

Connecticut Tax News

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A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From The Commissioner *Gene Gavin*

DRS in National Spotlight and Y2K Update

U.S. General Accounting Office report features Top 100 List

With the recent release of a U.S. General Accounting Office (GAO) report on public disclosure of delinquent taxpayers, the national media has focused once again on Connecticut's innovative ideas. You may have heard or seen me discussing "The List" in media as diverse as the Fox Television Network Business News, *The Wall Street Journal*, and the Christian News Network as they took the opportunity to speak with us in detail about the success of "The List" and its positive results and reception by Connecticut taxpayers.

The GAO report was compiled at the request of Congress' Joint Committee on Taxation as part of its study of ways to raise levels of federal tax compliance. The GAO contacted me in March and representatives visited Connecticut to gather their data. DRS was the first to use the Internet to publicize its top tax debtors — the 100 taxpayers who owe the highest tax amounts. Our success from the outset (the list first

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version.



► **COMMISSIONER**, page 2

Rebate '99 Update

Earlier this year, the Connecticut General Assembly enacted and Governor John G. Rowland signed legislation that will return a portion of the state's budget surplus to Connecticut residents in the form of a sales tax rebate. Under this new legislation, it is estimated that over **2.1 million** Connecticut residents will be eligible to receive sales tax rebates. DRS, which is responsible for administering the 1999 Connecticut Sales Tax Rebate Program (Rebate 99), is hard at work preparing to issue Connecticut residents their sales tax rebate checks.

Under Rebate 99, eligible individuals will receive a rebate in the amount of \$50, while most eligible individuals who filed joint tax returns will receive joint rebates in the amount of \$100. Taxpayers who are eligible for Rebate 99, will be mailed checks automatically; there is no need to contact the Department. The DRS expects to begin issuing sales tax rebate checks to Connecticut residents in late September.

If taxpayers owe other tax to the DRS or debts to other Connecticut state agencies, all or a portion of their rebate may be offset to satisfy the outstanding debt. Taxpayers will be notified by mail if their rebate is reduced for this reason.)

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Revised Tax Guides Available Soon

The Department has updated the following informational publications: **IP 99(18)**, *Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors*; **IP 99(19)**, *Building Contractors' Guide to Sales and Use Taxes*, and **IP 99(21)**, *Getting Started in Business: Understanding Connecticut Taxes*. These newly revised informational publications will be available at the DRS/IPT State Tax Seminar, September 23, 1999. After that date, they can be ordered by calling the DRS Forms Unit at **1-800-382-9463** (toll-free within Connecticut) or **860-297-4753**

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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.

appeared on our Web site in January 1997) has encouraged many other states to look at following our lead. Thirty-two states and the District of Columbia contacted us for information and guidance. To date, Illinois, Montana, New Jersey and the District of Columbia have launched similar sites. Four other states, including California, are either close to publishing their tax delinquent lists or working on getting enabling legislation passed.

The GAO was impressed that Connecticut has collected over \$52 million in previously unpaid tax revenue and can expect at least \$12 million more in confirmed payment plans. Another aspect of our success has also been emphasized — the program overwhelmingly favors honest taxpayers who pay their fair share of taxes and comply voluntarily with the state's tax laws.

This month I will be in Arlington, Virginia, showcasing the Internet Top 100 List at a conference for government executives and managers called "Defending Cyberspace". Our experience has been selected as a

Commissioner

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model for future use of the Internet for debt collection. Connecticut may be a small state, but we have BIG ideas that work and people are paying attention!

If you haven't checked out the Top 100 List recently, log on to our DRS Web site: www.state.ct.us/drs. We've introduced a completely new look with easier to use links (see page 3) and "The List" is updated every month. You may also download a copy of the GAO report (GAO/GGD-99-165 *Public Disclosure of Delinquent Taxpayers*) from the GAO's Web site, www.gao.gov.

DRS Confident of Y2K Readiness

As the "Big Double-O" date change rapidly approaches, we hear many public concerns about the readiness of all government agencies every day. I want to assure all DRS customers — those in the professional tax sector, as well as business and individual taxpayers — that DRS has

taken every action available to ensure that its automated systems will make the Year 2000 transition without any problems.

DRS identified Y2K as a top priority operating issue as early as 1994 when it began to develop its strategy for a major technology advancement to support an integrated tax administration system. Since that time, DRS has worked to fix, test, and certify that all of its automated systems are Y2K compliant.

In all, the Agency has remediated, tested and placed into production 2,809 programs representing almost 3 million lines of code. In addition, we have replaced or upgraded data entry and remittance processing equipment, and replaced or upgraded more than 350 personal computers and a significant amount of telecommunications equipment.

I am extremely proud of the DRS staff for their contribution to this effort. Obviously, our Y2K readiness could not have been achieved without them. A group of 12 DRS employees formed a core team that focused on Y2K readiness and coordinated external

► COMMISSIONER, page 4

(from anywhere). These publications will be posted on the DRS Web Site on or about mid-October, 1999.

These informational publications incorporate recommendations made by the 1997 Connecticut General Assembly's Sales and Use Tax Study Committee, made up of legislators, tax professionals and representatives from DRS. The committee reported recommendations to the 1998 General Assembly. Some recommendations became law in 1998 while others were approved by the 1999 session of the Connecticut General Assembly.

These publications have proven to be valuable tools for their respective industries and for new businesses.

IP 99(18), *Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors*, is a reference of tax benefits available

Tax Guides

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to the manufacturing industry. This guide examines various provisions of the sales and use taxes law that impact the industry, while incorporating new legislation.

IP 99(19), *Building Contractors' Guide to Sales and Use Taxes*, summarizes the taxability of contractor's and subcontractor's services including new legislation regarding services to other than commercial, industrial or income-producing real property, tangible personal property and new Departmental policy on floor refinishing.

IP 99(21), *Getting Started in Business: Understanding Connecticut Taxes*, contains general information and guidelines to help taxpayers comply with Connecticut tax laws while getting started in business. This

informational publication also contains new legislation on specific areas of sales and use taxes, employer withholding information and other state tax requirements. ^{T_N}

DRS/IPT ONE-DAY TAX SEMINAR – REMINDER!

The Department of Revenue Services and the Institute of Professionals in Taxation (IPT) present their second annual state tax seminar on September 23, 1999, 8:30 a.m. to 4:30 p.m., at the Radisson Hotel and Conference Center in Cromwell, Connecticut.

Come and learn about important changes to Connecticut tax laws!

Registration information is available on the DRS Web Site. You may also download the Seminar Registration Application from our site. ^{T_N}

Drs Website Is New And Improved

The Department of Revenue Services Internet site at www.state.ct.us/drs has a new look and an improved organizational structure. Taxpayers and practitioners will find the new site easier to navigate and more pleasing to look at, whether they are looking for technical information, looking for a specific form or registering on-line for a tax seminar.

Noemi Perry, Taxpayer Services Division, is the DRS Webmaster. She spent months working on overhauling the agency Website. "I researched other Internet sites to look for new ideas and better designs," said Noemi, "and also asked the representatives of the DRS Web Users Committee for their suggestions."

Incorporating the best of what she learned in her research, and from Internet training classes, Noemi designed the new site. Gary Cyr and Susan Ross of the Information Services Division were consultants on the project and used their technical expertise to solve a number of problems.

The next task was to reorganize all



the useful information and tools on the site to make them easier to find. "We learned from our customers, the taxpayers and tax professionals who use our site, what they wanted. They told us through their e-mail messages," said Noemi. "We took their ideas and our ideas and came up with a better product."

When the new design was unveiled to the Commissioner in late June, Noemi was sure she was on the right

track. Commissioner Gavin and the Commissioner's executive staff were enthusiastic and very supportive.

Commissioner Gavin invites you to tour the new site. If you previously bookmarked the DRS home page you will need to select the "refresh" command to access the new site. If you have bookmarked specific pages, you may need to update them because of changes to the site structure.

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Innovation merits gold quality award

DRS once again has been recognized for innovation and performance excellence by the Connecticut Quality Improvement Award Partnership (CQIAP). A 1999 Gold Connecticut Innovation Prize has been awarded to the Managed Audit Program, developed and implemented by the Audit Division in early 1998. CQIAP is a nonpartisan, non-governmental organization that promotes excellence in Connecticut private and public businesses, using the criteria of the Baldrige National



Quality Award. It offers three levels of quality awards to recognize achievement in such areas as leadership, strategic planning, customer and market focus, human resource focus and process management results. The Connecticut Innovation Prize is the first level award, and winners may receive either silver, gold or platinum level awards. The Gold level is given when a program demonstrates significant impact on all levels of organizational performance with

future benefits anticipated.

"The Managed Audit Program rewrote the book on the tax audit process, giving us the foundation for moving ahead into the Managed Compliance Program," said Commissioner Gene Gavin. "I am very proud of the DRS professional audit staff for designing this bold innovation in the field of tax compliance."

Commissioner Gavin and members of the Managed Audit Program team will receive the award at the 12th Annual Connecticut on Quality and Innovation Conference on October 6.

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State Provides Tax Incentives To Preserve Open Space

To encourage preservation of Connecticut's open spaces, several new state laws were passed that provide incentives for corporations and individuals to designate land as open space.



New corporation business tax credits to support open space:

- Provides a deduction from gross income under Conn. Gen. Stat. §12-217(a)(1) for the value of any capital gain realized from the sale of any land, or interest in land to the state, any political subdivision of the state, or to any nonprofit land conservation organization, where such land is to be permanently preserved as protected open space or water company land.
- Amends the Neighborhood Assistance Act credit to provide a 60% credit for cash donations to an open space acquisition fund of any political subdivision of the state or any nonprofit land conservation organization to purchase land, an interest in land, or permanent conservation restriction on land which is permanently preserved as protected open space. This new NAA credit is not subject to the requirement that the amount expended must exceed the amount expended in the preceding year.
- Creates a tax credit equal to 50% of any donation of open space land to the state, a political subdivision of the state or any nonprofit land conservation organization. The donated land must be permanently preserved as protected open space.

New succession tax exemption:

- A succession tax exemption is allowed with respect to any transfer of open space land, as defined in Conn. Gen. Stat. §12-107b(c), whether or not it has been classified as open space land in accordance with Conn. Gen. Stat. §12-107e. ^{T_N}

Cabaret Tax Repealed

The cabaret tax was repealed as of July 1, 1999. The cabaret tax was a 5% tax imposed on all amounts charged for admission, food and drink, service or merchandise at any cabaret or similar place furnishing music, dancing privileges, or other entertainment for profit in conjunction with the selling or serving of alcoholic beverages.

The important change means that persons operating establishments that were subject to the cabaret tax should be aware that **admission charges, including cover charges**, to most establishments previously subject to the cabaret tax are now subject to the 10% admissions tax, rather than the 5% cabaret tax. However, charges for food, beverages, merchandise and service sold in these establishments are **not** subject to admissions tax, but may be subject to sales tax as applicable.

The admissions tax is imposed on admission charges to any place of amusement, entertainment or recreation. *Amusement, entertainment or recreation* include but are not limited to dancing, live or recorded music, games, performances and sporting events. ^{T_N}

Shoe Repairs And Related Services

Shoe repair services are exempt from sales and use taxes. This applies to labor charges for repair work to **shoes only**, it does not extend to repairs of pocketbooks, belts, or other leather products, even if a shoe repair establishment renders the service. ^{T_N}



Change in Hospital Gross Earnings Tax Reduction

H For each taxable quarter beginning on and after October 1, 1999, the rate of the gross earnings tax imposed on hospitals is reduced from 7.25% to 4.5%. Under prior law, the rate of the gross earnings tax imposed on hospitals was scheduled to be reduced from 7.25% to 6.25% for each taxable quarter beginning on or after October 1, 1999. (1999 Conn. Pub. Acts 173, §32) ^{T_N}

Commissioner

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vendors and internal support for the past 18 months. In addition, more than 100 DRS employees contributed to the planning and implementation of the project, while maintaining their primary full-time tax administration functions. Their dedication resulted in DRS being the first large state agency to meet major milestones for Y2K established by the Department of Information Technology (DOIT). Although we have a high level of confidence in the Y2K readiness of DRS, the staff is taking one more additional step. We recognize that today's technological

interdependence might result in unanticipated problems in our delivery of DRS services, so we are in the process of preparing an in-depth Business Continuity and Contingency Plan (BCCP). Throughout our Y2K remediation efforts, DRS has chosen to view Y2K compliance as an opportunity to develop better ways to serve its customers, rather than just a problem that had to be conquered. I believe that you will find DRS even more efficient and effective because of the steps we have taken. ^{T_N}

Property Tax Credits for 1999 and 2000 Highest Ever

The maximum property tax credit is increased to \$425 for taxable years beginning on or after January 1, 1999, and to \$500 for taxable years beginning on or after January 1, 2000. The dollar-for-dollar credits are the highest yet to be available to Connecticut residents to reduce their income tax. The property tax must have been paid to a Connecticut political subdivision on a primary residence or motor vehicle, or both.

The chart below shows the increases in the Connecticut Property Tax Credit:

TAX YEAR	PROPERTY TAX CREDIT (maximum amount)	INCREASE OVER PREVIOUS YEAR
1998	\$350	\$135
1999	\$425	\$75
2000	\$500	\$75

(1999 Conn. Pub. Acts 173, §2) T_N

Withholding Tables to Change July 1, 2000

For the period prior to July 1, 2000, single individuals should make withholding or estimated tax payments without regard to the personal income tax exemption and credit changes.

The Commissioner of Revenue Services will issue new withholding tables and estimated income tax worksheets effective July 1, 2000. The new tables and worksheets will reflect the increased personal exemptions and credits for single individuals that are in effect for all of taxable year 2000. (1999 Conn. Pub. Acts 173, §8) T_N

Plan Early For The Property Tax Credit

Connecticut residents should plan ahead for the 1999 property tax credit by reviewing property tax payments made to date and property tax payments that will be made by December 31, 1999. This year's credit of \$425 is the highest yet to be offered to Connecticut residents who have



paid property tax to a Connecticut political subdivision on a primary residence or motor vehicle, or both. In order to be eligible for the full \$425 credit, Connecticut residents must have paid at least that much in qualifying property tax payments by the end of the taxable year.

Qualifying property tax payments are payments of property taxes on a primary residence or privately owned motor vehicle that were made during 1999 to a Connecticut political subdivision for which the taxpayer is liable (or in the case of a joint return, property tax payments for which one spouse, or both are liable) on a primary residence or privately owned motor vehicle; and that first became due during 1999. Supplemental property taxes on a motor vehicle that first became due and actually paid during 1999 also qualify for the credit. Where property taxes are due and payable in two or more installments, each installment is first due on the date designated by the Connecticut political subdivision as the date when such installment is due and payable.



If a Connecticut political subdivision designates that an installment is due and payable during 1999, the installment will be first due during 1999 and will qualify for the credit if paid during 1999. If a Connecticut political subdivision designates that an installment is due and payable during 2000, but an earlier installment of those property taxes first became due during 1999, a taxpayer may choose to treat the 2000 installment as first becoming due during 1999 if the taxpayer pays it during 1999. On the other hand, if the taxpayer pays the 2000 installment during 2000, the taxpayer may not use the payment in calculating the 1999 property tax credit, but may use the payment in calculating the 2000 property tax credit.

EXAMPLE: Lisa's primary residence is in a town that allows property taxes to be paid in two installments: July 1, 1999, and January 1, 2000. Lisa pays both installments during 1999. Lisa is eligible to claim a credit on her 1999 Connecticut income tax return for her payment of the first and second installment, but would not be eligible to claim a credit on her 1999 income tax return for the second installments if she paid it during 2000.

After determining the amount of qualifying property tax payments, taxpayers can go to the *Property Tax Credit Calculator*, available on the DRS Web site, for help in calculating the amount of property tax credit to be taken on the 1999 income tax return.

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Employees Claiming Exemption from Connecticut Income Tax Withholding

Employers must obtain a completed copy of **Form CT-W4, Employee's Withholding or Exemption Certificate**, from each new employee when hired. This form takes effect as of the first payroll period ending from the employee's start date or the first payment of wages made on or after the date Form CT-W-4 is provided by the employee.

To claim exemption from Connecticut withholding tax a new employee must check box 4 of Form CT-W4. An employee is not required to have Connecticut income tax withheld if such employee expects to have **no** Connecticut income tax liability for the taxable year. For example, a student whose filing status is Single is not required to have Connecticut income tax withheld if that student's wages and other gross income do not exceed the gross income test for the taxable year. *Gross income* means all income received in the form of money, goods, property and services that is not exempt from federal tax and any additions to income from **Form CT-1040, Connecticut Resident Income Tax Return**, Schedule 1 or **Form CT-1040NR/PY, Connecticut Nonresident or Part-Year Resident Income Tax Return**, Schedule 1.

A Connecticut resident, or a part-year resident or nonresident (with Connecticut source income for the taxable year), is required to file a Connecticut income tax return, if that individual's gross income exceeds:

- \$12,000 for Single or Married person filing separately,
- \$19,000 for Head of household, or
- \$24,000 for Married persons filing jointly.

Employers are required to obtain a new Form CT-W4 on or before February 15 from each employee who claimed exemption from withholding in the prior year. If the employee does not provide a new Form CT-W4 for the current year, the employer must begin withholding at a flat rate of 4.5% (.045), without allowance for exemption, on February 16.

Employers should note that the personal income tax exemptions and credits available to single individuals are being increased over an 8-year period for years beginning on or after January 1, 2000. For the period prior to July 1, 2000, single individuals should make withholding or estimated tax payments without regard to the personal income tax exemption and credit changes. New withholding tables and estimated income tax worksheets will be issued that are effective July 1, 2000. The new tables and worksheets will reflect the increased personal exemptions and credits for single individuals that are in effect for all of taxable year 2000.

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Understanding Connecticut Taxes Clearly

Coming Soon to a Town Near You!

The Connecticut Department of Revenue Services 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.

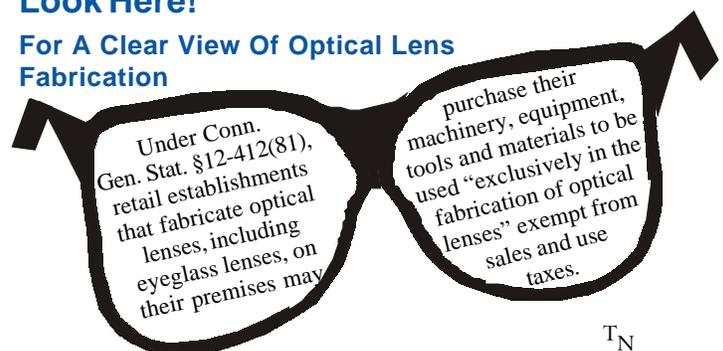
New classes for Fall 1999 have been scheduled, please plan ahead and register now.

Classes are limited to 40 participants and preregistration is required for all sites. Programs are held from 6:30 p.m. to 9:00 p.m.

<p>September 9 New Haven</p> <p>September 16 Winsted</p> <p>September 23 Waterford</p> <p>September 30 Enfield</p> <p>October 7 Farmington</p> <p>October 14 Danielson</p> <p>October 21 Danbury</p> <p>October 28 Middletown</p> <p>November 4 Norwich</p> <p>November 18 Norwalk</p> <p>December 2 Waterbury</p> <p>December 9 Manchester</p>	<p>Understanding Connecticut Taxes Clearly</p> <p>FALL 1999 SCHEDULE</p>
	<p>Make reservations to attend a UC Taxes Clearly seminar by contacting DRS:</p>
	<p>TELEPHONE 860-297-5962 (Hartford area or out-of-state)</p>
	<p>or</p> <p>1-800-382-9463 (in-state) (weekdays 8:00 a.m. to 5:00 p.m.)</p>
	<p>INTERNET www.state.ct.us/drs</p>

Look Here!

For A Clear View Of Optical Lens Fabrication

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Connecticut Provides Relief for Innocent Spouses

New legislation provides relief from joint and several liability to innocent spouses who have filed a joint Connecticut income tax return. Any individual who has filed a joint return may request Separation of Liability, Innocent Spouse Relief or Equitable Relief to avoid joint and several liability.

Separation of Liability is available to any individual who filed a joint return for the taxable year(s) that has a deficiency due, in part, to an item of the taxpayer's spouse. A taxpayer may request "Separation of Liability" when the taxpayer is no longer married to, or is legally separated from, the spouse with whom the taxpayer filed a joint return; or if the taxpayer was not a member of the same household as the spouse with whom such joint return was filed during the twelve-month period prior to filing for relief. If relief is granted, the deficiency is allocated between the taxpayer and the taxpayer's spouse. Certain transfers between spouses may invalidate this election.

Innocent Spouse Relief is available to any individual who has filed a joint return that has an understatement of tax due to an erroneous item of the taxpayer's spouse. A taxpayer may request "Innocent Spouse Relief" if the taxpayer establishes that at the time of signing the return, he or she did not know, and had no reason to know, that the understatement existed (or if the taxpayer knew, but did not know the extent of the understatement). The taxpayer must also show that taking into account all facts and circumstances, it is inequitable to hold the taxpayer liable for the understatement. If relief is granted, the taxpayer shall be relieved of tax liability (including

Single Filers Will Pay Less Tax in the New Millennium

For taxable years beginning on or after January 1, 2000, the personal income tax exemptions and credits available to single individuals are increased over an 8 year period. In calculating Connecticut taxable income, single filers will reduce Connecticut adjusted gross income by a higher personal exemption before applying the income tax rate. After calculating the Connecticut income tax, single filers will then apply a higher personal credit percentage to arrive at the amount of total Connecticut tax liability. The tax tables will be revised beginning with the 2000 taxable year to reflect the increase in personal exemptions and credits over the 8 year period. The personal income tax exemptions and credits for taxpayers who file as married filing separately, head of household and married filing jointly will remain unchanged.

EXAMPLE: Single filer with a Connecticut adjusted gross income of \$25,250

1999 Personal Exemption	\$10,000	2000 Personal Exemption	\$11,250
1999 Personal Tax Credit	14%	2000 Personal Tax Credit	15%
1999 Tax Calculation for a single filer		2000 Tax Calculation for a single filer	
Connecticut AGI	\$25,250	Connecticut AGI	\$25,250
Personal Exemption	<u>-10,000</u>	Personal Exemption	<u>-11,250</u>
CT Taxable Income	\$15,250	CT Taxable Income	\$14,000
CT Income Tax	\$ 536	CT Income Tax	\$ 480
Credit Percentage	<u>.14</u>	Credit Percentage	<u>.15</u>
CTI x Credit Percentage	\$ 75	CTI x Credit Percentage	\$ 72
1999 CT Income Tax	\$ 461	2000 CT Income Tax	\$ 408

Savings of \$53

For taxable years beginning on or after January 1, 2000, the Connecticut adjusted gross income thresholds used by single filers to calculate the property tax credit have also been increased over an eight year period. (see 1999 Conn. Pub. Acts 173, §§5,6 and 7) _{T_N}

interest and penalties) to the extent such liability is attributable to the understatement.

If the taxpayer does not qualify for Separation of Liability or Innocent Spouse Relief, the taxpayer may request "Equitable Relief" if it is inequitable to hold the taxpayer liable for any unpaid tax or deficiency.

Individuals seeking relief must complete **Form CT-8857, Request for Innocent Spouse Relief**, and attach an explanation of the type of relief requested, the total amount of the understatement

and other specific information described in the instructions to the form. An individual should request relief as soon as the individual becomes aware that the liability or understatement should be only the responsibility of the individual's spouse or former spouse. The latest that an individual may file **Form CT-8857** is two years after the date on which the Commissioner has started collection activities against the taxpayer seeking relief. (see 1999 Conn. Pub. Acts 48, §§3 and 4) _{T_N}

Nonprescription Drugs

The 1999 Connecticut General Assembly expanded the list of nonprescription drugs and medicines that are exempt from sales and use taxes.



Previously, most of the items in the exemption were exempt only if sold for internal use, but not for topical or external use. The new legislation specifies that the exemption applies to drugs and medicines *for use in or on the human body*. Prior to July 1, 1999, the Department also exempted nonprescription drugs and medicines for veterinary use.

New additions to the exemption

The following items are now included as exempt under Conn. Gen. Stat. §12-412(48) as amended by 1999 Conn. Pub. Acts 173, §18:

- mineral concentrates;
- dietary supplements;
- natural or herbal medicines;
- asthma or allergy medicines;
- antihistamines;
- antidiarrheal medicines;
- antibiotic, antiviral and antifungal medicines;
- antiseptics;
- astringents;
- anesthetics;
- steroidal medicines;
- anthelmintics;
- emetics and antiemetics;
- ear or nose medications.

Cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps and deodorants are specifically *excluded* from the exemption.

The Department of Revenue Services is preparing a detailed Special Notice to provide guidance on this issue, including a more complete list of products that are now exempt. The Special Notice will be available on the DRS web site in September.

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Tax Credit Deadline Approaching

Corporations have until November 1, 1999, to apply for Employer Assisted Housing Tax Credits. This program offers up to \$100,000 in credits, against loans to employees. Participating firms receive a dollar of tax credits for each dollar that is committed to the program. The minimum term of the program is five years, after which participating firms can reclaim their initial capital investment. Any credit amount not used in the first year can be carried forward or backward for up to five years. To take advantage of this tax saving opportunity, contact the Connecticut Housing Authority at 860-721-9501, ext. 362.

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Zayas cited for customer service

Jerry Zayas was recently presented with the DRS Customer Service Award by Commissioner Gene Gavin for the quarter ending June 30, 1999. Jerry is a Tax Corrections Examiner in the Refund Unit of the Operations Division. During his thirteen years with DRS, Jerry has been praised by many taxpayers for his courteous assistance. The most recent commendation that DRS received came from a taxpayer who was “astonished” to get through to DRS so quickly, and “amazed” to be assisted by a courteous, pleasant and well-informed employee. The taxpayer wrote, “I almost don’t mind paying taxes this year!” In commending Zayas, Commissioner Gavin said, “Jerry’s excellent customer service builds confidence in DRS among taxpayers — a key part of our mission. All DRS employees employ good customer service every day, but it is a pleasure to recognize efforts that are outstanding.”

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Picture not available in PDF version.

Pictured left to right are Edward Mehmel, Assistant Director of the Operations Division; Zayas; Commissioner Gene Gavin; Donald Pecor, Operations Division Director; and George Hornyak, Refund Unit Supervisor.

Connecticut Tax Calendar

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

SEPTEMBER

- 1** Corporation Business Tax Return for year ending May 1999
- 15** S Corporation Business Tax Return for year ending May 1999
- Connecticut Income Tax Return for Individuals, Trusts and Estates for year ending May 1999
- Connecticut Group Income Tax Return for year ending May 1999
- Connecticut Composite Income Tax Return for year ending May 1999
- Estimated Connecticut Income Tax Payment for Individuals, Trusts and Estates, 3rd Installment 1999
- Estimated Connecticut Group Income Tax Payment 3rd Installment 1999
- Estimated Connecticut Composite Income Tax Payment 3rd Installment 1999
- Estimated Corporation Business Tax Payment
Form CT-1120 ESA for year ending June 2000
Form CT-1120 ESB for year ending March 2000
Form CT-1120 ESC for year ending December 1999
Form CT-1120 ESD for year ending September 1999
- Estimated Insurance Premiums Tax Payment, 3rd Installment
- Unrelated Business Income Tax Return (Foreign Trusts)
- 25** Motor Vehicle Fuels Tax Return
- 30** Admissions and Dues Tax Return
- Room Occupancy Tax Return — Monthly Filers
- Sales and Use Taxes Return — Monthly Filers

OCTOBER

- 1** Corporation Business Tax Return for year ending June 1999
- 15** S Corporation Business Tax Return for year ending June 1999
- Connecticut Income Tax Return for Individuals, Trusts and Estates for year ending June 1999
- Connecticut Group Income Tax Return for year ending June 1999
- Connecticut Composite Income Tax Return for year ending June 1999
- Estimated Corporation Business Tax Payment
Form CT-1120 ESA for year ending July 2000
Form CT-1120 ESB for year ending April 2000
Form CT-1120 ESC for year ending January 2000
Form CT-1120 ESD for year ending October 1999
- 1998 Connecticut Income Tax Return on Extension
- 25** Motor Vehicle Fuels Tax Return
- 31** Admissions and Dues Tax Return
- Room Occupancy Tax Return — Monthly and Quarterly Filers
- Connecticut Quarterly Reconciliation of Withholding Dry Cleaning Surcharge Return

(OCTOBER 31, continued)

- Hospital Gross Earnings Tax Return
- Motor Carrier Road Tax Return
- Petroleum Companies Gross Earnings Tax Return
- Sales and Use Taxes Return — Monthly and Quarterly Filers

NOVEMBER

- 1** Corporation Business Tax Return for year ending July 1999
- 15** S Corporation Business Tax Return for year ending July 1999
- Connecticut Income Tax Return for Individuals, Trusts and Estates for year ending July 1999
- Connecticut Group Income Tax Return for year ending July 1999
- Connecticut Composite Income Tax Return for year ending July 1999
- Estimated Corporation Business Tax Payment
Form CT-1120 ESA for year ending August 2000
Form CT-1120 ESB for year ending May 2000
Form CT-1120 ESC for year ending February 2000
Form CT-1120 ESD for year ending November 1999
- 25** Motor Vehicle Fuels Tax Return
- 31** Admissions and Dues Tax Return
- Room Occupancy Tax Return — Monthly Filers
- Sales and Use Taxes Return — Monthly Filers

DECEMBER

- 1** Corporation Business Tax Return for year ending August 1999
- 15** S Corporation Business Tax Return for year ending August 1999
- Connecticut Income Tax Return for Individuals, Trusts and Estates for year ending August 1999
- Connecticut Group Income Tax Return for year ending August 1999
- Connecticut Composite Income Tax Return for year ending August 1999
- Estimated Corporation Business Tax Payment
Form CT-1120 ESA for year ending September 2000
Form CT-1120 ESB for year ending June 2000
Form CT-1120 ESC for year ending March 2000
Form CT-1120 ESD for year ending December 1999
- Estimated Insurance Premiums Tax Payment, 4th Installment
- Unrelated Business Income Tax Return (Foreign Trusts)
- 25** Motor Vehicle Fuels Tax Return
- 31** Admissions and Dues Tax Return
- Room Occupancy Tax Return — Monthly Filers
- Sales and Use Taxes Return — Monthly Filers



FROM THE COURTS

1999 Connecticut Supreme Court Decisions

Chase Manhattan Bank, Trustee, et al. v. Gavin, 249 Conn. 172 (June, 1999). The Connecticut Supreme Court upheld the decisions of the Appellate Court and Trial Court, holding that Connecticut's income tax on the income of resident trusts did not violate the due process or commerce clauses of either the United States or Connecticut Constitutions. The taxpayer has filed a petition for a writ of certiorari with the United States Supreme Court.

1999 Connecticut Superior Court Decisions

Millward Brown, Inc. v. Commissioner of Revenue Services, Superior Court, Tax Session (Aronson, J.), No. CV-98-0492472 (Feb. 1999). In the initial phase of this trial, the Superior Court held that (1) the Commissioner may use the U.S. Postal Service to serve the notice required by Conn. Gen. Stat. §12-237; and (2) the time within which a taxpayer may appeal from such notice begins to run from the date on which the taxpayer receives the notice. The second phase of this case will require the Court to determine whether the Commissioner properly disallowed the taxpayer's use of the three factor apportionment formula under Conn. Gen. Stat. § 12-218(a).

1999 Conn. Pub. Acts 121, §26 amends Title 12 by authorizing the Commissioner to make service by mail and specifying that the time within which to file an appeal begins to run from the date of mailing of notice by the Commissioner.

American Restaurant Group, Inc. v. Commissioner of Revenue Services, Superior Court Tax Session (McWeeny, J.), No. CV-98-0492293 S (April, 1999). The Court held that where the taxpayer fails to maintain the books and records required by Conn. Agencies Regs. § 12-426-23, the Commissioner may make an assessment based on a test period for gross receipts, using a markup over cost for food and alcohol. The taxpayer did not appeal.

T.W.L.S. Management Company, Inc. v. Commissioner of Revenue Services, Superior Court Tax Session (Aronson, J.), No. CV-98-0492493 S (May, 1999). The Court found that the services provided by the taxpayer under a service contract were exempt management services, rejecting the DRS's claim that the services were taxable personnel services under Conn. Gen. Stat. § 12-407(2)(i)(C). The Department has appealed this decision to the Connecticut Appellate Court.

Torrington Savings Bank v. Department of Revenue Services, Superior Court Tax Session (Aronson, J.), No. CV-97-0575800 S (June, 1999). The taxpayer prevailed in this probate matter, where the Court determined how the Commissioner must compute the succession tax where there is a mutual distribution agreement determining the estate to be intestate.

Rebate 99 from page 1

Unlike last year's rebate, which was based on payment of income and property taxes, this year's rebate is a rebate of sales and use taxes paid by eligible individuals

during 1998. Because this year's rebate is a rebate of sales and use taxes, it is **not** subject to Connecticut income tax. Furthermore, because sales tax is not deductible for federal income tax purposes, the DRS is not

reporting the sales tax rebates on federal Form 1099s. ^{T_N}



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.state.ct.us/drs or by calling **DRS TaxFax** at **860-297-5698** from the handset attached to your fax machine.

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

ANNOUNCEMENTS

- AN 99 (2)**, *Annual List of Distributors for Motor Vehicle Fuels Tax Purposes*
- AN 99 (2.1)**, *Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes*
- AN 99 (3)**, *Connecticut Registration Requirements for Gas Marketers*
- AN 99(2.2)**, *Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes*

INFORMATIONAL PUBLICATIONS

- IP99 (16)**, *Paying Connecticut Taxes by Electronic Transfer*
- IP99 (17)**, *Farmers Guide to Sales & Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Tax*
- IP 99(4.2)**, *Numerical Index to Rulings and Administrative Pronouncements as Affected, If at All, by Later-Issued Rulings and Pronouncements*
- IP 99 (5.2)**, *Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes*
- IP 99 (6.2)**, *Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics*
- IP 99 (7.2)**, *Topical Index to Rulings and Administrative Pronouncements Covering Income Tax*
- IP 99 (8.2)**, *Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax*
- IP 99 (20)**, *Connecticut Marijuana and Controlled Substances Tax*
- IP 99 (20.1)**, *Connecticut Marijuana and Controlled Substances Tax Questions and Answers for Criminal Justice and Law Enforcement*

SPECIAL NOTICES

- SN 99(3)**, *Effect of Federal Tax Law Changes on the Taxation of Limited Liability Companies and S Corporations and Their Shareholders*
- SN 99(4)**, *1997 and 1998 Legislative Changes Affecting the Corporation Business Tax*
- SN 99(5)**, *Sales of Motor Vehicles to Military Personnel and Joint Sales of Motor Vehicles to Nonresident Military Personnel*
- SN 99(6.1)**, *Sharing the Use Tax Revenue Agencies of Other States "Operation Equity"*
- SN 99(7)**, *1999 Legislation Affecting Sales and Use Taxes and the Admissions, Cabaret and Dues Tax*
- SN 99(8)**, *Sale and Possession of "Gray Market" Cigarettes*
- SN 99(9)**, *1999 Legislation Affecting the Succession and Transfer Taxes*
- SN 99(10)**, *Legislation Affecting Hospitals*

POLICY STATEMENTS

- PS 93(1.6)**, *Application Procedures for a Commercial Fisherman Exemption Permit*
- PS 99(1)**, *Sales and Use Taxes on Meals*
- PS 99(2)**, *Tax Exemptions for Certain Air Pollution Control Equipment*
- PS 99(3)**, *Tax Exemptions for Certain Water Pollution Control Equipment*

CERTIFICATES

- CERT-117**, *Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities*
- CERT-124**, *Certificate for Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities*

RULINGS OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES



The following rulings, summarized below, were recently released by the Department's Legal Division. To request a copy of the complete text of any ruling, 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. 99-1 HEALTH CARE CENTER TAX

Where an employer is solely liable to its employees and to health care providers for the payment of employee health benefit claims but, under a contract with a health care center, as defined in Conn. Gen. Stat. §38a-175, those claims are to be paid by the health care center solely from funds that are provided in advance by the employer, those payments, and the administrative fees charged by the health care center to the employer for employee health benefits claims processing, are not direct subscriber charges, as defined in Conn. Gen. Stat. §12-201(9), that are received by the health care center.

Ruling No. 99-2 SALE OF NUMBER 2 HEATING OIL

A company engaged in refining, or distribution, or both, of petroleum products which made the first sale of number 2 heating oil within Connecticut to a person that will combust the number 2 heating oil to heat water that will generate steam, which will be delivered by the person to the person's customers through pipes and will be used by customers to heat their buildings, is considered to have made a sale of number 2 heating oil used exclusively for heating purposes. Conn. Gen. Stat. §12-587(b)(2) exempts number 2 heating oil used exclusively for heating purposes from the petroleum products gross earnings tax. (Ruling No. 92-6 is amplified and clarified.)

Ruling No. 99-3 UTILITY COMPANY GROSS EARNINGS TAX RESIDENTIAL SERVICE

Where gas that is sold and distributed by a local gas distribution company is used for heating and cooking purposes by the occupants of multifamily dwellings, each of which dwelling is served by a single meter, and the company bills the landlord where the dwellings are apartments or duplexes, or the property manager, where the dwellings are condominiums, for the sale and distribution of the gas, the company's gross earnings from such sale and distribution are allocable to residential service.

For Tax Forms, Publications or Personal Assistance

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



- Call CONN-TAX at 1-800-382-9463 (in-state) or 1-860-297-5962 (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.state.ct.us/drs

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 (in-state) and select Option 2 or 860-297-4753 (DRS Forms Unit).



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	HAMDEN 3074 Whitney Ave. 203-287-8243	HARTFORD 25 Sigourney St. 860-297-5962	NORWICH 2 Cliff St. 860-889-2669	WATERBURY* 91 Schrafts Dr. 203-596-4310
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*This office will be moving in 1999. To verify the address, please call before you visit.



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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 information publications.

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