



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2003(3)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

Sales and Use Taxes on Retail Sales of Clothing

Purpose: This Special Notice describes the exemption for sales or rentals of clothing and footwear, and provides examples of qualifying clothing or footwear. It also addresses recently enacted legislation that reduces the year-round exemption for clothing and footwear from less than \$75 to less than \$50 per item.

Effective Date: Applicable for sales of clothing and footwear on and after April 1, 2003.

Statutory Authority: Conn. Gen. Stat. §12-412(47), as amended by 2003 Conn. Pub. Acts 2, §28; Conn. Gen. Stat. §12-412(19); and Conn. Gen. Stat. §12-407d.

Exemption for Clothing and Footwear Reduced: Sales of articles of clothing and footwear, which were previously exempt if the cost per item to the purchaser was less than \$75, are now exempt if the cost per item to the purchaser is less than \$50.

Annual One-Week Exclusion Remains in Effect: Clothing and footwear costing less than \$300 per item are excluded from sales and use taxes during a one-week period in August each year. (For more information, see **Special Notice 2001(6)**, *One-Week Sales and Use Tax Exclusion in August for Clothing and Footwear Under \$300*.)

Clothing and Footwear Defined: The exemption for articles of clothing and footwear costing less than \$50 includes most articles of clothing and footwear intended to be worn on or about the human body. However, certain items are excluded.

Items not subject to the exemption. For purposes of the exemption, clothing and footwear does **not** include:

- Any special clothing or footwear primarily designed for athletic activity or protective use and which 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 manner characteristic of clothing.
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Exemption Rules for Clothing and Footwear:

The following rules for the sale of clothing and footwear have not changed:

- Clothing and footwear do not include special clothing or footwear not normally used as casual dress, such as shoes designed exclusively for athletic or protective wear. However, articles of clothing considered safety apparel are fully exempt under a separate exemption in Conn. Gen. Stat. §12-412(91). (See **Policy Statement 2000(6)**, *Sales and Use Tax Exemption for Safety Apparel*);
- Articles of clothing usually priced separately are treated as separate items;
- The entire purchase price of each article of clothing purchased for \$50 or more is subject to the 6% sales and use tax rate.

Example: The sales tax on an article of clothing costing \$50 is \$3. There is no sales tax on an article of clothing costing \$49.99.

- Rentals of clothing and footwear, such as formal wear, also qualify for this exemption as long as the cost of the rental is less than \$50. Damage waiver charges on the rental of clothing and footwear may be excluded from sales and use taxes if the charges shift the risk of loss from the purchaser to the retailer, and the charges are optional.

Examples of Clothing or Footwear That Are Exempt When Sold for Less Than \$50:

- Antique clothing;
- Aprons (kitchen);
- Arm warmers;
- Athletic socks;
- Bandannas;
- Baseball hats;
- Bathing caps;
- Belts, suspenders, belt buckles;
- Bicycle sneakers (without cleats);
- Blouses;
- Chef uniforms;
- Children's bibs;
- Clerical vestments and religious clothing;
- Diapers (cloth or disposable, adult or child);
- Dresses;
- Ear muffs;
- Employee uniforms (such as police, fire, mechanics, nurses, postal);
- Formal wear gowns;
- Formal wear rentals;
- Foul weather gear;
- Garters;
- Gloves;
- Golf dresses and skirts;
- Golf jackets;
- Golf shirts;
- Graduation caps and gowns;
- Gym suits;
- Handkerchiefs;
- Hats, caps;
- Hiking boots;
- Jeans;
- Jogging suits, sweat suits;
- Leg warmers;
- Leotards, tights;
- Lingerie;
- Nylons, hosiery*;
- Overclothes;
- Overshoes, rubbers, boots;
- Painter pants;
- Ponchos;
- Rain jackets, rain suits, rain wear;
- Rented uniforms;
- Robes;
- Sashes;
- Scarves;
- Scout uniforms;
- Shirts;
- Shoelaces;
- Shoes: aerobic, basketball, boat, running (without cleats), safety (suitable for everyday wear);
- Ski sweaters, ski jackets;
- Sleepwear (nightgowns, pajamas);
- Slippers;
- Sneakers;
- Socks;
- Square dancing clothes;
- Swim suits;
- Tennis clothing (dresses, hats, shorts, and skirts);
- Ties (men's and women's);
- Undergarments;
- Wedding gowns, headpieces, and veils;
- Work clothes.

* Support hose specially designed to aid in the circulation of blood purchased by persons with medical need for the hose are exempt under Conn. Gen. Stat. §12-412(19) regardless of their cost.

Examples of Clothing or Footwear That Are Taxable Even if Sold for Less Than \$50:

- Athletic supporters;
- Barrettes;
- Boots: fishing, mountain climbing, paddock, riding, ski, firefighter*;
- Goggles*;
- Gloves: athletic, garden, golf, tennis, work, rubber*, surgical*;
- Hair nets;
- Handbags and purses;
- Headbands;
- Ice skates;
- Insoles, arch supports;
- Jewelry;
- Lobster bibs;
- Martial arts attire;
- Party costumes;
- Pot holders;
- Protective aprons*;
- Riding pants;
- Roller skates;
- Safety glasses*;
- Shin guards;
- Shoes: ballet, bicycle, bowling, cleated, football, golf, track, jazz, tap, turf;
- Shower caps;
- Ski pants;
- Sports helmets;
- Sports uniforms;
- Umbrellas;
- Waders;
- Wallets;
- Water ski vests;
- Wet suits;
- [Wigs](#) (custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss as a result of disease or the treatment of disease are fully exempt under [Conn. Gen. Stat. §12-412\(19\)](#)).

* These articles of clothing or footwear may qualify for exemption as safety apparel, regardless of their cost. See **Policy Statement 2000(6)**.

Cash Discounts, Coupon Sales, and Rebates: Tax does not apply to cash discounts allowed and taken on sales or to the full face value of any coupon used by a purchaser to reduce the price paid to a retailer for an item of tangible personal property, whether or not the retailer will be reimbursed for the coupon, in whole or in part, by the manufacturer of the item of tangible personal property or by a third party. See Conn. Gen. Stat. §12-407(8) and (9).

Cash discounts are price reductions that a store offers its customers, such as back-to-school sales. Tax is calculated on the sales price net of all price reductions. To determine whether an item of clothing or footwear costs less than \$50, the retailer should use the reduced sales price after the cash discount is deducted from the full or original sales price.

Example: A retailer sells shoes for \$60. The retailer offers a 20% discount on shoes. The sales price of the shoes is reduced to \$48 after the discount is taken. The shoes are not taxable because they cost less than \$50.

Coupons entitle a purchaser to an immediate reduction in the sales price of an item when the coupon is presented to the retailer. Tax is calculated on the sales price net of all price reductions from coupons. A retailer, a manufacturer, or another third party may issue coupons. To determine whether an item of clothing or footwear costs less than \$50, the retailer should use the sales price after the face value of the coupon (or any higher value given to the coupon by the retailer) is deducted from the original sales price.

Example: A retailer sells shoes for \$60. The retailer has a 25% off coupon in its advertising flyer, which the customer presents when buying the shoes. The reduced amount after the coupon is used is \$45. The shoes are not taxable because they cost less than \$50.

“Buy one, get one free” and similar offers. If a retailer offers “buy one, get one free” or “two for the price of one” on items of clothing or footwear, the exemption applies, as long as the total sales price for both items is less than \$50.

However, if a retailer offers “buy one, get one for a reduced price,” the two prices cannot be averaged to qualify both items for the exemption.

Example: A retailer sells a sweater for \$60 and offers a second sweater for half price when bought with the first sweater. The first sweater costs \$60 and

does not qualify for the exemption. The second sweater costs \$30 (half price) and does qualify for the exemption. Together the two sweaters cost \$90. The retailer cannot average the price of the two sweaters, to \$45 apiece, to qualify both sweaters for the exemption.

Rebates, unlike discounts and coupons, do not reduce the sales price of an item. The tax applies to the sales price of an item *before* the customer obtains a rebate from a manufacturer or third party. The customer gets a rebate separately from the retail sale of the item.

Therefore, the sales price of an article of clothing or footwear before any rebate is the amount the retailer must use to determine if an item costs less than \$50.

Mail Order, Telephone, and Internet Sales:

Sales of clothing or footwear on or after April 1, 2003, that cost less than \$50 per item are exempt. However, the sale of an article of clothing or footwear that costs less than \$75 is exempt provided the order was accepted before April 1, 2003, and was for immediate shipment.

A retailer accepts an order when the retailer has taken an action to fulfill the order. Actions to fill an order include placing an in-date stamp on a mail order or assigning an order number to a telephone or Internet order.

An order is considered to be for immediate shipment when the customer does not request delayed shipment. If the retailer delays shipment of an order because of a backlog, or because stock is currently unavailable, the order is still for immediate shipment.

Shipping and Handling Charges: Generally, tax applies to any charges by the retailer to the purchaser for shipping or delivery. See Conn. Gen. Stat. §12-407(8) and (9). However, no tax is due on shipping and delivery charges in connection with any sale that is not taxable before adding the shipping and delivery charges.

Adding shipping and delivery charges to an item of clothing or footwear costing less than \$50 does not make the item taxable, even if the price of the item exceeds \$50 after the shipping and delivery charges are added.

Handling charges. Whenever handling charges and shipping charges both appear on the same invoice, whether lumped together or separately stated, the handling charges are considered part of shipping and delivery charges. However, when handling charges appear alone on an invoice without shipping charges, the handling charges are not considered shipping and delivery charges. Instead, the handling charges are service charges that are part of the sales price of the item sold.

Example: An item of clothing costs \$48. The customer is charged an additional \$5 shipping and handling fee, bringing the total to \$53. The \$48 sales price of the clothing item is not subject to tax. The \$5 shipping and handling charge also is not taxable.

Example: An item of clothing costs \$48. The customer is charged an additional \$5 handling fee, but no shipping or delivery fee. The sales price of the clothing item is \$53 and the entire amount is taxable.

Layaway Sales: A layaway sale is a sale where a retailer sets aside an item for future delivery to a customer who makes a deposit and agrees to pay the balance of the sales price before taking delivery or possession of the item. The sale is considered made when the customer puts a deposit on the item and the retailer removes it from inventory.

The selling price of an article of clothing or footwear, plus any additional charges that the retailer imposes or will impose for a layaway sale, are combined to determine whether the item costs less than \$50.

Layaways before April 1, 2003. If a customer puts an article of clothing or footwear that costs less than \$75 on layaway before April 1, 2003, the item qualifies for the exemption, and none of the customer's payments on the item are taxable, even if they are made after April 1, 2003. The item is not taxable when the customer takes delivery or possession of it.

Alterations and Monogramming: Clothing alterations are not taxable, whether done by the retailer of the clothing or by a third party. If a retailer charges separately for alterations to an article of clothing when the item is purchased, the alteration charges are not part of the sales price of the item. Therefore, if a customer buys an article of clothing, the sale is not taxable if the cost of the item before the addition of separately stated alteration charges is less than \$50.

Monogramming is a taxable process and includes activities such as sewing, printing, imprinting, and silk screening. Monogramming performed on an article of clothing or footwear by a retailer or third party *after* the item has been purchased is separately taxable, even if the item itself was not taxable.

Charges for monogramming made by a retailer at the time an item is purchased are part of the sales price, and must be added to the price of the item to determine the full sales price. Therefore, if a customer buys an article of clothing or footwear and pays the retailer for monogramming at the time of purchase, the sale is not taxable if the total charge, including monogramming, is less than \$50.

Custom Orders: Conn. Gen. Stat. §12-407(2)(g) specifies that the sale of a custom-made item takes place when title passes to an item that *has been produced* to the customer's order. For purposes of this Special Notice, delivery is made to the customer when the customer picks up the item at the retailer's business location or when the retailer places the custom order in shipment to the customer through the United States mail or by common carrier.

If delivery of a custom-made item is made to the customer after April 1, 2003, the sale is taxable if the article of clothing or footwear costs \$50 or more.

Clothing or Footwear Rentals: The date the customer takes possession of the rented clothing or footwear determines if the rental is exempt, regardless of when the customer returns the item to the retailer.

If the rental period begins before April 1, 2003, and the rental of the article of clothing or footwear is less than \$75, the rental is exempt even if the item is returned to the retailer after April 1, 2003.

Example: A customer rents a dress for \$70 from a formal wear rental shop. The customer picks up the dress from the shop on March 29, 2003, and returns the dress to the shop on April 2, 2003. The dress rental is not taxable.

Rain Checks: If a retailer issues a rain check to a customer before April 1, 2003, for an article of clothing or footwear costing less than \$75 but at least \$50, and the customer buys the item after April 1, 2003, using the rain check, the item is taxable.

Exchanges: When a customer buys an article of clothing or footwear costing less than \$75 before April 1, 2003, and the customer exchanges the item for a like item after April 1, 2003, the exchange is not taxable provided the sales price of the like item is also less than \$75. A like item is the same item with a different style, different size, or different color (such as a shirt for a shirt).

If the article of clothing or footwear costing less than \$75 is exchanged after April 1, 2003, for a different type of clothing (not a like item), the exemption does not apply, even if the original purchase was made before April 1, 2003, and cost less than \$75. If the article of clothing or footwear being exchanged costs less than \$50, it is exempt from tax.

If a customer buys an article of clothing or footwear costing less than \$75 before April 1, 2003, then returns it after April 1, 2003, for a refund or credit toward another item costing more than \$50, the customer may not use the refund or credit to reduce the price of the second item. The second item is taxable.

Example: A customer buys a short sleeve cotton blend dress before April 1, 2003, for \$55 and exchanges it after April 1, 2003, for a long sleeve silk dress costing \$60. The second dress is not taxable because the customer exchanged like items and both items cost less than \$75.

Example: A customer buys a shirt before April 1, 2003, for \$65 and exchanges it after April 1, 2003, for a pair of pants costing \$70. The pants are taxable because the customer did not exchange like items.

Example: A customer purchases a sweater for \$70 before April 1, 2003. After April 1, 2003, the customer returns the sweater and receives full credit toward the purchase of another sweater costing \$55. The second sweater is taxable.

Effect on Other Documents: This Special Notice modifies and supersedes **Policy Statement 2001(6)**, *Sales and Use Taxes on Retail Sales of Clothing*, and supersedes **Special Notice 2000(3.1)**, *2000 Legislation Affecting Sales and Use Taxes and Admissions and Dues Tax*, to the extent it discusses the exemption under Conn. Gen. Stat. §12-412(47).

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Sales and Use Tax
Clothing
Issued: 03/19/2003

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS) and may be referred to for general guidance by taxpayers or tax practitioners.

For Further Information: Please 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 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** (in-state) and select **Option 2** from a touch-tone phone.

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- **For business returns:** Use *Fast-File* to electronically file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the internet or telephone. Visit the DRS Web site at: www.drs.state.ct.us and click on *Fast-File Program*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at: www.drs.state.ct.us and click on *File Tax Returns On-Line*.