also **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy*.

### Certificated Air Carrier

Excludes business analysis, management, management consulting and public relations services rendered in connection with an aircraft leased or owned by a certificated air carrier or in connection with an aircraft which has a maximum certificated takeoff weight of 6,000 pounds or more.

**2002 Conn. Pub. Acts 1, §§65, 67 (May 9 Spec. Sess.)**

**Effective:** July 1, 2002, (retroactive to services rendered on and after January 1, 1994).

### Delay in Repeal of Sales and Use Tax on Computer and Data Processing Services

The repeal of the sales and use tax on computer and data processing, which was scheduled for July 1, 2002, has been delayed for two years. Computer and data processing services will remain taxable at 1% until June 30, 2004.

**2002 Conn. Pub. Acts 1, §§69, 70 (May 9 Spec. Sess.)**

**Effective:** July 1, 2002.

### Patient Care Services

Amends the exclusion for patient care services to provide that patient care services **for which payment is received by the hospital** (formally "rendered by") between July 1, 2001, and June 30, 2003, are excluded from sales tax.

**2002 Conn. Pub. Acts 3, §1**

**Effective:** February 28, 2002.

#### Prior Years' Legislation

### Sunset of Exemption for High Mileage Motor Vehicles

The exemption from sales and use taxes for sales of passenger cars with an EPA estimated highway mileage rating of at least 50 miles per gallon expired on July 1, 2002.

**Conn. Gen. Stat. §12-412(110), as amended by 2000 Conn. Pub. Acts 170, §22.**

### Exemptions Extended

The following exemptions from sales and use taxes have been extended to July 1, 2004:

- New motor vehicles powered by clean alternative fuel;
- Conversion equipment for converting vehicles to clean alternative fuel; and
- Equipment in compressed natural gas filling or electric recharging station for vehicles powered by clean alternative fuel.

**Conn. Gen. Stat. §12-412(67), (68), and (69)  
2002 Conn. Pub. Acts 4, §10 (May 9 Spec. Sess.)**

### Cellular Mobile Telephone

In accordance with federal law (P.L. 106-274, 4 U.S.C. §§116-126), this amendment changes the Connecticut sourcing rules for cellular mobile telephone service.

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.

**Conn. Gen. Stat. §12-407a, as amended by 2001 Conn. Pub. Acts 6, §71**

**Effective:** For customer bills issued after August 1, 2002 (the first day of the month beginning more than 2 years after the July 28, 2000 enactment of the federal law). **T<sub>T</sub>**

## Business Entity Tax

### Business Entity Tax

An annual tax of \$250 is imposed on each S corporation, limited liability company that is treated as a partnership if it has two or more members or disregarded as an entity separate from its owner if it has a single member, limited liability partnership, and limited partnership, where the entity is required to file an annual report with the Connecticut Secretary of the State.

The tax is required to be paid to DRS by an entity on or before the fifteenth day of the fourth month following the close of each taxable year of the entity. An entity's taxable year is its taxable year for federal income tax purposes. Failure to pay the tax when due subjects an entity to penalty and interest.

**2002 Conn. Pub. Acts §55 (May 9 Spec. Sess.), as amended by 2002 Conn. Pub. Acts 4, §1 (May 9 Spec. Sess.)**

**Effective:** July 1, 2002 and applicable to taxable years commencing on or after January 1, 2002. **T<sub>T</sub>**

For More Amnesty information or to obtain an application call:

860-297-5962 or

800-382-9463 (in-state)

Information and applications are available on the Internet at:

[www.ct.gov/taxamnesty](http://www.ct.gov/taxamnesty)

# ★ CT TAX ★ AMNESTY

## 2002 Connecticut Tax Amnesty

Begins September 1

★ CT TAX ★  
AMNESTY

Ends November 30

Individuals or businesses, residents, or nonresidents, may participate in Connecticut Tax Amnesty to resolve past tax liabilities and obtain good standing with DRS; eliminate penalty and reduce interest on the amount due; and avoid any possible criminal prosecution. See **Informational Publication 2002(12)**, *Q & A on the Connecticut Tax Amnesty Program*.

## Corporation Business Tax

### Bonus Depreciation Deduction is not Permitted

The bonus depreciation allowed under Internal Revenue Code §168(k) is not deductible for corporation business tax purposes.

**2002 Conn. Pub. Acts 1, §56 (May 9 Spec. Sess.)**

*Effective:* For property placed in service after September 10, 2001, and before September 11, 2004, that is subject to the bonus depreciation allowed under Internal Revenue Code §168(k).

### Minimum Tax Changes

No tax credit allowed against the corporation business tax shall reduce a company's minimum tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250. In addition, financial service companies are no longer exempt from the \$250 minimum tax and may not apply any tax credits to reduce the minimum tax below \$250.

Each corporation included in a combined return shall pay the minimum tax and no tax credit allowed against the corporation business tax shall reduce an included corporation's tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250.

**2002 Conn. Pub. Acts 1, §§57 and 58 (May 9 Spec. Sess.)**

*Effective:* Income years commencing on or after January 1, 2002.

Details about the corporation business tax changes are scheduled for release in September.

Visit the DRS Web site at: [www.drs.state.ct.us](http://www.drs.state.ct.us) and select *2002 Legislative Summary*.

### 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.

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: [cforms.drs@po.state.ct.us](mailto: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).

**File Returns Electronically:** Visit the DRS Web site (click on Business Taxes Fast-File Program)

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.

### DRS OFFICES

**BRIDGEPORT** 10 Middle St. 203-336-7890  
**HARTFORD** 25 Sigourney St. 860-297-5962  
**NORWICH** 2 Cliff St. 860-889-2669

**HAMDEN** 3074 Whitney Ave. 203-287-8243  
**WATERBURY** 55 West Main St. Suite 100 203-805-6789

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.

### Tax Credits May Not Reduce Tax by More than 70%

The amount of tax credit or credits for any income year shall not exceed 70% of the amount of tax due under the corporation business tax prior to the application of tax credits.

**2002 Conn. Pub. Acts 1, §59 (May 9 Spec. Sess.)**

*Effective:* Income years commencing on or after January 1, 2002.

### Limitations on Refunds of Research and Development Credit

Any taxpayer that is entitled to a research and development tax credit refund will be entitled to receive a maximum of \$1 million dollars in any one state fiscal year. For research and development tax credit refund claims filed for income years commencing on or after January 1, 2002, no taxpayer may receive a tax credit refund of more than \$1.5 million in any one income year.

Additionally, the law was amended to clarify that the application for credit refund must be made on or before the due date or extended due date of the tax return. In determining eligibility for a credit refund, payment of the minimum tax of \$250 under Conn. Gen. Stat. §12-219 or §12-223c, shall not be considered a tax liability.

2002 Conn. Pub. Acts 1, §60 (May 9 Spec. Sess.),  
as amended by 2002 Conn. Pub. Acts 4, §19  
(May 9 Spec. Sess.)

*Effective:* July 1, 2002.

### Amendments to the Commissioner's discretionary authority

The Commissioner's discretionary authority to make adjustments was amended to explicitly provide that the Commissioner may exercise his discretion as long as his discretion is not arbitrarily, capriciously or unreasonably exercised and that such adjustments may be used where the arrangement between related entities reflects inaccurate net income.

In addition, new legislation effectively overrules the Connecticut Supreme Court's decision in *Carpenter Technology Corp. v. Commissioner*, 256 Conn. 455 (2001).

**2002 Conn. Pub. Acts 1, §§61 and 62 (May 9 Spec. Sess.)**

*Effective:* July 1, 2002.

### Clarification of Payment of Interest on Corporation Business Tax Overpayments

The law regarding the payment of interest on late-filed and amended returns is clarified.

**2002 Conn. Pub. Acts 1, §§63 and 64 (May 9 Spec. Sess.)**

*Effective:* July 1, 2002, and applicable to tax returns and amended tax returns filed on or after July 1, 2001, and not allowed or paid before July 1, 2002. **T<sub>T</sub>**

## MOTOR CARRIER / MOTOR VEHICLE FUELS TAXES

See Special Notice 2002(6.1), *Motor Vehicle Fuels Tax Changes as of July 1, 2002 and August 1, 2002*

### Increase in the Motor Vehicle Fuels Tax Rate on Diesel Fuel

Effective August 1, 2002, the tax rate on diesel fuel sold or used in Connecticut will increase from 18-cents to 26-cents per gallon.

**2002 Conn. Pub. Acts 1, §71 (May 9 Spec. Sess.)**

*Effective:* From passage (July 1, 2002) and applicable on and after August 1, 2002.

### Floor Tax on Diesel Fuel

New legislation imposes a floor tax of 8-cents per gallon on diesel fuel in inventory at close of business July 31, 2002, on all persons licensed to sell fuel under Conn. Gen. Stat. §14-319.

**2002 Conn. Pub. Acts 1, §74 (May 9 Spec. Sess.)**

*Effective:* From passage (July 1, 2002).

### The Exemption for Alternative Fuels Extended to July 1, 2004

The exemption from the motor vehicles fuels tax for sales of compressed natural gas, liquefied petroleum gas (propane), and liquefied natural gas has been extended to July 1, 2004.

**2002 Conn. Pub. Acts 4, §12 (May 9 Spec. Sess.)**

*Effective:* July 1, 2002. **T<sub>T</sub>**

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