



2002 Connecticut Tax Amnesty Exceeds Expectations

The 2002 Connecticut Tax Amnesty Program is officially over, but for DRS the work of collecting delinquent taxes continues, as always. DRS will now switch its focus from welcoming voluntary compliance of delinquent taxpayers to the task of tracking down those who owe back taxes and did not come forward during Amnesty.

Commissioner Gavin recently touted the success of the 2002 Connecticut Tax Amnesty Program with the announcement that (as of December 3) Amnesty collected \$92 million, far outdistancing the \$24 million goal set by the General Assembly.



Final figures for the 2002 Connecticut Amnesty will not be known until all applications have been processed.

Joseph Thomas, Amnesty Co-Chairperson, estimates, "My best guess, going by statistics from other Amnesties where a large portion of the total money collected came in during the last days of the program, is that once all requests have been processed there will be over 12,000 applications and nearly \$100 million collected."

The \$92 million in additional revenue collected during amnesty is only a start in what will be a heightened resolve by Agency Auditors and Collections personnel to identify delinquent taxpayers and collect what is owed. The Amnesty program has helped DRS gather important information to identify delinquency trends for certain taxes or industries, while holding to our Amnesty pledge of not using the newly acquired information against individuals. This information combined with the new ITAS computer capabilities (the *Integrated Tax Administration System* will combine all DRS taxpayer information into a single computer system) will make DRS a formidable foe to those who are not paying their fair share of Connecticut taxes.

Commissioner Gavin warns those who still owe taxes, "With Amnesty, we offered delinquent taxpayers a very generous opportunity to come forward voluntarily. Now we will use all of our resources, including new selection information collected during Amnesty and our new ITAS technology, to locate and collect all monies, including full interest and penalties, that taxpayers owe to the State of Connecticut." He added, "Now, it truly is time for tax cheats in Connecticut to *Face Your Fate!*"

2003 Business Entity Tax

For taxable years beginning on or after January 1, 2002, there is an annual tax of \$250 on each:

- S Corporation;
- Limited Liability Company, which is, for federal income tax purposes, either 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; **or**
- Limited Partnership;

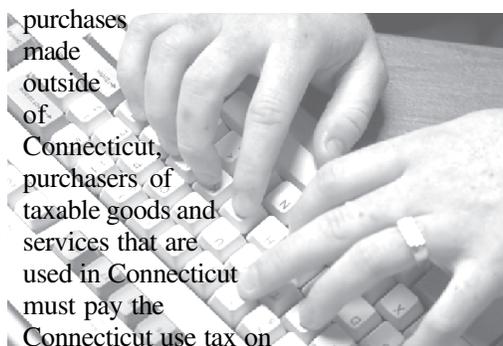
that is required to file an annual report with the Connecticut Secretary of the State.

See **Special Notice 2002(11)**, *Business Entity Tax*. An entity that has a Connecticut tax registration number issued by DRS will automatically be registered for the Business Entity Tax and be mailed **Form OP-424**. If an entity does not have a Connecticut number, one can be obtained by completing **Form REG-1**, *Business Taxes Registration Application*. DRS will mail preprinted forms OP-424 in January and February of 2003. The failure to receive **Form OP-424** will not excuse any entity from the obligation to file it and to pay the Business Entity Tax.

Despite Reports, Sales Made Over the Internet Are Subject to Connecticut Use Tax

During this holiday retail season, several local news stories relating to purchases made over the Internet have stated that there is no sales tax on those purchases. These stories are not entirely accurate as they fail to mention the application of Connecticut's use tax.

The use tax is complimentary to the sales tax. It generally applies to taxable tangible personal property or services on which a seller did not impose Connecticut sales tax. Together, the sales and use taxes act to tax Connecticut purchasers equally, whether they purchase goods or services within or outside of Connecticut. Therefore, while there is no sales tax on



purchases made outside of Connecticut, purchasers of taxable goods and services that are used in Connecticut must pay the Connecticut use tax on such goods and services. The use tax must be paid directly to DRS. Individuals can report the use tax on their Connecticut Income Tax returns or on **Form OP-186**, *Individual Use Tax Return*.

The use tax also applies to Connecticut businesses. In addition to applying to the purchase or lease of assets such as furniture, equipment, machines, instruments, and computers, the use tax also applies to the purchase of goods such as office supplies, paper, stationery items, certain publications, packaged software, and books that are used by businesses. Because these goods and services are used and consumed by businesses in Connecticut, businesses must report and pay use tax on such goods and services. If purchases are made in connection with carrying on a trade, occupation, business,

▶ [Internet Sales](#), on back

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 2002(7), 2002 Legislation Renumbers
CONN. GEN. STAT. 12-407

Certificates

CERT-113, Purchases of Tangible Personal Property and Services by a Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, or Nonprofit Residential Care Home

CERT-116, Exempt Petroleum Products Certificate

CERT-136, Purchases of Items by Eleemosynary Organizations and Schools That Will be Resold Tax-Exempt

CERT-137, Sales and Use Tax Certificate for Sale and Leaseback Arrangements

Informational Publications

IP 2002(2.3), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2002(3.3), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2002(4.3), Numerical Index to Rulings and Administrative Pronouncements as Affected, If At All, By Later-Issued Rulings and Pronouncements

IP 2002(5.3), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2002(6.3), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2002(11), Nonprofit Hospitals, Nonprofit Nursing Homes, etc.

IP 2002(13), Federal/State Electronic Filing Handbook

IP 2002(15), Status Letters

IP 2002(16), Successor Liability for Sales and Use Taxes and Admissions and Dues Tax

IP 2002(17), Paying CT Taxes by Electronic Funds Transfer

IP 2002(18), CT Income Tax Treatment of Lottery Winnings

IP 2002(19), 2002 Connecticut Magnetic Media Filing Requirements for Federal Form W-2

IP 2002(20), 2002 Connecticut Magnetic Media Filing Requirements for Federal Forms 1098, 1099-MISC, 1099-R, 1099-S, and W-2G

IP 2002(21), Q & A Connecticut Individual Use Tax

IP 2002(25), Q & A on the Connecticut Use Tax for Businesses and Professions

Policy Statements

PS 2002(3), Sales and Use Tax Exemptions for Sales by Eleemosynary Organizations Etc

PS 2000(5), Motor Vehicle Rental Surcharge and the Tourism Account Surcharge

Special Notices

SN 2002(8.1), 2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation

SN 2002(9.1), Sales and Use Taxes on the Furnishing of Space for Storage

SN 2002(12), 2002 Legislative Changes for Income Tax

SN 2002(14), Legislative Changes Affecting the Corporation Business Tax

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Internet Sales

from front

or profession, the business that made such purchases must register with DRS for business use tax and must report and pay tax on such purchases on **Form OS-114, Sales and Use Tax Return**. Businesses can use **Form REG-1** to register for business use tax. Therefore, like individuals, if a business purchases taxable goods or services for use in Connecticut from an Internet company or an out-of-state mail-order company and is not charged Connecticut sales, the business must report the purchase and remit the proper amount of use tax on its **Form OS-114**.

Note to businesses: A resale certificate may only be used to purchase goods or services that are intended for resale in the regular course of business.

DRS Offers Excel-based Use Tax Tracker

To assist taxpayers in calculating their use tax liabilities, the DRS has created an excel-based Use Tax Tracker that enables users to log in their purchases during the year. The Tracker performs the calculations and provides a total that can be entered on the Use Tax line on their Connecticut income tax return.

In addition, a fillable **OP-186** is available on the DRS Web site. Visit the DRS Web site at: **www.ct.gov/drs** in January to download the Use Tax Tracker or use the fillable **OP-186**.

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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: 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, 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. 203-579-6251	HARTFORD 25 Sigourney St. 860-297-5962	NORWICH 2 Cliff St. 860-889-2669
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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. Programs are held from 6:30 p.m. to 9:00 p.m. Call Melvin Jones at 860-297-4935 to register.

Winter/Spring 2003

HARTFORD January 9

STAMFORD January 23

NEW HAVEN February 6

DANBURY February 20

NORWICH March 6

WATERBURY March 20

ENFIELD May 1

NORWALK May 8

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