



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

SN 2010(2)

25 Sigourney Street Ste 2  
Hartford CT 06106-5032

**SPECIAL NOTICE**

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**Reminder That the Sales and Use Tax Exemption for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles Ends June 30, 2010**

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**Purpose:** The purpose of this Special Notice is to remind taxpayers that the exemption from sales and use taxes for purchases and leases of high miles per gallon (mpg) passenger motor vehicles ends on June 30, 2010. Therefore, effective July 1, 2010, purchases and leases of fuel-efficient motor vehicles are subject to Connecticut sales and use taxes.

In addition, this Special Notice also provides taxpayers with transitional rules for applying this exemption.

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**Effective Date:** Upon issuance.

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**Statutory Authority:** Conn. Gen. Stat. § 12-412(110).

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**Background:** In 2008, the Connecticut General Assembly enacted a sales and use tax exemption for purchases and leases of passenger motor vehicles with a United States Environmental Protection Agency (USEPA) city or highway mileage rating of at least 40 mpg. The exemption, which is codified as Conn. Gen. Stat. §12-412(110), is effective for purchases or leases occurring on or after January 1, 2008, and on or before June 30, 2010.

After the passage of this exemption, the Department developed and issued a publication the most recent edition of which is **Informational Publication 2009(27)**, *Sales and Use Tax Exemptions for Purchases or Leases of Fuel-Efficient Passenger Motor Vehicles*. In addition to describing the sales and use tax exemption for purchases and leases of fuel-efficient passenger motor vehicles, **Informational Publication 2009(27)** also addresses purchases of accessories or service contracts in connection with a purchase or lease of a fuel-efficient vehicle.

**Transitional Rules:** With regard to purchases of fuel-efficient motor vehicles, the exemption applies to purchases that take place on or after January 1, 2008, and on or before June 30, 2010. The following examples illustrate how the exemption applies to purchases:

Example 1: On June 30, 2010, an individual purchases a passenger motor vehicle that has USEPA city or highway mileage rating of 40 mpg. Because the sale took place prior to July 1, 2010, this purchase qualifies for exemption from sales and use taxes.

Example 2: An individual purchases a passenger motor vehicle that has a USEPA city or highway mileage rating of 40 mpg on July 1, 2010. Because the sale took place on July 1, 2010, this purchase does NOT qualify for exemption from sales and use taxes.

With regard to leases of fuel-efficient motor vehicles, the exemption applies to lease payments due and owing on or after January 1, 2008, and on or before June 30, 2010. The following example illustrates how the exemption applies to leases:

Example 3: On January 1, 2010, an individual enters a 36-month lease for a passenger motor vehicle that has a USEPA city or highway mileage rating of 40 mpg. Under the terms of this lease, the first monthly payment is due January 15, 2010, and the last monthly payment is due December 15, 2012. Those lease payments due before June 30, 2010, qualify for exemption from sales and use taxes. However, those lease payments that are due on or after July 1, 2010, are taxable.

With regard to short-term rentals of fuel-efficient motor vehicles whose terms overlap the ending date of the exemption, the exemption applies to the portion of the rental term occurring on or before June 30, 2010. The following example illustrates how the exemption applies to a short-term rental:

Example 4: On June 28, 2010, an individual enters into a five-day rental agreement with a car rental company for a passenger motor vehicle that has a USEPA city or highway mileage rating of 40 mpg. The sales tax on this rental is calculated as follows:

- The gross receipts attributable for the rental days of June 28, 29, and 30 are not subject to sales and use tax;
- The gross receipts attributable for the rental days of July 1 and 2 are subject to sales and use tax.

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**Effect on Other Documents:** None affected.

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**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).

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**For More 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).

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

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Sales and Use Taxes  
Motor Vehicles  
Energy-Efficient Items  
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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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