



Sales Tax Breaks Target Families and Students

Retailers and customers alike expressed their approval of the first annual one-week sales tax exclusion on items of clothing and footwear costing less than \$300 each, which ended this year on August 26, 2000. Business representatives stated in press reports that customer traffic for the period increased, showing that taxpayers have embraced the idea of an annual one-week exclusion. The one-week "sales tax holiday" is one of many initiatives by the Connecticut General Assembly and Governor John G. Rowland in 2000 to provide tax relief that will benefit families and students.

College Textbooks

Effective for sales occurring on or after July 1, 2000, college textbooks sold to students enrolled at institutions of higher education are exempt from sales tax. Textbooks on tape or CD-Rom are also exempt. (See **Special Notice 2000(9)**, *Sales and Use Tax Exemption for College Textbooks*.)

Exemption for Food and Meals Sold at Schools Expanded

Effective for sales occurring on or after July 1, 2000, the sales tax exemption for food and meals sold in certain school locations is expanded. Candy, confectionery, and non-alcoholic beverages sold in school dining halls, cafeterias, dormitories, fraternities, and sororities, to students or members of the institutions, including all such items sold under prepaid meal plan cards or arrangements, are exempt beginning on or after October 1, 2000. (*Conn. Gen. Stat. §12-412(9)*, as amended by 2000 *Conn. Pub. Acts 174*, §9.)

Sales of Clothing and Footwear

The exemption threshold that applies to clothing and footwear was increased on July 1, 2000. The exemption for articles of clothing and footwear costing less than \$50 each has been **increased** to exempt items costing less than \$75 each. (*Conn. Gen. Stat. §12-412(47)*, as amended by 2000 *Conn. Pub. Acts 170*, §3)

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Leave the Sales Tax on or Carve it out?

Is there a difference between a whole pumpkin, a decorated pumpkin, or a jack-o-lantern?

Yes. The sale of a pumpkin in its natural grown state is not taxable because it is considered to be a food product, which is exempt from sales tax. However, once something is physically done to the pumpkin to change its primary purpose from food to decoration, the pumpkin (or jack-o-lantern) becomes taxable. The changes include painting, carving, preserving, etc.



What fall clean-up services are taxable?

As fall begins, leave the sales tax on landscaping, lawn cutting, leaf raking, winterizing pools, and snow removal, when provided to commercial, industrial, income producing **and** residential property.

See **Informational Publication 99(19)**, *Contractor's Guide to Sales and Use Taxes*.



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Connecticut Income Tax Reminders

Employees

DRS suggests that all Connecticut employers remind their employees of the following:

✓ Check Withholding For Accuracy

Now is a good time to check the status of 2000 income tax withholding amounts, and estimated payments, and to make any necessary changes to avoid over or under withholding of Connecticut income tax. If adjustments are needed, employees must complete **Form CT-W4** (Effective 7/1/2000), *Employee's Withholding or Exemption Certificate* to request the correct amount of Connecticut income tax to be withheld from their pay.

For further information taxpayers should see, **Informational Publication 2000(12)**, *Is My Connecticut Withholding Correct?* or **Informational Publication 99(35)**, *Estimated Connecticut Income Taxes*. (See *For Tax Forms, Publications or Personal Assistance*, on back page.)

✓ Connecticut Returns Under Extension Due October 15

October 15 is the due date for Connecticut taxpayers who requested a six-month extension to file 1999 Connecticut income tax returns. It is also the deadline for those who requested and received a six-month extension of time to pay their 1999 income tax.

Employers

✓ New Employer's Tax Guide

DRS mailed **Informational Publication 2000(11)**, *Connecticut Circular CT, Employer's Tax Guide*, to all Connecticut employers, payroll companies, and software development firms. The new guide updates the withholding requirements, tables, and forms previously included in **IP 92(8.4)**.

These updated forms and new withholding tables reflect the increased personal exemption and credit available to single employees.

Employers should be using **IP 2000(11)** for Connecticut withholding purposes. If you do not have the new guide contact the DRS Forms Unit.

Please make available to your employees Connecticut forms and publications included in your new *Connecticut Circular CT— Employer's Tax Guide*.

✓ 2000 Magnetic Media Guides

Informational Publication 2000(17), *2000 Connecticut Magnetic Media Filing Requirements for Federal Forms 1099-MISC, 1099-R, 1099-S and W-2G* and **Informational Publication 2000(16)**, *2000 Connecticut Magnetic Media Filing Requirements for Federal Form W-2*, will be available on the DRS Web site on Friday, September 29, 2000.

Both publications will be available for viewing on-line in HTML or for downloading and printing in PDF format.

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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.

Other New Sales and Use Tax Legislation Effective October 1, 2000:

- Exempts candy, confectionery, and beverages sold to residents or care recipients in assisted living facilities, senior centers, day care centers, hospitals, residential care homes, convalescent homes, nursing homes, and rest homes;
- Clarifies that nonprescription medicines used on animals are exempt;
- Expands existing language to enable the start-up farmer to apply for and receive a farmer's permit as long as the farmer intends to carry on agricultural production as a trade or business for at least two years and will meet income and expense requirements;
- Allows the start-up fisherman to apply for and receive a fisherman tax exemption permit as long as the fisherman intends to carry on commercial fishing as a trade or business for at least two years and will meet income requirements;
- Requires purchasers of prepaid phone service (including cards) to pay sales tax when the service is purchased, and removes prepaid phone service from telecommunications service category;
- Reduces the bond requirements from 5% to 2% for nonresident contractors that enter into new contracts with direct payment permit holders on or after October 1, 2000;
- Exempts from use tax any articles of tangible personal property purchased by a retailer for resale, if those articles are later withdrawn from inventory and donated by the retailer to:
 1. The United States, the State of Connecticut or any of its political subdivisions or its or their respective agencies; or
 2. Any organization that is recognized as exempt from federal income tax under I.R.C. §501(c)(3).

(See **Special Notice 2000(3.1)**, 2000 Legislation Affecting Sales and Use Taxes and Admissions and Dues Tax.)

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

The 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.

Classes remain open for the fall, 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.

2000

Farmington	October 5
Danielson	October 12
Danbury	October 19
Middletown	October 26
Norwich	November 2
Norwalk	November 16
Waterbury	December 7
Manchester	December 14

Call for 2001 Schedule

Safety Apparel Defined

Policy Statement 2000(6), *Sales and Use Tax Exemption for Safety Apparel*, was issued September 14, 2000, and is now available from the DRS Web site or by calling the Forms Unit.

Safety apparel is defined in Conn. Gen. Stat. §12-412(91) as "any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment." The policy statement explains the conditions required for purchases to qualify as exempt, details apparel that does not qualify, lists specific examples of qualifying safety apparel, and describes the procedures for keeping records of purchases of less obvious safety apparel.

Connecticut Managed Compliance Program

Informational Publication 2000(9.1), *Connecticut Managed Compliance Program*, was issued September 14, 2000 and is now available from the DRS Web site or by calling the Forms Unit. It explains the Connecticut Managed Compliance Program, which consists of three types of tax reporting or auditing agreements between Connecticut businesses and the state.

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.

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.

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Connecticut Tax Topics, September 2000 Edition, Vol. 8, No. 3, Published by the Connecticut Department of Revenue Services

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