

Connecticut Department of Revenue Services



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

450 Columbus Blvd
Hartford CT 06103

**This Special Notice has been obsoleted in part by [AN 2000\(8\)](#)
and [SN 2003\(5\)](#).**

SN 96(3)

1996 Legislation Affecting the Sales and Use Taxes and the Tire Fee

PURPOSE: This Special Notice describes 1996 legislation affecting the Sales and Use Taxes Act and the Tire Fee and legislation enacted prior to 1996 with effective dates in 1996 and thereafter.

EFFECTIVE DATES: The dates of legislative changes are effective as noted herein.

STATUTORY AUTHORITY: 1996 Conn. Pub. Acts 104, 1996 Conn. Pub. Acts 165, 1996 Conn. Pub. Acts 172, 1996 Conn. Pub. Acts 232, 1996 Conn. Pub. Acts 252, 1996 Conn. Pub. Acts 253.

REPEAL OF THE TIRE FEE: Effective for sales made on or after **July 1, 1997**, the \$2.00 fee charged on the retail sale in this state of each tire commonly used on a motor vehicle is repealed (1995 Conn. Pub. Acts 160, §64).

GOODS AND SERVICES EXEMPT FROM THE SALES AND USE TAXES: Sales and use taxes do not apply to the sale, rental or lease of the following goods delivered on or after the date noted or to the following services rendered on or after the date noted, regardless of the date of payment.

Transitional Rules for Tax on Repealed Services: Businesses that charge in advance for services that will no longer be subject to the tax should prorate the tax as follows:

Charges for services provided before and after the date of repeal are subject to tax only on the portion of the service provided before the date of repeal. The portion of the charges for services provided after the date of the repeal of tax is not subject to tax.

EFFECTIVE JULY 1, 1996

- Transportation services (intrastate limousine service) (1996 Conn. Pub. Acts 165, §2). **NOTE:** Interstate limousine service has been exempt from sales and use taxes since January 1, 1996 as a result of federal legislation. See **SN 91(16.2)**.
- Machinery, equipment, tools and materials used exclusively in the commercial processing of photographic film and paper (1996 Conn. Pub. Acts 172, §2).
- Machinery, equipment, tools, materials, supplies and fuel used directly in the biotechnology industry.

Biotechnology means the application of technologies, such as recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics and genetic engineering, biological cell fusion techniques, and new bioprocesses, using living organisms, or parts of organisms, to produce or modify

products, to improve plants or animals, to develop targets for small molecule pharmaceutical development, to transform biological systems into useful processes and products or to develop microorganisms for specific uses (1996 Conn. Pub. Acts 252, §5).

- Rare or antique coins (1995 Conn. Pub. Acts 160, §44).
- Puzzle magazines sold by subscription (1994 Conn. Pub. Acts 4, §18 (May Spec. Sess.)).

EFFECTIVE JULY 1, 1997

- Services of a hypertrichologist licensed pursuant to chapter 338 of Connecticut General Statutes (1995 Conn. Pub. Acts 160, §49).
- Services of off-duty police officers at construction sites (1995 Conn. Pub. Acts 160, §49).
- Sales of municipal publications, sales of tangible personal property by public libraries and sales of property at auction by a municipality are exempt from tax regardless of the sales price (1995 Conn. Pub. Acts 160, §41).

NOTE: Previously, this exemption applied only to such items sold for less than \$5.00. Book sales by library support groups are also exempt from tax.

- Any vessel primarily engaged in interstate commerce (1995 Conn. Pub. Acts 160, §46).
- Motor vehicle parking in municipally-operated railroad parking facilities in municipalities located within an area of the state designated as a *severe nonattainment area for ozone* under the Federal Clean Air Act (1995 Conn. Pub. Acts 160, §49).
- Food products sold through vending machines. **Food products** means products as defined in Conn. Gen. Stat. §12-412(13). (1995 Conn. Pub. Acts 160, §42).
- Motion picture or video production equipment or sound recording equipment purchased or leased for use in this state for production activities which become an ingredient or component part of any master tapes, records, video tapes or film produced for commercial entertainment, commercial advertising or commercial educational purposes (1995 Conn. Pub. Acts 160, §43).
- Any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of any project of the Connecticut Resource Recovery Authority established pursuant to Conn. Gen. Stat. §22a-261, whether the purchases are made directly by the Authority or are reimbursed by the Authority to the lessee or operator of such project (1995 Conn. Pub. Acts 160, §47).
- Tax preparation services (1995 Conn. Pub. Acts 160, §§48 and 49).
- Auctioneer services (1995 Conn. Pub. Acts 160, §§48 and 49).
- Tangible personal property and services sold to a water company for use in maintaining, operating, managing or controlling any pond, lake, reservoir, stream, well, distributing plant or system for the purpose of supplying water to fifty or more consumers (1995 Conn. Pub. Acts 160, §64).
- Safety apparel worn by employees for protection (1995 Conn. Pub. Acts 160, §64).

OTHER LEGISLATIVE CHANGES TO THE SALES AND USE TAXES ACT:

EFFECTIVE JULY 1, 1996

Core component trade-in allowance: When a retailer of remanufactured motor bus parts sells such a part to the owner of a motor bus and accepts from the purchaser in return a core component or core part of a transmission, rear axle carrier, engine, or air brake system, the sales or use tax applies to the difference between the purchase price and the amount allowed by the retailer on the returned core component or core part. **Motor bus** means a motor bus operating pursuant to a permit issued under Conn. Gen. Stat. §13b-89. **Owner** means the owner of the motor bus or, if the motor bus is operated under a lease of more than thirty days' duration, the lessee of the motor bus (1996 Conn. Pub. Acts 172, §1).

Customer of a commercial printer: **Storage** and **use** for the purposes of the *Sales and Use Taxes Act* do not include keeping, retaining or exercising any right or power over any tangible personal property acquired by the customer of a commercial printer while the property is located at the commercial printer's Connecticut premises pursuant to a contract with the printer for printing and distributing of printed material provided the commercial printer could have acquired the tangible personal property exempt from tax (e.g. on a resale basis) (1996 Conn. Pub. Acts 104, §2).

Customer of a commercial printer: A retailer who is a customer of a commercial printer is not **engaged in business** in Connecticut for the purposes of the *Sales and Use Taxes Act* because of the ownership or leasing by the retailer of tangible or intangible personal property located at the commercial printer's Connecticut premises, the sale by the retailer of property of any kind produced or processed at and shipped or distributed from the Connecticut premises of the commercial printer, the activities of the retailer's employees or agents at

the Connecticut premises of the commercial printer, which activities relate to quality control, distribution or printing services performed by the printer, or the activities of any kind performed by the commercial printer in Connecticut for or on behalf of the retailer (1996 Conn. Pub. Acts 104, §3).

Insurance and Financial Services Export Zone: A corporation that is an **exempt company** as defined in 1996 Conn. Pub. Acts 253, 1 and that conducts its activities from within the Insurance and Financial Services Export Zone in the City of Hartford shall not be subject to sales and use taxes on its purchase of goods and services. To the extent that exempt companies make sales of goods and services to non-United States persons, the sales and use taxes shall be applicable to such transactions (1996 Conn. Pub. Acts 253, §9(c)).

EFFECTIVE JULY 1, 1997

The sales and use taxes on repair or maintenance services to vessels will be phased out in three annual rate reductions. The new rates are as follows:

effective July 1, 1997 - 4%
effective July 1, 1998 - 2%
effective July 1, 1999 - 0%

Vessel, as defined in Conn. Gen. Stat. §15-127, as amended, 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).

The sales and use taxes on computer and data processing services will be phased out in six annual rate reductions. The new rates are as follows:

effective July 1, 1997 - 5%
effective July 1, 1998 - 4%
effective July 1, 1999 - 3%
effective July 1, 2000 - 2%
effective July 1, 2001 - 1%
effective July 1, 2002 - 0%

(1995 Conn. Pub. Acts 160, §39).

Aircraft trade-in allowance: When a customer trades in an aircraft (as defined in Conn. Gen. Stat. §15-34(5)) in connection with the purchase of an aircraft from an aircraft dealer, the sales tax applies to the difference between the sales price of the aircraft purchased and the amount allowed on the trade in (1995 Conn. Pub. Acts 160, §64).

EFFECT OF THIS DOCUMENT: A Special Notice is a document that 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 the Department's informal interpretation of Connecticut tax law and may be referred to for general guidance by taxpayers or tax practitioners.

PLEASE NOTE THE FOLLOWING NEW INFORMATION ABOUT DRS.

FOR FURTHER INFORMATION: To order forms and publications or for further information, call the Department of Revenue Services at 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state). Forms and publications may be ordered through voice-mail 24-hours a day by choosing Option 3 on your touch tone telephone.

Electronic Delivery Options: You can also obtain tax forms and publications 24-hours a day from our Web home page at <https://www.ct.gov/drs>. Telecommunications Device for the Deaf (TDD/TT) users only call 860-297-4911 during business hours.

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