



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2005(4)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

2005 Legislative Changes Affecting Sales and Use Taxes and the Dry Cleaning Establishment Surcharge

Purpose: This Special Notice summarizes 2005 legislation affecting the sales and use taxes passed during the 2005 regular session. It also summarizes changes made to the dry cleaning establishment remediation account.

Effective Dates: As noted below.

Statutory Authority: 2005 Conn. Pub. Acts 163; 2005 Conn. Pub. Acts 176; 2005 Conn. Pub. Acts 251, §§86, 87; 2005 Conn. Pub. Acts 260, §§5, 6; 2005 Conn. Pub. Acts 274; 2005 Conn. Special Acts 6.

Effective January 1, 2005:

Trade Shows at Connecticut Convention Center: A retailer not otherwise engaged in business in Connecticut that participates in trade shows at the Connecticut Convention Center for 14 days or less during the retailer's income year is not required to register with the Department of Revenue Services (DRS) and collect sales or use tax as long as:

- The retailer's activity at the trade show(s) is limited to displaying goods or promoting services;
 - No sales are made; **and**
 - Any orders received are sent outside Connecticut for acceptance or rejection and are filled from outside Connecticut.
-

Effective June 24, 2005:

Clean Car Incentive Program: The Department of Environmental Protection will head a committee to create a plan, to be submitted to the General Assembly by January 1, 2006, that encourages sales of low emissions vehicles and discourages sales of high emissions vehicles by adjusting the amount of sales tax on the vehicles.

Effective July 1, 2005:

Motor Vehicle Rental Surcharge: Makes the motor vehicle rental surcharge applicable to the rental of pieces of machinery at the rate of 1.5% instead of the 3% rate assessed on motor vehicle rentals.

Machinery means heavy equipment without an operator that may be used for construction, mining or forestry including, but not limited to, bulldozers, earthmoving equipment, well-drilling machinery and equipment, or cranes.

Effective July 1, 2005:

Dry Cleaning Establishment Remediation Account: Grants under the dry cleaning establishment remediation account are now available to owners of property on which dry cleaning establishments are located. The limit on the grant amount has been increased to \$300,000. Further information about application for grants should be obtained from the Department of Economic and Community Development.

Effective July 1, 2005:

College Textbooks: The exemption for college textbooks is expanded to include sales to students at private occupational schools authorized under Conn. Gen. Stat. §§10a-22a through 10a-22k.

Effective July 13, 2005:

Direct Shipment of Wine: Farm wineries may ship wine directly to a consumer in Connecticut. The winery must be issued a permit by the Department of Consumer Protection (DCP) and must meet the following requirements to sell and ship wine directly to a consumer in this state:

- (1) Ensure the shipping labels on all containers of wine shipped directly to a consumer in this state conspicuously state: “Contains alcohol – Signature of a person age 21 or older required for delivery”;
- (2) Obtain the signature of a person age 21 or older at the address prior to delivery, after requiring the signer to demonstrate that he or she is age 21 or older by providing a valid motor vehicle operator's license or a valid identity card described in Conn. Gen. Stat. §1-1h;
- (3) Ship not more than five gallons of wine in any 60-day period to any person in this state and not ship any wine until the permittee is registered with DRS, with respect to the permittee’s sales of wine to consumers in this state, for purposes of the sales and use taxes and alcoholic beverages tax;
- (4) Pay to DRS all sales taxes and alcoholic beverage taxes due on sales of wine to consumers in this state and file all sales tax returns and alcoholic beverage tax returns relating to the sales with the amount of the taxes to be calculated as if the sale were in this state at the location where delivery is made;
- (5) Report to DCP a separate and complete record of all sales and shipments to consumers in the state on a ledger sheet or similar form which readily presents a chronological account of the permittee’s dealings with each consumer;
- (6) Permit DCP and DRS, separately or jointly, to perform an audit of the permittee’s records upon request;
- (7) Not ship to any address in the state where the sale of alcoholic liquor is prohibited by local option under Conn. Gen. Stat. §30-9;
- (8) Hold an in-state transporter’s permit under Conn. Gen. Stat. §30-19f, as amended by PA 05-274, or make any shipment through the use of a person who holds an in-state transporter’s permit; **and**
- (9) Execute a written consent to the jurisdiction of this state, its agencies and instrumentalities, and the courts of this state concerning the enforcement of this section and any related laws, rules, or regulations, including, but not limited to tax laws, rules, or regulations.

Effective October 1, 2005:

Marine Vessel Brokerage Services: Sales of marine vessel brokerage services provided by marine vessel brokers selling the vessels for the owners are exempt.

Nonresident Contractor Bonds: The legislation makes several changes to the statute requiring nonresident contractors or persons doing business with them to provide security to DRS for payment of the contractor’s taxes:

- Owners or tenants of exclusively residential real property are excluded from the requirements of Conn. Gen. Stat. § 12-430(7);
- Amounts withheld from payments of the contract price must be remitted to DRS by the last day of the month following the calendar quarter following the calendar quarter in which the first payment to the contractor is made and every calendar quarter after;

Example: The first payment to contractor is made on February 15. That calendar quarter ends on March 31 and the following quarter ends on June 30. Therefore, the first deposit must be made to DRS by the last day of the month following that quarter, or July 31.

The deducted amounts after the first deposit must be deposited with DRS “every calendar quarter thereafter.” These deposits are due by the last day of the month following each calendar quarter.

- Nonresident contractors must request an audit by DRS within three years after the final payment of the contract price is made to recover any portion of the deposit that exceeds the nonresident contractors’ tax liability;
- A person doing business with a nonresident contractor is not relieved of that person’s own liability for Connecticut use tax on the services rendered under the contract; **and**
- Nonresident contractors have the option of furnishing DRS with a cash bond or a guarantee bond.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice 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).

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.

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 business 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*.
-

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by e-mail of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit www.ct.gov/DRS and follow the directions. Subscription services are available for employer's withholding tax, *Fast-File* information, Alerts, News – Press Releases, and Top 100 Delinquency List.

SN 2005(4)
Sales and use taxes
Issued: 08/10/2005