



Taxation of Internet Access Provided by Community Antenna Television Companies

Purpose: This Policy Statement explains Department of Revenue Services (DRS) policies on the application of community antenna gross earnings tax and sales and use taxes to Internet access services provided by community antenna television companies. It also reflects the acceleration of the phase-out of sales and use taxes on Internet access services in new legislation from 2000.

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

Statutory Authority: Conn. Gen. Stat. §12-256; §12-407(2)(i)(A); §12-407(2)(l); §12-408(1)(C) and §12-411(1)(D).

Internet Access Not Subject to CATV Gross Earnings Tax: Conn. Gen. Stat. §12-256 imposes a 5% annual tax on the gross earnings of each community antenna television (CATV) system, on earnings from its “lines, facilities, apparatus, and auxiliary equipment in this state....” A CATV system is a company that provides cable television service within a franchise area under the authority of the Connecticut Department of Public Utility Control.

Some CATV companies in Connecticut provide Internet access services to subscribers by means of cable television lines. Gross earnings of CATV companies from Internet access services are not subject to the 5% CATV gross earnings tax.

Internet Access Charges Subject to Sales and Use Taxes as Computer and Data Processing Services: Access to the Internet is a computer and data processing service, enumerated in Conn. Gen. Stat. §12-407(2)(i)(A). Charges by CATV companies for Internet access services, including installation and

other related services, are charges for computer and data processing services.

The sales and use tax rate for Internet access services began a scheduled phase out on July 1, 1997. The rates are:

For sales of services occurring:

On or After	Through	Rate
	June 30, 1997	6%
July 1, 1997	June 30, 1998	5%
July 1, 1998	June 30, 1999	4%
July 1, 1999	June 30, 2000	3%
July 1, 2000	June 30, 2001	2%
July 1, 2001		0%

Internet Access Charges Must Be Separately Stated From Charges for CATV Services: A CATV company that provides Internet access services should charge sales and use taxes for the services at the reduced rate for computer and data processing services, if the company bills separately for Internet access, or separately states such charges from charges for CATV services on its bills to its customers.

Separately-stated charges for installation and other computer services that relate **solely** to Internet access are also taxable at the reduced rate for computer and data processing services. Charges that relate to CATV services or to both Internet access and CATV services are subject to tax at the full 6% rate.

If a CATV company does not separately state charges for Internet access services from charges for CATV services on its bills to its customers, all charges are presumed to be charges for CATV services enumerated in Conn. Gen. Stat. §12-407(2)(l), and are subject to sales and use taxes at the full 6% rate.

Charges for Tangible Personal Property: Any separately-stated charges to customers for the sale or rental of tangible personal property (such as computer hardware, equipment or prewritten software) in connection with Internet access services provided by a CATV company are subject to sales and use taxes at the full 6% rate.

If a CATV company purchases tangible personal property and separately states charges to its customers for the sale or rental of such property, it may purchase the property on resale without paying the sales tax. However, if a CATV company provides tangible personal property to its customers in connection with services and does not make a separate charge for the property, the CATV company is the consumer of the property and must pay sales or use tax when it purchases the property.

Effect on Other Documents: This Policy Statement modifies and supersedes **Policy Statement 98(6)**, *Taxation of Internet Access Provided by Community Antenna Television Companies*.

Effect of This Document: A Policy Statement is a document that explains in depth a current DRS position, policy or practice affecting the tax liability of taxpayers.

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CATV Gross Earnings Tax
Internet Access
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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.