

## Connecticut Use Tax

The Connecticut Department of Revenue Services (DRS) recently sent notice that it has increased its audit capabilities for the Connecticut use tax. Anyone who purchases good or services for use in Connecticut and does not pay Connecticut sales tax on the transaction owes use tax. This type of transaction usually occurs when goods are purchased outside Connecticut. With Internet purchases growing significantly, purchases without sales tax occur more frequently.

### What Is the Use Tax Rate and To What Goods & Services Does It Apply?

The use tax rate for taxable goods and services is 6%. However, the tax on computer and data processing services is 1%. Examples of taxable tangible personal property include equipment, machines, furniture, appliances, computers, computer software, office supplies, and books. Taxable services include repair services to computers or motor vehicles, janitorial services, telephone answering services, and charges for on-line computer services. Any purchase of goods or services not subject to Connecticut sales tax is also not subject to use tax.

### What If A Business Buys Taxable Goods Or Services In Another State And The Business Pays Tax To That Other State?

The business must report the transaction and pay the difference between the 6% Connecticut use tax and the tax paid to the other state.

### How Does A Business Pay The Use Tax?

Businesses that make taxable purchases of goods and services must report them on Form OS-114 for the monthly or quarterly period in which made the taxable purchase. Businesses can obtain the form at [www.ct.gov/drs](http://www.ct.gov/drs) [1]. They must remit payment with the return.

### What Are The Penalties And Interest For Failure To Pay The Use Tax?

The penalty is 15% of the tax due or \$50 whichever is greater. Interest is charged at the rate of 1% per month from the due date of the tax return. There are also criminal sanctions for willful failure to file a use tax return.

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### Links

[1] <http://www.ct.gov/drs>