



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

AN 2006(7)

25 Sigourney Street
Hartford CT 06106-5032

ANNOUNCEMENT

**Purchases of Tangible Personal Property by Contractors for
Construction Contracts with Qualified Entities**

Purpose: This Announcement describes actions the Department of Revenue Services (DRS) will follow to clarify the procedures for contractors purchasing tangible personal property exempt from sales and use tax under Conn. Gen. Stat. §12-412 or partially exempt under Conn. Gen. Stat. §12-412i for construction contracts entered into with qualified entities.

Effective Date: Upon issuance and applicable to open periods.

Statutory Authority: Conn. Gen. Stat. §§12-412 and 12-412i.

Definition: The term *qualified entity* means a manufacturer, fabricator, or other purchaser who meets the requirements for purchasing tangible personal property exempt under certain provisions of Conn. Gen. Stat. §12-412 or partially exempt under Conn. Gen. Stat. §12-412i.

Background: At meetings between DRS and practitioners, issues were raised about contractors using sales and use tax exemption certificates signed by a qualified entity to purchase tangible personal property under the qualified entity's sales and use tax exemption. These issues relate to a section added to **Informational Publication 2004(29), *Building Contractors' Guide***, imposing restrictions on purchases by contractors of tangible personal property used in clean rooms. This section reflected the requirements in exemption certificates issued by DRS (see list) for a qualified entity that will be utilizing the tangible personal property to attest to its exemption as the "purchaser".

In some cases, DRS finds that a contractor used an exemption certificate completed by a qualified entity to purchase tangible personal property, despite the fact that the certificate provides the qualified entity must be the purchaser of the tangible personal property. While this practice does not conform to the instructions provided on the exemption certificates, in audit examinations DRS has looked to whether the item was of a type described in the exemption and was used by the qualified entity in a qualifying manner and, if so, has allowed the exemption despite the fact that the purchase was made by the contractor.

**DRS Actions to Clarify Procedures for
Contractors Making Purchases under
Construction Contracts with Qualified
Entities:**

- DRS will not make the proposed changes to **CERT-101, *Machinery, Component Parts, and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process***, that were previously circulated to practitioners in draft format.
- DRS will modify the existing language relating to contractors' exempt purchase of tangible personal property contained in IP 2004(29).
- DRS will continue dialogue with practitioners and taxpayers about the process contractors must follow to purchase tangible personal property exempt from sales and use tax for a qualified entity. The goal of this dialogue is to develop an exemption certificate process that has predictable results, ensures compliance with Connecticut sales and use tax laws, and keeps administrative burdens for both sides to a minimum.
- DRS will follow its historic practice of determining whether the contractor's purchase of tangible personal property is used for its ultimate exempt purpose. This will be within the context of DRS compliance programs.

List of Exemption Certificates That Require a Qualified Entity to Attest to Exempt Use: The following exemption certificates currently require a qualified entity to attest to its exempt use as a “purchaser”:

- **CERT-100**, *Materials, Tools, and Fuel* (Conn. Gen. Stat. §12-412(18))
- **CERT-101**, *Machinery, Component Parts, and Replacement and Repair Parts of Machinery Used Directly in a Manufacturing Process* (Conn. Gen. Stat. §§12-412(34) and (73))
- **CERT-108**, *Partial Exemption of Materials, Tools, and Fuels* (Conn. Gen. Stat. §12-412i)
- **CERT-109**, *Partial Exemption for Machinery, Equipment, or Repair and Replacement Parts* (Conn. Gen. Stat. §12-412i)
- **CERT-111**, *Machinery, Equipment, Materials, Tools, and Fuel Used by an Aircraft Manufacturer Operating an Aircraft Manufacturing Facility* (Conn. Gen. Stat. §12-412(78))
- **CERT-120**, *Machinery, Equipment, Tools, Materials, and Supplies Used in the Production of Printed Material or in Prepress Production* (Conn. Gen. Stat. §§12-412(71) and (72))
- **CERT-129**, *Exemption for Items Used Directly in the Biotechnology Industry* (Conn. Gen. Stat. §12-412(89))
- **CERT-138**, *Purchases for Use in Audio or Video Production or Broadcasting* (Conn. Gen. Stat. §12-412(44))

List of Exemption Certificates That Enable Contractors to Purchase Tangible Personal Property Exempt: The following exemption certificates currently allow contractors to purchase tangible personal property exempt from sales and use tax for a qualified entity:

- **CERT-117**, *Purchases of Tangible Personal Property Incorporated Into or Consumed in Air Pollution Control Facilities* (Conn. Gen. Stat. §12-412(22))
- **CERT-124**, *Purchases of Tangible Personal Property Incorporated Into or Consumed in Water Pollution Control Facilities* (Conn. Gen. Stat. §12-412(21))
- **CERT-126**, *Exempt Purchases of Tangible Personal Property or Services for Low or Moderate Income Housing Facilities* (Conn. Gen. Stat. §12-412(29))
- **CERT-131**, *Exemption for Projects of the Connecticut Resources Recovery Authority and Solid Waste-To-Energy Facilities* (Conn. Gen. Stat. §§12-412(92) and (95))

Effect on Other Documents: None.

Effect of This Document: Announcements alert taxpayers to new developments (other than newly enacted or amended Connecticut or federal laws or newly released judicial decisions), including new administrative positions, policies, or practices.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state); or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at www.ct.gov/DRS to download and print Connecticut tax forms; or
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at www.ct.gov/DRS and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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Purchases by Contractors for Exempt Use
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