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BUILDING CONTRACTORS' GUIDE TO SALES AND USE TAXES

STATE OF CONNECTICUT

DEPARTMENT OF REVENUE SERVICES

Issued: March 2007

This document is not intended to be used as a legal ruling, but as a general guide for the proper treatment of sales and use taxes as they relate to the construction industry.

Not every potential tax situation is covered in this guide. If you have questions about the taxability of goods or services you provide, contact the Department of Revenue Services (DRS) Taxpayer Services Division (see inside back cover).

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The Basics

Introduction

Sales tax is imposed on certain contractor services performed in Connecticut. Generally, services to existing commercial, industrial, and income-producing property are taxable. Some services to residential property are also taxable. This guide presents information on the sale and purchase of services and materials for contractors.

Contractors are unique in that they are both the consumer of materials and retailers of their services. Therefore, building contractors must:

1. Pay sales and use tax on materials, supplies, and equipment used in their construction contracts; **and**
2. Charge and remit sales tax on their services when appropriate.

You must register with the Department of Revenue Services (DRS) if you are conducting business in Connecticut. Taxes for which you may be liable include sales and use taxes, withholding tax, corporation business tax, and business entity tax. See **Informational Publication 2006(11)**, *Getting Started in Business*, for more information.

Obtaining a Sales and Use Tax Permit

All contractors, including subcontractors, must obtain a *Connecticut Sales and Use Tax Permit* from DRS. Contractors and subcontractors must register for sales and use taxes prior to providing any services even if the services provided are not taxable.

In addition to obtaining a sales and use tax permit, a nonresident contractor is required to post a bond. See Page 22 for more information on nonresident contractor bond requirements.

If you are purchasing an existing business, you may **not** use the *Sales and Use Tax Permit* issued to the previous owner. You must obtain a new *Sales and Use Tax Permit*. See **Informational Publication 2002(16)**, *Successor Liability for Sales and Use Taxes and Admissions and Dues Tax*, for more information.

To register a business, use **Form REG-1**, *Business Taxes Registration Application*.

You may register by mail, apply in person at the DRS main office in Hartford or at any of the regional offices, or online. Visit the DRS website at **www.ct.gov/DRS** and click on ***Taxpayer Service Center (TSC)***. If you register online, you must make direct payment of the registration fee online from your savings or checking account.

Accounting Methods

Most retailers must report the sales tax on the accrual basis of accounting, under which a retailer reports all sales during the filing period in which the sales are made, not when the customer provides payment. However, there is a limited exception to this rule that allows a retailer to report sales tax on the cash basis method, under which the retailer reports its sales during the filing period in which the customer provides payment regardless of when the services were rendered. To qualify to report on the cash basis, the retailer must sell only services taxable under Conn. Gen. Stat. §12-407(a)(37) and report sales on the cash basis of accounting for federal income tax purposes. A retailer that sells tangible personal property cannot qualify to report sales tax on the cash basis.

Statutory Authority: Conn. Gen. Stat. §12-408(1)

Bad Debts

A worthless accounts receivable is an account receivable determined to be worthless and actually written off as uncollectible for federal income tax purposes. DRS only accepts claims for credit filed by retailers that have determined a sale is worthless for federal income tax purposes and have remitted the tax for the sale to DRS. This does not include retailers reporting sales on the cash basis for Connecticut sales and use tax reporting purposes. See **Policy Statement 2001(1)**, *Procedure for Retailers Claiming Credit for Sales Tax Previously Paid on Worthless Account Receivable*, for more details.

Statutory Authority: Conn. Gen. Stat. §12-408(2); Conn. Agencies Regs. §12-408-1

Types of Construction Contracts

There are three major types of construction contracts. Materials **cannot** be purchased on resale when performing the following three types of construction contracts.

Lump Sum or Fixed Fee Contract

This type of contract provides for a single price for the total work to be performed on a construction project. Such contracts are generally not subject to adjustment because of higher than anticipated costs incurred by the contractor.

Example: The contractor agrees to install a new roof on a building for $10,000. The contractor cannot charge extra even if more material is used or more time is spent than expected.

Cost-Plus Contract

This type of contract provides for reimbursement of allowable or otherwise defined costs plus profit. Cost-plus contracts usually require the contractor to use its best efforts to accomplish the work within a specific time frame and a stated dollar limitation.

Example: The contractor agrees to install a new roof on a building. The contract states the property owner will reimburse the contractor for the cost of materials used and labor costs, plus 15%. The work is to be completed by a specific date within a maximum number of labor hours.

Time and Material Contract With an Upset or Guaranteed Price That May Not Be Exceeded

The contractor is paid on the basis of direct labor hours at a fixed hourly rate. The contract includes a maximum amount over which the contractor cannot charge.

A time and material contract with an upset or guaranteed price that may not be exceeded provides for:

- Direct labor hours at a specified fixed hourly rate that includes wages, overhead, general and administrative expenses, and profit;
- Materials at cost, including, if appropriate, material handling costs as part of material costs; **and**
- A ceiling price the contractor exceeds at its own risk.

Example: The contractor agrees to install a new roof on a building. The contractor will be paid at the rate of $75 per hour plus the cost of materials, with the entire cost to the property owner for time and materials not to exceed $10,000.

Real Property

Types of Real Property

Real property is land, buildings, and materials permanently affixed to the land or buildings. This guide refers to six types of real property.

New Construction: Types of new construction are:

- The construction of a new building;
- The construction of a new addition that expands the cubic footage of an existing building;
- The replacement of the entire internal structure of a building. This includes removing and replacing floors, support columns, walls, mechanical systems, and electrical systems. Everything in the interior of a building between the floor that touches the ground and the rafters of the roof must be removed;

Example 1: A clothing store is a tenant of one space in a strip mall that has five other stores as tenants. The clothing store completely gutted its space, but the other spaces in the strip mall were left untouched. As the strip mall is only one building and only a portion of the building was gutted, the work done on the tenant's space does not qualify as new construction.

Example 2: A manufacturer contracts to have 90% of the square footage of its recently purchased facility gutted, removing the internal walls, support columns, floors, and electrical and mechanical systems. The manufacturer plans to have both manufacturing and R&D operations take place in the building. Because the construction work needed is different for the section to be used for manufacturing than the section to be used for R&D, the manufacturer is leaving the internal walls, floors, and columns in 10% of the building where its R&D operations will take place. This contract does not qualify as new construction because 10% of the building will not be gutted.

- Site improvements to real property that put the property to a new use (see *Site Improvements* on Page 10);
- The substantial rehabilitation of a certified historic structure. For information about the special rules that apply to this type of construction, request **CERT-102**, *Certified Rehabilitation Certificate for Certified Historic Structures*; **or**
- The initial finish out work to the interior of a new building, if there has been no previous use of this space, including storage.

New construction generally ends when the Certificate of Occupancy (C.O.) is issued.

Owner-Occupied Residential Property:

- Is used exclusively for residential purposes;
- Consists of one to three dwelling units (up to a three family house); **and**
- The owner resides or will reside at the property upon completion of the work.

Commercial Property: Property where the buying, selling, or leasing of goods or services usually takes place. Examples include restaurants, retail stores, office buildings, and gas stations.

Industrial Property: Property where manufacturing or fabricating activities take place. An example is a factory. The grounds surrounding the factory, warehouse, and shipping dock are all part of the industrial property.

Income-Producing Property: Property held for or used in the production of income. Examples include land used for agricultural production and rental property such as an apartment building or nonowner-occupied residential property.

Public Right-of-Way: Property such as a state or municipal street and adjacent area. This property is **not** considered commercial, industrial, or income-producing property. Services to mains, lines, poles, pipes, and other facilities located along, above, or under a public right-of-way are generally not taxable.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(I) and Conn. Agencies Regs. §12-407(2)(i)(I)-1

Services Taxable to Certain Real Property

Some services are taxable to existing commercial, industrial, or income-producing property, but are not taxable when rendered to owner-occupied residential property or new construction. These services include, but are not limited to:

- Air conditioning
- Carpentry
- Carpeting
- Construction management
- Demolition
- Electrical
- Elevator or escalator work
- Excavating
- Exterior sheet metal work
- Flooring
- Foundation work
- Heating
- Masonry
- Painting
- Paving
- Plastering
- Plumbing
- Property management
- Refuse removal
- Roofing
- Sandblasting
- Siding
- Staining
- Structural inspection
- Ventilation
- Wallpapering
- Welding

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(I)

Services Taxable to All Real Property

Some services are taxable in all cases, whether rendered to new construction, owner-occupied residential property, existing commercial property, existing industrial property, or existing income-producing property. These services include, but are not limited to:

- Carpet cleaning
- Exterminating
- House washing
- Janitorial
- Landscaping
- Locksmith services
- Maintenance
- Snow plowing and removal
- Swimming pool cleaning
- Swimming pool maintenance
- Window cleaning

The tax treatment of these and other services can be found in the *Details* section of this guide beginning on Page 24.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(T), (V), (W), (X), (Y), (Z), and (AA)

Site Improvements

Site improvements are improvements made to real property other than buildings. Certain site improvements put the property to a new use and are considered new construction. The construction of roadways, walkways, driveways, parking lots, patios, inground swimming pools, tennis courts, and decks put the property to a new use. To be considered new construction, walkways, driveways, and patios must be made of poured concrete or asphalt. These services are considered new construction work whether or not these improvements are in connection with the construction of a new building.

Other site improvements merely enhance an existing use of the property and are not considered new construction. The installation of wells, septic systems, utility lines, storm water drainage systems, and outdoor lighting systems do not put the property to a new use. Such services are **not** new construction unless the construction of the improvement is directly connected with new construction as defined above.

Service Charge

A contractor's service charge, sometimes referred to as the labor charge, is determined by subtracting the cost of materials (including tax paid on materials) from the total contract price. In other words, every cent above the contractor's cost of materials physically incorporated into the real property, plus the tax paid on those materials, is considered the service charge.

The charge for service includes:

- The actual labor charge;
- Any markup or profit on labor;
- Any markup or profit on materials;
- Overhead expenses;
- Tool or equipment purchase or rental, including tax paid on the rental; **and**
- Reimbursed expenses incorporated into the bill (whether or not the charges are separately stated).

Reimbursed Expenses

Generally, reimbursed expenses associated with a taxable service are subject to tax even if separately stated on the invoice. For example, if a security company is hired to provide a taxable guard service and charges $2,000 plus $300 of out-of-pocket expenses for travel and meal expenses, the entire $2,300 fee is subject to tax.

There is an exception to this general rule when the contractor pays an expense that is the **sole legal or contractual obligation** of their customer. An example would be when a building contractor pays for a building permit on behalf of the building owner. The reimbursement of this expense is not subject to sales or use tax.

Otherwise, except in specific instances authorized by law, the general rule is that if a service is taxable, the reimbursed expenses associated with it are also taxable.

Contractor's Labor Subject to Tax

A contractor's labor is subject to tax when the service is to:

- Existing commercial real property;
- Existing industrial real property;
- Existing income-producing real property; **or**
- New or existing real property if it is one of the services listed in *Services Taxable to All Real Property* on Page 10.

Contractor's Labor Not Subject to Tax

A contractor's labor is **not** subject to tax when the service is rendered to:

- New construction (except for services listed in *Services Taxable to All Real Property*);
- Owner-occupied residential property (except for services listed in *Services Taxable to All Real Property*);
- Charitable or religious organizations;
- Qualifying governmental agencies or their agents;
- Real property owned by federally recognized Indian tribes when the service is performed in federally recognized Indian country;
- Low and moderate-income housing;
- Contracts performed out-of-state;
- Hospitals and certain other exempt entities;
- Industrial, commercial, or income-producing real property when the service is for the voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil; **or**
- Real property located within a public right-of-way.

For more information on nontaxable contracts, see *Nontaxable Contracts* beginning on Page 14.

Contractor's Purchase of Subcontractor Services

General contractors often purchase the services of subcontractors to complete a project. There are two possible methods of purchasing subcontractor services:

1. General Contractor Issues a Resale Certificate to Subcontractor

A general contractor can purchase a subcontracting service for resale as long as both the following conditions are met:

- The subcontracting service is an integral, inseparable component of the service to be sold to the end customer. An ***integral, inseparable component*** is essential to complete the performance of the final service being sold. If the job is taxable, the contractor charges the end user tax on the entire service bill.

  The general contractor may **not** use or consume the service purchased for resale. For example, a general contractor that hires the services of a temporary help agency to provide a secretary for the contractor's office must pay tax on that service and cannot purchase it on a resale basis because the service of a secretary is not an integral and inseparable part of the service to be sold to the end customer; **and**

- **Both** the subcontracting service and the final service to be sold are services listed in Conn. Gen. Stat. §12-407(a)(37) as taxable services. This means the resale exclusion may not be used to purchase or sell:
  - Services rendered to new construction*;
  - Services rendered to owner-occupied residential real property*;

- Any other taxable services not enumerated in §12-407(a)(37), such as telecommunications services; **and**
- Nontaxable services such as engineering and architecture and design services.

* Except for services listed in *Services Taxable to All Real Property*

Example 1: A property management company providing taxable services to industrial, commercial, or income-producing real property incurs long-distance telephone charges on behalf of its client in the course of rendering its management services. The management company may not purchase telecommunications services on a resale basis because telecommunications services are not an integral, inseparable component of the services being sold and are not enumerated in Conn. Gen. Stat. §12-407(a)(37).

Example 2: A contractor providing taxable renovation services to commercial, industrial, or income-producing property purchases architectural services. The purchase of architectural services by the contractor is not a taxable service and may not be purchased on resale, so the architectural services become an expense of the contractor and are part of the total service charge and subject to sales tax.

Subcontractors are responsible for paying tax on the materials used in performing a subcontract. Subcontractors may only resell the service portion of their bill. A subcontractor's bill to a general contractor should be broken out into two parts when the general contractor issues a resale certificate:

- Materials consumed, including tax paid on the materials; **and**
- Service charges. Service charges include the markup on materials, overhead expenses, reimbursed expenses, labor charges, and profit.

If the sale is a taxable service, the general contractor should charge tax to the property owner on the service portion of the bill **only**. See Example 1 in the *Appendix*.

If the subcontractor does not break out the charge for materials from the charge for service, the general contractor is required to charge sales tax on the entire amount of the subcontractor's bill.

If the service is performed for an exempt entity, a resale certificate may be issued as long as the above conditions are met.

Example 1: A contractor providing taxable renovation services to a thrift shop owned by a church purchases the services of a janitorial company to clean up the job site. Because the janitorial service is an integral, inseparable component of the services being sold and is enumerated in Conn. Gen. Stat. §12-407(a)(37), the contractor may issue a resale certificate to the janitorial company even though the job will ultimately be exempt because the renovation services are provided to a religious organization.

Example 2: A contractor enters into a construction contract with a nonprofit hospital to construct a new addition to a hospital building. The contractor obtains personnel from a personnel agency to provide carpentry services to the new addition. Because new construction is excluded from taxable services to existing industrial, commercial, or income-producing real property under Conn. Gen. Stat. §12-407(a)(37), the personnel services do not become an integral, inseparable component of another taxable service under Conn. Gen. Stat. §12-407(a)(37). The contractor is not allowed to purchase personnel services from a personnel agency using a resale certificate.

Statutory Authority: Conn. Gen. Stat. §12-410(5)

2. General Contractor Does Not Issue a Resale Certificate to Subcontractor

If the general contractor **does not** issue a resale certificate to the subcontractor **and** it is a taxable transaction, the subcontractor must charge the general contractor tax on the service portion of the bill.

The subcontractor is the consumer of the materials used in fulfilling the construction contract. The subcontractor has two options to choose from when billing the general contractor.

Option One

The subcontractor breaks the bill into three parts:

- Materials consumed, including tax paid on the materials;
- Service charges. Service charges include markup on materials, overhead expenses, reimbursed expenses, labor charges, and profit; **and**
- Sales tax on the service portion of the bill.

Option Two

The subcontractor does not break the bill down. Only a total charge is shown on the bill. The bill includes:

- Materials (including tax paid on);
- Service charges; **and**
- The words *sales tax included on services*.

Sales tax on the service portion of the bill is figured by multiplying the entire service charge by .943. The result equals gross receipts from services. Subtract the gross receipts from services from the entire service charge. The difference is sales tax on the service. See Example 4 in the *Appendix*.

Both methods require the subcontractor to charge sales tax on the service portion of the contract.

Only the service portion of the general contractor's bill to the property owner is subject to tax since the subcontractor has already charged the general contractor tax on the subcontractor's service. See Example 2 in the *Appendix*.

Temporary Personnel Agency Services

Purchases of temporary personnel agency services are subject to tax. A contractor may purchase temporary personnel services on a resale basis, if **both** of these conditions are met:

1. The temporary help must be an integral, inseparable component of the contractor's service. For example, carpenters and plumbers are an integral, inseparable component of the contractor's service, while secretaries and bookkeepers are not; **and**
2. The contractor must be performing a taxable service to real property. For example, temporary help cannot be purchased on a resale basis if the contract is for new construction because new construction is not a taxable service to real property.

As long as **both** of the above conditions are met, the contractor may purchase temporary help on a resale basis. If the service is performed for an exempt entity, a resale certificate may be issued as long as the above conditions are met.

Example: A contractor constructing a new office building obtains personnel from a temporary personnel agency to provide electrical services. Because new construction is excluded from taxable services to industrial, commercial or income-producing real property under Conn. Gen. Stat. §12-407(a)(37)(I), the contractor must pay tax on its purchase of the personnel services, which are enumerated under Conn. Gen. Stat. §12-407(a)(37)(C).

Materials Used in Construction Contracts

Contractors are the consumers of materials and supplies used in fulfilling their construction contracts. This means the contractor pays tax on purchases of materials. A resale certificate cannot be used when purchasing materials **unless** one of the following conditions is met. The contractor:

- Has a store that sells building supplies; **or**
- Sells particular building materials (windows, doors, lumber, sheet metal) to the property owner and states on the invoice all of the following:
  - Charge for the materials;
  - Exact quantity of materials being sold; **and**
  - Additional price for which the contractor will install the products being sold.

In both cases, the contractor must charge sales tax unles the transaction qualifies for an exemption. These exceptions generally apply only to contractors that also maintain storefront businesses, such as plumbing supply stores or lumberyards. Items taken from the inventory of a storefront business for use in a construction contract are subject to the use tax on their cost. The contractor is responsible for self-assessing the use tax and should not charge its customers tax on items taken from inventory. Contractors that merely sell parts from trucks or do not maintain storefront businesses may not purchase materials on resale, but must pay tax on them when they purchase the items, and must not charge their customers tax on these items.

Contractors must self-assess use tax when they purchase taxable goods for use in Connecticut from an out-of-state vendor not registered to collect Connecticut use tax. If the materials were purchased outside Connecticut for use on a Connecticut job and the tax paid to the other state is less than 6%, the difference between the Connecticut tax and the tax paid to the other state must be reported and paid to Connecticut.

A contractor that enters into a construction contract with an exempt entity may purchase, exempt from tax, the materials that will be installed or placed and remain in the real property. See *Nontaxable Contracts*, beginning on Page 14, for more information.

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products*, which describes the exclusion and provides rules regarding whether a sale takes place during the exclusion period.

Statutory Authority: Conn. Gen. Stat. §12-430(5) and Regulation 12-426-18

Tools of the Trade

The contractor must pay tax on the purchase, lease, or rental of all the tools used in the contractor's trade. This includes hand tools, power tools, sandpaper, ladders, scaffolding, and other equipment.

Generally, if a used item is traded in on the purchase of a new item of the same kind, tax is calculated on the selling price, after allowing for the trade-in credit, provided the retailer intends to resell the item traded. See **Informational Publication 2006(13)**, *Sales and Use Taxes on Returned Goods, Even Exchanges, and Trade-Ins*.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(8)(B)(v) and §12-430a.

Contractor's Bill to the Final Customer

The general contractor has two options to choose from when billing the final customer. The general contractor is the consumer of materials used in fulfilling a construction contract.

Option One

The general contractor breaks the bill to the property owner into three components:

- Materials consumed, including tax paid on the materials;
- Service charges, including markup on materials, overhead expenses, labor charges, and profit; **and**
- Sales tax on the service portion of the bill, if applicable.

Option Two

The general contractor does not break the bill down. Only a total charge is shown on the bill. The bill includes:

- Materials consumed, including tax paid on the materials;
- Service charges; **and**
- The words *sales tax included on services*, if applicable.

Sales tax on the service portion of the bill may be backed out by multiplying the entire service charge by .943. The result equals gross receipts from services. Subtract the gross receipts from services from the entire service charge. See Examples 3 and 4 in the *Appendix*.

Regardless of the option chosen, the general contractor must keep accurate records of the actual costs of materials and service, including all subcontracting costs. The general contractor charges tax to the final customer **only** on the service portion of the contract.

Tax Held in Trust

Some contractors reimburse themselves for tax they paid on materials out of the tax they collect from their customers. This is not correct. Conn. Gen. Stat. §12-408(2) provides that tax collected by a retailer is held in trust for the state and the entire amount of tax collected must be remitted to DRS or refunded to the customer.

Example 1: The contractor bills its customer:

Total Labor and Materials	$1,000.00
Sales Tax	60.00
Total Due	$1,060.00

Sales tax separately stated is held in trust and must be remitted by the contractor. In this example, the contractor must remit $60 in tax.

Example 2: The contractor bills its customer:

Total Labor and Materials (sales tax on services included) $1,060.00

The contractor must remit the sales tax on the service portion of the bill only. If the contractor has already paid $12 in tax to its vendors on material purchases of $200, the sales tax on the service portion of the bill is $48.

The purchaser of a taxable good or taxable service is responsible for remitting use tax unless the retailer provides the purchaser with a receipt that shows sales tax in one of the manners described above.

A sales invoice or an American Institute of Architects (AIA) document is an acceptable receipt. A contract does not constitute a receipt.

Statutory Authority: Conn. Gen. Stat. §12-408(2); §12-411(2)

Nontaxable Contracts

Purchasing Materials

When a construction contract is with an exempt entity, the contractor may purchase materials and supplies installed or placed in the project exempt from tax. The materials and supplies must be installed or placed in the project and remain in the project after its completion. To purchase materials and supplies exempt from tax, the contractor issues a *Contractor's Exempt Purchase Certificate* to its vendor. Examples of items likely to be exempt from these contracts are bathroom partitions, metal lockers, theater seats, and other items nailed, bolted, or screwed into the real property, as well as appliances and furniture not permanently affixed to the property, but that remain on the property after the contract is completed.

Upon completion of the project, the contractor must report and pay use tax on any materials still in inventory that were purchased exempt from tax. If materials or supplies are installed or placed in a project for an exempt entity and the contractor has already paid tax on the materials or supplies, the purchase price of the materials or supplies may be deducted on the next return as an adjustment.

Contractors are the consumers of all the tools, supplies consumed, and equipment used in fulfilling a construction contract. Contractors must pay tax on the purchase of these items because they do not become incorporated or placed in the exempt job even if they are used up during the job.

Purchasing Services

When a contractor purchases a service while engaged in a contract with an exempt organization, the contractor must determine if the service will be **consumed** or **resold**. **Do not assume a contract with an exempt entity means all services can be bought exempt from tax**. Only those services resold by the contractor can be purchased exempt from tax. To purchase services for resale, you must issue a resale certificate to the service provider. Services described in Conn. Gen. Stat. §12-407(a)(37) can be resold if they become an integral and inseparable component of the service also enumerated in Conn. Gen. Stat. §12-407(a)(37) being resold to the exempt entity. Services consumed by the contractor cannot be purchased for resale. If the contractor is purchasing and consuming a taxable service, the contractor must pay tax to the seller of the service.

For example, a contractor engaged in a contract with an exempt organization purchases secretarial services to process paperwork in the contractor's business office. These services are taxable to the contractor because it is a taxable service and the contractor is consuming them. The services cannot be purchased on resale because they are not considered an integral and inseparable component of the building contract with the exempt entity. However, if a general contractor hires a plumber for a renovation, a resale certificate may be issued to the plumber because the service is considered to be an integral and inseparable component of the building contract.

Note: If the contractor is purchasing services from a temporary employment agency, refer to the section on *Temporary Employment Agency Services* on Page 13 to determine if the service can be purchased on a resale basis.

Statutory Authority: Conn. Gen. Stat. §12-408(2); §12-410(5); §12-411(2)

Types of Nontaxable Contracts

Contracts With Exempt Organizations

The following section defines the type of exempt organization and the exemption certificate issued by the organization to the contractor. In each case, the organization should issue the contractor the applicable certificate for the contractor to retain with its records. The contractor then issues a *Contractor's Exempt Purchase Certificate* to its vendors for purchases of materials and supplies installed or placed in the project.

- **Entity:** A charitable or religious organization that holds an Internal Revenue Service §501(c)(3) or (13) determination letter or a valid exemption permit issued by DRS.

  Certificate: CERT-119, *Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*;

- **Entity:** Nonprofit charitable hospitals, nonprofit nursing homes, nonprofit rest homes, and nonprofit residential care homes licensed by the State of Connecticut under Chapter 368v of the Connecticut General Statutes.

  Certificate: CERT-113, *Purchases of Tangible Personal Property and Services by a Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, or Nonprofit Residential Care Home;*

- **Entity:** University of Connecticut Educational Properties Incorporated, with regard to the Connecticut Technology Park.

  No certificate;

- **Entity:** Water companies, as defined in Conn. Gen. Stat. §16-1.

  Certificate: CERT-130, *Sales and Use Tax Exemption for Purchases by Water Companies;*

- **Entity:** Tourism districts, as defined in Conn. Gen. Stat. §32-302.

  Certificate: CERT-134, *Exempt Purchases by Qualifying Governmental Agencies;*

- **Entity:** Connecticut Resource Recovery Authority (CRRA) or a lessee or operator of a CRRA project.

  Certificate: CERT-131, *Exemption for Projects of the Connecticut Resource Recovery Authority and Solid Waste-to-Energy Facilities.* CERT-131 may also be issued for purchases of services or tangible personal property used or consumed in operating a solid waste-to-energy facility.

Contracts With Governmental Agencies

Qualifying governmental agencies issue **CERT-134**, *Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies,* to the contractor. Qualifying governmental agencies include:

- United States government and its agencies;
- State of Connecticut and its agencies;
- Political subdivisions of Connecticut (cities and towns and their agencies including municipal housing authorities);
- State of Connecticut, where through a long term financing contract, it contracts to purchase a particular property from a developer after it is built or renovated;
- Adriaen's Landing and Rentschler Field; **and**
- Tax districts.

Turn-Key Contracts: Turn-key contracts with governmental or other exempt entities **do not qualify** for exemption from tax. Since turn-key contracts are not long-term financing contracts under Conn. Gen. Stat. §12-412(1)(B), they do not qualify for this exemption. A ***turn-key contract*** is one in which the exempt entity contracts for a construction project to be completed by the contractor on land not owned by the exempt entity during the construction period. The title to the property is turned over to the exempt entity at the completion of the project.

Agent of the Government: A governmental agency may appoint a business to act as its agent to purchase goods and services. A principal-agent relationship exists between a business and a governmental agency when all of the following conditions are met:

- The business is expressly acting as an agent for the governmental agency. The contract between the business and the governmental agency must state that the business is acting as an agent for the governmental agency;
- All purchases made by the business for the governmental agency are used exclusively for the governmental agency's benefit; **and**
- The governmental agency issues CERT-134 to the business.

The governmental agency signs CERT-134, or in the alternative, the business signs CERT-134 as the purchaser and designates itself as agent of the governmental agency. The business attaches to the CERT-134 a copy of documentation from the governmental agency expressly designating the business as agent.

Federally Recognized Indian Tribes

Contractors performing services in Indian country of a federally recognized Indian tribe must receive a completed **CERT-127**, *Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe,* from the Indian tribe.

Purchases of tangible personal property outside of Indian country of the tribe by contractors or subcontractors of the tribe for use in projects for the tribe within Indian country of the tribe are not subject to Connecticut sales or use tax provided the contractors or subcontractors comply with the provisions of Conn. Gen. Stat. §§12-407(a)(6) or 12-408c. See **DRS Ruling 2002-3** for more information on purchases of tangible personal property outside of Indian country of the tribe.

Contractors issue **CERT-128**, *Exempt Purchases by Contractors in Connection With Construction Projects on the Mashantucket Pequot or Mohegan Reservations,* to their vendors when making purchases of tangible personal property where title passes to the contractor in Indian country of the tribe or where delivery of rented property is taken by the contractor in the Indian country of the tribe. The exemption **only** applies if the equipment is used exclusively and permanently in Indian country of the tribes and the entire cost of the purchase is passed on to the tribe or an enrolled member of the tribe.

Connecticut Development Authority (CDA)

The CDA approves certain projects for exemption under Conn. Gen. Stat. §32-23h. Participants under this program and contractors for such projects should contact the CDA and follow CDA procedures.

Low and Moderate Income Housing

Sales of tangible personal property and services used in the construction, rehabilitation, renovation, repair, maintenance, or operation of low and moderate income housing facilities are exempt.

The sponsor of a low and moderate income housing facility applies to DRS using **REG-19**, *Application for a Facility Approval Letter*. The letter acknowledges the facility is constructed under the sponsorship of, and owned or operated by, a nonprofit housing organization, as defined in Conn. Gen. Stat. §12-412(29), or a municipal housing authority as defined in Conn. Gen. Stat. §8-39. For more details, see **Policy Statement 2002(6)**, *Sales and Use Tax Exemption for Low and Moderate Income Housing Facilities*.

The sponsoring party issues to the contractor a copy of the Facility Approval Letter specifically identifying the project. The effective date of the exemption is the issue date of the Facility Approval Letter.

Materials and Labor: To purchase exempt materials and services used in the construction, rehabilitation, renovation, repair, maintenance, or operation of the facility, the contractor must issue **CERT-126**, *Exempt Purchases of Tangible Personal Property or Services for Low and Moderate Income Housing Facilities*, to the vendor. The contractor must obtain a copy of the Facility Approval Letter specifically identifying the project from the sponsor, owner, or operator of the facility, and attach it to CERT-126.

The contractor may sell all labor exempt, if the contractor receives CERT-126 with the Facility Approval Letter attached from the sponsor, owner, operator, or another contractor.

Statutory Authority: Conn. Gen. Stat. §12-412(29)

Waste Treatment Facilities

There is an exemption for tangible personal property incorporated into or consumed in the operation of industrial waste treatment facilities.

An industrial waste treatment facility treats industrial waste so it may be discharged into the waters of the state or into sewerage systems emptying into those waters. The primary purpose of the treatment is the reduction, control, or elimination of pollution of those waters.

The Department of Environmental Protection (DEP) Water Compliance Unit approves these exempt items.

Materials: Items that appear on the "List of Approved Water Pollution Equipment" contained in **Policy Statement 99(3)**, *Tax Exemptions for Certain Water Pollution Control Equipment*, **and** will be incorporated into or used and consumed in the operation of an industrial waste treatment facility are exempt from tax. The contractor purchases the items exempt from tax by issuing its supplier a completed **CERT-124**, *Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities.*

If the item is not listed in Policy Statement 99(3) but the purchaser intends to use or consume it in the operation of those facilities, the purchaser must receive written approval from DEP indicating the item is approved for use in a water pollution control facility. The purchaser may then buy the item exempt by issuing both the approval letter and a completed CERT-124 to the purchaser's supplier.

The contractor must pay tax on all materials and supplies not covered by this exemption.

Labor: Services rendered in the voluntary evaluation, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil are not taxable. Contractors do not charge tax on labor in a **voluntary** project when incorporating the exempt materials into:

- New construction
- Existing commercial property
- Existing industrial property
- Existing income-producing property.

See *Exclusion for Hazardous Waste and Other Contaminant Services* on Page 18 for the definition of voluntary.

Statutory Authority: Conn. Gen. Stat. §12-412(21)

Air Pollution Control Facilities

There is an exemption for tangible personal property incorporated into or used in an air pollution control facility. An air pollution control facility reduces, controls, or eliminates air pollution. The DEP approves these exempt items.

Materials: Items that appear on the "List of Approved Air Pollution Equipment" contained in **Policy Statement 99(2)**, *Tax Exemptions for Certain Air Pollution Control Equipment*, **and** will be incorporated into or used and consumed in the operation of an air pollution control facility are exempt from tax. The contractor purchases the item exempt by issuing to its supplier a completed **CERT-117**, *Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities*.

If the item is not listed in Policy Statement 99(2), but the purchaser intends to use or consume it in the operation of those facilities, the purchaser must receive written approval from DEP that the item is approved for use in an air pollution control facility. The purchaser may then buy the item exempt by issuing both the approval letter and a completed CERT-117 to the contractor's supplier.

The contractor must pay tax on all materials and supplies not covered by this exemption.

Labor: Services rendered in the voluntary evaluation, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil are not taxable. Contractors do not charge tax on labor in a voluntary project when incorporating the exempt materials into:

- New construction
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See the section *Exclusion for Hazardous Waste and Other Contaminant Services* on Page 18 for the definition of voluntary.

Statutory Authority: Conn. Gen. Stat. §12-412(22)

Out-of-State Contracts

Labor: There is no Connecticut tax due on the contractor's labor for a project located outside the State of Connecticut. However, Connecticut tax may be due on materials consumed.

Materials: Tangible personal property shipped or brought into Connecticut that is subsequently transported outside of Connecticut for use thereafter solely outside Connecticut is not subject to Connecticut tax. Tangible personal property purchased from a Connecticut retailer, where title to the property passes in Connecticut, is subject to Connecticut tax even if the property is subsequently transported outside Connecticut for use solely outside Connecticut unless the Buy Connecticut provision applies.

Under the Buy Connecticut provision, businesses may apply to DRS for a refund of sales and use taxes paid on tangible personal property purchased from a Connecticut retailer when those goods will be shipped outside of Connecticut by common or contract carrier within three years of the date of purchase for exclusive use outside Connecticut or will be incorporated into other property to be shipped outside Connecticut for exclusive use outside Connecticut.

This provision also allows the Commissioner of Revenue Services to issue permits that enable qualified purchasers to purchase the property without payment of the tax otherwise imposed by the Sales and Use Taxes Act. There is no requirement to ship tangible personal property by common or contract carrier if the taxpayer has a Buy Connecticut permit prior to the purchase. For more details, see **Special Notice 2001(5)**, *The "Buy Connecticut" Provision.*

Exclusion for Services to Hazardous Waste and Other Contaminants

Services to commercial, industrial, or income-producing real property rendered in the voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil are excluded from tax.

Materials: Materials consumed in the voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil are taxable. This does not include materials incorporated into or used and consumed in the operation of waste treatment facilities or air pollution control facilities as discussed above.

Labor: Labor performed in the voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste or other contaminants of air, water, or soil is not taxable.

See **Special Notice 95(17)**, *Certain Environmental Services Excluded From Sales and Use Taxes*, for the definitions of hazardous waste and other contaminants.

The term ***voluntary*** includes actions taken:

- To comply with a statute or regulation; **or**
- In accordance with a consent agreement or stipulated judgment issued or entered in any administrative or civil action brought by the Connecticut DEP or the federal Environmental Protection Agency before the earlier of when:
  - A prehearing conference is held; **or**
  - The hearing or trial in the action begins.

Any action taken after a prehearing conference is held, or after a hearing or trial begins, whichever is earlier, to evaluate, prevent, treat, contain, or remove hazardous waste or other contaminants is considered involuntary and taxable.

Resale treatment for services is not allowed for services voluntarily performed to evaluate, prevent, treat, contain, or remove hazardous waste or other contaminants. For example, a contractor that purchases personnel services it uses in a nontaxable voluntary environmental cleanup job must pay tax on the personnel services because the voluntary environmental services are not enumerated as taxable services.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(I)

Tangible Personal Property

The term tangible personal property refers to goods that are **not** part of real property. Examples of tangible personal property are furniture, curtains, and certain appliances.

The sale of tangible personal property is taxable. However, separately stated charges to install tangible personal property are not taxable.

Temporary Sheds, Buildings, and Trailers

Prefabricated temporary sheds, offices, or other buildings placed onto sites for use during construction projects are generally considered and remain tangible personal property. Prefabricated gazebos and storage sheds are generally considered and remain tangible personal property.

Statutory Authority: Conn. Gen. Stat. §12-407(a)(13)

Installation Versus Repair or Maintenance of Tangible Personal Property

This section covers services rendered to the following types of systems and units:

alarm systems	central vacuuming units
pumps	central air conditioning units
tanks	furnaces (boilers and burners)
water heaters	modular lighting units
refrigeration units	

These services may include **installation** of the units or systems into the real property or may include **repair or maintenance** of these units, including their electrical or electronic devices.

Most contractors provide both types of services. They install systems and they repair and maintain them. Different tax rules apply depending upon which type of job is being done.

Installation of Systems

The installation of the systems listed above is a service to real property. Contractors are the consumer of the materials used when installing these systems and, therefore, must pay tax on their purchases.

Contractors **do not charge** tax when installing the systems in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the systems in:

- Existing commercial real property
- Existing industrial real property
- Existing income-producing real property

Repair or Maintenance of Tangible Personal Property (Units)

Repairing or maintaining units, or their electrical or electronic parts, is a taxable service to tangible personal property. Contractors providing repair or maintenance services must separately state the charge for integral parts and the charge for maintenance or repair services on the bill to the customer. Any fees, such as service call charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for repair or maintenance services to tangible personal property. The total bill is taxable.

Maintenance or repair service providers are the consumers of supplies used in rendering their services. Therefore, sales of tangible personal property, other than integral parts, to a contractor who uses the property in repairing tangible personal property are taxable retail sales to the contractor.

The maintenance or repair service provider may purchase integral parts using a resale certificate. The term ***integral part*** means a part, such as a circuit board, heating element, control panel, or gear that retains its separate identity even after being incorporated into repaired equipment. The term integral part does not include materials such as lubricants, coolant, stain, paint, varnish, glue, solder and wire that do not retain their separate identity after being used to repair tangible personal property, but are consumed by the contractor.

A contractor that both installs and repairs or maintains these units or systems may purchase inventory items used in both installation and repairs on a resale basis. For example, if the contractor purchases piping, the purchase may be made using a resale certificate because piping can be used both in the installation of a water system and the repair of an existing water system. If the item is used in an installation, then the contractor self-assesses use tax on the contractor's purchase price.

If the item is used in a repair the contractor charges its customer sales tax on the item. However, a contractor cannot use a resale certificate to purchase items that can only be used in an installation (for example: furnaces, central air conditioning, or water heater units).

Statutory Authority: Conn. Gen. Stat. §12-407(a)(37)(Q) and (CC)

Warranty Contracts

A warranty contract is a contract that provides for repair services to be performed on an item of tangible personal property only in the event of a future malfunctioning. The sale of a warranty contract to service any item of tangible personal property is taxable. The sales tax applies to a warranty contract regardless of whether the charge for the warranty contract is separately stated from the charge for the sale of the item or the warranty contract is purchased separately from the sale of the item. When repair services are performed under the warranty contract at no additional charge to the customer, the services are not taxable because the tax was considered to be paid on the services when the warranty contract was purchased. However, any additional amount a warrantor charges a customer that is not covered under the warranty contract, such as a charge for a deductible, is subject to tax. The warrantor may purchase integral parts and repair labor used to service an item of tangible personal property under a warranty contract on resale from suppliers or third party repairers.

See the definition of integral part on Page 19 and Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair, or warranty,* for more information.

Equipment Rental or Service Contract

The rental of equipment is a taxable transaction, whereas only certain services are taxable. However, sometimes it is difficult to distinguish a contract for the rental of equipment from a contract for services.

The terms of the contract, not the billing method, determine if the transaction is for equipment rental or for a service.

Service Contract

A contract is for service if the equipment owner:

- Is hired to do a specific job;
- Maintains complete control over the equipment; **and**
- Retains discretion over how and when to perform the job.

Example: Contract for a Taxable Service: A bulldozer service receives a job order to tear up an existing parking lot at a shopping center. It dispatches a bulldozer and an operator to handle the job. When the work is completed, it bills as follows:

Bulldozer 3 hrs @ $100	=	$ 300.00
Operator 3 hrs @ $ 40	=	$ 120.00
Subtotal	=	$ 420.00
Sales Tax ($420 x 6%)	=	$ 25.20
Total	=	$ 445.20

The entire charge is subject to tax because the renovation of commercial income-producing property is a taxable service. When performing a taxable service the entire charge is taxable whether or not the charge for the operator is separately stated.

Example: Contract for Nontaxable Services: A crane service receives a job order to unload two freight cars of lumber. The crane service dispatches a crane and an operator to handle the job. When the work is completed, it bills as follows:

Mobile Crane 3 hrs @ $100	=	$300.00
Operator 3 hrs @ $ 40	=	$120.00
Total Due	=	$420.00

This again is a service contract, not the rental of equipment. The crane service was hired to do a specific job and it had complete control of the actual operation. Since the unloading of freight is not a taxable service, the charge is not subject to tax.

Equipment Rental

When the owner is merely supplying equipment, with or without operators, to a certain site and the customer controls how and when to perform the contract, the contract is for the **rental of equipment**.

Example: Rental Contract Without an Operator: A contractor receives a request to supply a bulldozer and a truck without an operator. When the equipment is released the contractor bills as follows:

1 bulldozer 20 hrs @ $100	=	$ 2,000.00
1 truck 20 hrs @ $ 50	=	$ 1,000.00
Subtotal	=	$ 3,000.00
Tax ($3000 x 6%)	=	$ 180.00
Total Due	=	$ 3,180.00

This is a rental of equipment and the entire charge is subject to 6% tax.

Example: Rental Contract With an Operator: A crane service receives a job order to provide a crane to unload two freight cars of lumber. The crane service dispatches a crane and an operator to handle the job. When the crane and the operator arrive at the job site, the freight company instructs the operator on how and when to unload the lumber. The freight company oversees the crane operator's work and makes adjustments as necessary. When the work is completed, it bills as follows:

Mobile Crane 3 hrs @ $100	=	$ 300.00
Operator 3 hrs @ $ 40	=	$ 120.00
Subtotal	=	$ 420.00
Tax ($300 x 6%)	=	$ 18.00
Total	=	$ 438.00

This is a rental of equipment and the charge for equipment is subject to the 6 % tax. However, the charge for the operator is not taxable provided the lessor supplies an operator for the leased property and the amount charged for the compensation of the operator is reasonable and is separately stated on the invoice.

Statutory Authority: Conn. Agencies Regs. §12-426-25

Condominiums

When a condominium unit is occupied by the owner, it is considered residential real property. When a unit is rented, it is considered income-producing real property. Therefore, if the contractor renders a **service directly to the owner of the condominium unit** and the service is a service to real property, the application of the tax depends on whether the unit is owner-occupied or rented. Rented condominiums where the tenant purchases the service and the unit owner does not reimburse the tenant are residential property.

If, on the other hand, the contractor renders the service **directly to a condominium association** and the service is a service to real property under Conn. Gen. Stat. §12-407(a)(37)(I), tax applies to the percentage of the service charge equivalent to the percentage of the total units that are rental units. See *Services Taxable to Certain Real Property* on Page 10.

Example: A condominium complex has a total of 100 units. Forty of the units are owner-occupied and 60 are rental units. The 60 units are income-producing real property. If the contractor is performing a taxable service, 60% of the service charge would be taxable. The contractor must obtain from the condominium association a completed **CERT-103**, *Residential Condominium Association*. CERT-103 requires the association to provide a breakdown of the owner-occupied units as a percent of total units as of the first day of the calendar year.

Often an association contracts with a property management company to oversee the day-to-day operations of the association. The taxable portion of the management fee is equivalent to the percentage of rental units. The property management company is allowed to issue a resale certificate to a contractor providing a taxable service as long as the service will be resold to the association. The property management company must collect tax on the taxable services it resells.

Some services, such as landscaping and snowplowing, rendered by a contractor to a residential condominium association or to the owner of a condominium unit are 100% taxable, regardless of the percentage of the owner-occupied units. The contractor must charge tax on the entire bill for these services. For examples of these services, see *Services Taxable to All Real Property* on Page 10.

Construction Contracts With Direct Payment Permit Holders

Different rules apply for contractors when entering into contracts with direct payment permit holders.

Direct payment permits allow permit holders to pay use tax directly to DRS rather than paying the tax to their vendors.

Renovation Construction Projects

Contractors that enter into renovation construction contracts with direct payment permit holders do not pay sales or use tax on the purchase of materials and supplies to be installed or permanently placed in the project. A contractor must pay tax to the vendor when purchasing, leasing, or renting tools and equipment.

The direct payment permit holder issues a copy of its **Form AU-621**, *Direct Payment Permit*, to the general contractor. The general contractor issues a copy of the direct payment permit and **CERT-133**, *Contractor's Exempt Purchase Certificate for a Renovation Contract With a Direct Payment Permit Holder*, to its suppliers when purchasing materials and supplies to be installed or permanently placed in a renovation project without paying sales tax.

General contractors issue a resale certificate to their subcontractors for renovation labor resold to a direct payment permit holder.

The general contractor provides copies of the direct payment permit to all renovation project subcontractors. The subcontractor issues CERT-133 and a copy of the direct payment permit to its suppliers when purchasing materials and supplies to be installed or permanently placed in a renovation project without paying sales tax.

A direct payment permit holder self-assesses use tax on the total bill from the general contractor that includes:

- Materials and supplies installed or permanently placed in a renovation project; **and**
- Labor used in the renovation project.

New Construction Projects

Direct payment permit holders may not issue, and the general contractor may not accept, the direct payment permit for new construction projects. General contractors and subcontractors must pay sales and use taxes on purchases of materials and supplies installed or permanently placed in new construction projects and on purchases, leases, or rental of tools and equipment. CERT-133 and the direct payment permit cannot be used for new construction contracts.

Construction Projects That Involve Renovation and New Construction

The general contractor must separately state the costs for the new construction and renovation portions of the contract on the bill or invoice to the direct payment permit holder. This provides the direct payment permit holder with the actual cost of the renovation portion of the contract on which the use tax is self-assessed. The direct payment permit holder must issue a copy of the direct payment permit to the general contractor for the renovation portion of the contract. The general contractor must attach a copy of the taxpayer's direct payment permit to CERT-133 and issue CERT-133 to its suppliers when purchasing materials and supplies to be installed or permanently placed in the renovation portion of the project without paying sales tax. The general contractor provides copies of the direct payment permit to all

subcontractors involved in the renovation portions of the project. The general contractor must issue a resale certificate to the subcontractors for the renovation labor to be resold to the direct payment permit holder.

Recurring Taxable Services Provided to Real Property Purchased by Direct Payment Permit Holders

A direct payment permit holder must issue a copy of the direct payment permit to the service provider when purchasing any taxable services provided to real property (other than new construction) such as property management, landscaping, janitorial, or maintenance services. The service provider must attach a copy of the taxpayer's direct payment permit to CERT-133 and issue CERT-133 to its suppliers when purchasing materials and supplies to be installed or permanently placed in the real property without paying sales tax.

The service provider provides copies of the direct payment permit to all subcontractors from which it is purchasing recurring taxable services for resale to the direct payment permit holder. The service provider must also issue a resale certificate to the subcontractors for these services. The subcontractors must attach a copy of taxpayer's direct payment permit to CERT-133 and issue CERT-133 to its suppliers when purchasing materials and supplies to be installed or permanently placed in the real property without paying sales tax.

See **Informational Publication 2004(7)**, *Q & A on the Connecticut Direct Payment Permit Program*, for more information about direct payment permit holders.

Statutory Authority: Conn. Gen. Stat. §12-409a

Bond Requirements of Nonresident Contractors

The procedures to furnish a guarantee bond or withhold payment in connection with a contract with nonresident real property contractors have been modified for contracts entered into on or after October 1, 2005. Nonresident contractors or persons doing business with nonresident contractors may use one of three options to satisfy the requirements for posting security to ensure a nonresident contractor pays all Connecticut taxes:

1. A nonresident contractor may furnish the Department of Revenue Services (DRS) a guarantee bond for 5% of the total contract price. Under this option, the nonresident contractor has 120 days from the commencement of the contract or 30 days after the completion of the contract, whichever is earlier , to file a guarantee bond with DRS; **or**
2. A nonresident contractor may furnish DRS a cash bond for 5% of the total contract price. Under this option, the nonresident contractor has 120 days from the commencement of the contract or 30 days after the completion of the contract, whichever is earlier, to file a cash bond with DRS; **or**
3. Persons doing business with nonresident contractors **must** withhold 5% of the total contract price and deposit it with DRS if the contractor takes neither of the actions above. The amount withheld must be remitted as a deposit to DRS by the last day of the month following the calendar quarter that follows the calendar quarter in which the first payment to the nonresident contractor is made and every calendar quarter thereafter.

The nonresident contractor must use **Form AU-766**, *Guarantee Bond*, or **Form AU-72**, *Cash Bond*, to post a bond. The customer of a nonresident contractor must use **Form AU-764**, *Deposit by a Person Doing Business With a Nonresident Contractor*, to make a deposit. The requirement to either post a bond or make a deposit applies to all contracts with nonresident contractors regardless of the nature of the real property affected or the tax-exempt status of the property owner.

Nonresident contractor means a contractor who does not maintain a regular place of business in Connecticut.

Person doing business with a nonresident contractor means *any* person who enters into a contract with a nonresident contractor, and includes, but is not limited to, property owners, governmental, charitable or religious entities, and resident or nonresident general contractors or subcontractors.

See **Special Notice 2005(12)**, *Nonresident Contractor Bonds and Deposits*, for more information.

Statutory Authority: Conn. Gen. Stat. §12-430(7)

The Details

Air Conditioning

(See *Central Air Conditioning* and *Ventilation Systems*)

Alarm Systems

Permanent Installation

Permanently installed means the wire, keypads, or control boards and sensor devices are built into the real property.

Materials: The contractor pays tax on all purchases of materials that become part of the alarm system including:

Horn or siren
Keypad
Motion detectors
Smoke or fire detectors
Wire

Labor: Tax is not charged on labor when the alarm system is permanently installed in:

- New construction
- Owner-occupied residential property

Tax is **charged** when the alarm system is permanently installed in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

Tax is charged on:

- The sale or renewal of a repair, maintenance, or warranty contract on the alarm system; **and**
- Repairs or maintenance of the alarm system, except when performed under a repair or maintenance contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the alarm system exempt by issuing a resale certificate to the contractor's vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Tax is charged on the sale of a monitoring contract.

See Conn. Agencies Regs. §§12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty* and 12-426-27(b)(5), *Private investigation, protection, patrol, watchman and armored car services*.

Antennas and Communications Towers

Communications towers typically are tall steel structures mounted on concrete pads on the ground and secured to the ground with guy wires. There may also be buildings constructed at the tower sites. Tower owners may grant wireless communications companies the right to attach their equipment to the towers and install equipment in the buildings for a monthly fee. The towers are expected to remain in place indefinitely because of the difficulty of removing them and because of considerations involved in Federal Communications Commission licensing, contractual arrangements with communications companies, and zoning approvals.

The towers and buildings are real property, not tangible personal property. As such, payments for the right to attach equipment to the towers are not the sale or lease of tangible personal property and, therefore, are not taxable. Services rendered to the towers themselves or the buildings around them are services to commercial, industrial, or income-producing real property. However, services rendered to the equipment attached to the towers or placed in the buildings are maintenance or repair services to tangible personal property.

Installation of and Services to Communications Towers

Materials: The contractor pays tax on all purchases of materials that become part of the communications tower including, but not limited to:

girders *guy wires* *concrete*

Labor: The contractor does **not** charge tax when performing services to:

- New construction

The contractor **must charge** tax when performing services to:

- Existing communications towers

Installation of Equipment on Communications Towers

Labor: The contractor does **not** charge tax on separately stated installation labor when installing the equipment on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repair or Maintenance of Equipment Installed on Communications Towers

The contractor must charge tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the equipment;
- Repairs to or maintenance of the equipment, except when performed under a repair or maintenance contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when (except when the service is rendered under a warranty contract) the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the equipment exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty*.

Appliances

(See *Kitchens* and *Telephone, Audio-Visual, and Computer Cable or Wiring*)

Architectural Services

In general, architectural services are not subject to sales and use taxes. When a contractor purchases architectural services, the contractor is purchasing a nontaxable service. However, if the contractor bills the property owner for the architectural services consumed as a reimbursed expense, the architectural services become part of the gross receipts for the contractor's labor. Therefore, for example, if the contractor is providing taxable renovation services to commercial, industrial, or income-producing property, the total service charge, including the reimbursement for architectural services, is subject to sales tax. See *Example 2* on Page 12.

Audio-Visual Cable or Wiring

(See *Telephone, Audio-Visual, and Computer Cable or Wiring*)

Awnings

(See also *Standard Units of Equipment*)

Installations

A retailer of awnings is selling tangible personal property.

The retailer of awnings can purchase the awnings without paying tax by using a resale certificate. The retailer of awnings must charge tax on the sale of the awnings.

Separately stated charges for installing the awnings are not subject to tax when the awnings are placed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repair or Maintenance Services to Awnings Removed From a Building or Structure

Repair or maintenance services, such as removal, repair, cleaning, and reinstallation, whether or not separately stated, performed on an awning that has been removed from a

building or structure are considered repair or maintenance services to tangible personal property. The service provider must charge tax on the total charge for repair or maintenance services. However, the removal or reinstallation of awnings not related to repair or maintenance services of awnings are not taxable.

Maintenance Services to Awnings Attached to a Building or Structure

Maintenance services performed on an awning that remains attached to a building or structure are considered maintenance services to real property. The service provider must charge tax when performing maintenance services to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The maintenance service provider pays tax on the purchase of materials and supplies used in performing the maintenance service. The maintenance service provider is the consumer of these materials and supplies.

Integral Parts

The repair or maintenance service provider purchases integral parts without paying tax to the vendor by using a resale certificate.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Bathrooms

(See also *Standard Units of Equipment*)

Installation

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

*cabinets**	*tile*
exhaust fans	*toilets*
faucets	*tubs*
mirrors	*tub or shower enclosures*
shower heads	*vanities*
sinks	*whirlpool tubs*

***** Contractors installing cabinets should review **Policy Statement 94(7)**, *Fabrication and Installation of Stock and Custom Cabinets*, to determine the proper tax treatment.

Labor: The contractor does **not** charge tax when installing the items above in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the above items in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Brickwork/Stonework

1. Related to the Structure

Installation

Materials: The contractor pays tax on all purchases of materials for the construction of chimneys, interior, and exterior surfaces of the building and fireplaces including, but not limited to:

bricks	*stone*	*cement*
stone dust	*mortar*	

Labor: The contractor does **not** charge tax when installing the items above in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the items above in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Taxation of the services of waterproofing, repairing, repointing, and fixing cracks in brick structures follows the rules for installation.

Brick washing is a maintenance service to real property. See *Maintenance Services to Real Property.*

2. Related to landscaping, such as the installation of walkways, walls, and patios (other than asphalt, tar, macadam, or poured concrete)

Materials: The contractor purchases all the materials including, but not limited to brick, stone, mortar, and stone dust that will be physically incorporated into the project without payment of tax by issuing a resale certificate to the vendor.

Labor: The contractor **must charge** tax on the labor and materials to install when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See also *Landscaping and Horticulture Services, Maintenance Services to Real Property,* and *Painting, Staining, Varnishing, and Waterproofing.*

Cabinets

(See *Bathrooms, Kitchens,* and *Standard Units of Equipment*)

Carpentry

Materials: The contractor pays sales or use tax on all purchases of materials including, but not limited to lumber and building supplies.

Labor: The contractor does **not** charge tax when performing carpentry services to:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when performing carpentry services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Carpet Cleaning

(See *Janitorial Services*)

Carpeting

(See *Floor Coverings*)

Central Air Conditioning

Installation

Materials: The contractor pays tax on all purchases of materials that become part of the central air conditioning system including, but not limited to:

blowers	*central air conditioning units*
duct work	*control devices*

Labor: The contractor does **not** charge tax when installing the central air conditioning system in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the central air conditioning system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance (excluding duct work)

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the air conditioning unit; **and**
- Repairs to or maintenance of the air conditioning unit except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the air conditioning system exempt by issuing a resale certificate to the vendor. These parts include, but are not limited to:

blowers	*excess moisture drains*
coils	*fans*
compressors	*filters*
condenser coils	*refrigerant*
control devices	*refrigerant tubes*

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See the *Interior Sheet Metal* section of this guide for tax treatment of the cleaning and maintenance of interior duct work.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Central Vacuum Systems

Installation

Materials: The contractor pays tax on all purchases of materials that become part of the central vacuum system including, but not limited to:

vacuum units	*wall outlets*
pipe	*control devices*
tubing	

Labor: The contractor does **not** charge tax when installing the central vacuum system in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the central vacuum system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor **must charge** tax on the charges for:

- The sale or renewal of a repair, maintenance, or warranty contract on the central vacuum unit; **and**
- Repairs to or maintenance of the central vacuum unit except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the central vacuum system exempt by issuing a resale certificate to the contractor's vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** may be purchased on resale and are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Taxation of the repair, cleaning, and maintenance of the interior piping of the system follows the rules for installation of a system.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Chimneys

Installation and Repairs

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

bricks	*flues*
caps	*pots*
cement	*rain and draft deflectors*
flashing	*stone*

Labor: The contractor does **not** charge tax when installing or repairing (such as fixing cracks and repointing) the above items in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing or repairing the above items in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See the *Exterior Sheet Metal Work* section of this guide for services performed to the flashing.

Chimney Cleaning

Chimney cleaning is a maintenance service. The contractor pays tax on the purchase of all cleaning supplies. The contractor **must charge** tax on the total charge for chimney cleaning when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Clean Rooms/HVAC Systems

(See also *Heating Systems* and *Ventilation Systems*)

This section covers the construction of clean rooms (enclosed, environmentally controlled areas) and the installation of systems used to regulate the temperature, humidity, and contamination of the rooms by heating, ventilation, and air conditioning (HVAC) contractors. For transactions where a contractor is purchasing exempt property for use by an exempt user, refer to **AN 2006(7)**, *Purchases of Tangible Personal Property by Contractors for Construction Contracts with Qualified Entities*.

Materials: The taxation of the construction of clean rooms is controlled by Conn. Agencies Regs. §12-426-18. Consequently, contractors pay the tax as a consumer on the purchase or lease of all materials, supplies, or equipment used in fulfilling its contract.

Contractors may make purchases of component parts for assembly of machinery exempt from sales and use taxes under Conn. Gen. Stat. §12-412(73) when the clean room is part of a manufacturing process. Clean room machinery may include heating, cooling, dehumidifying, and air filtration systems. Clean room machinery does not include the walls, floors, ceilings, and exterior portions of the room.

Labor: The contractor does not charge tax on the construction of clean rooms that are part of:

- New construction

The contractor must charge tax when constructing clean rooms that are in:

- Existing commercial real property
- Existing industrial real property
- Existing income producing real property

Repair or Maintenance

A contractor repairing or maintaining HVAC units is rendering taxable maintenance and repair services to tangible personal property. Sales of items of tangible personal property to contractors rendering the service are taxable unless the items are integral parts. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19.

A contractor that both installs and repairs or maintains HVAC systems used in clean rooms may purchase items of **inventory** that can be used in both installation and repair, such as wiring or piping, on a resale basis. If the item is used for installation, the contractor must self assess use tax on the purchase price of the item. If the item is used for repair purposes, the contractor must collect tax from its customer. The contractor cannot use a resale certificate to purchase items that can only be used in an installation, such as ventilation units, etc.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty*, and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Computer Cable or Wiring

(See *Telephone, Audio-Visual, and Computer Cable or Wiring*)

Decks

Materials: The contractor pays tax on all purchases of materials including, but not limited to lumber and building supplies.

Labor: The contractor does **not** charge tax when performing carpentry services to:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when performing carpentry services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Site improvements that put the property to a new use are new construction (see Page 9). For example, the owner of an existing apartment complex contracts with a carpenter to build a wooden deck on the back of each unit. Prior to this contract there were never any decks attached to this building. This contract is a new construction contract.

For the repair of decks at a condominium complex, see *Condominiums* on Page 20.

Demolition

Materials: The contractor pays tax on all materials consumed, such as explosives and blasting supplies, in providing demolition services.

Labor: The contractor does **not** charge tax when demolition services are rendered on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when demolition services are performed on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

As long as the demolition is part of the contract for a new construction project, the demolition service is not subject to tax.

Dredging

Dredging services are performed to create or maintain a certain depth in bodies of water. Dredging includes excavation of earth to reach the water line and removal of excavated or dredged material. Dredging does not include services provided to piers or docks.

Dredging of Publicly Owned Navigable Waters

Dredging in, adjacent to, or to create access to publicly owned navigable waterways, such as Long Island Sound, lakes, rivers, streams, or wetlands, is not taxable. This includes dredging to create or maintain areas such as harbors, channels, marinas, and ports that are in, adjacent to, or that lead to navigable bodies of water, whether or not dredged areas are privately owned, and regardless of the purpose of the dredging. ***Publicly owned*** means owned by the federal government, a state, or a political subdivision of a state.

Dredging of Privately Owned Ponds, Lakes, Streams, or Inland Wetlands

Dredging to reconstruct, remodel, or repair privately owned ponds and dredging of existing privately owned ponds, lakes, streams, or inland wetlands are taxable services, except when performed adjacent to, or to create access to publicly owned navigable waterways as described above.

Dredging performed to construct, remodel, or repair privately owned ponds is taxable as a landscaping service. Dredging of existing privately owned ponds, lakes, streams, or inland wetlands are taxable maintenance services even if the body of water is navigable. These dredging services are taxable when performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(X)-1, *Maintenance services,* and §12-407(2)(i)(V)-1, *Landscaping and horticulture services,* for related information.

Driveways, Parking Lots, and Walkways

(For asphalt, tar, macadam, and poured concrete areas, see *Paving*)

(For brick, stone areas, or concrete pavers, see *Landscaping and Horticulture Services*)

Duct Work

(See *Interior Sheet Metal* and *Ventilation Systems*)

Electrical

(Complete wiring or rewiring of structures or the upgrading of the electrical service of a structure)

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

circuit breakers	*main power boxes*
outlets	*receptacles*
switches	*wall boxes*
wall fixtures	*wiring*

door bells, buzzers, and chimes

Labor: The contractor does **not** charge tax when installing the above items in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the above items in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Electrical Devices

Repairs and Maintenance

Repairing electrical or electronic devices and repair or maintenance services to any item of tangible personal property including, but not limited to central air conditioning units, central vacuum units, refrigeration units, modular lighting units, pumps, and alarm systems.

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on any item of tangible personal property or electrical or electronic devices; **and**
- Repairs to or maintenance of tangible personal property or electrical or electronic devices except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for electrical devices exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Elevators and Escalators

(See also *Inclined Stairway Chairlifts*)

Installation

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

motors
cables
control panels
staircases
elevator cars

Labor: The contractor does **not** charge tax when installing an elevator or escalator in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing an elevator or escalator in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the elevator or escalator motor; **and**
- Repairs to or maintenance of the elevator or escalator motor except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is performed in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for elevators or escalators exempt by issuing a resale certificate to the contractor's vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Taxation of the repairs to or maintenance of the elevator shaft or box, or the escalator stairs follows the tax rules for the installation of elevators and escalators.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Energy Audits

Energy audits, usually performed for utility companies to foster energy conservation and reduce energy costs to customers, are services to real property.

Materials: The energy audit contractor must pay tax on all purchases of materials consumed in performing energy audits. However, if the energy audit contractor separately states charges to the utility company or utility company customers for materials such as shower heads, weather stripping, and insulation, it may purchase the items on resale and must charge tax on the items.

Labor: The contractor does **not** charge tax when the audit is conducted on:

- New construction
- Owner-occupied residential property

The energy audit contractor **must charge** tax to the utility company or utility company customer when the audit is conducted on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products*, which describes the exclusion and provides rules regarding whether a sale takes place during the exclusion period.

Excavating, Grading, and Land Clearing

1. Not Related to Landscaping

The contractor does **not** charge tax when performing these services on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when performing these services on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

2. Related to Landscaping

These services are subject to tax when rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See *Landscaping and Horticulture Services* and *Landscape Architectural Services,* for related information.

Exterior Sheet Metal Work

(See also *Gutters*)

Installation and Repair

Materials: The contractor pays tax on the purchase of materials including, but not limited to:

flashing *metal downspouts* *metal gutters*

Labor: The contractor does **not** charge tax when installing or repairing exterior sheet metal work in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing or repairing exterior sheet metal work in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(I)-1, *Services to real property,* for related information.

Exterminating

Exterminating services mean services to kill or expel pests.

Materials: The exterminator must pay tax on all purchases of equipment and supplies including, but not limited to poisons and traps.

Labor: The exterminator **must charge** tax on the customer's total bill when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The service of live trapping a pest and releasing it is **not** a taxable service.

See Conn. Agencies Regs. §12-407(2)(i)(Z)-1, *Exterminating Services*, for related information.

Fencing

(See also *Landscaping and Horticulture Services* and *Silt Fencing*)

Materials: The contractor pays tax on all purchases of materials that become part of the fence.

Labor: Except as discussed below, the contractor **must charge** tax when installing the fence on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The construction, remodeling, or repair of fences is presumed to be a taxable landscaping service until the contrary is established. This presumption may be rebutted if it is clearly established that the services rendered are not intended to be landscaping services, such as when an action is mandated by statute. For example, a contractor installing a fence that encloses a swimming pool and that is installed to comply with a law requiring that swimming pools be enclosed may establish that the services rendered are not intended to be landscaping services.

The installation of any chainlink fencing and the installation of any fencing used to contain livestock on a farm are not considered landscaping services. The installation of any chainlink fencing and any fencing used to contain livestock on a farm is taxable under Conn. Gen. Stat. §12-407(a)(37)(I) when rendered to existing industrial, commercial, or income-producing real property.

Fire, Water, and Wind Damage

(Cleaning, deodorizing, and removal of water or debris)

The contractor **must charge** tax on the total bill when this work is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

For rehabilitation of the structure, see *Carpentry, Roofing, Painting*, etc. For tree trimming or removal, see *Landscaping and Horticulture Services.*

See Conn. Agencies Regs. §12-407(2)(i)(Y)-1, *Janitorial Services,* for related information.

Fireplaces

Installation or Repair

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

bricks	*lintels*	*dampers*
mantels	*fireboxes*	*stone*
flues		

Labor: The contractor does **not** charge tax when installing, repairing, fixing cracks, or repointing the fireplace in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing, repairing, fixing cracks, or repointing in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

For the tax treatment of fireplace cleaning, see *Chimneys*.

Floor Coverings

1. Carpet

Permanent Installation

(Glued or cemented to the floor)

Wall-to-wall and other carpet installations are generally services to real property. If the carpet is glued or cemented to subflooring, it is considered permanently affixed to the structure and is a service to real property.

Materials: The contractor must pay tax on the purchase of the carpet when it is glued or cemented to the floor.

Labor: The flooring contractor does **not** charge tax when permanently installing carpeting in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when permanently installing the carpet in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Nonpermanent Installation

(Tacked or nailed to the floor)

If the carpet is tacked or nailed to the floor, it is nonpermanent installation of carpet and is not a service to real property.

Materials: The installer is considered a retailer of carpet and purchases the carpet without payment of tax by issuing a resale certificate to the carpet wholesaler and collects tax on the sale to the end customer.

Labor: The contractor does **not** charge tax on separately stated nonpermanent installation labor in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

2. Floating Floors

Nonpermanent Installation

The installation of floating floors is nonpermanent installation of flooring and is not a service to real property.

Materials: The installer is considered a retailer of the flooring and purchases the flooring without payment of tax by issuing a resale certificate to the flooring wholesaler and collects tax on the sale to the end customer.

Labor: The contractor does **not** charge tax on separately stated nonpermanent installation labor in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

3. Floor Coverings Other Than Carpet and Floating Floors

These services are a service to real property and also include all necessary surface and other preparations prior to the actual installation.

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

ceramic tile	*marble*	*vinyl*
concrete	*terrazzo*	*wood*
linoleum		

Labor: The contractor does **not** charge tax when installing these types of floor coverings in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing these types of floor coverings in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

4. Other Separately Stated Labor Charges

Other types of separately stated labor charges that may appear on the customer's invoice in connection with the permanent and nonpermanent installation of floor coverings include labor to move furniture, labor to rip up the old carpet, and disposal of the old carpet. When separately stated, the charges for labor to move furniture are not subject to sales and use taxes. However, the separately stated charges for labor to rip up and discard the old carpet are treated as charges for refuse removal. Refuse removal services are not subject to tax when rendered to new construction or owner-occupied residential property. Refuse removal services rendered to existing commercial, industrial, or income-producing real property are subject to tax.

Floor Refinishing

Floor refinishing usually involves the following services to wood floors: sanding; removing finishes from existing floors; replacing flooring materials as needed; and applying a finishing coat of paint, stain, varnish, or sealant.

Materials: The contractor pays tax on purchases of all materials that will be used in floor refinishing.

Labor: The contractor does **not** charge tax when refinishing floors in:

- Owner-occupied residential property

The contractor **must charge** tax when refinishing floors in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Furnaces

(See *Heating Systems*)

Garage Doors

Installation and Repairs

Materials: The contractor pays tax on all materials purchased for installing, replacing, or repairing the garage door including, but not limited to:

garage doors	*rollers*	*tracks*
trim	*springs*	*sensors*

Labor: The contractor does **not** charge tax when installing, replacing, or repairing a garage door in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing, replacing, or repairing a garage door in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Garage Door Openers

Installation

Materials: The contractor must pay tax on the purchase of the electric garage door opener and controls (as a consumer).

If the contractor is a retailer of electric garage door openers, the contractor may purchase the opener and controls exempt by issuing a resale certificate to the vendor and collect tax on the sale to the end customer.

Labor: The contractor does **not** charge tax on separately stated labor for installing the electric garage door opener in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor **must charge** tax on:

- The sale or renewal of a repair, maintenance or warranty contract on an electric garage door opener; **and**
- Repairs to or maintenance of electric garage door openers except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the electric garage door openers exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Garbage Disposals

Installation

Materials: The contractor pays tax on purchases of all materials incorporated into the garbage disposal system.

Labor: The contractor does **not** charge tax when installing the garbage disposal in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the garbage disposal in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor must collect tax on charges for:

- The sale or renewal of a repair, maintenance, or warranty contract on a garbage disposal unit; **and**
- Repair or maintenance of the garbage disposal, except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the repair is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the garbage disposal exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Gazebos

(See *Sheds and Gazebos*)

Gutters

(See also *Exterior Sheet Metal Work* and *Maintenance Services to Real Property*)

Materials: The contractor pays tax on purchases of all materials.

Labor: The contractor does **not** charge tax when installing the gutters in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the gutters in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Hatchways

(See *Standard Units of Equipment*)

Heating Systems

(See also *Clean Rooms/HVAC Systems*)

Installation

Heating systems include but are not limited to:

coal burning heating systems
electric heating systems (permanently installed)
gas heating systems
heat pump units
hot water heating systems
humidifiers (permanently installed)
oil heating systems
radiant heating systems
solar heating systems
steam heating systems
warm air duct systems
wood burning furnaces (permanently installed)

Materials: The contractor pays tax on all purchases of materials that become part of the heating system including, but not limited to:

furnace
duct work
blowers
control devices
humidifiers (permanently installed)
fuel lines
oil tanks
thermostats
hot water heaters

Labor: The heating contractor does **not** charge tax when installing the heating system in:

- New construction
- Owner-occupied residential property

The heating contractor **must charge** tax when installing the heating system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance (Excluding duct work)

The contractor must collect tax on the charges for:

- The sale or renewal of a repair, maintenance, or warranty contract on the heating system; **and**
- Repairs to or maintenance of furnaces, oil burners and blowers, except when performed under a service contract and there is no additional charge for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for cleaning, maintenance, and repairs to the heating system is subject to tax when the service is rendered in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

A service charge to diagnose a problem with a heating system is a taxable maintenance and repair service to tangible personal property.

Integral Parts

The contractor purchases integral parts for the furnace, oil burner, and blower exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

For the tax treatment of the cleaning and maintenance of the interior duct work, see the *Interior Sheet Metal* section of this guide.

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products*, which describes the exclusion and provides rules regarding whether a sale takes place during the exclusion period.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Home Entertainment/Home Theater Systems

Components and Materials

Installation provided as part of the sale

When a retailer of televisions, audio equipment, and home entertainment/theater systems sells the components and also agrees to install those components into the customer's home or business, the retailer must collect sales tax on the sale price of the components, including any delivery fees.

Installation Labor

The separately stated charges for the nonpermanent installation labor and charges for connecting the individual components are not subject to tax.

Permanent Installation

If any of the wiring for the components or the sound system will be permanently installed into the property where the wire will be run behind walls, above the ceiling, or below the floor, the charge for permanent installation is a service to real property.

The retailer does not charge tax when performing permanent installation services to:

- New construction
- Owner-occupied residential property

The retailer must charge tax when performing permanent installation services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

For services provided by a contractor, see *Telephone, Audio-Visual, and Computer Cabling or Wiring*.

Hot Tubs, Spas, and Saunas

Installation of Stand-Alone Hot Tubs and Spas

Stand-alone hot tubs and spas include, but are not limited to portable hot tubs and spas, move and plug-in hot tubs and spas, and hot tubs and spas not permanently installed into real property. The installation of a stand-alone hot tub and spa is not a service to real property because the hot tub and spa is considered to be tangible personal property and follows the rules for installation labor for tangible personal property. The installer is considered a retailer of hot tubs and spas and purchases all materials exempt by issuing a resale certificate to the contractor's supplier. The installer collects tax on the sale to the end customer.

Labor: The contractor does **not** charge tax on separately stated installation labor when installing the hot tub and spa on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

There are stand-alone hot tubs and spas that require the installation of a concrete pad, an electrical circuit, and a gas line if the heater is to be fueled by gas. The installation of these three items is a service to real property.

Labor: The contractor does **not** charge tax on separately stated installation labor when installing the concrete pad, electrical circuit, and gas line in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the concrete pad, electrical circuit, and gas line in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs to Stand-Alone Hot Tubs and Spas

Repairs include, but are not limited to replacing a cover or repairing the vinyl or wood frame of the hot tub or spa.

The hot tub and spa contractor purchases integral parts for the stand-alone hot tub and spa exempt by issuing a resale certificate to the contractor's supplier.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the stand-alone hot tub and spa repair is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Installation of Built-in Hot Tubs and Spas

Materials: The contractor pays tax on all purchases of materials incorporated into the built-in hot tub and spa including, but not limited to:

built-in lights	*lumber*
cement	*pipes*
filters	*pumps*
heaters	*hot tub and spa kits*
gravel	*tile*
liners	*valves*

Labor: The contractor does **not** charge tax when constructing the original built-in hot tub and spa in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The installation of a built-in hot tub and spa is considered a site improvement which puts the property affected to a new use. Therefore, the original construction of a built-in hot tub and spa, where a built-in hot tub and spa never existed before, is considered a new construction contract.

Repairs to and Replacement of Built-In Hot Tubs and Spas

The replacement of an existing built-in hot tub and spa is not considered a site improvement and, therefore, follows the rules for repairing a built-in hot tub and spa.

Repairs to built-in hot tubs and spas include, but are not limited to filling in cracks in the cement, replacing broken tiles, replacing or patching cracked linings, and replacing built-in lighting fixtures.

Materials: The contractor pays tax on all purchases of materials used in repairing the built-in hot tub and spa including, but not limited to:

cement *tile* *vinyl lining*

Labor: The contractor does **not** charge tax when repairing or renovating a built-in hot tub and spa built on:

- Owner-occupied residential property

The contractor **must charge** tax when repairing or renovating a built-in hot tub and spa built on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Cleaning and Maintenance to Both Stand-Alone and Built-In Hot Tubs and Spas

Materials: The hot tub and spa cleaning and maintenance contractor pays tax on all purchases of materials used in cleaning or maintaining hot tubs and spas.

Labor: The contractor **must charge** tax when performing hot tub and spa cleaning and maintenance services to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs to Hot Tub and Spa Filters, Heaters and Pumps

The contractor **must charge** tax on the charges for:

- The sale or renewal of a repair, maintenance, or warranty contract on the filter, heater or pump; **and**
- Repairs to or maintenance of the filter, heater, or pump except when performed under a service contract and no additional charge is made for this repair.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for maintenance and repairs to the filter, heater, or pump is subject to tax when these services are rendered on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the filter, heater, or pump exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

House Washing

(See *Maintenance Services to Real Property* and *Painting, Staining, Varnishing, and Waterproofing*)

Inclined Stairway Chairlifts

Installations

A retailer of inclined stairway chairlifts sells tangible personal property.

The retailer of inclined stairway chairlifts can purchase the inclined stairway chairlifts without paying tax by using a resale certificate. The sale of inclined stairway chairlifts for the use of invalids or handicapped persons is exempt from sales and use taxes.

The installation of these inclined stairway chairlifts is also exempt from sales and use taxes even if the installation charge is not separately stated on the bill or invoice to the customer. The charges for installing the inclined stairway chairlift are not taxable when installed in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repair or Maintenance Services Provided to Inclined Stairway Chairlifts

Repair or maintenance services performed on inclined stairway chairlifts for the use of invalids or handicapped persons are exempt from sales and use taxes.

The repair or maintenance service provider purchases integral parts without paying tax by using a resale certificate. The sales of repair or replacement parts for inclined stairway chairlifts are also exempt from tax. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19.

Inspections

(See *Structural Inspection*)

Interior Decorators

Interior design and decorating services include, but are not limited to the selection, procurement, and arrangement of the surface coverings, draperies, furniture, furnishings, and other decorations for the interior of a home or building; counseling with respect to the decorations; and incidental services.

Materials: An interior designer may also be a retailer of tangible personal property and must register with DRS to collect sales and use taxes including the sale of items such as draperies, furniture, furnishings, and other decorations for the interior of a home or building in their charges to the customer. If registered to collect sales and use taxes, the interior designer may purchase these items on resale, but must charge tax to the customer.

Labor: The interior design and decorating services are not subject to sales and use taxes.

Interior Sheet Metal

(Duct work)

Installation

Materials: The sheet metal contractor pays tax on all purchases of materials that will become part of the interior duct work for the heating, air conditioning, and ventilation systems.

Labor: The sheet metal contractor does **not** charge tax when installing the interior duct work in:

- New construction
- Owner-occupied residential property

The sheet metal contractor **must charge** tax when installing the interior duct work in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs, Cleaning, and Maintenance

The contractor does **not** charge tax for repairing, cleaning, and maintenance of interior duct work when performed in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax for the repairing, cleaning, and maintenance of interior duct work when it is performed in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Janitorial Services

(See also *Maintenance Services to Real Property*)

Janitorial services mean cleaning the interior or exterior of buildings, structures, or dwellings, whether residential or industrial, commercial, or income-producing real property, or the contents of the property. The services are of the type rendered by a janitor in the regular course of duty, and may be rendered alone or in conjunction with other services. Janitorial services are rendered either on a scheduled, periodic basis or only on a single occasion, such as to a site upon completion of construction or renovation. Janitorial services include, but are not limited to:

carpet cleaning (permanently and nonpermanently installed)
ceiling cleaning
disinfecting
dusting
emptying waste baskets
floor cleaning
power washing
vacuuming
wall cleaning
waxing/polishing furniture
woodwork cleaning

Materials: The janitorial service provider pays tax on all purchases of materials including, but not limited to cleaning supplies and cleaning solutions.

Labor: The janitorial service provider **must charge** tax when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(Y)-1, *Janitorial Services,* for related information.

Kitchens

Installation

Built-In Materials and Free Standing Appliances: The contractor pays tax on all purchases of built-in materials and free standing appliances that will be incorporated into the kitchen including, but not limited to:

Built-In Appliances

built-in dishwasher
built-in microwave oven
built-in range
built-in refrigerator
*cabinets**
counter tops
ducted hood
exhaust fan
faucets
garbage disposal
sinks

Labor: The contractor does **not** charge tax when installing these items in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing built-in items in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

***** Contractors installing cabinets should review **Policy Statement 94(7)**, *Fabrication and Installation of Stock and Custom Cabinets*, to determine the proper tax treatment.

Free Standing Appliances

clothes dryer
microwave ovens
range
washing machine
dishwasher
oven
refrigerator

Labor: The installation of appliances that are not installed into the real property, such as the appliances listed above as free standing appliances, is considered installation of tangible personal property. Separately stated charges for the installation of tangible personal property are not taxable.

Repairs and Maintenance

Repair services to any electrical or electronic device are taxable. These items include, but are not limited to:

built-in dishwashers
built-in microwave ovens
built-in ranges
built-in refrigerators
clothes dryers
ducted hoods
dishwashers
exhaust fans
garbage disposals
microwave ovens
ovens
ranges
refrigerators
washing machines

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on any appliance; **and**
- Repairs or maintenance of any appliance except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for repairs and maintenance to electrical or electronic devices is subject to tax regardless of whether the repair takes place in the home or in a service center.

Integral Parts

The contractor purchases integral parts for these appliances exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §§12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and 12-407(2)(i)(Q)-1, *Electrical and electronic repair services,* for related information.

Landscape Architectural Services

The functions normally involved in landscaping or horticultural services are taxable no matter who provides the services. However, services performed by a licensed civil engineer or landscape architect are not taxable as landscaping and horticultural services if those services are normally considered to be part of civil engineering or landscape architecture.

Examples of services considered to be part of civil engineering or landscape architecture services and are not taxable as landscaping and horticulture services when performed by a licensed civil engineer or landscape architect include site assessment and analysis, environmental impact studies, master planning, preparation of wetland approval packages, hydraulic or hydrologic analysis, preparation of site layout or utility layout, preparation of storm water management plans, preparation of design development drawings, preparation of site plan approval packages, preparation of site construction drawings, and meetings with regulatory agencies governing design parameters.

See Conn. Agencies Regs. §12-407(2)(i)(V)-1, *Landscaping and horticulture services,* for related information.

Landscaping and Horticulture Services

These services include, but are not limited to the planting of and caring for:

flowers	*trees*	*vegetables*
fruits	*shrubs*	

Landscaping and horticulture services also include services to lawns such as:

fertilizing	*mulching*	*seeding*
mowing	*raking*	*weeding*

Also, landscaping and horticulture services include maintenance of exterior or interior plants such as:

pruning	*tree removal services*
spraying	*tree trimming*
other lawn and garden services	

The services involved in the construction of the following will also be treated as landscaping services:

irrigation/sprinkler systems
patios (other than poured concrete or asphalt)
walkways (other than poured concrete or asphalt)
driveways (other than poured concrete or asphalt)

Construction of poured concrete or asphalt patios and walkways is treated as a paving service to real property and is not taxable when rendered to new construction (first time paving). However, repairing pavement and repaving are taxable when rendered to existing commercial, industrial, or income-producing real property. See *Paving*.

Some services are treated as landscaping services unless the contrary can be established by the contractor when involved in the construction of:

*fences**	*ponds*	*retaining walls*
gates	*walls*	

For example, a service provider installing a fence around a swimming pool in order to comply with a law requiring that swimming pools be enclosed can establish that the services rendered are not landscaping services. Likewise, building a retaining wall required by a city or town is not a landscaping service. The non-landscaping services are not taxable when rendered on new construction or owner-occupied real property but are taxable if rendered on existing industrial, commercial, or income-producing property.

* See *Fencing* for exceptions.

Excavating, land clearing, and rough grading services rendered as an integral part of a landscaping job are also taxable as landscaping services. However, tree removal on new building lots is an exempt land clearing service.

Materials: The landscaper/horticulturist 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 and horticulture services.

Total Bill: The contractor **must charge** tax on the labor, installation, and the materials when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Landscaping and horticulture services rendered at the residence of a person receiving total disability payments under Social Security are not subject to tax. The contractor should obtain **CERT-121**, *Exemption for Landscaping and Horticulture Services, Window Cleaning Services, and Maintenance Services Provided to Recipients of Total Disability Benefits*.

See Conn. Agencies Regs. §12-407(2)(i)(V)-1, *Landscaping and horticulture services*, for related information.

Locksmith Services

Locksmith services include repairing, servicing, or installing locks and locking devices, whether the locks and locking devices are incorporated into real property (such as a deadbolt lock on a door to a building), are incorporated into tangible personal property (such as a door lock on an automobile), or are locks separate and apart from other property (such as padlocks). Locksmith services also include unlocking locks or locking devices when a customer is unable to do so, such as when the key to a motor vehicle is locked inside the vehicle. Locksmith services do not include key making or sales of locks and locking devices, which are taxable as sales of tangible personal property.

Locksmiths can be retailers of both goods and services. When they sell goods at retail, tax must be collected from the customer. The locksmith purchases these goods exempt from sales or use tax by issuing a resale certificate to the locksmith's supplier. Some examples of the products sold by a locksmith include, but are not limited to:

door knobs	*keys*	*safes*
hinges	*locks*	

A locksmith **must charge** tax for both goods and services when installing, repairing, or servicing locks and locking devices on tangible personal property (for example, cars and safes).

A locksmith **must charge** tax for both goods and service for installing, repairing, or servicing locks and locking devices in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §§12-407(2)(i)(T)-1, *Locksmith services,* and 12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty*.

Any fees, such as service call charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for locksmith services.

A general contractor purchasing locksmith services may not issue a resale certificate to the locksmith unless the general contractor's labor is also a service listed as taxable in Conn. Gen. Stat. §12-407(a)(37).

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the repair is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The locksmith purchases integral parts exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Mailboxes

Permanently Installed

An example of a permanently installed mailbox is one installed on a post with a concrete base.

Materials: The contractor pays tax on all purchases of materials including, but not limited to the mailbox and post.

Labor: The contractor does **not** charge tax when permanently installing the mailbox in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when permanently installing the mailbox in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Maintenance Services to Real Property

Maintenance services means attending to the upkeep of, caring for, or cleaning the exterior or interior of buildings, dwellings, structures, and grounds located on any kind of real property. These services are necessary to sustain or support safe, efficient, continuous use or to keep the real property in good working order by preventing its decline, failure, lapse, or deterioration.

Maintenance services include, but are not limited to:

brick washing
chimney sweeping
cleaning gutters
driveway sealing
pond dredging
snow removal
stone washing
house washing (power washing)
resurfacing clay tennis courts

Materials: The maintenance service provider pays tax on the purchase of all cleaning supplies used in performing the service. The maintenance service provider is considered the consumer of these supplies.

Labor: The maintenance service provider **must charge** tax when the repair is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Maintenance services rendered at the residence of a person receiving total disability payments under Social Security are not subject to tax. The contractor should obtain **CERT-121**, *Exemption for Landscaping and Horticulture Services, Window Cleaning Services, and Maintenance Services Provided to Recipients of Total Disability Benefits.*

See Conn. Agencies Regs. §12-407(2)(i)(X)-1, *Maintenance services,* for related information.

Management

Construction Management

Construction managers are usually contracted to oversee the day-to-day operations of all the contractors involved in a construction contract. They verify that all the contractors and subcontractors are performing their services punctually and in accordance with building codes and construction plans.

The construction manager does **not** charge tax when the service is rendered to:

- New construction
- Owner-occupied residential property

The construction manager **must charge** tax when the service is rendered to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Property Management

A property manager is engaged to oversee the day-to-day operations of real property. This usually encompasses contracting for services that are an integral or inseparable part of the property management service, such as electrical, plumbing, landscaping, snow plowing, maintenance, janitorial, and any other services needed to maintain or repair the property. The property manager is allowed to purchase these services on a resale basis as long as the services will be resold to the property owner. The property manager must charge tax on any of the taxable services resold by the manager. See the specific service in this guide for its proper tax treatment.

The property manager **must charge** tax when rendering management services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

The amount charged for the separately stated compensation, fringe benefits, workers' compensation and payroll taxes, or assessments paid to or on behalf of an employee of a property management company is not subject to tax if the following three conditions are met. The employee:

- Is employed directly by the property management company;
- Is doing the work that its employer is obligated to perform under an agreement to manage a client's real property; **and**
- Works solely for one client at one location.

See **Special Notice 93(2)**, *Sales and Use Tax on Charges Made By Service Providers After Air Kaman, Inc. v. Groppo, and 1992 Conn. Pub. Acts 17 (May Spec. Sess.),* for more detailed information on this subject.

Masonry

(See *Brickwork/Stonework*)

Moving a Structure

Materials: The contractor pays tax on all materials used in rendering its service.

Labor: The contractor does **not** charge tax when moving:

- Owner-occupied residential property

The contractor **must charge** tax when moving:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Painting, Staining, Varnishing, and Waterproofing

These services include the painting or repainting of all interior and exterior surfaces of real property for decoration, protection, or preservation purposes. Also included is all line painting on paved surfaces, such as parking lots and tennis courts, but excluding line painting on paved surfaces of public rights-of-way.

These services also include all necessary surface and other preparations prior to the actual painting, where performed as part of the entire job, such as:

applying sealants
applying waterproofing or other protective finish
spackling
planing
power washing
puttying
sanding
taping

Materials: The painting contractor pays tax on all purchases of materials including, but not limited to:

paint *spackling compound*
putty *tape*
sealants

Labor: The painting contractor does **not** charge tax when rendering painting services to:

- New construction
- Owner-occupied residential property

The painting contractor **must charge** tax when rendering painting services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(I)-1, *Services to real property,* for related information.

Patio

(See *Landscaping and Horticulture Services*)

Paving

(See also *Maintenance Services to Real Property*)

Paving involves covering the ground with a hard smooth surface such as:

asphalt *macadam*
poured concrete *tar*

Paving includes the replacement of sections or the complete repaving of:

basketball courts *tennis courts*
driveways *walks*
parking areas

Paving does not include covering driveways, parking areas, and walks with materials such as crushed stone, crushed stone with oil, or gravel. However, these services are taxable when rendered to existing commercial, industrial, and income-producing property.

Paving services do include all preparatory work, where performed as part of the entire job, as well as the subsequent sealing or dressing of the pavement.

Initial Installation

Materials: The paving contractor pays tax on all purchases of materials including:

asphalt *macadam*
concrete *tar*

Labor: The contractor does **not** charge tax when a driveway, parking lot, or walk is paved for the first time. Therefore, if the contractor is putting in a driveway, parking lot, or walkway at a new construction site or paving for the first time an existing driveway, parking lot, or walkway originally constructed of dirt, loose stone, or gravel, the labor is **not** subject to tax on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repair or Replacement (of an existing paved driveway, parking lot, or walkway)

Materials: The paving contractor pays tax on all materials purchased to repair or replace an existing paved driveway, parking lot, walkway, basketball court, or tennis court.

Labor: The contractor **must charge** tax on the labor to repair or replace existing pavement on:

- New construction of commercial, industrial, and income-producing real property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The contractor does **not** charge tax on the labor to repair or replace existing pavement on:

- Owner-occupied residential property

Pest Control

(See *Exterminating*)

Plumbing

Plumbing includes, but is not limited to installation or replacement of:

piping systems
shower stalls
sinks and necessary sink fixtures
toilets and necessary toilet fixtures
tubs and necessary tub fixtures
tub enclosures

Plumbing also includes:

fixing leaking pipes
unclogging drains
thawing frozen pipes
repairing sinks, toilets, and tubs

Materials: The plumbing contractor pays tax on all purchases of materials including, but not limited to:

shower stalls *tubs*
shower heads

Labor: The plumbing contractor does **not** charge tax when performing plumbing services to:

- New construction
- Owner-occupied residential property

The plumbing contractor **must charge** tax when performing plumbing services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Plumbing contractors who perform repair and maintenance services to heating and air conditioning units, garbage disposals, sump pumps, and well pumps should consult the appropriate sections of this guide for the proper tax treatment.

Power Washing

(See *Maintenance Services to Real Property*)

Precast Concrete or Cement Steps

(See *Standard Units of Equipment*)

Protection, Patrol Work, and Watchman Services

Protection, patrol work, and watchman services include, but are not limited to guarding and patrolling construction sites and directing traffic at construction sites. These services are generally taxable. However, if they are provided directly to customers by off-duty police officers and fire fighters and the services, by their nature, can only be provided by licensed police officers and firefighters, the services are not taxable.

Materials: The protection, patrol work, or watchman contractor pays tax on all purchases of materials and equipment that will be used to perform the services.

Labor: The protection, patrol work, and watchman contractor **must charge** tax when performing services to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Protection, patrol work, and watchman services may be purchased on resale by a contractor providing services listed as taxable in Conn. Gen. Stat. §12-407(a)(37) to existing commercial, industrial, or income-producing property, or landscaping services to any type of property.

A public right-of-way is not considered commercial, industrial, or income-producing property. A public right-of-way is property such as a state or municipal street or road and adjacent area. A contractor providing services to a public right-of-way (such as repaving a state road) cannot purchase protection, patrol work, or watchman services on a resale basis. The contractor must pay tax on this purchase.

Refuse Removal

Materials: The refuse removal company pays tax on all materials used in rendering its service. Garbage cans, containers, and dumpsters that are the property of the refuse removal company cannot be purchased on a resale basis. The refuse removal company is the consumer of these items and must pay tax on them even though the refuse removal company may bill the customer for rental of a container. Therefore, charges for the rental of a container is considered refuse removal services and are taxed accordingly.

See **Policy Statement 99(5)**, *Refuse and Sanitary Waste Removal Companies*, for more information.

Labor: The refuse removal company does **not** charge tax to the customer for refuse removal services rendered to:

- New construction
- Owner-occupied residential property

The refuse removal company **must charge** tax to the customer for refuse removal services, including charges for hauling, container or dumpster rental, or dumping fees rendered to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Refuse removal services for construction sites may be purchased on resale by a contractor providing services listed as taxable in Conn. Gen. Stat. §12-407(a)(37)(I) to existing commercial, industrial, or income-producing property.

Services to industrial, commercial, or income-producing real property, rendered in the voluntary evaluation, prevention, treatment, containment, or removal of hazardous waste, or other contaminants of air, water, or soil are not taxable. See **Special Notice 95(17)**, *Certain Environmental Services Excluded from Sales & Use Taxes*, for more information.

Retaining Walls

(See *Landscaping and Horticulture Services*)

Roofing

Initial Installation (New construction)

Materials: The roofing contractor pays tax on all materials incorporated into the roof including, but not limited to:

asphalt	*slate*	*metal*
tile	*shingles*	*wood*

Labor: The roofing contractor does **not** charge tax when the initial roof is installed on:

- New construction
- Owner-occupied residential property

Installation, Repair, and Replacement (Existing real property)

Roofing services include the replacement of part of a roof, the replacement of an entire roof, and the repair of a roof, and include all work performed in preparation for roofing, when performed as part of an entire job.

The services also include the replacement of roof rafters, plywood, wood or other covering, ventilation work, expansion joints, flashings, gutters, metal or composition valleys, rain and draft deflectors, drip edges, snow guards, and snow slides.

Roofing does not include the initial installation of new gutters or the replacement of old gutters on existing real property, the repair or cleaning of chimneys, the cleaning of all types of roof systems such as gutters, downspouts and drains, and the repair or replacement of items such as copings, cornices, electric heating tape, gravel stops and fascias, gutters and downspouts, heating cables, louvers and screens, metal ornaments, metal stacks, and skylights. However, some of these services, such as cleaning chimneys, gutters, downspouts, and drains, are taxable as maintenance services to real property. See *Maintenance Services to Real Property* on Page 43.

Materials: The roofing contractor pays tax on all purchases of materials that will be incorporated into the job.

Labor: The roofing contractor does **not** charge tax when installing the roofing on:

- Owner-occupied residential property

The roofing contractor **must charge** tax when installing the roofing on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §§12-407(2)(i)(I)-1, *Services to real property,* and 12-407(2)(i)(X)-1, *Maintenance services,* for related information.

Sandblasting

Materials: The contractor pays tax on all purchases of materials consumed in rendering sandblasting services.

Labor: The contractor does **not** charge tax when sandblasting on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when sandblasting on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Saunas

(See *Hot Tubs, Spas, and Saunas*)

Septic Systems

(See also *Standard Units of Equipment*)

Installation

Installation of septic systems includes, but is not limited to installation of:

distribution boxes	*lines and pipes*
dry wells	*seepage pits*
grease traps	*septic tanks*
leach fields	

Materials: The contractor pays sales or use tax on all purchases of materials that become part of the septic system.

Labor: The contractor does **not** charge tax on the installation of a septic system in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax on the installation of a septic system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Taxation of the services of repairing or replacing the septic system follows the rules for installation.

Septic System Cleaning

Septic system cleaning includes, but is not limited to:

clearing septic lines
pumping cesspools
pumping dry wells
pumping septic tanks

The contractor does **not** charge tax on septic system cleaning when it is rendered to:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax on septic system cleaning when it is rendered to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Sheds and Gazebos

Prefabricated

A retailer of prefabricated sheds or gazebos is considered to be selling tangible personal property. See *Temporary Sheds, Buildings, and Trailers* on Page 18.

The manufacturer can purchase lumber and materials for the sheds or gazebos exempt by using a resale certificate. The retailer of prefabricated sheds or gazebos **must charge** tax on the completed units.

Separately stated charges for installing prefabricated sheds or gazebos are **not** subject to tax when the sheds or gazebos are placed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repair and maintenance services to prefabricated sheds and gazebos that remain tangible personal property are subject to tax as repairs to tangible personal property.

Constructed on Site

A contractor that builds a shed or gazebo on the customer's site is performing a service to real property.

Materials: The contractor pays tax on all purchases of materials including, but not limited to lumber and building supplies, concrete, or wiring.

Labor: The contractor does **not** charge tax when constructing a new shed or gazebo on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

In general, a contractor does **not** charge tax when repairing or renovating a shed or gazebo that is real property on:

- Owner-occupied residential property

The contractor **must charge** tax when repairing or renovating a shed or gazebo that is real property on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Sheet Metal

(See *Interior Sheet Metal* or *Exterior Sheet Metal Work*)

Siding

Siding services include the replacement or repair of an outside wall or wall covering, such as insulated board or plywood sheathing, done in connection with siding. Siding services also include all the work performed in preparation for siding when performed as part of the entire job.

Materials: The contractor pays tax on all purchases of siding materials including, but not limited to:

aluminum siding
brickface
clapboards
exterior shutters
shakes and other wood coverings
shingles
stucco
vinyl

Labor: The siding contractor does **not** charge tax when installing siding on:

- New construction
- Owner-occupied residential property

The siding contractor **must charge** tax when installing the siding on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(I)-1, *Services to Real Property,* for related information.

Signs

Permanently Installed

Permanently installed signs are signs that become affixed to real property including, but not limited to electrically lighted signs bolted to the fronts of buildings, signs installed on concrete bases and poles, and construction of billboards (not including the advertising placed on them).

Materials: The contractor pays tax on all purchases of materials including, but not limited to the sign, concrete, wiring, lumber, and building supplies.

Labor: The contractor does **not** charge tax when permanently installing the sign on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when permanently installing the sign on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Not Permanently Installed

Examples of signs **not** permanently installed include, but are not limited to real estate for-sale signs placed temporarily in the ground, easily movable free standing signs, and business signs placed in store windows. Signs **not** permanently installed are tangible personal property. The sale of signs that are not permanently installed is taxable. Charges for the installation of signs that are not permanently installed are not taxable if separately stated.

Sign Painting and Lettering Services

Sign painting and lettering services include painting and lettering of indoor or outdoor signs, painting and lettering of names, trademarks, or logos on store fronts, buildings, billboards, motor vehicles, concrete, and marble. These services are generally performed on real property, tangible personal property owned by the customer or on signs provided by the customer.

Materials: The sign painter pays tax on all purchases of materials.

The total bill is subject to tax when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The manufacture and sale of a separate sign by a company that does not install the sign is not a painting and lettering service or service to real property, but the sale of tangible personal property. See *Tangible Personal Property* on Page 18.

Silt Fencing

Silt fencing is installed around a construction site as an erosion control measure. When the construction is complete, the silt fencing is removed.

Materials: The silt fencing contractor pays tax on all purchases of materials.

Labor: The contractor does **not** charge tax when installing the silt fence on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the silt fence on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Snow Plowing/Removal

(See *Maintenance Services to Real Property*)

Spas

(See *Hot Tubs, Spas, and Saunas*)

Sprinkler Systems (Interior)

(See also *Landscaping and Horticulture Services* for exterior sprinkler systems.)

The installation of sprinkler systems inside a building, such as for fire protection, is a service to real property.

Materials: The contractor pays tax on all purchases of materials that become part of the interior sprinkler systems.

Examples of materials are:

sprinkler heads *thermostats*
piping *valves*

Labor: The contractor does **not** charge tax when installing a sprinkler system inside a building in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax on the services to install interior sprinkler systems in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

For the construction of sprinkler systems and irrigation systems installed outside a building, see *Landscaping and Horticulture Services* on Page 42.

Staining

(See *Painting, Staining, Varnishing, and Waterproofing*)

Standard Units of Equipment

Installation

Materials: The sale of complete units of standard equipment is generally a sale of tangible personal property. Examples of standard units of equipment are:

awnings *precast concrete or cement steps*
hatchways *stock cabinets*
*septic tanks**

The contractor purchases the standard units of equipment on resale. The contractor charges tax on the sale of the standard units of equipment. The contractor does not apply tax to a separately stated charge to install the standard units of equipment.

Labor: The contractor does **not** charge tax on the installation of complete standard units of equipment when the service is rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

However, if the installation of complete units of standard equipment is part of an overall construction contract to real property, the installation charges are considered a service to real property.

Example: A contractor installs stock cabinets in the course of performing renovations to an employee cafeteria in an office building. Use tax is due on the cost of materials to the contractor.

The contractor does **not** charge tax when performing these services on:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when performing these services on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

* A septic tank is a complete unit of standard equipment and, if the tank alone is being installed, the installation charges are exempt.

* If a septic tank is being installed as part of an overall septic system installation, the installation of the septic tank is a service to real property. For more information, see *Septic Systems, Installation* on Page 47.

Repairs and Maintenance

Service to repair or maintain an installed unit of standard equipment is a service to real property.

The contractor does **not** charge tax when performing these services on:

- Owner-occupied residential property

The contractor **must charge** tax when performing these services on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See *Awnings* for taxability of repair or maintenance services for awnings that have been removed from a building or structure.

Contractors installing cabinets should review **Policy Statement 94(7)**, *Fabrication and Installation of Stock and Custom Cabinets*, to determine the proper tax treatment.

Stock Cabinets

(See *Standard Units of Equipment*)

Stonework

(See *Brickwork/Stonework*)

Structural Inspection

The contractor does **not** charge tax when rendering structural inspection services to:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when rendering structural inspection services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Sump Pumps

Permanent Installation

Materials: The contractor pays tax on all purchases of materials including, but not limited to the pipe, the pump unit, and shutoff switches.

Labor: The contractor does **not** charge tax when permanently installing a sump pump in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when permanently installing a sump pump in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor **must charge** tax on:

- The sale or renewal of a repair, maintenance, or warranty contract on the sump pump system; **and**
- Repairs to or maintenance of the sump pump, except when performed under a service contract and no additional charge is made for the repair.

These parts include, but are not limited to:

connectors
electrical cords
floats
motors
pump suction heads and shutoff switches

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when services to the sump pump are performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The repair contractor purchases integral parts for the sump pump system exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Taxation of the service of repairing the piping part of the sump pump system follows the rules for permanent installation.

Swimming Pools

(See also *Hot Tubs, Spas, and Saunas*)

Installation of Above Ground Pools

The installation of an above ground pool is not a service to real property because the pool is considered to be tangible personal property and, thus, follows the rules for installation labor for tangible personal property. The installer is considered a retailer of swimming pool kits and purchases all materials exempt by issuing a resale certificate to the contractor's supplier. The installer collects tax on the sale to the end customer.

Labor: The contractor does **not** charge tax on separately stated installation labor when installing the above ground pool on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs to Above Ground Pools

Repairs include, but are not limited to replacing a ripped lining or repairing the vinyl, aluminum, or wood frame of the pool.

The pool contractor purchases integral parts for the above ground pool exempt by issuing a resale certificate to the contractor's supplier.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill is subject to tax when the above ground pool repair is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Installation of Inground Pools

The installation of an inground pool is considered a site improvement which puts the property affected to a new use. Therefore, the original construction of a pool, where a pool never existed before, is considered a new construction contract.

Materials: The contractor pays tax on all purchases of materials incorporated into the swimming pool including, but not limited to:

built-in lights
cement
filters
gravel
liners
lumber
pipes
swimming pool kits
tile

Labor: The contractor does **not** charge tax when constructing the original pool in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs to and Replacement of Inground Pools

The replacement of an existing inground pool is not considered a site improvement and, therefore, follows the rules for repairing an inground pool.

Repairs to inground pools include, but are not limited to filling in cracks in the cement, replacing broken tiles, replacing or patching ripped linings, and replacing built-in lighting fixtures.

Materials: The contractor pays tax on all purchases of materials used in repairing the inground pool including, but not limited to:

cement *tile* *vinyl lining*

Labor: The contractor does **not** charge tax when repairing or renovating an inground pool built on:

- Owner-occupied residential property

The contractor **must charge** tax when repairing or renovating an inground pool built on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Cleaning and Maintenance to Both Above Ground and Inground Pools

Swimming pool cleaning and maintenance services include, but are not limited to:

chemically treating the pool
chlorinating the pool
opening the pool for the season
shock treatment
skimming the pool
vacuuming the pool
winterizing the pool

Materials: The swimming pool cleaning and maintenance contractor pays tax on all purchases of materials used in cleaning or maintaining pools.

Labor: The contractor **must charge** tax when performing swimming pool cleaning and maintenance services to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(AA)-1, *Swimming pool cleaning and maintenance services*.

Repairs to Pool Filters

The contractor **must charge** tax on the charges for:

- The sale or renewal of a repair, maintenance or warranty contract on the filter; **and**
- Repairs to or maintenance of the filter, except when performed under a service contract and no additional charge is made for this repair.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty.*

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for maintenance and repairs to the filter is subject to tax when these services are rendered on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the filter exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See also *Fencing* on Page 33.

Telephone, Audio-Visual, and Computer Cable or Wiring

(See also *Home Entertainment/ Home Theater Systems*)

Permanent Installation

Permanently installed means the cable or wire is built into the real property. Where wiring or cabling is run behind a wall, above a ceiling, or under a floor so that its location is not obvious and it is not readily accessible, the installation is a service to real property and not the installation of tangible personal property. In addition, for the same reason, the removal of permanently installed wiring or cabling is also a service to real property.

Materials: The contractor pays tax on all purchases of material including, but not limited to the cable or wire and wall outlets.

Labor: The contractor does **not** charge tax when permanently installing cable or wiring in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when permanently installing cable or wiring in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

However, separately-stated charges to install telephone, audio-visual, and computer cable or wiring from the wall to the equipment is not taxable as a service to real property because it is not permanently installed into real property.

Testing for Contaminants

Testing for the presence of contaminants such as radon, asbestos, and lead is **not** subject to tax when performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Underground Cables

The installation or repair of underground cable is a service to real property.

Materials: The contractor pays tax on all purchases of materials used to install or repair underground cable.

Labor: The contractor does **not** charge tax when repairing or installing underground cable in:

- New construction
- Owner-occupied residential property
- Real property located within a public right-of-way

The contractor **must charge** tax when repairing or installing underground cable in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

For services rendered on public rights-of-way, see Page 10.

Underground Storage Tanks

Underground storage tanks include, but are not limited to:

gasoline storage tanks
heating oil storage tanks
propane storage tanks

Installation

A retailer of underground storage tanks is considered to be selling tangible personal property.

The retailer of underground storage tanks can purchase the tanks without paying tax by using a resale certificate. The retailer of underground storage tanks must charge tax on the sale of the tanks.

Separately stated charges for installing the underground storage tanks are not subject to tax. The removal of underground storage tanks is not subject to tax.

A septic tank is not an underground storage tank. See also *Septic Systems* on Page 47 and *Standard Units of Equipment* on Page 50.

Varnishing

(See *Painting, Staining, Varnishing, and Waterproofing*)

Ventilation Systems

(See also *Clean Room/HVAC Systems*)

Installation

Ventilation systems include, but are not limited to:

attic fans *roof vents* *exhaust fans*

Materials: The contractor pays tax on all purchases of materials including but not limited to:

duct work *shutters*
electrical switches *fan units*

Labor: The contractor does **not** charge tax for permanently installing a ventilation system in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax for permanently installing a ventilation system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance of Fan Units

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the ventilation system; **and**
- Repairs or maintenance of the fan units, except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for maintenance and repairs to ventilation system fan units is subject to tax when the services are rendered to:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

The taxation of repairing the duct work follows the rules for installation.

Integral Parts

The contractor purchases integral parts for the fan units exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Wallpapering

Wallpapering means the application of wallpaper or wall fabric to interior walls and ceilings. The services also include all necessary preparations prior to the wallpapering, such as removing old wallpaper, steaming, puttying, taping, spackling, and sizing.

Materials: The wallpapering contractor pays tax on all purchases of materials including but not limited to:

paste *tape*
spackling compound *wallpaper*

Labor: The contractor does **not** charge tax when rendering wallpapering services to:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when rendering wallpapering services to:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

See Conn. Agencies Regs. §12-407(2)(i)(I)-1, *Services to real property*, for related information.

Walls

(For exterior walls, see *Landscaping and Horticulture Services*)

Installation of Interior Walls

Materials: The contractor pays tax on all purchases of materials used to install interior walls into the structure including, but not limited to:

baseboard molding	*grout*
ceramic tile	*wallboard*
insulation	*wood paneling*

Labor: The contractor does **not** charge tax when installing, insulating, or repairing walls in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing, insulating, or repairing walls in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Also see *Painting, Staining, Varnishing, and Waterproofing* on Page 44.

Water Heaters

Installation

Materials: The contractor pays tax on the hot water heater, piping, and on all materials used in the installation.

Labor: The contractor does **not** charge tax when installing the hot water heater in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the water heating system in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the hot water heater; **and**
- Repairs to or maintenance of the hot water heater, except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for cleaning, maintenance and repairs to the hot water heater is subject to tax when the repair is rendered in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the hot water heater exempt by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products*, which describes the exclusion and provides rules regarding whether a sale takes place during the exclusion period.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty.*

Waterproofing

(See *Painting, Staining, Varnishing, and Waterproofing*)

Weatherization Products

(See also *Energy Audits*, *Heating Systems*, *Water Heaters*, and *Windows*)

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products*, which describes the exclusion and provides rules regarding whether a sale takes place during the exclusion period.

Welding

A welder may operate as a contractor, repairer of tangible personal property, or a retailer of fabrication labor. A welder performing services to real property is operating as a contractor.

Welder as Contractor

Materials: The welder pays tax on all purchases of materials including, but not limited to welding rods and solder.

Labor: The welder does **not** charge tax when welding services are performed on:

- New construction
- Owner-occupied residential property

The welder **must charge** tax when welding services are performed on:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Welder as Repairer of Tangible Personal Property

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for welding repairs to tangible personal property is subject to tax.

Integral Parts

The welder purchases integral parts exempt by issuing a resale certificate to the contractor's supplier.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

Welder as Retailer of Fabrication Labor

Materials: The welder purchases materials that will be incorporated into the finished product exempt by issuing a resale certificate to the contractor's supplier.

Fabrication Labor: Fabrication labor is the labor required to modify or assemble materials to produce a finished product.

The total bill for fabricating a finished product is subject to tax.

There are special rules for welding as part of the manufacturing process. For more information, see **Special Notice 93(1.1)**, *The Manufacturing Recovery Act of 1992 Exemption for Purchases of Property Used In Manufacturing, Processing and Fabricating.*

Wells and Pumps

Installation

Materials: The contractor pays tax on all purchases of materials including, but not limited to:

filters *pipe* *well pumps*

Labor: The contractor does **not** charge tax when installing the well in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing the well in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Repairs and Maintenance of Pumps

The contractor **must charge** tax for:

- The sale or renewal of a repair, maintenance, or warranty contract on the well pump; **and**
- Repairs to or maintenance of the well pump except when performed under a service contract and no additional charge is made for the repair.

The bill to the customer should be broken down into two components:

- Integral parts
- Labor

The total bill for cleaning, maintenance, and repairs to the well pump is subject to tax when the repair is rendered in:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Integral Parts

The contractor purchases integral parts for the well pump exempt from sales or use tax by issuing a resale certificate to the vendor.

Integral parts purchased for use in performing services under a **maintenance, repair, or warranty contract** are not subject to tax unless a charge for the parts is made by the contractor to the customer. For the definition of integral part, see *Repair or Maintenance of Tangible Personal Property (Units)* on Page 19. Also see *Warranty Contracts* on Page 19 for more information on warranty contracts.

See Conn. Agencies Regs. §12-407(2)(i)(DD)-1, *Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty,* and Conn. Agencies Regs. §12-407(2)(i)(Q)-1, *Electrical and electronic repair services.*

Replacement of Well Pumps

Materials*:* The contractor pays tax on all purchases of materials.

Labor: The contractor does **not** charge tax when replacing the well pump in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when replacing the well pump in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

Windows

Installation and Replacement

Materials: The contractor pays tax on all purchases of materials including, but not limited to the window, the frame, putty, caulking, and all the accompanying hardware.

Labor: The contractor does **not** charge tax when installing or replacing windows in:

- New construction
- Owner-occupied residential property

The contractor **must charge** tax when installing or replacing windows in:

- Existing commercial property
- Existing industrial property
- Existing income-producing property

2006 legislation reinstitutes an exclusion from sales and use taxes for residential weatherization products for the period of June 1, 2006, through June 30, 2007. See **Special Notice 2006(1.1)**, *Sales Tax Holiday for Home Weatherization Products,* which describes the exclusion and provides rules for whether a sale takes place during the exclusion period.

For painting windows, see *Painting, Staining, Varnishing, and Waterproofing*.

Window Cleaning

Window cleaning services means cleaning windows and exterior and interior glass when rendered to any real property.

The window cleaner pays tax on the purchase of all cleaning supplies. The window cleaner **must charge** tax on the total charge for window cleaning when the service is performed on:

- New construction
- Owner-occupied residential property
- Existing commercial property
- Existing industrial property
- Existing income-producing property

Window cleaning services rendered at the residence of a person receiving total disability payments under Social Security are not subject to tax. The contractor should obtain **CERT-121**, *Exemption for Landscaping and Horticulture Services, Window Cleaning Services, and Maintenance Services Provided to Recipients of Total Disability Benefits.*

See Conn. Agencies Regs. §12-407(2)(i)(W)-1, *Window cleaning services,* for related information.

Window Treatments

The installation of window treatments (such as interior shutters, curtains, blinds and shades) is not considered a service to real property. The sale of interior window treatments is taxable as a sale of tangible personal property. A separately stated charge for installing the items is not taxable.

Wiring

(See *Telephone, Audio-Visual, Computer Cable or Wiring*)

notes

Appendix

notes

Facts for Example 1:

- This is a taxable renovation to commercial property.
- Tax is paid by the subcontractors on materials at the time of purchase. All materials for this job are purchased by the subcontractors.
- Subcontractors accept resale certificates for the service portion of the bill from the general contractor.
- The general contractor charges the property owner 6% tax on the service portion of the contract.

Example 1

General contractor bills owner by separately stating the charges for taxable service and the tax on the service. Resale certificates issued by general contractor to subcontractors for taxable services.

Subcontractor:

The carpenter bills the general contractor $70,000.

Materials purchased	$47,169.81
Tax paid by sub	$ 2,830.19
Total materials cost	$50,000.00
Sub's charge for service	$20,000.00
Total	$70,000.00

Subcontractor:

The plumber bills the general contractor $10,000.

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
Total	$10,000.00

Subcontractor:

The electrician bills the general contractor $10,000.

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
Total	$10,000.00

Issues resale certificate for service portion of bill.

Issues resale certificate for service portion of bill.

Issues resale certificate for service portion of bill.

General Contractor bills the property owner $100,000 plus sales tax.

$ 60,000.00	Materials (tax paid by subcontractors)
$ 40,000.00	Service (includes general contractor's charge)
$ 2,400.00	Tax on service
$102,400.00	Total billed to property owner

Breakdown of General Contractor's Books:

MATERIALS:	
Plumber	$ 5,000.00*
Carpenter	$50,000.00*
Electrician	$ 5,000.00*
Total	$60,000.00
SERVICE:**	
Plumber	$ 5,000.00
Carpenter	$20,000.00
Electrician	$ 5,000.00
General Contractor	$10,000.00
Total Service	$40,000.00
Sales Tax on Service	$ 2,400.00
Grand Total	**$102,400.00**

* Includes tax paid by the subcontractors to their vendors

** **Note:** See *Service Charges* on Page 10.

Department of Revenue Services
PO Box 5030
Hartford CT 06102-5030

Form OS-114
Sales and Use Tax Return

For Period Ending ►	
Connecticut Tax Registration Number ►	
Federal Employer Identification Number	
Due Date	
For Department Use Only	

General Instructions

1. You **must file** a return even if no tax is due or no sales were made.
2. Return must be postmarked on or before the due date.
3. **Deductions**: Fill out reverse side of this form if you claim deductions.
4. **Interest**: For late payment - 1% of tax due per month from due date.
5. **Penalty**: For failure to pay tax when due - 15% of tax due or $50, whichever is greater.
6. **New owners**: Do not use previous owner's form to file your return. Any change in ownership requires a new permit.
7. You **must round off** cents to the nearest whole dollar on your returns and schedules.
8. Make check payable to: **Commissioner of Revenue Services**. DRS may submit your check to your bank electronically. Include the Tax Registration Number on your check. For complete instructions, see **Form O-88.**

Example 1

(General Contractor's Return)

☐ Check here if this is an **amended** return.

Rounding: You must round off cents to the nearest whole dollars on your return. If you do not round, DRS will round for you.

Complete return in **blue or black ink only**.

1	Gross receipts from sales of goods ►	1		
2	Gross receipts from leases and rentals ►	2		
3	Gross receipts from labor and services ►	3	**100,000**	**00**
4	Purchases of goods by your business subject to **use** tax ►	4		
5	Leases and rentals by your business subject to **use** tax ►	5		
6	Purchase of services by your business subject to **use** tax ►	6		
7	Total: Add Lines 1 through 6. ►	7	**100,000**	**00**
8	Total deductions: Complete reverse side and enter the amount from Total Deductions here. ►	8	**60,000**	**00**
9	Balance subject to tax: Subtract Line 8 from Line 7, but not less than zero. ►	9	**40,000**	**00**
10	Gross amount of tax due: Multiply Line 9 by 6% (.06). ►	10	**2,400**	**00**
11	For an amended return only, enter the tax paid on prior return. ►	11		
12	Net amount of tax due: Subtract Line 11 from Line 10. ►	12	**2,400**	**00**
13	For late payment of tax: See General Instructions above. Interest ► _____ + Penalty ► _____ =	13		
14	Total amount due: Add Line 12 and Line 13. ►	14	**2,400**	**00**

SAMPLE

Check any boxes that apply and provide the information requested:

☐ If you are permanently out of business, enter last business date: _____

☐ New mailing address or trade name:

Enter new mailing address: _____

_____

Enter new trade name: _____

☐ If this is your first return, enter business start date: _____

☐ New physical location: _____
Enter new physical location:
(PO box is not acceptable.) _____

☐ New ownership:
Enter name of new owner: _____

Address of new owner: _____

Date sold: _____

Declaration: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return or document to DRS is a fine of not more than $5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

Taxpayer's Signature	Title	Date
Paid Preparer's Signature	Paid Preparer's Address	Date

(Rev. 11/05)

Did you know you can file this form by Internet or Telephone?	File by Internet or Telephone CONNECTICUT FILE FAST	Website: www.ct.gov/DRS (for information and filing) Call: 860-947-1988 (for filing) 860-297-5962 (for information)

Deductible Items at 6% Tax Rate

15	Sales for resale - sales of goods ▶		15		
16	Sales for resale - leases and rentals ▶		16		
17	Sales for resale - labor and services ▶		17		
18	All newspapers and subscription sales of magazines and puzzle magazines ▶		18		
19	Trucks with gross vehicle weight rating over 26,000 lbs. or used exclusively for carriage of interstate freight ▶		19		
21	Food for human consumption, food sold in vending machines, and any items purchased with food stamps ▶		21		
23	Fuel for motor vehicles ▶		23		
24	Sales of electricity, gas, and heating fuel for residential dwellings	**For Utility and** ▶	24		
25	Sales of electricity - $150 monthly charge per business	**Heating Fuel Companies** ▶	25		
26	Sales of electricity, gas, and heating fuel for manufacturing or agricultural production	**Only** ▶	26		
27	Aviation fuel ▶		27		
29	Tangible personal property to persons issued a Farmer Tax Exemption Permit ▶		29		
30	Machinery, its replacement, repair, component and enhancement parts, materials, tools, and fuel for manufacturing ▶		30		
31	Machinery, materials, tools, and equipment used in commercial printing process or publishing ▶		31		
32	Vessels, machinery, materials, tools, and fuel for commercial fishing ▶		32		
33	Out-of-state - sales of goods ▶		33		
34	Out-of-state - leases and rentals ▶		34		
35	Out-of-state - labor and services ▶		35		
36	Motor vehicles or vessels purchased by nonresidents ▶		36		
37	Prescription medicines - sales of goods ▶		37		
38	Nonprescription medicines and diabetic equipment - sales of goods ▶		38		
39	Charitable or religious organizations - sales of goods ▶		39		
40	Charitable or religious organizations - leases and rentals ▶		40		
41	Charitable or religious organizations - labor and services ▶		41		
42	Federal, Connecticut, or municipal agencies - sales of goods ▶		42		
43	Federal, Connecticut, or municipal agencies - leases and rentals ▶		43		
44	Federal, Connecticut, or municipal agencies - labor and services ▶		44		
45	Items certified for air or water pollution abatement - sales, leases, and rentals of goods ▶		45		
47	Nontaxable labor and services ▶		47		
48	Services between wholly owned business entities (See instructions, Form O-88.) ▶		48		
50	Trade-ins of all like-kind tangible personal property (See instructions, Form O-88.) ▶		50		
52	Taxed goods returned within 90 days at 6% (.06) rate ▶		52		
56	Oxygen, blood plasma, prostheses, etc. - sales, leases, rentals, or repair services of goods ▶		56		
58	Printed material for future delivery out of state ▶		58		
59	Articles of clothing or footwear under $50 ▶		59		
60	Material and components for noncommercial production of clothing ▶		60		
63	Funeral expenses (See instructions, Form O-88.) ▶		63		
69	Repair services, repair and replacement parts for aircraft, and certain aircraft (See instructions, Form 0-88.) ▶		69		
71	Certain machinery under the Manufacturing Recovery Act of 1992 (See instructions, Form 0-88.) ▶		71		
72	Machinery, equipment, tools, supplies, and fuel used in the biotechnology industry ▶		72		
73	Repair and maintenance services and fabrication labor to vessels (See instructions, Form 0-88.) ▶		73		
74	Computer and data processing services (See instructions, Form 0-88.) ▶		74		
75	Renovation and repair services to residential real property (See instructions, Form O-88.) ▶		75		
77	Sales of qualifying items to direct payment permit holders ▶		77		
78	Sales of college textbooks ▶		78		
79	Sales tax holiday (See instructions, Form 0-88.) ▶		79		
A	Other Adjustments - sales of goods (Describe: *Materials consumed, including tax paid*) ▶		A	**60,000**	**00**
B	Other Adjustments - leases and rentals (Describe:) ▶		B		
C	Other Adjustments - labor and services (Describe:) ▶		C		
	Total Deductions (Enter here and on Line 8 on the front of this return.)			**60,000**	**00**

SAMPLE

notes

Facts for Example 2:

- This is a taxable renovation to commercial property.
- Tax is paid by the subcontractors on materials at the time of purchase. All materials for this job are purchased by the subcontractors.
- No resale certificates are issued to or accepted by the subcontractors.
- The general contractor will charge 6% tax on only his charge for service because he already paid tax on the subcontractors' services.

Example 2

General contractor bills owner by separately stating the charges for taxable service and the tax thereon. No resale certificates issued by general contractor to subcontractors for taxable services.

Subcontractor:
The plumber bills the general contractor $10,000 plus sales tax.

Breakdown of subcontractor's books:

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
6% tax on service	$ 300.00
Total	$10,300.00

Subcontractor:
The carpenter bills the general contractor $70,000 plus sales tax.

Breakdown of subcontractor's books:

Materials purchased	$47,169.81
Tax paid by sub	$ 2,830.19
Total materials cost	$50,000.00
Sub's charge for service	$20,000.00
6% tax on service	$ 1,200.00
Total	$71,200.00

Subcontractor:
The electrician bills the general contractor $10,000 plus sales tax.

Breakdown of subcontractor's books:

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
6% tax on service	$ 300.00
Total	$10,300.00

Subcontractor collects tax from general contractor on the service portion of the bill.

Subcontractor collects tax from general contractor on the service portion of the bill.

Subcontractor collects tax from general contractor on the service portion of the bill.

Breakdown of General Contractor's Books:

CONTRACT PRICE:		**$100,000.00**
SUBCONTRACTS:		
Plumber	$ 10,300.00	
Carpenter	$ 71,200.00	
Electrician	$ 10,300.00	
Total sub cost		$ 91,800.00
General Contractor's Service*:		$ 10,000.00
Sales Tax :		$ 600.00
Grand Total:		**$102,400.00**

* **Note:** See *Service Charges* on Page 10.

General contractor bills property owner $100,000 plus sales tax.

$ 60,000.00	Subcontractors' materials (tax paid)
$ 31,800.00	Subcontractors' services (tax paid)
$ 10,000.00	General contractor's service
$600.00	Tax on general contractor's service
$102,400.00	Total bill to property owner

Reported on Line 3 of Form OS-114

Total sub cost	91, 800.00
General contractor's services (without tax)	10,000.00
Total Line 3	101,800.00

Department of Revenue Services
PO Box 5030
Hartford CT 06102-5030

Form OS-114
Sales and Use Tax Return

For Period Ending ►	
Connecticut Tax Registration Number ►	
Federal Employer Identification Number	
Due Date	
For Department Use Only	

☐ Check here if this is an **amended** return.

Rounding: You must round off cents to the nearest whole dollars on your return. If you do not round, DRS will round for you.

Complete return in **blue or black ink only**.

General Instructions

1. You **must file** a return even if no tax is due or no sales were made.
2. Return must be postmarked on or before the due date.
3. **Deductions**: Fill out reverse side of this form if you claim deductions.
4. **Interest**: For late payment - 1% of tax due per month from due date.
5. **Penalty**: For failure to pay tax when due - 15% of tax due or $50, whichever is greater.
6. **New owners**: Do not use previous owner's form to file your return. Any change in ownership requires a new permit.
7. You **must round off** cents to the nearest whole dollar on your returns and schedules.
8. Make check payable to: **Commissioner of Revenue Services**. DRS may submit your check to your bank electronically. Include the Tax Registration Number on your check. For complete instructions, see **Form O-88.**

Example 2

(General Contractor's Return)

1	Gross receipts from sales of goods ►	1		
2	Gross receipts from leases and rentals ►	2		
3	Gross receipts from labor and services ►	3	**101,800**	**00**
4	Purchases of goods by your business subject to **use** tax ►	4		
5	Leases and rentals by your business subject to **use** tax ►	5		
6	Purchase of services by your business subject to **use** tax ►	6		
7	Total: Add Lines 1 through 6. ►	7	**101,800**	**00**
8	Total deductions: Complete reverse side and enter the amount from Total Deductions here. ►	8	**91,800**	**00**
9	Balance subject to tax: Subtract Line 8 from Line 7, but not less than zero. ►	9	**10,000**	**00**
10	Gross amount of tax due: Multiply Line 9 by 6% (.06). ►	10	**600**	**00**
11	For an amended return only, enter the tax paid on prior return. ►	11		
12	Net amount of tax due: Subtract Line 11 from Line 10. ►	12	**600**	**00**
13	For late payment of tax: See General Instructions above. Interest ► _____ + Penalty ► _____ =	13		
14	Total amount due: Add Line 12 and Line 13. ►	14	**600**	**00**

Check any boxes that apply and provide the information requested:

☐ If you are permanently out of business, enter last business date: _____

☐ New mailing address or trade name:

Enter new mailing address: _____

_____

Enter new trade name: _____

☐ If this is your first return, enter business start date: _____

☐ New physical location:
Enter new physical location:
(PO box is not acceptable.) _____

☐ New ownership:
Enter name of new owner: _____

Address of new owner: _____

Date sold: _____

Declaration: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return or document to DRS is a fine of not more than $5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

Taxpayer's Signature	Title	Date
Paid Preparer's Signature	Paid Preparer's Address	Date

(Rev. 11/05)

Did you know you can file this form by Internet or Telephone?		Website: **www.ct.gov/DRS** (for information and filing) Call: **860-947-1988** (for filing) **860-297-5962** (for information)

Deductible Items at 6% Tax Rate

15	Sales for resale - sales of goods	▶	15		
16	Sales for resale - leases and rentals	▶	16		
17	Sales for resale - labor and services	▶	17		
18	All newspapers and subscription sales of magazines and puzzle magazines	▶	18		
19	Trucks with gross vehicle weight rating over 26,000 lbs. or used exclusively for carriage of interstate freight	▶	19		
21	Food for human consumption, food sold in vending machines, and any items purchased with food stamps	▶	21		
23	Fuel for motor vehicles	▶	23		
24	Sales of electricity, gas, and heating fuel for residential dwellings **For Utility and**	▶	24		
25	Sales of electricity - $150 monthly charge per business **Heating Fuel Companies**	▶	25		
26	Sales of electricity, gas, and heating fuel for manufacturing or agricultural production **Only**	▶	26		
27	Aviation fuel	▶	27		
29	Tangible personal property to persons issued a Farmer Tax Exemption Permit	▶	29		
30	Machinery, its replacement, repair, component and enhancement parts, materials, tools, and fuel for manufacturing	▶	30		
31	Machinery, materials, tools, and equipment used in commercial printing process or publishing	▶	31		
32	Vessels, machinery, materials, tools, and fuel for commercial fishing	▶	32		
33	Out-of-state - sales of goods	▶	33		
34	Out-of-state - leases and rentals	▶	34		
35	Out-of-state - labor and services	▶	35		
36	Motor vehicles or vessels purchased by nonresidents	▶	36		
37	Prescription medicines - sales of goods	▶	37		
38	Nonprescription medicines and diabetic equipment - sales of goods	▶	38		
39	Charitable or religious organizations - sales of goods	▶	39		
40	Charitable or religious organizations - leases and rentals	▶	40		
41	Charitable or religious organizations - labor and services	▶	41		
42	Federal, Connecticut, or municipal agencies - sales of goods	▶	42		
43	Federal, Connecticut, or municipal agencies - leases and rentals	▶	43		
44	Federal, Connecticut, or municipal agencies - labor and services	▶	44		
45	Items certified for air or water pollution abatement - sales, leases, and rentals of goods	▶	45		
47	Nontaxable labor and services	▶	47		
48	Services between wholly owned business entities (See instructions, Form O-88.)	▶	48		
50	Trade-ins of all like-kind tangible personal property (See instructions, Form O-88.)	▶	50		
52	Taxed goods returned within 90 days at 6% (.06) rate	▶	52		
56	Oxygen, blood plasma, prostheses, etc. - sales, leases, rentals, or repair services of goods	▶	56		
58	Printed material for future delivery out of state	▶	58		
59	Articles of clothing or footwear under $50	▶	59		
60	Material and components for noncommercial production of clothing	▶	60		
63	Funeral expenses (See instructions, Form O-88.)	▶	63		
69	Repair services, repair and replacement parts for aircraft, and certain aircraft (See instructions, Form 0-88.)	▶	69		
71	Certain machinery under the Manufacturing Recovery Act of 1992 (See instructions, Form 0-88.)	▶	71		
72	Machinery, equipment, tools, supplies, and fuel used in the biotechnology industry	▶	72		
73	Repair and maintenance services and fabrication labor to vessels (See instructions, Form 0-88.)	▶	73		
74	Computer and data processing services (See instructions, Form 0-88.)	▶	74		
75	Renovation and repair services to residential real property (See instructions, Form O-88.)	▶	75		
77	Sales of qualifying items to direct payment permit holders	▶	77		
78	Sales of college textbooks	▶	78		
79	Sales tax holiday (See instructions, Form 0-88.)	▶	79		
A	Other Adjustments - sales of goods (Describe: *Materials consumed, including tax paid*)	▶	A	**60,000**	**00**
B	Other Adjustments - leases and rentals (Describe:)	▶	B		
C	Other Adjustments - labor and services (Describe: *Subcontractor's service, including tax*)	▶	C	**31,800**	**00**
	Total Deductions (Enter here and on Line 8 on the front of this return.)			**91,800**	**00**

notes

Example 3

General contractor bills the owner on a sales tax included basis. Resale certificates issued by general contractor to subcontractors for taxable services.

Facts for Example 3:

- This is a taxable renovation to commercial property.
- Tax is paid by the subcontractors on materials at the time of purchase. All materials for this job are purchased by the subcontractors.
- Subcontractors accept resale certificates for the service portion of the bill from the general contractor.
- The general contractor bills the owner on a sales tax included basis for the service portion of the bill.
- The general contractor determines the gross receipts from taxable service by multiplying the total charges for taxable service by .943. The tax is determined by subtracting the gross receipts from the total charges for taxable service.

Subcontractor:

The carpenter bills the generalcontractor $70,000.

Materials purchased	$47,169.81
Tax paid by sub	$ 2,830.19
Total materials cost	$50,000.00
Sub's charge for service	$20,000.00
Total	$70,000.00

Subcontractor:

The plumber bills the general contractor $10,000.

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
Total	$10,000.00

Subcontractor:

The electrician bills the general contractor $10,000.

Materials purchased	$ 4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$ 5,000.00
Sub's charge for service	$ 5,000.00
Total	$10,000.00

Issues resale certificate for service portion of bill.

Issues resale certificate for service portion of bill.

Issues resale certificate for service portion of bill.

Breakdown of General Contractor's Books:

MATERIALS:

Plumber	$ 5,000.00*
Carpenter	$50,000.00*
Electrician	$ 5,000.00*
Total	$60,000.00*

* Includes sales tax paid by the subcontractors to their vendors

SERVICE:**

Plumber	$ 5,000.00
Carpenter	$20,000.00
Electrician	$ 5,000.00
General Contractor	$30,000.00
Total Charges for Service	$60,000.00
The Alternative Factor	x .943
Total Charge for Service	$56,580.00
Sales Tax	$ 3,420.00
Grand Total:	**$120,000.00**

tax included

without tax

** **Note:** See *Service Charges* on Page 10.

General contractor bills property owner $120,000 (sales tax included).

Reported on Line 3 of Form OS-114

Total materials	60,000.00
Total charge for labor (without tax)	56,580.00
Total Line 3	116,580.00

Department of Revenue Services
PO Box 5030
Hartford CT 06102-5030

Form OS-114
Sales and Use Tax Return

For Period Ending ►	
Connecticut Tax Registration Number ►	
Federal Employer Identification Number	
Due Date	
For Department Use Only	

General Instructions

1. You **must file** a return even if no tax is due or no sales were made.
2. Return must be postmarked on or before the due date.
3. **Deductions**: Fill out reverse side of this form if you claim deductions.
4. **Interest**: For late payment - 1% of tax due per month from due date.
5. **Penalty**: For failure to pay tax when due - 15% of tax due or $50, whichever is greater.
6. **New owners**: Do not use previous owner's form to file your return. Any change in ownership requires a new permit.
7. You **must round off** cents to the nearest whole dollar on your returns and schedules.
8. Make check payable to: **Commissioner of Revenue Services**. DRS may submit your check to your bank electronically. Include the Tax Registration Number on your check. For complete instructions, see **Form O-88.**

Example 3

(General Contractor's Return)

☐ Check here if this is an **amended** return.

Rounding: You must round off cents to the nearest whole dollars on your return. If you do not round, DRS will round for you.

Complete return in **blue or black ink only**.

1	Gross receipts from sales of goods ►	1		
2	Gross receipts from leases and rentals ►	2		
3	Gross receipts from labor and services ►	3	**116,580**	**00**
4	Purchases of goods by your business subject to **use** tax ►	4		
5	Leases and rentals by your business subject to **use** tax ►	5		
6	Purchase of services by your business subject to **use** tax ►	6		
7	Total: Add Lines 1 through 6. ►	7	**116,580**	**00**
8	Total deductions: Complete reverse side and enter the amount from Total Deductions here. ►	8	**60,000**	**00**
9	Balance subject to tax: Subtract Line 8 from Line 7, but not less than zero. ►	9	**56,580**	**00**
10	Gross amount of tax due: Multiply Line 9 by 6% (.06). ►	10	**3,420**	**00**
11	For an amended return only, enter the tax paid on prior return. ►	11		
12	Net amount of tax due: Subtract Line 11 from Line 10. ►	12	**3,420**	**00**
13	For late payment of tax: See General Instructions above. Interest ► _____ + Penalty ► _____ =	13		
14	Total amount due: Add Line 12 and Line 13. ►	14	**3,420**	**00**

Check any boxes that apply and provide the information requested:

☐ If you are permanently out of business, enter last business date: _____

☐ New mailing address or trade name:

Enter new mailing address: _____

_____

Enter new trade name: _____

☐ If this is your first return, enter business start date: _____

☐ New physical location: _____
Enter new physical location:
(PO box is not acceptable.) _____

☐ New ownership:
Enter name of new owner: _____

Address of new owner: _____

Date sold: _____

Declaration: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return or document to DRS is a fine of not more than $5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

Taxpayer's Signature	Title	Date
Paid Preparer's Signature	Paid Preparer's Address	Date

(Rev. 11/05)

Did you know you can file this form by Internet or Telephone?



Website: **www.ct.gov/DRS**
(for information and filing)

Call: **860-947-1988** (for filing)
860-297-5962 (for information)

Deductible Items at 6% Tax Rate

15	Sales for resale - sales of goods ▶	15		
16	Sales for resale - leases and rentals ▶	16		
17	Sales for resale - labor and services ▶	17		
18	All newspapers and subscription sales of magazines and puzzle magazines ▶	18		
19	Trucks with gross vehicle weight rating over 26,000 lbs. or used exclusively for carriage of interstate freight ▶	19		
21	Food for human consumption, food sold in vending machines, and any items purchased with food stamps ▶	21		
23	Fuel for motor vehicles ▶	23		
24	Sales of electricity, gas, and heating fuel for residential dwellings **For Utility and** ▶	24		
25	Sales of electricity - $150 monthly charge per business **Heating Fuel Companies** ▶	25		
26	Sales of electricity, gas, and heating fuel for manufacturing or agricultural production **Only** ▶	26		
27	Aviation fuel ▶	27		
29	Tangible personal property to persons issued a Farmer Tax Exemption Permit ▶	29		
30	Machinery, its replacement, repair, component and enhancement parts, materials, tools, and fuel for manufacturing ▶	30		
31	Machinery, materials, tools, and equipment used in commercial printing process or publishing ▶	31		
32	Vessels, machinery, materials, tools, and fuel for commercial fishing ▶	32		
33	Out-of-state - sales of goods ▶	33		
34	Out-of-state - leases and rentals ▶	34		
35	Out-of-state - labor and services ▶	35		
36	Motor vehicles or vessels purchased by nonresidents ▶	36		
37	Prescription medicines - sales of goods ▶	37		
38	Nonprescription medicines and diabetic equipment - sales of goods ▶	38		
39	Charitable or religious organizations - sales of goods ▶	39		
40	Charitable or religious organizations - leases and rentals ▶	40		
41	Charitable or religious organizations - labor and services ▶	41		
42	Federal, Connecticut, or municipal agencies - sales of goods ▶	42		
43	Federal, Connecticut, or municipal agencies - leases and rentals ▶	43		
44	Federal, Connecticut, or municipal agencies - labor and services ▶	44		
45	Items certified for air or water pollution abatement - sales, leases, and rentals of goods ▶	45		
47	Nontaxable labor and services ▶	47		
48	Services between wholly owned business entities (See instructions, Form O-88.) ▶	48		
50	Trade-ins of all like-kind tangible personal property (See instructions, Form O-88.) ▶	50		
52	Taxed goods returned within 90 days at 6% (.06) rate ▶	52		
56	Oxygen, blood plasma, prostheses, etc. - sales, leases, rentals, or repair services of goods ▶	56		
58	Printed material for future delivery out of state ▶	58		
59	Articles of clothing or footwear under $50 ▶	59		
60	Material and components for noncommercial production of clothing ▶	60		
63	Funeral expenses (See instructions, Form O-88.) ▶	63		
69	Repair services, repair and replacement parts for aircraft, and certain aircraft (See instructions, Form 0-88.) ▶	69		
71	Certain machinery under the Manufacturing Recovery Act of 1992 (See instructions, Form 0-88.) ▶	71		
72	Machinery, equipment, tools, supplies, and fuel used in the biotechnology industry ▶	72		
73	Repair and maintenance services and fabrication labor to vessels (See instructions, Form 0-88.) ▶	73		
74	Computer and data processing services (See instructions, Form 0-88.) ▶	74		
75	Renovation and repair services to residential real property (See instructions, Form O-88.) ▶	75		
77	Sales of qualifying items to direct payment permit holders ▶	77		
78	Sales of college textbooks ▶	78		
79	Sales tax holiday (See instructions, Form 0-88.) ▶	79		
A	Other Adjustments - sales of goods (Describe: *Materials consumed, including tax paid*) ▶	A	**60,000**	**00**
B	Other Adjustments - leases and rentals (Describe:) ▶	B		
C	Other Adjustments - labor and services (Describe:) ▶	C		
	Total Deductions (Enter here and on Line 8 on the front of this return.)		**60,000**	**00**

notes

Example 4

General contractor bills owner on a sales tax included basis. No resale certificates issued by general contractor to subcontractors for taxable services.

Facts for Example 4:

- This is a taxable renovation to commercial property.
- Tax is paid by the subcontractors on materials at the time of purchase. All materials for this job are purchased by the subcontractors.
- No resale certificates are issued to or accepted by the subcontractors.
- The general contractor determines the gross receipts from taxable service by multiplying the general contractor's charge for service (sales tax included) by .943. The tax is determined by subtracting the general contractor's gross receipts for taxable service from the general contractor's charge for service.

Subcontractor:

The carpenter bills the general contractor $70,000 (sales tax included).

Breakdown of subcontractor's books:

Materials purchased	$47,169.81	
Tax paid by sub	$ 2,830.19	
Total materials cost	$50,000.00	
Sub's charge for service	$20,000.00	tax included
The alternative factor	x .943	
Sub's charge for service	$18,860.00	without tax
Tax on service	$ 1,140.00	

Subcontractor:

The plumber bills the general contractor $10,000 (sales tax included).

Breakdown of subcontractor's books:

Materials purchased	$4,716.98	
Tax paid by sub	$ 283.02	
Total materials cost	$5,000.00	
Sub's charge for service	$5,000.00	tax included
The alternative factor	x .943	
Sub's charge for service	$4,715.00	without tax
Tax on service	285.00	

Subcontractor:

The electrician bills the general contractor $10,000 (sales tax included).

Breakdown of subcontractor's books:

Materials purchased	$4,716.98
Tax paid by sub	$ 283.02
Total materials cost	$5,000.00
Sub's charge for service	$5,000.00 tax included
The alternative factor	x .943
Sub's charge for service	$4,715.00 without tax
Tax on service	$ 285.00

Subcontractor collects tax from general contractor in sales tax included contract.

Subcontractor collects tax from general contractor in sales tax included contract.

Subcontractor collects tax from general contractor in sales tax included contract.

Breakdown of General Contractor's Books:

SUBCONTRACTS:

Plumber	$10,000.00*	* Includes sales tax paid by the subcontractors to their vendors
Carpenter	$70,000.00*	
Electrician	$10,000.00*	
Total sub cost	$90,000.00*	
General Contractor's Charge for Service:**	$30,000.00*	
The alternative factor	x .943	
General Contractor's Charge for Service	$ 28,290.00	without tax
Sales Tax	$ 1,710.00	
Grand Total:	**$120,000.00**	

**** Note:** See *Service Charges* on Page 10.

General contractor bills property owner $120,000 (sales tax included).

Reported on Line 3 of Form OS-114

Total sub cost	90,000.00
General contractor's charge for labor (without tax)	28,290.00
Total Line 3	118,290.00

Department of Revenue Services
PO Box 5030
Hartford CT 06102-5030

Form OS-114
Sales and Use Tax Return

For Period Ending ►	
Connecticut Tax Registration Number ►	
Federal Employer Identification Number	
Due Date	
For Department Use Only	

General Instructions

1. You **must file** a return even if no tax is due or no sales were made.
2. Return must be postmarked on or before the due date.
3. **Deductions**: Fill out reverse side of this form if you claim deductions.
4. **Interest**: For late payment - 1% of tax due per month from due date.
5. **Penalty**: For failure to pay tax when due - 15% of tax due or $50, whichever is greater.
6. **New owners**: Do not use previous owner's form to file your return. Any change in ownership requires a new permit.
7. You **must round off** cents to the nearest whole dollar on your returns and schedules.
8. Make check payable to: **Commissioner of Revenue Services**. DRS may submit your check to your bank electronically. Include the Tax Registration Number on your check. For complete instructions, see **Form O-88.**

Example 4

(General Contractor's Return)

☐ Check here if this is an **amended** return.

Rounding: You must round off cents to the nearest whole dollars on your return. If you do not round, DRS will round for you.

Complete return in **blue or black ink only**.

1	Gross receipts from sales of goods ►	1		
2	Gross receipts from leases and rentals ►	2		
3	Gross receipts from labor and services ►	3	**118,290**	**00**
4	Purchases of goods by your business subject to **use** tax ►	4		
5	Leases and rentals by your business subject to **use** tax ►	5		
6	Purchase of services by your business subject to **use** tax ►	6		
7	Total: Add Lines 1 through 6. ►	7	**118,290**	**00**
8	Total deductions: Complete reverse side and enter the amount from Total Deductions here. ►	8	**90,000**	**00**
9	Balance subject to tax: Subtract Line 8 from Line 7, but not less than zero. ►	9	**28,290**	**00**
10	Gross amount of tax due: Multiply Line 9 by 6% (.06). ►	10	**1,710**	**00**
11	For an amended return only, enter the tax paid on prior return. ►	11		
12	Net amount of tax due: Subtract Line 11 from Line 10. ►	12	**1,710**	**00**
13	For late payment of tax: See General Instructions above. Interest ► _____ + Penalty ► _____ =	13		
14	Total amount due: Add Line 12 and Line 13. ►	14	**1,710**	**00**

Check any boxes that apply and provide the information requested:

☐ If you are permanently out of business, enter last business date: _____

☐ New mailing address or trade name:

Enter new mailing address: _____

_____

Enter new trade name: _____

☐ If this is your first return, enter business start date: _____

☐ New physical location: _____
Enter new physical location:
(PO box is not acceptable.) _____

☐ New ownership:
Enter name of new owner: _____

Address of new owner: _____

Date sold: _____

Declaration: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return or document to DRS is a fine of not more than $5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

Taxpayer's Signature	Title	Date
Paid Preparer's Signature	**Paid Preparer's Address**	**Date**

(Rev. 11/05)

Did you know you can file this form by Internet or Telephone?	File by Internet or Telephone CONNECTICUT FILE FAST	Website: www.ct.gov/DRS (for information and filing) Call: 860-947-1988 (for filing) 860-297-5962 (for information)

Deductible Items at 6% Tax Rate

15	Sales for resale - sales of goods ▶		15		
16	Sales for resale - leases and rentals ▶		16		
17	Sales for resale - labor and services ▶		17		
18	All newspapers and subscription sales of magazines and puzzle magazines ▶		18		
19	Trucks with gross vehicle weight rating over 26,000 lbs. or used exclusively for carriage of interstate freight ▶		19		
21	Food for human consumption, food sold in vending machines, and any items purchased with food stamps ▶		21		
23	Fuel for motor vehicles ▶		23		
24	Sales of electricity, gas, and heating fuel for residential dwellings	**For Utility and** ▶	24		
25	Sales of electricity - $150 monthly charge per business	**Heating Fuel Companies** ▶	25		
26	Sales of electricity, gas, and heating fuel for manufacturing or agricultural production	**Only** ▶	26		
27	Aviation fuel ▶		27		
29	Tangible personal property to persons issued a Farmer Tax Exemption Permit ▶		29		
30	Machinery, its replacement, repair, component and enhancement parts, materials, tools, and fuel for manufacturing ▶		30		
31	Machinery, materials, tools, and equipment used in commercial printing process or publishing ▶		31		
32	Vessels, machinery, materials, tools, and fuel for commercial fishing ▶		32		
33	Out-of-state - sales of goods ▶		33		
34	Out-of-state - leases and rentals ▶		34		
35	Out-of-state - labor and services ▶		35		
36	Motor vehicles or vessels purchased by nonresidents ▶		36		
37	Prescription medicines - sales of goods ▶		37		
38	Nonprescription medicines and diabetic equipment - sales of goods ▶		38		
39	Charitable or religious organizations - sales of goods ▶		39		
40	Charitable or religious organizations - leases and rentals ▶		40		
41	Charitable or religious organizations - labor and services ▶		41		
42	Federal, Connecticut, or municipal agencies - sales of goods ▶		42		
43	Federal, Connecticut, or municipal agencies - leases and rentals ▶		43		
44	Federal, Connecticut, or municipal agencies - labor and services ▶		44		
45	Items certified for air or water pollution abatement - sales, leases, and rentals of goods ▶		45		
47	Nontaxable labor and services ▶		47		
48	Services between wholly owned business entities (See instructions, Form O-88.) ▶		48		
50	Trade-ins of all like-kind tangible personal property (See instructions, Form O-88.) ▶		50		
52	Taxed goods returned within 90 days at 6% (.06) rate ▶		52		
56	Oxygen, blood plasma, prostheses, etc. - sales, leases, rentals, or repair services of goods ▶		56		
58	Printed material for future delivery out of state ▶		58		
59	Articles of clothing or footwear under $50 ▶		59		
60	Material and components for noncommercial production of clothing ▶		60		
63	Funeral expenses (See instructions, Form O-88.) ▶		63		
69	Repair services, repair and replacement parts for aircraft, and certain aircraft (See instructions, Form 0-88.) ▶		69		
71	Certain machinery under the Manufacturing Recovery Act of 1992 (See instructions, Form 0-88.) ▶		71		
72	Machinery, equipment, tools, supplies, and fuel used in the biotechnology industry ▶		72		
73	Repair and maintenance services and fabrication labor to vessels (See instructions, Form 0-88.) ▶		73		
74	Computer and data processing services (See instructions, Form 0-88.) ▶		74		
75	Renovation and repair services to residential real property (See instructions, Form O-88.) ▶		75		
77	Sales of qualifying items to direct payment permit holders ▶		77		
78	Sales of college textbooks ▶		78		
79	Sales tax holiday (See instructions, Form 0-88.) ▶		79		
A	Other Adjustments - sales of goods (Describe: *Materials consumed, including tax paid*) ▶		A	**60,000**	**00**
B	Other Adjustments - leases and rentals (Describe:) ▶		B		
C	Other Adjustments - labor and services (Describe: *Subcontractor's service, including tax*) ▶		C	**30,000**	**00**
	Total Deductions (Enter here and on Line 8 on the front of this return.)			**90,000**	**00**

notes

Connecticut Tax Forms, Publications, Certificates, and Sales Tax Regulations

The following forms, publications, certificates, and regulations will be of interest to most business people. The publication numbers referenced are updated at the time of printing, but because the information may change, request the most current version when you order or visit the DRS website at **www.ct.gov/DRS** to download forms and publications.

Sales and Use Tax Forms and Publications

OS-114 Sales and Use Tax Return

OP-186 Connecticut Individual Use Tax Return

IP 2006(5.3) Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2004(7) Q & A on the Connecticut Direct Payment Permit Program

IP 2006(20) Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Taxes, and Withholding Tax

IP 2003(26) Q & A on Sales and Use Taxes For a New Business

IP 2003(31) Q & A on the Connecticut Use Tax for Businesses and Professions

IP 2002(16) Successor Liability for Sales and Use Tax and Admissions and Dues Tax

IP 2000(14) Notice to Retailers on Sales and Use Tax Resale Certificate

IP 99(18) Sales and Use Taxes Guide for Manufacturers, Fabricators and Processors

PS 2002(6) Sales and Use Tax Exemption for Low and Moderate Income Housing Facilities

PS 99(2) Tax Exemptions for Certain Air Pollution Control Equipment

PS 99(3) Tax Exemptions for Certain Water Pollution Control Equipment

PS 98(5) Sales and Use Tax Refund Policy

PS 94(7) Fabrication and Installation of Stock and Custom Cabinets

SN 2005(12) Nonresident Contractors Bonds and Deposits

SN 2001(5) The "Buy Connecticut" Provision

SN 98(6) Exemption From Sales and Use Taxes for Projects of the Connecticut Resources Recovery Authority and Solid Waste-to-Energy Facilities

SN 97(10) Exemption From Sales and Use Taxes for Tangible Personal Property and Services Purchased by Water Companies

SN 95(17) Certain Environmental Services Excluded From Sales and Use Taxes

SN 93(1.1) The Manufacturing Recovery Act of 1992 - Exemption for Purchases of Property Used in Manufacturing, Processing and Fabricating

SN 93(2) Sales and Use Taxes on Charges Made by Service Providers After Air Kaman Inc. v. Groppo and 1992 Conn. Pub. Acts 17 (May Spec. Sess.)

Sales and Use Tax Regulations

§12-407(2)(i)(M)-1 Repair services to motor vehicles

§12-407(2)(i)(Q)-1 Electrical and electronic repair services

§12-407(2)(i)(T)-1 Locksmith services

§12-407(2(i)(V)-1 Landscaping and horticulture services

§12-407(2)(i)(W)-1 Window cleaning services

§12-407(2)(i)(X)-1 Maintenance services

§12-407(2)(i)(Y)-1 Janitorial services

§12-407(2)(i)(Z)-1 Exterminating services

§12-407(2)(i)(AA)-1 Swimming pool cleaning and maintenance services

§12-407(2)(i)(DD)-1 Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty

§12-407(2)(i)(I)-1 Services to industrial, commercial or income-producing real property

§12-410(5)-1 Resale of services

§12-411(14)-1 Resale of services excluded from use tax

§12-426-18 Contractors and subcontractors

MISCELLANEOUS

REG-1 Application for Tax Registration Number

LGL-001 Power of Attorney

LGL-002 Request for Disclosure of Tax Return or Tax Return Information

LGL-003 Limited Power of Attorney

CT-8822 Change of Address

IP 2006(4.3) Numerical Index to Rulings and Administrative Pronouncements As Affected, If At All, By Later-Issued Rulings and Pronouncements

IP 2006(6.3) Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2006(11) Getting Started in Business: Understanding Connecticut Taxes

IP 2006(21) Q & A on the Business Entity Tax

IP 2005(30) Paying Connecticut Taxes by Electronic Funds Transfer

IP 2003(32) Business Taxes

IP 2001(20) Q & A Concerning Freedom of Information Act Requests

IP 2000(27) Procedures to Request Disclosure of Tax Returns and Tax Return Information

PS 2001(3) Your Rights as a Connecticut Taxpayer

PS 2000(7) Procedures in Handling Requests for Issuance of Rulings

PS 2000(8) Procedures in Handling Requests for Issuance of Technical Advice Memoranda

PS 92(12.1) Limited Liability Companies

SN 2006(9) Business Entity Tax

Ruling 2002-3

SALES AND USE TAXES EXEMPTION CERTIFICATES

CERT-100 Materials, Tools, and Fuel

CERT-101 Machinery, Component Parts, and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process

CERT-102 Certified Rehabilitation Certificate for Certified Historic Structures

CERT-103 Residential Condominium Association

CERT-104 Services Certificate for New Construction

CERT-105 Commercial Motor Vehicle Purchased Within Connecticut for Use Exclusively in the Carriage of Freight in Interstate Commerce

CERT-106 Claim for Refund of Use Tax Paid on Motor Vehicle Purchased From Other Than a Motor Vehicle Dealer

CERT-108 Partial Exemption of Materials, Tools, and Fuels

CERT-109 Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts

CERT-110 Aircraft Repair Services, Aircraft Repair and Replacement Parts

CERT-111 Machinery, Equipment, Materials, Tools, and Fuel Used by an Aircraft Manufacturer Operating an Aircraft Manufacturing Facility

CERT-112 Exempt Purchase of Meals or Lodging by Exempt Entities

CERT-113 Purchases of Tangible Personal Property and Services by a Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, or Nonprofit Residential Care Home

CERT-114 Commercial Motor Vehicle or Motor Bus Purchased Within Connecticut for Use in Interstate Commerce as an Interstate Motor Bus

CERT-115 Exempt Purchases of Gas, Electricity, and Heating Fuel

CERT-116 Exempt Petroleum Products Certificate

CERT-117 Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities

CERT-119 Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations

CERT-120 Machinery, Equipment, Tools, Materials, and Supplies Used in the Production of Printed Material or in Prepress Production

CERT-121 Exemption for Landscaping and Horticulture Services, Window Cleaning Services, and Maintenance Services Provided to Recipients of Total Disability Benefits

CERT-122 Refund of Tax Paid on Purchases of Meals or Lodging by Exempt Entities

CERT-123 Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency

CERT-124 Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities

CERT-125 Sales and Use Tax Exemption for a Motor Vehicle Purchased by a Nonresident of Connecticut

CERT-126 Exempt Purchases of Tangible Personal Property or Services for Low and Moderate Income Housing Facilities

CERT-127 Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe

CERT-128 Exempt Purchases by Contractors in Connection With Construction Projects in Indian Country of the Mashantucket Pequot or Mohegan Tribes

CERT-129 Exemption for Items Used Directly in the Biotechnology Industry

CERT-130 Sales and Use Tax Exemption for Purchases by Water Companies

CERT-131 Exemption for Projects of the Connecticut Resources Recovery Authority and Solid Waste-to-Energy Facilities

CERT-132 Sales and Use Tax Exemption for Purchases Made Under the Buy Connecticut Provision

CERT-133 Contractor's Exempt Purchase Certificate for a Renovation Contract With a Direct Payment Permit Holder

CERT-134 Exempt Purchases by Qualifying Governmental Agencies

CERT-135 Reduced Sales and Use Tax Rate for Motor Vehicles Purchased by Nonresident Military Personnel and Their Spouses

CERT-136 Purchases of Item by Eleemosynary Organizations and Schools That Will Be Resold Tax-Exempt for $20 or Less

CERT-137 Sales and Use Tax Certificate for Sales and Leaseback Arrangements

CERT-138 Purchases for Use in Audio or Video Production or Broadcasting

CERT-139 Sales and Use Tax Exemption for a Vessel Purchased by a Nonresident of Connecticut

- Sales & Use Tax Resale Certificate (Regulations 1 & 23)
- Contractor’s Exempt Purchase Certificate
- Printed Material Certificate

WITHHOLDING TAX

CT-WH Connecticut Withholding Tax Payment Form

CT-941 Connecticut Quarterly Reconciliation of Withholding

CT-941X Amended Connecticut Reconciliation of Withholding

CT-W3 Connecticut Annual Reconciliation of Withholding

CT-W4 Employee’s Withholding Certificate

CT-W4P Withholding Certificate for Pension or Annuity Payments

CT-W4NA Employee’s Withholding Certificate - Nonresident Apportionment

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notes

For Tax Forms, Publications, or Personal Assistance

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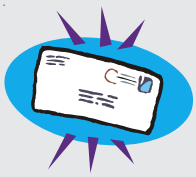
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MISSION STATEMENT

The Mission of the
Connecticut Department of Revenue Services
is to administer the tax laws of the State of Connecticut
and collect the tax revenues
in the most cost effective manner;
achieve the highest level of voluntary compliance
through accurate, efficient and courteous customer services;
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which instills public confidence in the integrity
and fairness of the state's tax programs.

IP 2006(35), *Building Contractors' Guide to Sales and Use Taxes*

Department of Revenue Services
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Hartford CT 06106

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