



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

IP 2006(12)

25 Sigourney Street  
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Q & A on Purchases of Vessels

**Purpose:** This Informational Publication:

- Describes the exemption for the purchase or lease of a vessel 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 Connecticut.
- Describes the taxability of repair and maintenance services to vessels, as well as the exclusions from sales and use taxes for repair and maintenance services to vessels and fabrication labor on existing vessels.
- Describes the sales and use tax treatment of vessels purchased by federally recognized Indian tribes located in Connecticut.
- Clarifies that the sale of boat trailers to nonresident purchasers are exempt sales of motor vehicles.

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

**Statutory and Regulatory Authority:** 2005 Conn. Pub. Acts 251, §87; Conn. Gen. Stat. §12-412(60); Conn. Gen. Stat. §12-407(a)(2)(M); Conn. Gen. Stat. §12-407(a)(24); Conn. Gen. Stat. §12-407(a)(37)(CC) and Conn. Agencies Regs. §12-407(2)(i)(DD)-1; Conn. Agencies Regs. §12-407(2)(i)(M)-1; Conn. Gen. Stat. §12-407(a)(37)(S) and Conn. Agencies Regs. §§12-407(2)(i)(S)-1; Conn. Gen. Stat. §12-408(1)(D); Conn. Gen. Stat. §12-413a; Conn. Gen. Stat. §15-127; Conn. Gen. Stat. §15-142.

**Definitions:**

**Permanent place of abode** means a dwelling place permanently maintained by an individual, whether or not owned by, rented, or leased to such individual, and generally includes a dwelling place owned by or leased to his or her spouse. Generally, a barracks, motel room, or any construction which does not contain facilities ordinarily found in a dwelling (such as facilities for cooking, bathing, etc.) is not deemed

a permanent place of abode. A permanent place of abode need not be the person's legal or primary residence. (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.) See Conn. Agencies Regs. §12-701(a)(1)-1(e) for details on the meaning of permanent place of abode.

**Presented for registration** means a vessel registered with the DMV under Conn. Gen. Stat. §15-142.

**Required to be registered** means a vessel obligated to display a Connecticut registration decal provided by DMV under Conn. Gen. Stat. §15-142(b). Conn. Gen. Stat. §15-142(b) provides that a vessel that holds a valid marine document issued by the U.S. Coast Guard, a valid certificate of number awarded by the United States under the provisions of the federal Boat Safety Act of 1971, or a valid certificate of number awarded by another state will be required to display a Connecticut registration decal when it is used upon the waters of this state for more than 60 days in any calendar year.

**Resident** includes any individual who is domiciled in Connecticut. Domicile, in general, is the place which an individual intends to be his or her permanent home and to which the individual intends to return whenever absent as defined under Conn. Agencies Regs. §12-701(a)(1)-1(d). 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 Question 3 for details.)

**Vessel** as defined in Conn. Gen. Stat. §15-127 means every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water.

**Repair services** mean mending or bringing back to working order or operating condition a vessel that is broken, damaged, malfunctioning, or defective. Repair services include repair work on any part of a

vessel even if performed in a separate location from the vessel itself. Repair services to vessels include, but are not limited to, repairs to sails, sail covers, boat awnings, masts, inboard motors, and outboard motors.

**Maintenance services** mean sustaining or maintaining safe, efficient, or continuous operation of a vessel or keeping a vessel in good working order. Maintenance services include maintenance work on any part of a vessel even if performed in a separate location from the vessel itself. Maintenance services to vessels include, but are not limited to, services such as shrink wrapping, washing, painting, staining, varnishing, and polishing vessels.

**Integral part** means a part such as a mast, motor, motor part, or gauge that retains its separate identity even after being incorporated into the vessel undergoing repair or maintenance. The term integral part does not include a material such as lubricant, stain, paint, varnish, polish, wire, solder, or glue that does not retain its separate identity after repair or maintenance services to the vessel.

**Maintenance contract** means a contract for maintenance service to be performed to a vessel in the future.

**Repair contract** means a contract for repair services to be performed to a vessel that is broken, damaged, defective, or malfunctioning when the parties enter into the contract.

**Warranty contract** means a contract for repair services to a vessel to be performed if the vessel malfunctions in the future.

**Fabrication labor** means labor to customize an existing vessel or assemble components onto an existing vessel for a customer who furnishes, either directly or indirectly, the materials for the vessel. Fabrication labor also means labor to customize an existing vessel or assemble components onto an existing vessel when the fabricator also sells the materials used to fabricate the vessel to the customer.

**Existing vessel** means a vessel owned by the customer before the labor is performed to it.

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### 1. Are sales of vessels to residents taxable?

Yes. Sales of vessels to Connecticut residents are subject to 6% tax. Conn. Gen. Stat. §12-430(4) provides a trade-in credit for a vessel traded in to a retailer of vessels toward the purchase of another vessel. The tax is computed on the difference between the sales price of the vessel being purchased and the trade-in amount allowed on the vessel

purchased. The trade-in must occur at the same time as the sale and purchase.

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### 2. How does an individual qualify for the exemption from sales and use taxes on vessel purchases? 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 vessel is neither presented for registration nor required to be registered with the DMV; **and**
- The individual furnishes a fully completed **CERT-139, Sales and Use Tax Exemption for a Vessel Purchased by a Nonresident of Connecticut**, to the retailer by the time of delivery.

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### 3. How does a business entity qualify for the exemption? A corporation, limited liability company, partnership, 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 vessel with an ownership interest in the entity is a resident of Connecticut or is a nonresident that maintains a permanent place of abode in Connecticut; **and**
- The vessel is neither presented for registration nor required to be registered with the DMV.

If these conditions are met, the purchaser may furnish a fully completed CERT-139 to the retailer at the time of purchase.

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### 4. How is the exemption claimed? The purchaser must submit a fully completed CERT-139 to the retailer in order to claim the exemption. The CERT-139 must be completed in full by 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-139 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 the CERT-139 and must charge tax on the sale. If the Department of Revenue Service (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 for the tax period in which it is made on **Form OS-114, Sales and Use Tax Return**, 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-139 and the sales invoice in its records for at least six years from the date of sale.

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**5. Can a dealer accept or complete CERT-139 after the sale, such as during an audit?** No. CERT-139 must be fully completed and signed by the purchaser(s) and retailer **by the time of delivery**. If it is not, the retailer can be held liable for sales tax, interest, and penalty on the transaction.

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**6. What if a nonresident purchaser has a resident as a co-signer?** If a resident of Connecticut co-signs a note, the transaction qualifies for the exemption as long as the title to the vessel 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.

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**7. How can a nonresident purchaser prove to another state that Connecticut tax has been paid?** If a purchaser who will present a vessel 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. Many states will allow the Connecticut sales tax paid to be credited against their own tax.

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**8. Are the services of a vessel broker subject to sales and use taxes?** No. As of October 1, 2005, sales of marine vessel brokerage services provided by marine vessel brokers selling the vessels for the owners are exempt.

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**9. Are repair and maintenance services to vessels taxable?** No. Repair and maintenance services to vessels are exempt from tax. Providers of repair and maintenance services must separately state charges for repair and maintenance services from charges for integral parts on the bill to the customer. The sales of integral parts are subject to 6% tax. Any

additional fees, such as hourly or flat rates, minimum charges or mileage charges, are charges for repair and maintenance services and are not taxable.

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**10. What documentation for the repair and maintenance services exemption should a service provider obtain?** Boat yards, marine dealers, and other businesses that repair vessels on a routine or ongoing basis are not required to obtain documentation from their customers to prove their repair and maintenance services are performed to vessels.

However, businesses that do not specialize in vessel repairs should obtain a copy of their customer's vessel registration to prove that the item being repaired is part of a vessel. The copy of the vessel registration should be attached to a copy of the customer's bill or invoice and retained with the service provider's records. For example, if a customer brings a radio or radar equipment used on a vessel to a repairer that does not specialize in vessel repairs, a copy of the vessel registration is sufficient documentation to support the exemption for repair and maintenance services to vessels.

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**11. May a repair or maintenance service provider make purchases on resale?** Yes. The provider of repair or maintenance services may purchase integral parts without payment of tax by issuing a resale certificate to the supplier. The service provider must pay 6% tax on purchases of materials and supplies that are not integral parts used in providing repair or maintenance services, because they are the consumers of these items.

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**12. Are vessel maintenance, repair, and warranty contracts subject to sales and use taxes?** No. Maintenance, repair, and warranty contracts purchased for vessels or vessel parts such as motors, radios, and radar are not subject to tax. A maintenance, repair, or warranty contract for a vessel is not taxable regardless of whether it is sold at the same time as the vessel or after the vessel to which it relates is sold.

Materials, supplies, and parts used to fulfill maintenance, repair, and warranty contracts are subject to 6% tax. The service provider of a maintenance, repair, or warranty contract for a vessel is usually the final consumer of parts, materials, and supplies used to fulfill these contracts and should pay tax on these purchases. Service providers making untaxed purchases of integral parts used to service

these contracts must collect sales tax on the charge for the integral parts to the customer.

Any additional charge for integral parts a customer is required to pay under the terms of a maintenance, repair, or warranty contract to service a vessel is taxable. However, any additional charge for repair or maintenance services performed on a vessel a customer is required to pay under the terms of a maintenance, repair, or warranty contract is not taxable.

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**13. Are boat trailers taxable?** Sales of boat trailers to nonresidents are exempt under Conn. Gen. Stat. §12-412(60) as sales of motor vehicles. See **Informational Publication 2004(27), Q & A on Purchases of Motor Vehicles by Nonresidents**, which describes the exemption for the purchase or lease of a motor vehicle by a nonresident of this state. Nonresident purchasers of boat trailers must use **CERT-125, Sales and Use Tax Exemption for a Motor Vehicle Purchased by a Nonresident of Connecticut**.

Repair and maintenance services to boat trailers are subject to 6% tax if the repairs are made in Connecticut. The sale of integral parts for boat trailers is also subject to 6% tax. If the repairs are made within Connecticut, the sale of the repair services are taxable even if:

- The materials consumed in rendering the services were purchased outside Connecticut;
- Some of the work with respect to the services is performed for a repairer outside Connecticut; **or**
- The purchaser of the services is a nonresident.

However, when a Connecticut repairer picks up a trailer from outside Connecticut, or a trailer is shipped from outside Connecticut to the repairer in Connecticut, the trailer is repaired in Connecticut, and then is delivered or shipped to the customer at an out-of-state location, the repair services, and any integral parts sold with the services, are not taxable in Connecticut. For more information, see Conn. Agencies Regs. §12-407(2)(i)(M)-1(e).

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**14. Is fabrication labor to existing vessels subject to sales and use taxes?** No. Fabrication labor to existing vessels is not taxable. However, the sales of materials, supplies, and parts in connection with fabrication labor remain subject to 6% tax. Charges for fabrication labor to existing vessels are exempt from tax if the charges for materials, supplies, and parts are separately stated from the labor charges on the bill or invoice to the customer. If the charge

for materials, supplies, and parts is not separately stated from the charge for fabrication labor to the existing vessel, the total charge on the bill or invoice to the customer is presumed to be subject to tax.

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**15. Are boat mooring and storage services taxable?** Yes, but only for part of the year. The transfer for consideration of space or the right to use any space for the purpose of storage or mooring of any noncommercial vessel is taxable, **except** for dry or wet storage, or mooring of any noncommercial vessel from November 1 through and including April 30 of the following year.

From October 1 through and including April 30 of the following year, vessels that would not otherwise be subject to Connecticut sales and use taxes are not subject to use tax when the vessels enter this state exclusively for purposes of: (1) delivery of the vessel to a facility in Connecticut for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance, or repair, or (2) the actual process of storage, maintenance, or repair of the vessel.

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**16. Can an Indian tribe located in Connecticut purchase tax-exempt a vessel to be awarded as a prize?** Yes. A federally recognized Indian tribe located in Connecticut that purchases vessels intended as awards to casino patrons may purchase the vessels 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 vessels awarded by the casino, and no sales or use taxes apply to the wagers.

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

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**Effect on Other Documents: Special Notice 2000(2), Application of Sales and Use Taxes to Vessels, and Policy Statement 2005(3), Application of Sales and Use Taxes to Vessels, are superseded.**

**Affidavit-16a-5, Vessel Purchased Out-of-State From Connecticut Retailer**, remains a valid document for vessels purchased outside Connecticut from Connecticut retailers.

**Related Forms and Publications:** Ask for the current edition of the following forms and publications for more information:

- **Informational Publication 2004(10)**, *Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax*
- **Special Notice 2001(7)**, *Sharing Certain Use Tax Revenue with Municipal Agencies*
- **CERT-125**, *Sales and Use Tax Exemption for a Motor Vehicle Purchased by a Nonresident of Connecticut*
- **CERT-139**, *Sales and Use Tax Exemption for a Vessel Purchased by a Nonresident of Connecticut*

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**Effect of This Document:** An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

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**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 inquiries anytime by calling 860-297-4911.

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

- **Internet:** Visit the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms; **or**
- **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/Payment 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 business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **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](http://www.ct.gov/DRS) and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at [www.ct.gov/DRS](http://www.ct.gov/DRS) and click on *File/Register OnLine*.

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