



Q & A on Purchases of Motor Vehicles by Nonresidents

Purpose: This Informational Publication describes the exemption for the purchase or lease of a motor vehicle that will not be registered with the Connecticut Department of Motor Vehicles (DMV) by a nonresident of this state who does not maintain a permanent place of abode in this state.

Effective Date: Effective upon issuance and applicable to all open periods.

Statutory and Regulatory Authority: Conn. Gen. Stat. §12-412(60); Conn. Gen. Stat. §12-407(a)(37)(CC) and Conn. Agencies Regs. §12-407(2)(i)(DD)-1; Conn. Gen. Stat. §14-1; Conn. Gen. Stat. §14-12.

Definitions:

Motor vehicle, as defined in Conn. Gen. Stat. §14-1(47), means any vehicle suitable for operation on a highway.

Resident includes any individual domiciled in Connecticut. A *resident* includes a person who has a valid Connecticut driver's license or is registered as a Connecticut voter.

A business entity also may be a resident for purposes of the exemption; see below for the requirements.

Permanent place of abode means a dwelling place permanently maintained by an individual, whether or not owned by, rented, or leased to the individual, and generally includes a dwelling place owned by or leased to his or her spouse. Generally, a barracks, motel room, or any construction that does not contain facilities ordinarily found in a dwelling, such as facilities for cooking, bathing, etc., are not deemed a permanent place of abode. Also, a place of abode is not deemed permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose, such as when an individual

domiciled in another state is assigned to his employer's Connecticut office for a fixed and limited period, after which he is to return to his permanent location. A permanent place of abode need not be the person's legal or primary residence. See Conn. Agencies Regs. §12-701(a)(1)-1(e) for additional details on the meaning of *permanent place of abode*.

Presented for registration means a motor vehicle is required to be registered with the Connecticut DMV under Conn. Gen. Stat. §14-12.

1. How does an individual qualify for the exemption? An individual qualifies for exemption under Conn. Gen. Stat. §12-412(60) only if:

- The individual is not a Connecticut resident;
 - The individual does not have a permanent place of abode in Connecticut;
 - The motor vehicle is not presented for registration with DMV; **and**
 - The individual furnishes a fully completed **CERT-125, Sales and Use Tax Exemption for a Motor Vehicle or Vessel Purchased by a Nonresident of Connecticut**, to the retailer by the time of delivery.
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2. How does a business entity qualify for the exemption? A corporation, partnership, limited liability company, or other business entity qualifies for exemption under Conn. Gen. Stat. §12-412(60) only if:

- The business maintains no Connecticut situs and owns no fixed assets located in this state;
- No officer, member, or partner of the entity or its affiliates, and no operator or user of the motor vehicle with an ownership interest in the entity or its affiliates, is a resident of Connecticut or is a nonresident that maintains a permanent place of abode in Connecticut; **and**

- The motor vehicle is not presented for registration with DMV.

If these conditions are met, the purchaser may furnish a fully completed CERT-125 to the retailer at the time of purchase.

3. Can a nonresident purchaser qualify for the exemption even though the purchaser travels to Connecticut to work? Yes, a nonresident purchaser may use CERT-125, as long as the purchaser is not a Connecticut resident and does not have a permanent place of abode in Connecticut. The individual may use CERT-125 even if the individual has a business located in Connecticut, as long as the motor vehicle is not an asset of the business.

4. Can a business in Connecticut use the exemption to purchase a motor vehicle for a nonresident employee's use? No. If a business entity has a situs, asset, or partner, officer, or member located within Connecticut, it may not purchase a motor vehicle tax exempt, even though it purchases the vehicle for a non-Connecticut employee who will use it solely outside Connecticut.

5. Can a nonresident student at a Connecticut educational institution qualify for the exemption? Yes, provided the nonresident student lives in housing provided by the educational institution, whether the housing is on-campus or off-campus, and the student does not have a Connecticut driver's license.

6. Can a nonresident teacher or professor provided with housing by the school qualify for the exemption? No. The individual has a residence in Connecticut.

7. How is the exemption claimed? The purchaser must submit a fully completed CERT-125 to the retailer to claim the exemption. CERT-125 must be completed in full on or before the time of delivery, and signed by both the purchaser (purchasers, if a joint purchase) and the retailer.

The retailer must accept the fully completed CERT-125 *in good faith*. This means that if the retailer has *any* reason to believe the purchaser does not qualify for the exemption, the retailer cannot accept CERT-125 and must charge tax on the sale. If

the Department of Revenue Services (DRS) finds the retailer should not have accepted the certificate, DRS may hold either the purchaser or the retailer liable for sales and use taxes plus interest and penalty.

The retailer must report the sale on **Form OS-114, Sales and Use Tax Return**, for the tax period in which the sale is made on Line 1, *Gross receipts from sales of goods*, and deduct it on Line 36, *Sales of motor vehicles or vessels purchased by nonresidents*. The retailer must keep the original CERT-125 and the sales invoice in its records for at least six years from the date of sale.

8. Can a dealer accept or complete CERT-125 after the sale, such as during an audit? No. CERT-125 must be **fully completed and signed** by the purchaser(s) and the retailer **on or before the time of delivery**. If it is not, the retailer can be held liable for sales tax, interest, and penalty on the transaction.

9. What if a nonresident purchaser has a resident as a co-signer? If a resident of Connecticut co-signs the note, the transaction qualifies for the exemption, as long as the title to the motor vehicle and the purchase invoice are in the name of only the nonresident purchaser. If the names of both the resident co-signer and the nonresident purchaser are on the title and purchase invoice, the purchase does not qualify for exemption.

10. How can a nonresident purchaser prove to another state that Connecticut tax has been paid? If a purchaser who will present a motor vehicle to another state for registration does not qualify for exemption under Conn. Gen. Stat. §12-412(60) and pays Connecticut sales tax on the transaction, the purchaser can present a **Form AU-677, Declaration of Payment of Connecticut Sales and Use Tax on Motor Vehicle or Vessel**, to the other state's department of motor vehicles to prove that Connecticut sales tax has been paid. Other states will allow properly paid Connecticut sales tax to be credited against their own tax.

11. What if the purchaser is moving out of state but still has a Connecticut driver's license? The purchaser does not qualify for the exemption, and may not use CERT-125. However, if the purchaser furnishes Form AU-677 to the other state, the purchaser may be able to claim a credit

against the other state's use tax for the sales tax paid to Connecticut.

12. Does registration for an "in-transit" plate disqualify a transaction from the exemption?

No. DMV issues an in-transit plate for a period not to exceed 30 days for the sole purpose of allowing the motor vehicle to be driven to another state in which the vehicle will be registered and exclusively used. (Conn. Gen. Stat. §14-12(j)) Because such a registration is not intended to be permanent, and in fact is only requested to permit the owner to drive the vehicle out of Connecticut, an in-transit registration does not preclude the exemption from applying when the transaction otherwise qualifies.

13. Do dirt bikes, all-terrain vehicles, and snowmobiles qualify for the exemption?

No. They are not vehicles *suitable for operation* on a highway, and therefore, are not motor vehicles. Connecticut sales and use taxes are due on the sale of all dirt bikes, all-terrain vehicles, and snowmobiles unless they are delivered by the retailer outside Connecticut.

14. Are extended warranty contracts sold to nonresidents taxable?

Yes, when the maintenance, repair, or warranty contract is sold at the time of the sale of the motor vehicle, or prior to the delivery of the motor vehicle. This is regardless of whether the sale of the motor vehicle is exempt under Conn. Gen. Stat. §12-412(60). If, however, the sale of the contract for maintenance, repair, or warranty takes place after the sale and delivery of the motor vehicle, the contract is deemed to be sold at the location where the vehicle is registered.

15. Can an Indian tribe located in Connecticut purchase tax exempt a motor vehicle to be awarded as a prize?

A federally recognized Indian tribe located in Connecticut that purchases motor vehicles it intends to award to casino patrons may purchase the vehicles without paying tax by providing the dealer with a completed **CERT-127**, *Certificate for Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe*. Amounts paid by patrons as wagers are not consideration for the vehicles awarded by the casino, and no sales or use taxes apply to the wagers.

16. Is an enrolled member of an Indian tribe located in Connecticut who lives in Connecticut required to pay tax on a purchase of a motor vehicle? Yes. The individual must pay tax on the purchase of a motor vehicle.

Effect on Other Documents: None affected.

Related Publications: Ask for the current edition of the following publications for more information:

- **Policy Statement 2001(4)**, *Sales of Motor Vehicles to Nonresident Military Personnel and Joint Sales of Motor Vehicles to Nonresident Military Personnel and Their Spouses*
 - **Special Notice 2000(2)**, *Application of Sales and Use Taxes to Vessels*
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Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at www.ct.gov/DRS
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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