



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2009(6)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

SPECIAL NOTICE

2009 Legislative Changes Affecting Sales and Use Taxes

Purpose: This Special Notice summarizes legislation passed during the 2009 regular and June special sessions affecting sales and use taxes.

Effective Dates: As noted below.

Statutory Authority: 2009 Conn. Pub. Acts 9, §§4 and 40; 2009 Conn. Pub. Acts 200, §1; and 2009 Conn. Pub. Acts 3, §§108-113, 115, and 157 (June Spec. Sess.).

Sales and Use Tax Rate Reduced to 5.5%: Effective January 1, 2010, the rate of the sales and use taxes is reduced to 5.5% contingent on the following:

- **No rate decrease:** If any cumulative monthly financial statement issued by the Comptroller between September 8, 2009 (the effective date of the legislation) and January 1, 2010, shows that the estimated gross tax revenue for the fiscal year ending June 30, 2010, is at least 1% less than the estimated gross tax revenue, the amendments reducing the rate of the sales and use taxes to 5.5% will **not** take effect and the rate of the sales and use taxes will remain at 6%; **and**
- **Temporary rate decrease:** If any cumulative monthly financial statement issued by the Comptroller between January 1, 2010, and June 30, 2010, shows that the estimated gross tax revenue for the fiscal year ending June 30, 2010, is at least 1% below the estimated gross tax revenue, the rate of the sales and use taxes will **revert** to 6% on and after July 1, 2010.

Seller's Permit Fee: Effective October 1, 2009:

- The fee for a new seller's permit is increased to \$100 from \$50. Permits applied for on or after October 1, 2009, must be accompanied by the increased fee; **and**

- If a seller's permit is suspended or revoked, the fee for a reissued seller's permit is increased to \$100 from \$50.

Seller's permits continue to be effective for five years from the date of issuance with no renewal fee.

Manufacturing Exemptions for Paving Companies: Effective July 8, 2009, the following exemptions are amended to allow a person that makes a finished product (for example asphalt) used to fulfill a paving contract to be eligible for the following exemptions for the machinery, materials, tools, and fuel it purchases to make the product:

1. **Gas and electricity** used directly in the fabrication of a finished product to be sold in an industrial manufacturing plant (Conn. Gen. Stat. §12-412(3)(A));
2. **Materials, tools, and fuel** used directly in an industrial plant in making a finished product to be sold (Conn. Gen. Stat. §12-412(18)). This exemption does **not** extend to purchases of materials for use as ingredients or component parts of a finished product to be used to fulfill a paving contract. A person that produces an item of tangible personal property and installs it into a customer's real property is generally considered to be acting as a construction contractor rather than a manufacturer and is required to pay sales tax on the materials it buys to make the item (Conn. Agencies Regs. §12-426-18(d));
3. **Machinery** used directly in a manufacturing production process (Conn. Gen. Stat. §12-412(34)) as long as the purchaser would qualify for this exemption except for the fact that its products made with such machinery are used by the purchaser to fulfill a paving contract instead of being sold as tangible personal property; **and**

4. **Materials, tools, fuels, machinery, and equipment** that are not otherwise exempt qualify for partial exemption if they are used or consumed in manufacturing, fabricating, or processing tangible personal property to be sold (Conn. Gen. Stat. §12-412i).
-

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 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.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

SN 2009(6)
Sales and use taxes
Issued: 10/19/2009

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 to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose to get first-time filer information and filing assistance, or can 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.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *e-alerts* from the left navigation bar.