Sales and Use Tax Overview

www.ct.gov/drs or www.ct.gov/tsc
Today’s Topics:

– General Sales Tax – 6.35%

– Exemption Certificates

– Record Keeping

– Miscellaneous

– Questions
Two basic premises:

Goods
• All goods are taxable unless there is a specific exemption.

Services
• Only those services designated as taxable, are taxable.

www.ct.gov/drs or www.ct.gov/tsc
Common Non-Taxable Sales of Goods:

- Sales for Resale
- Food Products for Human Consumption
- Manufacturing Equipment
- Out of State Sales
- Prescription and Non-Prescription Drugs and Medicines
- Charitable and Religious Organizations
- Federal, State and Municipal Agencies
Common Taxable Services

Real Property

• Janitorial Services
• Landscaping Services
• Maintenance Services to Real Property
• Services to Existing Industrial, Commercial and Income Producing Real Property

Full list of services in IP 2015 (12)
Common Taxable Services

Personal Property

- Computer and Data Processing Services 1%
- Motor Vehicle Repairs, Storage, Towing and Washing
- Repair Services to Tangible Personal Property
- Warranty and Service Contracts
- Printing Services

Full list of services in IP 2017(25)
www.ct.gov/drs or www.ct.gov/tsc
Common Taxable Services

Personal Services

• Misc. Personal Services
• Manicure / Pedicure and Spa Services
• Pet Grooming / Boarding / Obedience Services
• Cosmetic Medical Procedures
• Health and Athletic Clubs

Full list of services in [IP 2017(25)](www.ct.gov/drs or www.ct.gov/tsc)
Wrong Way

$ 40,000.00 Materials (incl. tax paid at purchase)

$ 60,000.00 Service

$100,000.00 Total

$ 6,350.00 Sales Tax (on $100,000.00 total)

Right Way

$ 40,000.00 Materials (incl. tax paid at purchase)

$ 60,000.00 Service

$100,000.00 Total

$ 3,810.00 Sales Tax (on $60,000.00 service)
### Transactions subject to the 6.35% tax rate

<table>
<thead>
<tr>
<th></th>
<th>Column 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross receipts from sales of goods</td>
</tr>
<tr>
<td>2</td>
<td>Gross receipts from leases and rentals</td>
</tr>
<tr>
<td>3</td>
<td>Gross receipts from labor and services</td>
</tr>
<tr>
<td>4</td>
<td>Purchases of goods by your business subject to use tax</td>
</tr>
<tr>
<td>5</td>
<td>Leases and rentals by your business subject to use tax</td>
</tr>
<tr>
<td>6</td>
<td>Purchases of services by your business subject to use tax</td>
</tr>
<tr>
<td>7</td>
<td>Total of Lines 1 through 6</td>
</tr>
<tr>
<td>8</td>
<td>Total deductions (Please select <strong>deductions</strong> to enter your deductions)</td>
</tr>
<tr>
<td>9</td>
<td>Balance subject to tax (Line 8 will be subtracted from Line 7 and displayed here -- not less than zero.)</td>
</tr>
<tr>
<td>10a</td>
<td>Gross amount of tax due (Line 9 will be multiplied by 6.35% and displayed here.)</td>
</tr>
</tbody>
</table>

www.ct.gov/drs or www.ct.gov/tsc
To enter a deduction, please select the deductible item from the drop down box below.

Enter the dollar amount of the deduction, then select the "Enter Deduction" button. The information you enter will be displayed.

<table>
<thead>
<tr>
<th>Deductible</th>
<th>Amount</th>
<th>Total Amount</th>
<th>Adjusted Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please select...</td>
<td>$ 0.00</td>
<td>$ 40,000.00</td>
<td>$ 40,000.00</td>
</tr>
</tbody>
</table>

Total Deductions: $ 40,000.00
Dear Taxpayer:

Our records indicate you have not filed a tax return for the following period(s):

Form Type

Period Ending

Form OS-114, *Sales and Use Tax Return*, must be filed for each period even if no tax is due.

Use the Taxpayer Service Center (TSC) at to electronically file and pay the amount due. If you are unable to file electronically, complete and mail with your payment in the envelope provided. If you are required by law to file electronically, that is the only way you can file. If the tax return has been filed, send a copy of the tax return with a copy of your cancelled check, both front and back, or confirmation of your electronic payment along with a copy of this notice to the Department of Revenue Services (DRS) in the envelope provided.
Proposed Assessment Notice

Billing Notice

Notice Number: 
Date Issued: 12/19/2014

Refer to this number on any contact with DRS

BUS01

CT Tax Registration No.: 
Tax Type: 
Audit Period: 
Liability No.: 
Case ID: 

Explanation

1. This is a notice of assessment. To appeal, submit a written request for a hearing to the Commissioner stating your specific objections. Your right to protest this assessment expires 02/17/2015, after which the assessment becomes final. Appeal instructions and APL-002 can be downloaded at www.ct.gov/Appeal. For more information call (860) 297-4775.

2. This notice provides you with an explanation of your appeal rights. An explanation of the basis for the changes, proposed assessments, assessment and/or refund denials that are the subject of this notice was previously provided to you. Appeal Process Instructions and APL-002 can be downloaded at www.ct.gov/APPEAL.

For inquiries regarding this notice call (860) 541-4278.

Summary of Amount Due

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tax amount</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Total Credits and timely payments</td>
<td>0.00</td>
</tr>
<tr>
<td>Total late payments</td>
<td>0.00</td>
</tr>
<tr>
<td>Current - Tax balance</td>
<td>1,000.00</td>
</tr>
<tr>
<td>Penalty Balance</td>
<td>150.00</td>
</tr>
<tr>
<td>Interest balance through 12/31/2014</td>
<td>50.00</td>
</tr>
<tr>
<td>Amount you owe - due upon receipt</td>
<td>1,200.00</td>
</tr>
<tr>
<td>Amount due if paid after 12/31/2014</td>
<td>1,210.00</td>
</tr>
</tbody>
</table>

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Landscapers

• Services to new construction and residential properties are not exempt

• May purchase items on resale - physically incorporated

• Get Resale Certificate if reselling the service

• Masons can be considered landscapers
CERT-119
Purchases of Goods and Services by Exempt Organizations

Include either:

• E-number issued to the organization by DRS

Or:

• IRS letter that designates the organization as a 501(c)(3) or (13) organization

• Completely Filled Out
• Blanket or Single Use
• Good for 3 Years (blanket)
• Paid for by exempt agency funds

www.ct.gov/drs or www.ct.gov/tsc
Resale Certificate

• Good Faith
• Blanket or Single Use
• Good for 3 years, (blanket)
• Completely filled out
• Description of business matches to description of items
SALES & USE TAX RESALE CERTIFICATE

Issued to (Seller)  
FUNKY FABRIC  
123 MAIN ST. WINSTED

Address  

I certify that Name of Firm (Buyer)  
DAISY DOLLS LLC  

is engaged as a registered  
( ) Wholesaler  
( ) Retailer  
( ) Manufacturer  
( ) Lessor  
( ) Other (specify)

Street Address or P.O. Box No.  
4510 ELM ST.

City  State  Zip  
WINSTED CT 06098

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product to be resold, leased, or rented in the normal course of our business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

HAND MADE CLOTH DOLLS AND ACCESSORIES

City or state  State Registration or I.D. No.
CT  8888888-001

City or state  State Registration or I.D. No.

City or state  State Registration or I.D. No.

City or state  State Registration or I.D. No.

City or state  State Registration or I.D. No.

City or state  State Registration or I.D. No.

I further certify that if any property so purchased tax free is used or consumed by the firm as to make it subject to a sales or use tax we will pay the tax due direct to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until cancelled by us in writing or revoked by the city or state.

General description of products to be purchased from the seller:

CLOTH, STUFFING, THREAD, GLUE

I declare under the penalties of false statement that this certificate has been examined by me and to the best of my knowledge and belief is a true, correct and complete certificate.

Authorized Signature  www.ct.gov/drs or www.ct.gov/tsc  
(Owner, Partner or Corporate Office)  Date

DECEMBER 11/17
Cert 141 - Contractor’s Exempt Purchase

May be used to purchase materials that will be physically incorporated into exempt properties such as:

1. CT State Government Agencies
2. CT Municipalities
3. Federal Government Agencies
4. Charitable or Religious entities - 501(c)(3)
### Record Keeping

#### Source Documents
- Cash Register Tapes
- POS Reports - Detail
- Sales Invoices
- Guest Checks
- Purchase Invoices
- Bank Statements
- Exemption Certificates

#### Books of Record
- Daily Sales Summary
- POS Reports - Summary
- Sales Journal
- Cash Receipts Journal
- Check Register
- Purchase Journal
- General Ledger

Refer to [CT Agen. Reg. 12-2-12](https://www.ct.gov/drs) for more detail record keeping

Record Retention

• Statute of Limitations allows for 3 year look back

• Keep business records for 6 years

• Failure to file returns – no statute of limitations

• Intent to Evade Tax laws – no statute of limitations
Court Cases

• AMERICAN RESTAURANT GROUP INC. v. COMM. OF REVENUE SERVICES (1999)

  Sales Tax Audit Assessment upheld due to lack of records

• BACH DOR DISCO CAFE v. COMM. OF REVENUE SERVICES (1994)

  Sales Tax Audit sent back to recalculate based on records
When in Doubt, Don’t Throw It Out!

Don’t be like this lady – Get Organized!

www.ct.gov/drs or www.ct.gov/tsc
Remember:

- Sales Tax is a “Trust-Fund Tax”.

- Businesses collect Sales Tax on behalf of the State, and hold it in trust until it is due to be paid.

- More stringent penalties for failure to pay the taxes held in trust
# Purchases Subject to Use Tax

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Goods purchased by your business subject to use tax. ...... 4</td>
</tr>
<tr>
<td>5</td>
<td>Leases and rentals by your business subject to use tax. ..... 5</td>
</tr>
<tr>
<td>6</td>
<td>Services purchased by your business subject to use tax. .... 6</td>
</tr>
</tbody>
</table>

www.ct.gov/drs or www.ct.gov/tsc
Business Entity Tax (BET)

• For Entity types:
  – S Corps
  – LLC - Limited Liability Company
  – SMLLC – Single Member LLC
  – LLP – Limited Liability Partnership
  – LP – Limited Partnerships

• $250 Biennial Tax – Every 2 years

• Form OP-424 due April 15 – Odd numbered years
Research Library - Topical Indexes

Research Library

Most of our reports are in Adobe Acrobat format. Before viewing a report you must have Acrobat Reader version 5 or higher. For additional assistance or if you are having trouble downloading a report, please contact us.

1. Statutes
   a. CT General Assembly
2. Regulations
   a. Regulations of Connecticut State Agencies
   b. Regulations - Title 12 (Taxation)
3. Cigarette and Tobacco
4. Indexes
   a. Search for publications by topics

Topical Indexes

The Department of Revenue Services publishes four topical indexes. The numerical index to rulings and administrative pronouncements includes:

- Sales and Use Taxes Index
- Income Tax Index
- Corporation Business Tax
- Miscellaneous Tax and Administrative Topics
- Numerical Index

www.ct.gov/DRS
Contact Information:
Department of Revenue Services
(860) 297-5962 or 1-800-382-9463

www.ct.gov/drs or www.ct.gov/tsc