



Rental Surcharge Daily Rental of Machinery

Purpose: This Special Notice describes the imposition of the rental surcharge on the daily rental of pieces of machinery rented by rental companies.

Effective Date: July 1, 2005

Statutory Authority: Conn. Gen. Stat. §12-692 as amended by 2005 Conn. Pub. Acts 163.

Definitions: The following definitions are for the surcharge as applied to the daily rental of pieces of machinery.

Machinery means heavy equipment without an operator that may be used for construction, mining, or forestry. Heavy equipment is equipment propelled by its own internal engine or internal power source and intended for outside use.

Rental company means any business entity engaged in the business of renting pieces of machinery in this state that may be used for construction, mining, or forestry in this state to lessees. Renting machinery for household use would not be subject to the rental surcharge on machinery.

Lessee means any person who rents a piece of machinery from a rental company for the person's own use and not for the rental to others.

Imposition of the Rental Surcharge: A 1½% (.015) rental surcharge is imposed on the total amount a rental company charges a lessee for the rental of a piece of machinery in Connecticut for a period of 30 consecutive calendar days or less. The rental invoice must separately state the amount of the rental surcharge. The rental surcharge is added to the total amount the rental company charges the lessee for the rental of the piece of machinery. The 6% (.06)

Connecticut sales tax must be charged and collected on that sum.

The rental surcharge applies to pieces of machinery rented on or after July 1, 2005.

Filing of Return and Payment of the Rental Surcharge: On or before February 15 annually, each rental company must file **Form OP-383, Rental Surcharge Annual Report**, with the Department of Revenue Services (DRS) and report the total rental surcharge actually collected on the rental of machinery without an operator by the rental company during the proceeding calendar year. For the calendar year 2005, the rental surcharge actually collected on machinery rentals made from July 1, 2005, through December 31, 2005, must be filed on or before February 15, 2006, on Form OP-383.

Each rental company must also remit with Form OP-383 the portion of the total rental surcharge collected that exceeds the sum of:

- The personal property tax it actually paid during the year to any Connecticut municipality on pieces of machinery rented to lessees during the year; **and**
- The registration and titling fees it actually paid during the year to the Department of Motor Vehicles (DMV) on the pieces of machinery, if any.

The rental company is not entitled to keep any excess and must pay it over to DRS with Form OP-383.

In determining whether there is any excess, a rental company must take into account the personal property taxes it actually paid during the entire calendar year to any Connecticut municipality on the machinery even though the rental surcharge applies only to the rental of pieces of machinery on or after July 1, 2005. The same rule applies for registration and titling fees.

Machinery: The rental of machinery that may be used for construction, mining, or forestry and is considered the rental of heavy equipment subject to the rental surcharge includes the following:

- Aerial Lifts;
- Air Compressors;
- Backhoe/Loader;
- Bulldozers;
- Compactors;
- Concrete Mixers;
- Cranes;
- Crawler Tractors;
- Earthmoving Equipment;
- Excavators;
- Forklifts;
- Generators;
- Loaders;
- Pavers;
- Rollers;
- Trenchers;
- Scrapers;
- Skid-Steers;
- Well-Drilling Machinery and Equipment; **and**
- Similar heavy equipment used for construction, mining, or forestry.

Rentals Not Subject to the Rental Surcharge:

If a piece of machinery considered heavy equipment is delivered to a lessee outside Connecticut or if the rental is for a term of more than 30 consecutive calendar days, the rental is not subject to the rental surcharge regardless of where the machinery is subsequently used or dropped off. If a piece of machinery not considered heavy equipment is rented to a lessee, the rental is not subject to the rental surcharge.

All Other Rentals Subject to the Rental Surcharge:

All other leases or rentals of pieces of machinery considered heavy equipment for a term of 30 consecutive calendar days or less are subject to the rental surcharge. This includes leases or rentals exempt from sales and use taxes, such as lease or rentals to an agency of the State of Connecticut (or an employee of the agency), a Connecticut municipality (or an employee of the municipality), a tax-exempt organization, or a farmer that holds a valid *Farmer Tax Exemption Permit*.

Example: A rental company rents a crane to a contractor for three days. The total amount the rental company charges the contractor for the rental of the crane is \$50.00 per day.

The application of the rental surcharge and sales tax on the crane rental to the contractor:

Rental charge (\$50.00 <i>multiplied</i> by 3 days)	\$150.00
Rental surcharge (\$150 <i>multiplied</i> by 1½% (.015))	+ <u>2.25</u>
Amount on which sales tax must be charged and collected	\$152.25
Sales tax (\$152.25 <i>multiplied</i> by 6% (.06))	+ <u>9.14</u>
Total	\$161.39

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*.

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