



Small Business Owner Seminar

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www.ct.gov/drs or www.ct.gov/tsc



Sales and Use Tax Permit

- If you are engaged in the following activities you must obtain a sales and use tax permit:
 - Sale, rental or lease of goods;
 - Sale of a taxable service;
 - Operating a hotel, motel, lodging house or bed and breakfast establishment; or
- All contractors, including subcontractors, must obtain a sales and use tax permit even if the services provided are not taxable.
- If a business has more than one location each location must have its own permit.
- The permit must be displayed for customers to view.
- The permit expires every two years but will be automatically renewed provided the business has no outstanding liabilities or unfiled returns. If there are any outstanding tax liabilities you must set up a formal payment plan with our Collections Unit by calling (860)297-4936.
- To determine if you have any delinquencies or outstanding tax liabilities, you can request a Business Tax Status Letter through the Taxpayer Service Center (TSC) at www.ct.gov/TSC.

Sales and Use Tax Rates

- 6.35% for most goods and services
- 7.35% for food and beverages sold for human consumption and food products ordinarily sold in such form and portions that are ready for immediate consumption. (restaurants, delis, caterers, etc.)
 - For additional information about taxable meals, please refer to Policy Statement 2002(2), Sales and Use Tax on Meals.
- 7.75% for luxury items:
 - Motor vehicles with a sales price of more than \$50,000
 - Items of jewelry of \$5,000 or more
 - Articles of clothing or footwear intended to be worn on human body (handbag, luggage, umbrella, wallet or watch, with a sales price of more than \$1,000).
- 9.35% rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less

Sales Tax Basics

- Sale of Goods:
- All goods (tangible personal property) are taxable unless there is a specific exemption.
 - See Conn. Gen. Stat. §12-412 for a list of goods exempt from sales tax
- If the purchaser is an organization that is exempt from paying tax by statute and a sales tax exemption certificate is provided no tax is due.
 - <https://portal.ct.gov/DRS/Sales-Tax/Exemption-Certificates>
- If goods are intended to be resold or they will be incorporated into another product and a resale certificate is provided no tax is due.
- If title of the goods do not take place in CT no tax is due (out of state sales).
- Sale of Services:
- Only those services deemed to be taxable by statute are taxable.
 - See Conn. Gen. Stat. §12-407 for a list of taxable services
 - See IP 2018(2) for building contractors
- If the purchaser is an organization that is exempt from paying tax by statute and a sales tax exemption certificate is provided no tax is due.
 - <https://portal.ct.gov/DRS/Sales-Tax/Exemption-Certificates>
- If services are intended to be resold and a resale certificate is provided no tax is due.
- Generally, if the service was provided to a location outside of CT no tax is due (out of state sales).

Difference Between Sales Tax and Use Tax

- Sales tax

- Seller collects the sales tax from the customer.
- Seller is liable for the sales tax whether or not the tax was collected.
- Seller remits the sales tax to the DRS when they file their sales and use tax returns (OS-114).
- Even no tax is due or no business activity was conducted a sales and use tax return must be filed.

- Use Tax

- If a retailer does not collect CT sales tax on a sale of taxable goods and services for use in CT, the business customer must report and pay the use tax.
- Businesses report use tax on Form OS-114 or Form OS-114BUT.
- If another state's tax was properly paid on purchases made in that state, a credit is allowed for the other state's tax. Use tax is due on the difference between the other state's tax rate and the CT tax rate.
- See IP 2019 (2) for further information.

Who May Issue Resale Certificates

- If you have an active sales and use tax permit issued by the Department of Revenue Services (DRS) you may issue a resale certificate to a retailer to purchase services and goods exempt from sales tax. You may issue a resale certificate if:
 - You are engaged in the business of selling goods or services of the type being purchased,
 - You will resell the taxable service being purchased without change,
 - You will resell the taxable service as an integral, inseparable part of another taxable service,
 - At the time of purchase you intend to sell what is being purchased in the regular course of business
 - Landscapers may purchase on a resale basis all the materials that will be physically incorporated in or physically applied to the premises of the service recipient in the delivery of landscaping services.
- You may not issue a resale certificate if:
 - You are not engaged in the business of selling the type of goods or services being purchased from the retailer,
 - Example: A car dealer may not issue a resale certificate when purchasing a computer system. Car dealers are not engaged in the business of selling computers.
 - You do not intend to sell the goods or services being purchased in the regular course of business.
 - Example: A contractor who does not sell at retail may not issue a resale certificate for goods consumed in completing a construction contract.

Resale Certificates - Instructions for Purchaser/Seller

- Instructions for the purchaser:
 - The purchaser gives the resale certificate to the seller.
 - All fields must be completed in order for the certificate to be accepted and valid.
 - To use a resale certificate for a continuing line of purchases, the purchaser marks the certificate "*Blanket Certificate*". The certificate must be renewed at least every three years from the date it is issued.
- Instructions for the seller:
 - You may only accept a resale certificate in good faith from the purchaser.
 - The property purchased must be similar to or of the same general character as what you could reasonably assume the purchaser would sell.
 - If a service is being purchased, it must either be similar to or of the same general character as what you could reasonably assume the purchaser would resell.
 - You may not accept a resale certificate if you have reason to believe that the purchaser does not ordinarily sell the types of goods or services purchased or the goods or services will not be resold.
 - You should keep resale certificates for at least six years
- See IP 2009(15) for further information.



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SALES & USE TAX RESALE CERTIFICATE

Issued to (Seller)

Address

I certify that Name of Firm (Buyer)

is engaged as a registered

Street Address or P.O. Box No.

- Wholesaler
- Retailer
- Manufacturer
- Lessor
- Other (specify)

City State Zip

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product to be resold, leased, or rented in the normal course of our business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

.....

City or state	State Registration or I.D. No.	City or State	State Registration or I.D. No.
_____	_____	_____	_____
City or state	State Registration or I.D. No.	City or State	State Registration or I.D. No.
_____	_____	_____	_____
City or state	State Registration or I.D. No.	City or State	State Registration or I.D. No.
_____	_____	_____	_____

I further certify that if any property so purchased tax free is used or consumed by the firm as to make it subject to a sales or use tax we will pay the tax due direct to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until cancelled by us in writing or revoked by the city or state.

General description of products to be purchased from the seller:

I declare under the penalties of false statement that this certificate has been examined by me and to the best of my knowledge and belief is a true, correct and complete certificate.

Authorized Signature _____ Title _____ Date _____
(Owner, Partner or Corporate Officer)

www.ct.gov/drs or www.ct.gov/tsc

Successor Liability

- If you purchase an existing business, you may be held personally liable (up to the purchase price) for the former owner's liabilities for sales and use taxes, admissions and dues taxes, room occupancy taxes, cigarette taxes, tobacco products taxes, or Connecticut income tax withholding.
- The purchaser may request a Tax Clearance Certificate (**Form AU-866**) for Sales and Use Taxes or Tax Clearance Certificate for Admissions and Dues Tax
- DRS will issue a tax clearance certificate or escrow letter to the purchaser within 60 days of receipt of a properly completed Form AU-866.
- For further information see [Informational Publication 2018\(10\), Successor Liability and Request for Tax Clearance](#), or call the DRS Public Services Unit at (860)541-7544.

Common mistakes new business owners make

- Not registering for taxes with DRS
- Registering with CT Secretary of State and not DRS
- Misunderstanding the difference between Income Tax and Sales Tax
 - Income Tax = tax assessed on the gross income a taxpayer earns throughout the year.
 - Sales Tax = tax assessed on the sale of tangible personal property and taxable services.
 - Taxpayer is liable to collect the tax and remit to DRS monthly, quarterly or annually, depending on the taxpayer's filing frequency.
 - Taxpayer is liable to remit the tax to DRS even if not collected.
 - Sales Tax is a trust tax.
 - Must file a sales tax return even if the business had no sales.

Questions We Received

- The biggest mistake a business owner can make is failing to register and collect sales taxes, especially for a lengthy period of time. Are there particular industries where this mistake is most common?
 - **Building contractors**
- One of our clients realized after the fact that sales tax amount submitted was off by a small amount under \$10, should the return be amended? What is considered de-minimis?
 - **Return should be amended. Sales tax is a trust fund tax. The tax collected must be remitted in its entirety.**
- Businesses miscalculate expenses or revenue projections and then they end up short when their tax obligations have to be submitted. What should a business owner do if they have found themselves making that mistake?
 - **File amended tax returns**

Questions We Received

- What about barter transactions and other kinds of exchanges of business property. What about a bulk sale, such as the purchase of business assets? Are these taxable events?
 - **Casual/Isolated Sales = (1) Infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property; (2) Sales of articles of tangible personal property acquired for use or consumption by a seller and not sold in the regular course of business engaged in by such seller.**
 - **See Sec. 12-426-17 of the CT State Agencies Regulations**
 - **Examples:**
 - Sale of a business in its entirety by the owner
 - A grocer selling his/her cash register
 - An insurance company selling a typewriter
 - Yard and garage sales (as long as not in the nature of the a business conducted by the taxpayer).

Questions We Received

- **Bartered Transactions=** When a retailer sells tangible personal property or taxable services in return for something other than money, the gross receipts or sales price of the sale is measured by the value of the product or service received in exchange.
- See CT DRS Tax News No. December 1996
- **Example:**
 - If a CT retailer of computers sells a computer to a painting contractor who agrees to paint the computer store in exchange for the computer, the computer retailer would measure the sales price based upon the value of the paint job and collect tax from the painter based upon that value. The painting contractor has also made a taxable sale of painting services. The sales price of the painting job is measured by the value of the what the painting contractor receives, the computer, and he/she will collect tax based upon that value from the computer retailer.
 - Because bartering implies that an even exchange has taken place, it is expected that the agree-upon value of the computer and the paint job will be the same.
 - If the computer is valued at \$2,000, it is expected that the paint job is also valued at \$2,000. Therefore, the computer retailer and the painting contractor would each collect and remit tax on \$2,000.

DRS IT Modernization: What you should know today.



- DRS is moving to a new online tax filing system
- A 4-phase rollout is planned*
- Rollout 1 launches **May 2020**
- Users will need to create an account in new system
- Rollout 1 taxes include:
 - Sales and Use
 - Withholding
 - Other business taxes
- *Due to phased rollout, prepare to operate in new and old systems (if filing multiple tax types)
- **Stay tuned for more information!**

Helpful Resources

The following publications are available on our website: ct.gov/drs

- [Informational Publication 2018\(5\)](#) - *Getting Started in Business*
- [Informational Publication 2018\(2\)](#) - *Building Contractor's Guide to Sales and Use Taxes*
- [Informational Publication 2019\(1\)](#) - *Connecticut Circular CT Employer's Tax Guide*
- [TPG-129](#) - *Taxpayer Service Center (TSC) Electronic Filing and Payment Instructions*
- [TPG-120](#) - *Connecticut Business Telefile System*

Other Agencies

You may also need to contact:

- [Internal Revenue Service \(IRS\)](#) 1-800-829-4933
- [Connecticut Office of the Secretary of the State](#) (860)509-6200
- [Connecticut Department of Labor](#) (860)263-6550
- [Connecticut Department of Consumer Protection](#) (860)713-6135
- [CT Small Business Development Center](http://www.ctsbdc.com) <http://www.ctsbdc.com>

Contact Us

- 860-297-5962 (from anywhere)
- 1-800-382-9463 (within CT- outside Greater Hartford area only)
- 860-297-4911 (Hearing Impaired, TDD/TT Users only)

Walk-In Assistance

No appointment necessary, anytime between 8:30 a.m. to 4:00 p.m., Monday through Friday

Hartford: 450 Columbus Boulevard, Hartford, CT 06103

Norwich: 401 West Thames Street, Building #700, Norwich, CT 06360

Waterbury: 55 West Main Street, Suite 100, Waterbury, CT 06702

Bridgeport: 10 Middle Street, Bridgeport, CT 06604

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Questions?



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