



2015 Legislative Changes to the Sales and Use Taxes, Rental Surcharge, Dry Cleaning Surcharge, and Admissions Tax

Effective Date of Tax Changes: The following legislative changes are organized by the effective date of the tax change.

Clothing Exemption Is Repealed: The exemption for sales of any article of clothing or footwear costing under \$50, which was to become effective July 1, 2015, is repealed. These sales remain taxable, except when made during the annual tax-free week described below.

Conn. Gen. Stat. §12-412(119), as repealed by 2015 Conn. Pub. Acts 244, §222.

Motor Vehicle Parking Services: The sales tax exclusion for motor vehicle parking services for seasonal parking in a lot having 30 or more spaces is repealed for sales occurring on or after July 1, 2015.

Sales of motor vehicle parking services to and by nonprofit hospitals, and certain similar entities, on or after July 1, 2015 are subject to tax.

Conn. Gen. Stat. §12-407(a)(37)(N), as amended by 2015 Conn. Pub. Acts 244, §75 and 2015 Conn. Pub. Acts 5, §135 (June Spec. Sess.); Conn. Gen. Stat. §12-412(5) as amended by 2015 Conn. Pub. Acts 244, §77.

Car Wash Services: Car wash services, including coin-operated car washes, become taxable for sales occurring on or after July 1, 2015. See **Special Notice 2015(4), Sales and Use Taxes on Car Wash Services.**

Conn. Gen. Stat. §12-407(a)(37)(OO), as added by 2015 Conn. Pub. Acts 244, §75 and amended by 2015 Conn. Pub. Acts 5, §136 (June Spec. Sess.).

Luxury Tax Rate Increase: The luxury tax rate increases from 7% to 7.75% for sales occurring on or after July 1, 2015.

The Department of Revenue Services (DRS) will use the same transitional rules for sales and leases of motor vehicles set forth in **Special Notice 2011(10), Sales**

and Use Tax Changes Affecting Motor Vehicle Dealers.

Conn. Gen. Stat. §12-408(1) as amended by 2015 Conn. Pub. Acts 244, §72; Conn. Gen. Stat. §12-411(1) as amended by 2015 Conn. Pub. Acts 244, §73.

Exemption for Purchases by Water Companies Is Repealed: The exemption for purchases of tangible personal property or services by water companies is repealed, effective for sales occurring on or after July 1, 2015. As a result, **CERT-130, Sales and Use Tax Exemption for Purchases by Water Companies**, is no longer a valid exemption certificate on or after July 1, 2015.

Payments made by water companies for the purchase of taxable services under existing contracts are subject to the following transitional rules:

- Payments made before July 1, 2015, are not subject to tax.
- Payments made on or after July 1, 2015, are subject to tax if the services are provided on or after July 1, 2015.
- Payments made on or after July 1, 2015, for services provided both before and after that date, are subject to tax on that portion of the services provided on or after July 1, 2015.
- Payments made on or after July 1, 2015, for services provided prior to July 1, 2015 are not subject to sales and use taxes.

Conn. Gen. Stat. §12-412(90), as repealed by 2015 Conn. Pub. Acts 244, §222.

Rental Surcharge: The definition of *rental company* in Conn. Gen. Stat. §12-692(a)(3) is amended to exclude a business entity with total annual rental income, excluding retail or wholesale sales of rental equipment, that is less than 51% of the total revenue of the business entity in a given taxable year.

The definition of *machinery* in Conn. Gen. Stat. §12-692(a)(5) was amended to include all equipment owned by a rental company. The definition formerly included only *heavy* equipment rented without an operator that may be used for construction, mining or forestry.

The legislation amends Conn. Gen. Stat. §12-692(c) to impose the surcharge on machinery rented for a period of less than 365 days (formerly limited to a period of less than 31 days), or under an open-ended contract for an undefined period.

It also amends Conn. Gen. Stat. §12-692(e) to require rental companies to file consolidated reports with DRS.

These changes are effective July 1, 2015. Any lease or rental payments due and owing on or after July 1, 2015 for a lease or rental occurring after that date, will be subject to the rental surcharge based upon the revised statute. If the payment is for a period that includes dates prior to July 1, 2015, the revised surcharge applies only to that portion of the lease or rental occurring on or after July 1, 2015.

Conn. Gen. Stat. §12-692 as amended by 2015 Conn. Pub. Acts 244, §107.

New Exemption from Admissions Tax:

Admissions charges for any athletic event presented by a member team of the Atlantic League of Professional Baseball at the Ballpark at Harbor Yard in Bridgeport are exempt from the admissions tax during the period from July 1, 2015 to June 30, 2017.

Conn. Gen. Stat. §12-541, as amended by 2015 Conn. Pub. Acts 184, §11 and 2015 Conn. Pub. Acts 244, §216.

Changes to the Tax-Free Week Clothing Exemption:

Beginning with the tax-free week of August 16, 2015 through August 22, 2015, and applicable to each tax-free week in future years, the exemption for articles of clothing or footwear is reduced from \$300 to **\$100**.

For more details about the items included in this exemption, see **Informational Publication 2012(12), Annual One-Week Sales and Use Tax Exclusion for Clothing and Footwear Costing Less Than \$300**.

Conn. Gen. Stat. §12-407e, as amended by 2015 Conn. Pub. Acts 244, §71.

Dry Cleaning Surcharge: Dry cleaning establishments are required to renew their registration with DRS each October 1, starting October 1, 2015.

Establishments that fail to register shall pay a penalty of \$1,000, which may not be waived.

DRS will mail a nonrenewal notice to any establishment that fails to renew its registration. An establishment that fails to renew within 45 days after a nonrenewal notice was sent shall pay a \$200 penalty, which is subject to waiver.

These changes are effective July 1, 2015.

Conn. Gen. Stat. §12-263m, as amended by 2015 Conn. Pub. Acts 5, §154 (June Spec. Sess.).

Exemption for Sales to and by Certain Hospitals No Longer Sunsets:

An exemption, that was scheduled to end for fiscal years after June 30, 2017, for sales of tangible personal property and services to and by an acute care hospital, operating as a sole community hospital in this state, for the exclusive purposes of that sole community hospital, was amended so that the exemption continues indefinitely.

Conn. Gen. Stat. §12-412(5) as amended by 2015 Conn. Pub. Acts 244, §77 and 2015 Conn. Pub. Acts 5 §512 (June Spec. Sess.).

Computer and Data Processing Services: Sales of services to create, develop, host or maintain all or part of a website become taxable sales of computer and data processing services for sales occurring on or after October 1, 2015.

Internet access services remain nontaxable. See **Policy Statement 2004(2), Sales and Use Taxes on Internet Access Services and On-Line Sales of Goods and Services**.

Conn. Gen. Stat. §12-407(a)(37)(A), as amended by 2015 Conn. Pub. Acts 244, §75 and 2015 Conn. Pub. Acts 5, §§133 and 134 (June Spec. Sess.).

New Due Dates for Payment of Taxes and for Filing Returns:

Under Connecticut law, the due date for paying sales and use taxes and the due date for the filing of sales and use taxes returns are the same.

In 2014, these due dates were changed from the last day of the month following the end of the applicable period to the 20th day of the month following the end of the applicable period.

Legislation enacted in 2015, makes the due dates the **last day of the month** following the end of the applicable period ending on or after December 31, 2015.

Note that the change in the due date also applies to the business use tax, room occupancy tax, and the prepaid wireless E 9-1-1 fee.

Conn. Gen. Stat. §12-414, as amended by 2015 Conn. Pub. Acts 5, §137 (June Spec. Sess.).

Effective Date: As noted above.

Effect on Other Documents: **Informational Publication 2012(12)**, *Annual One-Week Sale and Use Tax Exclusion for Clothing and Footwear Costing Less Than \$300*, is modified and superseded in part with regard to the cost of the clothing and footwear that is eligible for exemption; **Policy Statement 2004(2)**, *Sales and Use Taxes on Internet Access Services and On-Line Sales of Goods and Services*, and **Policy Statement 2006(8)**, *Sales and Use Taxes on Computer-Related Services and Sales of Tangible Personal Property*, are modified and superseded in part with regard to the sale of services rendered in connection with the creation, development, hosting, or maintenance of web sites. **Informational Publication 2015(12)**, *Getting Started in Business*, is modified and superseded in part regarding the sales tax due date, sales tax-free week, the luxury tax amount, and sales tax exemptions listed in this publication.

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 DRS.

For Further 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
Rental Surcharge
Admissions Tax
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Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

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 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.

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 *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.