



A Partial List of Common Issues and Connecticut Department of Revenue Services Audit Positions

As of July 1, 2011

New and Used Car Department (Sale/Lease)

Taxable:

- Sale of vehicle where ownership passes from dealer to customer in CT, except where **CERT-125** exemption is applicable
- Lease of vehicle where possession passes from dealer to customer in CT, except where **CERT-125** exemption is applicable
- Sale of vehicle to individual with place of abode in CT
- Sale of vehicle to non-resident with no place of abode in CT, if vehicle is registered (excluding "in-transit" registrations) in CT
- Sale of vehicle to business with CT situs
- Etching
- Rustproofing
- Fabric guard
- Paint sealant
- Conveyance (Doc) fee
- Extended warranty contracts
- Towing and loaner contracts
- Lease payments, including excess mileage charge
- Cap cost reductions – cash
- Service agreement, whether purchased with vehicle or subsequently – except if sold to a nonresident subsequent to the original vehicle sale
- Early termination charge on lease
- Lease acquisition or origination fee
- Title and registration fees – lease only
- Security deposit to extent retained at end of lease
- Manufacturers rebate applied to sale or lease of vehicle
- Sale of vehicle to tribal government or enrolled member of Mashantucket Pequot or Mohegan Tribe if title passes anywhere other than the purchaser's tribe's reservation or if the vehicle is to be used anywhere other than on the reservation (e.g., registered in CT), except for emergency-type vehicles pre-approved in writing by the Commissioner of Revenue Services

Non-taxable:

- Sale or lease of vehicle to non-resident with no permanent place of abode in CT and when not registered in CT (**CERT-125, Exemption for Motor Vehicle Purchased Within Connecticut But Not Registered In This State By a Purchaser Who Does Not Reside In This State**)
- Sale or lease to business with no CT situs, no fixed assets in CT, officer(s), operator(s) do not maintain place of abode in CT and when not registered in CT (**CERT-125**)
- Credit life insurance
- Disability insurance
- Gap Insurance, if optional and separately stated
- Luxury tax, if separately stated
- Personal property tax on leased vehicles, if separately stated
- Security deposit received on lease signing
- Cap cost reductions – trade-in of vehicle owned by lessee
- Title and registration fees – sale only
- Portion of sales price paid with trade-in of vehicle titled to the purchaser
- Dealer discounts not reimbursed by third party
- Dealer or manufacturer coupons
- Sale or lease of vehicle invoiced to an organization described in IRC Section 501(c) (3) or (13) or one with an "e" number issued before 7/1/95 and not revoked or canceled by D.R.S. if **CERT-119, Certificate for Purchase of Tangible Personal Property and Services By Exempt Organizations**, is received and vehicle is paid for by a check drawn on exempt organization's own bank account
- Sale of a motor vehicle to the tribal government of the Mashantucket Pequot or Mohegan Tribes is not taxable when such vehicle is to be used exclusively for governmental purposes (including emergency type vehicles), if preapproved in writing by the Commissioner of Revenue Services. The Tribe must furnish the dealer with a copy of the preapproval and a properly completed **CERT-127, Exempt Purchases by an Enrolled Member or by the Tribal Gov't of the Mashantucket Pequot Tribe or Mohegan Tribe**.



- Sale of a motor vehicle to an enrolled member of the Mashantucket Pequot or Mohegan Tribes is nontaxable if title to such vehicle passes to the tribal member on the reservation and if the vehicle is to be used exclusively on the reservation and will not be registered with the Connecticut DMV. Such tribal member may use the **CERT-127, Exempt Purchases by an Enrolled Member or by the Tribal Government of the Mashantucket Pequot Tribe or Mohegan Tribe.**
- Sale or lease of vehicle to U.S. Government, State of CT or any of its agencies or political subdivisions (**CERT-134, Sales and Use Tax Exemption for Purchases by Qualifying Governmental Agencies**)

Rental Department

Taxable:

- Purchase or lease of vehicles to be used as “service loaners” (use tax to be paid by dealer on the purchase price)
- Customer charges for rental vehicles, whether or not use tax paid by dealer on purchase or lease (at 9.35% if rental for 30 consecutive calendar days or less)
- 3% rental surcharge if lessor is a “rental company” and not licensed under Conn. Gen. Stat. Section 14-52
- Rental of CT registered vehicle to tribal government or enrolled member of Mashantucket Pequot or Mohegan tribe if vehicle is delivered anywhere other than the renter’s tribe’s reservation or if the vehicle is to be used anywhere other than on the reservation

Non-taxable:

- Purchase or lease of vehicles by dealer to be used exclusively as a rental vehicle
- Tourism fee, if separately stated
- Optional insurance charges, if separately stated
- Gasoline charges, if separately stated
- Lease of a motor vehicle to the tribal government of the Mashantucket Pequot or Mohegan Tribes is not taxable when such vehicle is to be used exclusively for governmental purposes (including emergency-type vehicles), if preapproved in writing by the Commissioner of Revenue Services. The Tribe must furnish the dealer with a copy of the preapproval and a properly completed **CERT-127, Exempt Purchases by an Enrolled Member or by the Tribal Gov’t of the Mashantucket Pequot Tribe or Mohegan Tribe.**
- Lease of a motor vehicle to an enrolled member of the Mashantucket Pequot or Mohegan Tribes is nontaxable if the vehicle is delivered to the tribal member on the

reservation and if the vehicle is to be used exclusively on the reservation and will not be registered with the Connecticut DMV. Such tribal member may use the **CERT-127, Exempt Purchases by an Enrolled Member or by the Tribal Gov’t of the Mashantucket Pequot Tribe or Mohegan Tribe.**

Service Department

Taxable:

- Retail labor
- Retail parts
- Oil and other lubricants
- Customer deductible on warranties (manufacturer or third party)
- Hazardous waste fee
- Shop supply fee
- Sale of sublet parts and labor bought on a resale certificate
- Discounts given to customers which are reimbursed in full or in part by a third party (e.g., manufacturer)
- Parts and labor used at no charge subject to a third party service promotion (use tax on parts)
- Parts used at no charge subject to a dealer service promotion or policy work
- Parts used on company loaner vehicles (use tax)
- Sublet labor used on company loaner vehicles
- Service to tribal government or enrolled member of Mashantucket Pequot or Mohegan tribe if service occurs anywhere other than the service recipient’s tribe’s reservation
- Motor vehicle towing and road services
- Motor vehicle storage services

Non-taxable:

- Labor and parts covered by original manufacturer’s warranty
- Labor and parts covered by extended service contract warranty
- Coupons and discounts issued to customers at the time of the sale
- Labor and parts sold using a resale certificate for vehicles used exclusively by lease and daily rental companies
- Customer use of free service “loaners,” unless reimbursed by a third party (no tax to customer)



Parts Department

Taxable:

- Retail sale of parts
- Retail sale of parts to out of state resident over the counter
- Shop supplies
- Shipping charges associated with taxable sales, whether or not separately stated

Non-taxable:

- Parts for resale (wholesale) sold with resale certificate
- Parts shipped or delivered out of state (when title passes out-of-state)
- Shipping charges associated with non-taxable sales, whether or not separately stated
- Core part charges
- Like-kind exchanges other than motor vehicles – item exchanged must be of the same kind, be accepted in part payment by the retailer, and be intended to be resold by the retailer
- Battery deposits

Administrative

Taxable:

- Office supplies (dealer is the consumer)
- Furniture, equipment and computers purchased (dealer is consumer)
- Leased equipment charges (dealer is consumer)
- Property tax charges on leased equipment (e.g., computers), even if separately stated (dealer is consumer), excluding vehicles
- Demo charges paid by employees (treated as rental income)
- Automobile manufacturer's sale of products to dealers unless the product is specifically exempt from tax or the product is for resale

- Direct mail advertising by a single advertiser
- Job related personnel training of Connecticut-based employees (if training occurs out-of-state, the service is subject to a use tax if the provider fails to collect sales tax)
- Computer and data processing services (taxable at a rate of 1%)
- Any service specifically enumerated as a taxable service
- Goods (unless specifically exempt) and enumerated services purchased from an any vendor, including out-of-state vendors on which a vendor does not collect sales tax are subject to a 6.35% use tax (if the transaction is taxed at less than 6.35% by another jurisdiction, the buyer is subject to a use tax equal to the difference between the rate of tax charged and 6.35%)

Non-taxable:

- Magazines by subscription and all newspapers
- Personnel training services indirectly related to an employee's job skills
- Personnel training services unrelated to an employee's job skills
- Training courses provided by an institution of higher education licensed or accredited by the Connecticut Board of Governors of Higher Education
- General education seminars (refresher courses) and courses for continuing education
- Job related training associated with environmental matters
- Internet access charges
- Media advertising
- Cooperative direct mail advertising
- Any service that is not specifically enumerated as being a taxable service

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