



INFORMATIONAL PUBLICATION

Unlawful Advertisements Referring to the Sales Tax

Purpose: This Informational Publication is being issued because some retailers are unlawfully advertising that the retailers will absorb or assume the sales tax, not add the sales tax to the sales price of goods being sold, or, if added, will refund all or a portion of the sales tax. These advertisements have appeared in television, radio, newspapers, publications, Internet websites, and promotional displays at retail locations.

Effective Date: Effective upon issuance.

Statutory Authority: Conn. Gen. Stat. §§12-407e, 12-408(2), (4) and (5), and 12-414(3).

Requirement to Collect the Sales Tax and Prohibition Against Unlawful or Misleading Advertising About Assuming, Absorbing, or Refunding the Sales Tax: Connecticut law requires a retailer to collect the full amount of the sales tax imposed under the law from retail customers.

Connecticut law prohibits retailers from advertising, holding out, or stating to the public or to any customer, directly or indirectly, that the sales tax will be assumed or absorbed by the retailer or that it will not be added to the sales price of goods being sold or that, if collected, the tax will be refunded in whole or in part.

Connecticut law also prohibits a retailer from exhibiting or displaying on the retailer's premises any notice, sign, or other advertising matter tending to mislead the public in connection with imposition or collection of the tax.

Examples of Unlawful or Misleading Advertisements Referring to the Sales Tax:

The following are examples of unlawful advertisements because they state, imply, or suggest that the retailer will absorb or assume the sales tax:

- We'll pay your sales tax;

- Tax-free sale;
- Pay no sales tax;
- 0% sales tax;
- Sales tax stimulus package; **and**
- Tax-free weekend.

Some retailers advertise that they will give their customers a discount equal to the sales tax and will then apply sales tax to and collect sales tax from their customers on the discounted price. While the Department of Revenue Services (DRS) strongly discourages retailers from using the sales tax as a sales incentive in their advertisements, DRS's position is that it will not fine a retailer who advertises a discount equal to the sales tax as long as the advertisement also informs customers that, as required by Connecticut law, the retailer will apply sales tax to, and collect sales tax from customers on, the discounted price.

Permissible Advertising About the Annual One-Week Sales Tax Holiday Starting the Third Sunday in August for Clothing and Footwear Selling for Less Than \$300 per Item:

The annual one-week sales tax holiday begins on the third Sunday in August and ends on the following Saturday. The following are examples of permissible advertisements when they are in connection with the annual one-week sales tax exemption under Conn. Gen. Stat. §12-407e for sales of items of clothing or footwear selling for less than \$300 per item:

- Storewide sales tax holiday on clothing and footwear; **and**
- Tax-free week on clothing and footwear.

A "Storewide Sales Tax Holiday" advertisement, however, would not be permissible if the retailer sells items other than clothing and footwear unless the advertisement states that the sales tax holiday is only in connection with the sale of clothing and footwear selling for less than \$300 per item.

Properly Advertising the Sales Price: A retailer may advertise the sale of goods by any of the following methods:

- Stating the sales price alone without reference to the tax;
- Stating separately the sales price and the amount of tax to be collected on the sales price; **or**
- Stating the sales price “plus tax” or “exclusive of tax”.

Whichever method is used, the retailer is required to collect the properly computed sales tax from customers on the stated sales price.

All retailers are required to maintain records to separately show the actual sales price of its merchandise and the amount of sales tax collected from customers on those sales. All retailers are required to furnish to customers, upon request, a sales slip showing the sales price of the items sold and the sales tax separately computed on the sales price.

Properly Advertising the Sales Price When Making Sales on a Tax-Included Basis: A retailer who makes its sales on a tax-included basis may advertise the sale of goods as follows:

- Stating a sales price which includes the sales tax together with the words “tax included” or “tax incl.”

A retailer who makes its sales on a tax-included basis is required to furnish to a customer, upon request, a sales slip showing the sales tax separately computed on the sales price. When the retailer files its Connecticut sales tax return, the retailer is required to treat 94.3% of its tax-included gross receipts from sales as its gross receipts from sales exclusive of the sales tax collected.

Fines for Unlawful Advertisements: Any person unlawfully advertising or misleading the public about absorbing or assuming the sales tax, not adding the sales tax to the sales price of goods sold, or, if added, refunding the sales tax shall be fined \$500 for each offense.

Effect on Other Documents: None affected.

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.

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

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

Select **Option 6** to speak to a representative.

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

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

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** or call **860-297-4753** (from anywhere).

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

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** to file a variety of tax returns and extensions, as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and select an option from the list on the *TSC* image.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer’s withholding tax, *TSC-BUS* Online Filing Alerts, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select e-Alerts from the left navigation bar.