Governor's Business Tax Policy Review Task Force

Business Taxes - Part 2

Louis P. Bucari, General Counsel
Susan B. Sherman, Legislative Program Mgr.
Michael Galliher, Planning Specialist
Department of Revenue Services
June 14, 2012

Overview of Topics

- Sales and Use Taxes
- Other Business Taxes

Sales and Use Taxes

BACKGROUND

- Connecticut's sales and use tax has been in effect since 1947
- Connecticut has no local sales and use taxes
- Effective July 1, 2011, general sales and use tax rate increased from 6% to 6.35%
- FY 2010-11 – 158,200 taxpayers
- FY 2010-11 collections: $3,354,088,802

Sales and Use Taxes

Rates - The following tax rates are in effect as of July 1, 2011:

- The room occupancy tax increased from 12% to 15%;
- The tax on the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less increased from 6% to 9.35%;
- A tax rate of 7% applies to the following: the sale for more than $50,000 of most motor vehicles, the sale for more than $100,000 of a vessel, the sale for more than $5,000 of jewelry (whether real or imitation), the sale for more than $1,000 of an article of clothing or footwear intended to be worn on or about the human body, a handbag, luggage, umbrella, wallet or watch.

Sales and Use Taxes

- Sales and use taxes apply to:
  - sales and leases at retail of tangible personal property; and
  - certain enumerated services
- Exemptions and Exclusions

Sales and Use Taxes

- "Sale" is, in part, defined to mean:

  "[a]ny transfer of title, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property for a consideration."

- "Tangible personal property" is defined to mean:

  "personal property which may be seen, weighed, measured, felt or touched or which is in any manner perceptible to the senses including canned or prewritten computer software. Tangible personal property includes the distribution, generation or transmission of electricity."

Sales and Use Taxes

- "Sale" is, in part, defined to mean:

  "[t]he rendering of certain services . . . for a consideration, exclusive of such services rendered by an employee for the employer."

- List of enumerated services are set forth in Conn. Gen. Stat. §12-407(a)(37)

Sales and Use Taxes

- Enumerated services include:
  - Computer and data processing services (taxed at rate of 1%)
  - Services by employment agencies and agencies providing personnel services
  - Services to industrial, commercial or income-producing real property (management, electrical, plumbing, painting and carpentry)
  - Business analysis, management, management consulting and public relations services
  - Landscaping and horticulture services
  - Maintenance services
  - Janitorial services

Sales and Use Taxes

New Taxable Services: Effective July 1, 2011, sales of the following services are taxable:

- Services rendered in the voluntary evaluation, prevention, treatment, containment or removal of hazardous waste or other contaminants of air, water or soil;
- Valet parking provided at any airport;
- Yoga instruction provided at a yoga studio;
- Motor vehicle storage services;
- Packing and crating services;
- Motor vehicle towing and road services;
- Intrastate transportation services provided by livery services, with certain exceptions, including nonemergency medical transportation provided under the Medicaid program, certain paratransit services and dial-a-ride services;
- Pet grooming, pet boarding services, and pet obedience services;
- Services in connection with a cosmetic medical procedure;
- Manicure services, pedicure services and all other nail services; and
- Spa services.

Sales and Use Taxes

- Exemptions:
  - Sales to the United States, the state or its subdivisions
  - Sales of prescription medicine
  - Sales to nonprofit charitable hospitals located in Connecticut
  - Sales of food products
  - Sales of production materials and machinery used in manufacturing
  - Sales of services between wholly owned entities
  - Sales of aviation fuel, aircraft repair or replacement parts and materials, tools, fuel and machinery and equipment used in an aircraft manufacturing facility

Sales and Use Taxes

Exemptions repealed: The following exemptions were repealed as of July 1, 2011:

- Clothing and footwear under $50;
- Nonprescription drugs and medicines, and smoking cessation products; and
- Cloth or fabric for noncommercial sewing, and yarn for noncommercial use.

Sales and Use Taxes

- Resale:
  - Sales for resale in the regular course of business are exempt from tax.
  - A sale of an enumerated service is considered a sale for resale only if the service to be resold is an integral, inseparable component part of another enumerated service that the purchaser will subsequently sell to an ultimate consumer.

Other Taxes

- Admissions and Dues Tax
  - Conn. Gen. Stat. §12-541(a) imposes a 10% tax on admission charges to any place of amusement, entertainment, or recreation. Places of amusement, entertainment, or recreation are described in Conn. Gen. Stat. §12-540(3). (Numerous exemptions were repealed in 2011.)
  - The dues tax applies to all dues and initiation fees paid to any social, athletic and sporting club or organization.

Other Taxes

- Alcoholic Beverages Tax
  - The alcoholic beverages tax is an excise tax paid by each alcoholic beverage distributor on all sales of alcoholic beverages within Connecticut.
  - Distributors are also regulated by the Department of Consumer Protection.

Other Taxes

- Motor Vehicle Fuels Tax
  - A tax is imposed on motor vehicle fuels used to propel motor vehicles on public highways or roads
  - Tax is imposed on distributors who collect tax from purchasers.
  - Fuels includes gasoline, gasohol, diesel, aviation fuel, and any other combustible gas or liquid that generates the power needed to propel a motor vehicle.
  - Gasoline/gasohol (25¢ gallon), diesel (51.2¢ gallon – effective July 1, 2012 through June 30, 2013).

Other Taxes

- Petroleum Products Gross Earnings Tax
  - Petroleum refining companies and distributors of petroleum products are subject to tax on their gross earnings derived from the first sales of petroleum products in this state.
  - Companies that import, or cause to be imported, petroleum products into Connecticut for sale, use, or consumption in Connecticut are also subject to the petroleum products gross earnings tax.
  - The tax on companies engaged in refining or distribution of petroleum products is currently imposed at the rate of 7% of gross earnings derived from the first sales of petroleum products in Connecticut.

Other Taxes

- Real Estate Conveyance Tax
  - State conveyance tax imposed on deeds conveying real estate.
  - The seller pays the tax at the time of recording the deed.
- Controlling Interest Transfer Tax
  - Tax on the transfer of a controlling interest in an entity where the entity owns, directly or indirectly, Connecticut real property.

Other Taxes

- Insurance Premiums Tax
  - Applies to domestic insurance companies, foreign insurance companies and health care centers.
  - Several credits can be applied against the Insurance Premiums Tax.
  - Retaliatory provisions.

Other Taxes

- Utility Companies Gross Earnings Tax
  - Gross earning tax imposed on gas, electric, steam and power companies.
- Community Antenna Television System Companies Tax
  - Gross earning tax on persons operating a community antenna television system or certified competitive video service and each person operating a business that provides one-way transmission to subscribers of video programming by satellite.

Other Taxes

- Electric Generation Tax
  - Enacted during the 2011 regular session of the Connectciut General Assembly and is effective for calendar quarters commencing on or after July 1, 2011 and prior to July 1, 2013.
  - The legislation specifically defines a “person subject to tax” to mean “a person providing electric generation services **and** uploading electricity generated at such person’s electric generation facility in this state to the regional bulk power grid.” (Emphasis supplied.)