

Sec. 12-426-25. Leasing and rental of tangible personal property

(a) **General rule.** The rental or leasing of tangible personal property for a consideration in this state is a sale and is subject to the tax. The lessor is a retailer who must register with the Commissioner of Revenue Services for a permit and collect the tax. The tax is imposed upon the gross receipts from the rental or leasing of tangible personal property. Such retailers shall pay the taxes so collected in the manner and form as other retailers licensed to sell tangible personal property. A lessee may issue a resale certificate to a lessor only in those cases where the lessee has qualified with this department as a lessor and the property is being leased solely for sub-leasing purposes.

(b) **Transitional rules.** The tax applies to all leases of tangible personal property existing on July 1, 1975. No credit against the tax is given for any sales or use tax paid by the lessor on such property purchased prior to July 1, 1975. The tax is imposed on the total amount of rental payments received on or after July 1, 1975. The rental is deemed received when it is due and owing. The lessor must collect and pay the tax on the total amount of payment or periodic payments received for leasing or rental of tangible personal property for any term on or after July 1, 1975 whether or not such amount is prepaid and received prior to said date.

(c) "Gross receipts" shall include the total amount of payment, royalties or periodic payments received for the leasing or rental of tangible personal property. Said amount shall include all charges including but not limited to maintenance and service contracts, cancellation charges, installation service and transportation charges for delivery to the lessee, whether or not such amounts are separately stated. Gross receipts shall not include the cost of gasoline or insurance charges when such amounts are separately stated and the lessee has the option to either accept the lessor's insurance offer or to procure other coverage.

(d) Gross receipts do not include the amount charged for the operator where the lessor supplies an operator for the leased property if the amount charged is for the compensation of the operator, is reasonable and is segregated in the invoice. A reasonable charge is one based upon the prevailing rate in the area. However, where an operator is supplied with the equipment, the contract is entered into for a specific job or operation, and where the owner of the equipment through the operator retains complete control over the equipment and retains discretion as to when and how to perform, said contract will be one for services and not for lease.

(e) Tangible personal property purchased exclusively for lease or rental is purchased for resale and a resale certificate may be issued therefor. Said certificate may be issued in the purchase of parts and accessories used directly in the rental or leasing or used in the repair of the leased property. Where the property is purchased in part for lease and in part for the use of the lessor, it may not be purchased on a resale certificate and the vendor must collect the tax on the purchase price. The tax must also be collected on any subsequent lease of the property.

(f) The rental of safe deposit boxes, food lockers, storage or baggage lockers are not rental of personalty but rental of storage space and not subject to tax. Charges for chartering of buses, boats, airplanes and limousines are not subject to tax, where the owner maintains complete control over the conveyance.

(g) Rental of equipment to contractors engaged in work on exempt projects is subject to

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the tax.

(h) A lease is considered to be consummated in this state and subject to the tax where delivery of the tangible personal property is taken within the state or the property is leased with the intent to use it in the State of Connecticut and the property is so used. The tax does not apply where delivery is taken outside the state and the property is used exclusively outside the State of Connecticut.

(Effective April 7, 1980)