

Connecticut Department of Revenue Services



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

450 Columbus Blvd
Hartford CT 06103

This Special Notice is obsoleted in part by [SN 2003\(5\)](#).

SN 98(8)

1998 Legislation Affecting Sales And Use Taxes; Admissions, Cabaret and Dues Tax; and the Motor Vehicle Rental Surcharge

PURPOSE: This Special Notice summarizes 1998 legislation affecting sales and use taxes; admissions, cabaret and dues tax; and the motor vehicle rental surcharge. It also covers laws enacted before 1998 that take effect in 1998.

EFFECTIVE DATE: The effective dates of legislative changes are noted below.

STATUTORY AUTHORITY: 1998 Conn. Pub. Acts 28; 1998 Conn. Pub. Acts 110; 1998 Conn. Pub. Acts 128; 1998 Conn. Pub. Acts 244; 1998 Conn. Pub. Acts 262; and previously enacted legislation as cited below.

SALES AND USE TAXES:

Effective April 29, 1998

Electric Power. The definition of "tangible personal property" includes the generation, transmission and distribution of electricity. Although the electricity may be sold by one person and the distribution and transmission by another person, all will be subject to sales and use taxes, if the electricity itself is taxable. (1998 Conn. Pub. Acts 28, §116)

Effective June 8, 1998

Worthless Accounts Receivable. The three-year limitation period for taking credits for worthless accounts receivable is extended if the credit relates to a period open under an audit waiver pursuant to Conn. Gen. Stat. §12-415(8). (1998 Conn. Pub. Acts 262, §5)

Eating Establishments. The term "vending machine" was removed from the definition of "eating establishment" in Conn. Gen. Stat. §12-412(13) to eliminate conflict with the exemption allowed under Conn. Gen. Stat. §12-412(27) for sales of meals in vending machines. (1998 Conn. Pub. Acts 262, §6)

Definition of Retailer. The definition of "retailer" is amended to include out-of-state sellers with no place of business in Connecticut who repair or service items of tangible personal property under warranty in Connecticut, either directly or through an agent, independent contractor or subsidiary. (1998 Conn. Pub. Acts 244, §15)

"Engaged in Business in the State." The term "engaged in business in the state" is amended to include the repair or service of tangible personal property under warranty in Connecticut, either directly or through an agent, independent contractor or subsidiary, when such items are sold from outside the state to a destination within the state. (1998 Conn. Pub. Acts 244, §16)

Effective July 1, 1998

Trade-ins. The value of trade-ins of all like-kind items is exempt from sales and use taxes. The exemption extends to any property that a retailer accepts and intends to resell. Trade-in allowances for motor vehicles, snowmobiles, vessels and farm tractors as described in Conn. Gen. Stat. §12-430(4), and certain construction equipment as described in Conn. Gen. Stat. §12-430(a), are not affected. (1998 Conn. Pub. Acts. 110, §5)

Coupons. The full face value of any coupon, reimbursable or nonreimbursable, taken by a retailer is excluded from the sales price and gross receipts for determination of sales and use taxes. (1998 Conn. Pub. Acts 110, §5)

Deposits. Battery deposits required under Conn. Gen. Stat. §22a-245h(a), beverage container deposits required under Conn. Gen. Stat. §22a-244(a) and any other separately-stated deposit required by law to be paid by a purchaser and refunded by a retailer when the same or similar property is returned, are not subject to tax. (1998 Conn. Pub. Acts 110, §5)

Newspapers. All newspapers, not only those sold by subscription, are exempt from sales and use taxes. (1998 Conn. Pub. Acts 110, §8)

Computer and Data Processing. As part of the phaseout enacted by 1994 Conn. Pub. Acts 4, the tax rate for computer and data processing services goes from 5% to 4%. (1995 Conn. Pub. Acts 160, §39)

Vessels. The sales and use taxes on repair or maintenance services to vessels are being phased out and are reduced to 2%. "Vessel" means every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water. (1996 Conn. Pub. Acts 232, §1)

Effective October 1, 1998

The 4.5% sales and use tax rate for motor vehicles sold to full-time, active duty members of the military who are residents of another state applies to sales of motor vehicles jointly to the military member and the member's spouse. (1998 Conn. Pub. Acts 244, §§17 and 18)

Effective January 1, 1999

Repair and Replacement Parts. Repair and replacement parts for manufacturing machinery that is exempt under Conn. Gen. Stat. §12-412(34) are exempt, whether they are purchased with the machine or separately. The refund provision for repair and replacement parts is repealed. (1998 Conn. Pub. Acts 110, §§9 and 26)

Component Parts. All component parts and contrivances for manufacturing machinery that is exempt under Conn. Gen. Stat. §12-412(34) are exempt, even if purchased separately from the machine. Parts that enhance or alter the productivity or functionality of a machine are included in the exemption. (1998 Conn. Pub. Acts 110, §9)

Core Charges. The exemption for "core charges" is expanded to charges for all core components, not just certain motor vehicle components. The retailer must collect tax at the time of sale and refund the tax when the core part is returned. (1998 Conn. Pub. Acts 110, §10)

MOTOR VEHICLE RENTAL SURCHARGE: Effective for calendar years beginning January 1, 1998 or later, a rental company need not own the vehicles that it rents to lessees in order for it to be required to collect the motor vehicle rental surcharges from the lessees. When computing whether part of the motor vehicle rental surcharge must be paid to the Commissioner of Revenue Services, a rental company that does not own the vehicles that it rents to lessees may include in its calculation:

- registration and titling fees it paid on vehicles that it rents to lessees, whether paid to the Connecticut Department of Motor Vehicles *or to the owner*; and
 - property taxes it paid on vehicles that it rents to lessees, whether paid to a Connecticut municipality *or to the owner*. (1998 Conn. Pub. Acts 262, §9)
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ADMISSIONS, CABARET AND DUES TAX: Effective October 1, 1998, the definition of "cabaret or other similar place" excludes: 1) any place offering karaoke alone without a paid karaoke entertainer; and 2) any room in a "restaurant," as defined in Conn. Gen. Stat. §30-22(e), holding only a restaurant permit for beer under Conn. Gen. Stat. §30-22(b) or holding only a restaurant permit for wine and beer under Conn. Gen. Stat. §30-22(c). (1998 Conn. Pub. Acts 244, §24.)

PENALTY FOR LATE PAYMENT OF TAXES REQUIRED TO BE PAID BY ELECTRONIC FUNDS TRANSFER:

New reduced penalties apply to any taxes due October 1, 1998 or later and required to be paid by EFT when the Department's bank account is not credited by the date the taxes are due. Those penalties were changed from a flat 10% to: 2% for EFT payments up to 5 days late; 5% for EFT payments from 5 to 15 days late; and 10% for EFT payments more than 15 days late.

Any taxes due October 1, 1998 or later and required to be paid by electronic funds transfer (EFT) are subject to a 10% penalty if they are paid in any other manner. The penalty applies even if the Department's bank account is credited for the proper amount of tax by the date it is due. (1998 Conn. Pub. Acts 244, §27)

EFFECT ON OTHER DOCUMENTS: None affected.

EFFECT OF THIS DOCUMENT: A Special Notice is a document that, in response to newly enacted or amended Connecticut or federal laws or in response to newly released judicial decisions, announces a new Department position, policy or practice affecting the tax liability of taxpayers.

FOR FURTHER INFORMATION: If you have questions about Connecticut taxes, please call the Department of Revenue Services during business hours, Monday through Friday:

- **860-297-5962** (Hartford calling area or from out-of-state); or
- **1-800-382-9463** (toll-free from within Connecticut)

Telecommunications Device for the Deaf (TDD/TT) users **only**, please call 860-297-4911 during business hours.

FORMS AND PUBLICATIONS:

You may obtain forms and publications at any hour, seven days a week:

- **Telephone:** use the phone numbers listed above and select **Option 2** from a touch-tone phone;
 - **Internet:** preview and download forms from the DRS Web site: <https://www.ct.gov/drs>.
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Sales and Use Taxes
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