



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES **IP 2001(18)**

25 Sigourney Street
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Common Register Sales and Consignment Sales

Purpose: This Informational Publication describes both common register sales and consignment sales. The publication also explains registration and filing requirements for retailers operating shops with common registers, for retailers operating consignment shops, for consignors selling goods through consignment shops, and for vendors selling goods in shops with common registers where they rent space to display their goods.

Effective Date: Effective upon issuance.

Statutory and Regulatory Authority: Conn. Gen. Stat. §12-407(2)(a), Conn. Gen. Stat. §12-407(2)(i)(S), Conn. Gen. Stat. §12-412(47), Conn. Gen. Stat. §12-376c, and Conn. Agencies Regs. §12-407(2)(i)(S)-1.

Shops With Common Registers: A shop with a common register or registers is a retail establishment that rents space to other vendors to display and sell their goods where customers purchasing the goods from the various vendors pay for the goods at registers that are owned and operated by the shop. In these situations, the shop does not own the goods that are displayed by the vendors nor does the shop purchase the goods for resale from these vendors. Rather, the shop simply collects and remits tax to DRS on the sales made on behalf of these vendors at the common registers. A shop with a common register or registers may rent space in its retail establishment to more than one vendor at the same time. The charges made by the shop to the vendors for renting space are not taxable.

Registration Requirements. Both the shop with common registers and the vendors making sales from within the shop must register with DRS by completing **Form REG-1, Business Taxes Registration Application**, and obtain Connecticut Sales and Use Tax Permits.

Collecting and Reporting Sales Tax. Both the shop and the vendors 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 vendors. Each vendor must include the gross receipts from 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 – Sales of Goods. Each vendor must include on Line A the statement “Sales made and tax collected by (name of shop and the shop’s Connecticut Tax Registration Number).”

The shops and the vendors are held jointly and severally liable for the payment of sales tax.

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, also known as the consignor. In these situations, the consignee does not purchase the goods it sells on consignment from the consignors for resale. Rather, the consignee charges a commission or fee to the consignor for selling the goods. The consignee’s commission or fee is a taxable sales agent service under Conn. Gen. Stat. §12-407(2)(i)(S) unless the consignee is selling a work of art or an article of clothing or footwear.

Similar to shops with common registers, however, customers purchasing the goods from the various consignors pay for the goods at registers that are owned and operated by the consignee. As such, the consignee must collect the 6% sales and use tax from the purchaser if the item being sold is subject to tax. The consignee must then charge 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 an article of clothing or footwear.

Example: A customer purchases a chair for \$50. The consignee collects \$53 from the customer (\$50 for the chair and \$3 sales tax). The consignee charges a 10% commission for selling the chair and charges the consignor 6% sales tax on the commission. The total charge to the consignor is \$5.30 (\$5 commission and \$.30 sales tax). The consignee pays the consignor \$44.70 from the sale of the chair.

Registration Requirements. The consignee must register with DRS and obtain a Connecticut Sales and Use Tax Permit. If the consignor is also a retailer, as

defined in Conn. Gen. Stat. §12-407(12), the consignor must register with DRS and obtain a Connecticut Sales and Use Tax Permit.

Collecting and Reporting Sales Tax. The consignee must report gross receipts from the sales of goods on **Form OS-114**, Line 1. The consignee also reports the gross receipts from the commission or fee on Line 3 of the return as a taxable sales agent service. If the gross receipts from the commission or fee are not taxable, the consignee must deduct it on Line C, Other Adjustments – Labor and Services, and describe why the commission or fee is not taxable (such as being for the sale of a work of art).

Example: Using the same scenario as the previous example, the consignee reports the sale of the chair and the commission charged on **Form OS-114** as follows:

- Line 1, Gross receipts from sale of goods, \$50; and
- Line 3, Gross receipts from labor and services, \$5.

The consignee remits a total of \$3.30 sales tax from the sale of the chair and the consignee's sales agent services.

If the consignor is a retailer, the consignor must also report the sale of the goods on **Form OS-114**, Line 1, but then must deduct it on the back of the return on Line A, Other Adjustments – Sales of Goods. The consignor must include on Line A the statement "Sales made and tax collected by (name of consignee and the consignee's Connecticut Tax Registration Number)."

Example: Using the same scenario as in the first example, the consignor reports the sale of the chair on **Form OS-114** as follows:

- Line 1, Gross receipts from sale of goods, \$50; and
- Line A on the back of the return, Other adjustments - sales of goods, \$50.

The consignor remits no sales tax from the sale of the chair or on the sales agent service fee, provided the consignee remitted the sales tax as described in the second example above.

The consignees and the consignors are held jointly and severally liable for the payment of sales tax on the consignment sales.

Definitions:

Work of Art means tangible personal property produced through the conscious use of certain skills, taste, and creative imagination and generally represents a form of

artistic expression, including but not limited to sculpture, painting, drawings, photography, prints, tapestries, weavings, film video-tape, folk arts and crafts, graphic design, pottery, architectural sketches, and any other personal property considered to be art.

Clothing or Footwear means any article of clothing or footwear intended to be worn on or about the human body. Clothing or footwear does not include:

- Any special clothing or footwear primarily designed for athletic activity or protective use that is not normally worn except when used for the athletic activity or protective use for which it was designed; and
- Jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body but not worn on the body in the same manner as clothing.

Effect on Other Documents: None affected.

Effect of This Document: An Informational Publication is a document that addresses frequently asked questions about a current DRS position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.
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