

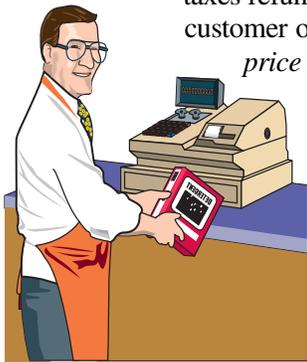


Clarification of Connecticut Sales Tax Refund

Sales Tax Refunded Only for Returns Within 90 Days

Retailers can only obtain refunds of sales and use taxes from the DRS if goods are returned within 90 days. The qualifying returned goods must be reported as a deduction on **Form OS-114, Sales and Use Tax Return**, Line 52.

Under Conn. Gen. Stat. 12-407(8)(B), retailers can only claim a deduction for taxes refunded to a customer on the *sales price* of goods



returned within 90 days of the date of purchase of such goods. Retailers must report on **Form OS-114** the

sales price or gross receipts from all goods and services sold during the period.

Sales price, as defined in Conn. Gen. Stat. 12-407(8)(B)(ii), does not include, "... any portion of the amount charged for property returned by customers, which upon rescission of the contract of sale is refunded either in cash or credit, provided the property is returned within ninety days from the date of purchase."

This section of the Sales and Use Tax Act has been in effect for over 25 years, but has been overlooked by some retailers.

Retailers should maintain records substantiating that goods are returned within the 90-day period. Amounts refunded to customers after the 90-day period are not deductible and should **not** be reported on **Form OS-114**. _T

Common Registers and Consignment Sales: How is Sales Tax Collected and Reported?

Retailers selling goods through consignment shops or in shops that rent space to other vendors have asked DRS for direction in collecting and reporting sales tax. In both situations, the customer pays the consignee or payment is made through the "host" shop's register(s), and the consignee or "host" shop collects and remits the sales tax.

Shops with Common Registers

Shops with common registers are shops that rent space to other vendors to display and sell their goods. The shops collect and remit tax to DRS on the sales made on behalf of these vendors. The shops do not own the goods nor are the shops purchasing the goods for resale. However, customers making purchases from the various vendors pay for the goods at registers that are owned and operated by the shops.



As such, both the shop and the vendor must obtain Connecticut Sales and Use Tax Permits. Further, the shop and the vendor are held jointly and severally liable for the payment of sales tax and each must file **Form OS-114, Sales and Use Tax Return**.

The shop must include **all** sales as gross receipts on **Form OS-114**, Line 1, and pay the sales tax on behalf of the vendor(s). Each vendor must include the gross receipts of the sales made on its behalf through the shop on **Form OS-114**, Line 1, and deduct those sales on the back of the return using Line A, *Other Adjustments*. Include on Line A the statement "Sales made and tax collected by (name of shop and the shop's Connecticut Tax Registration Number)."

Consignment Sales

A **consignment sale** is one in which the retailer, also known as the consignee, agrees to sell goods for the owner of the goods (or consignor). In return for selling the goods, the consignee is paid a commission or fee.

The consignee must collect the 6% sales and use tax from the purchaser if the item being sold is subject to tax. In addition, the consignee charges the original owner 6% sales tax on the commission or fee received for making the sale, unless the commission is for the sale of a work of art or articles of clothing.

The shop and the vendor are held jointly and severally liable for the payment of sales tax on the consignment sales. The consignee reports the gross receipts from the sale of the goods on **Form OS-114**, Line 1. The gross receipts from the commission or fee is reported on Line 3 of the return as a taxable service.

If the consignor or owner is also a retailer, the consignor must also report the sale of the goods on **Form OS-114**, but may deduct it on the back of the return on Line A, *Other Adjustments*. Include on Line A the statement "Sales made and tax collected by (name of consignee and the consignee's Connecticut Tax Registration Number)." _T

Nonprescription Reading Glasses

Most retailers know that prescription eyeglasses are exempt from sales tax. However, retailers often ask the DRS if the sale of over-the-counter nonprescription reading glasses is subject to sales tax.

Conn. Gen. Stat. §12-412(19)(C) exempts from sales and use taxes the sales of "artificial limbs, artificial eyes, and other equipment worn as a correction or substitute for any functioning portion of the body...."

Nonprescription reading glasses fall under this exemption.

Retailers should continue charging sales tax on nonprescription sunglasses and magnifying glasses that are not worn by the user (such as a hand-held magnifying glass). ^T

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.

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.

SPRING 2001

Enfield May 3

Norwalk May 10

Call for Fall 2001 Schedule

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.

Recently Issued DRS Tax Products

DRS recently issued the following tax products (see information below for ways to obtain forms and publications):

Announcements

AN 2000(9), Hazardous Waste Assessment Terminated

AN 2000(8), Rulings and Administrative Pronouncements Obsolete by Sales and Use Tax Regulations or Enumerated Services

Informational Publications

IP 2001(7), Q&A on the Connecticut Direct Payment Permit Program

IP 2001(6), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics (as of January 1, 2001)

IP 2001(5), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes (as of January 1, 2001)

IP 2001(4), Numerical Index to Rulings and Administrative Pronouncements as Affected, if at all, by Later-Issued Rulings and Pronouncements (as of January 1, 2001)

IP 2001(3), Topical Index to Rulings and Administrative Pronouncements

Covering Corporation Business Tax (as of January 1, 2001)

IP 2001(2), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax (as of January 1, 2001)

IP 2001(1), Is My Connecticut Withholding Correct?

IP 2000(29), Connecticut Income Tax Withholding Tables Effective January 1, 2001

IP 2000(19), Federal/State Electronic Filing Handbook

Policy Statements

PS 2000(8), Procedures in Handling Requests for Issuance of Technical Advice Memoranda

PS 2000(7), Procedures in Handling Requests for Issuance of Rulings

Special Notices

SN 2000(16.1), Revised Special Reporting Requirements for Cigarette Stampers and Tobacco Products Distributors

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.

| | | | | |
|--|--|---|---|---|
| BRIDGEPORT 10 Middle St. 203-579-6251 | HAMDEN 3074 Whitney Ave., Bldg 2 203-287-8243 | HARTFORD 25 Sigourney St. 860-297-5962 | NORWICH 2 Cliff St. 860-889-2669 | WATERBURY 55 West Main St., Suite 100 203-596-4310 |
|--|--|---|---|---|

Connecticut Tax Topics, March 2001 Edition, Vol. 9, No. 1, Published by the Connecticut Department of Revenue Services

Gene Gavin, Commissioner; Contributors: Ellen Schneider, David P. Barry, Louis Bucari, Anna Crawford, Marcelle Lavoie, Peter Santagata, and Peter Teeuwissen
State of Connecticut, Department of Revenue Services, 25 Sigourney Street, Hartford CT 06106-5032.