



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

PS 2006(3)

25 Sigourney Street
Hartford CT 06106-5032

POLICY STATEMENT

Purchases of Meals or Lodging by Exempt Entities

Purpose: This Policy Statement discusses:

- The requirements and procedures for exempt entities to request preapproval from the Department of Revenue Services (DRS) to purchase meals or lodging exempt from sales and use taxes or room occupancy tax;
- The requirements and procedures for exempt entities to request a refund of tax paid on qualifying exempt purchases of meals or lodging from DRS;
- The certificates used by exempt entities for the preapproval of exemption for meals or lodging or refund of tax on qualifying exempt purchases of meals or lodging;
- Meals that may be purchased by exempt entities using exemption certificates for resale at any of the five one-day social or fund-raising events per year permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94); **and**
- The use of purchasing cards (P-cards) issued by a State of Connecticut agency in the name of an agency employee.

Effective Date: Effective upon issuance.

Statutory Authority:

Conn. Gen. Stat. §12-412(1)(A), (5), (8), and (94).

Definitions:

Qualifying governmental agency means an agency of the United States, the State of Connecticut, or a Connecticut municipality. Qualifying governmental agency does not include an agency of another state or of a municipality of another state.

Exempt organization means any organization either:

- Issued an exemption permit before July 1, 1995, by DRS; **or**

- An organization exempt from federal income tax under Internal Revenue Code (I.R.C.) §501(a) that has been determined to be an organization as described in I.R.C. §501(c)(3) or (13) and issued a determination letter by the U.S. Treasury Department.

Hospital, as defined in Conn. Gen. Stat. §19a-490(b), means an establishment for the lodging, care, and treatment of persons suffering from disease or other abnormal physical or mental conditions and includes inpatient psychiatric services in general hospitals.

Nursing home, rest home, and residential care home, as defined in Conn. Gen. Stat. §19a-490(c), means an establishment that furnishes, in single or multiple facilities, food and shelter to two or more persons unrelated to the proprietor and, in addition, provides services that meet a need beyond the basic provisions of food, shelter, and laundry.

Nonprofit charitable hospital, nonprofit nursing home, nonprofit rest home, and nonprofit residential care home means a hospital or home described above exempt from federal income tax under I.R.C. §501(a) that has received a determination letter issued by the U. S. Treasury Department that establishes the hospital or home is an exempt organization as described in I.R.C. §501(c)(3) or (4).

Retailer of lodging means any hotel or lodging house, as defined in Conn. Gen. Stat. §12-407(a)(16) or (17), respectively.

Retailer of meals means any eating establishment or caterer as defined in Conn. Agencies Regs. §12-426-29(c)(2) or (3), respectively.

Qualifying exempt purchase of meals or lodging means a purchase of meals or lodging by an exempt entity (and not by its members, officers, or employees) for its exempt or governmental purpose.

To Request Preapproval to Purchase Meals or Lodging Exempt From Sales and Use Taxes:

Exempt entities must establish that their purchases of meals or lodging qualify for exemption from sales and use taxes in order to purchase them tax exempt.

The following three conditions must be met for purchases of meals or lodging to qualify for exemption from sales and use taxes:

1. The retailer of meals or lodging directly invoices and charges the exempt entity for the meals or lodging;
2. The exempt entity directly pays the retailer with a check drawn on its own account or with a credit card issued in its own name and not in the name of its members, employees or officers. P-cards issued by a State of Connecticut agency may be used to make tax-exempt purchases of meals or lodging even though issued in the name of an agency employee. (See **Policy Statement 2006(4)**, *Tax Exempt Purchases by Connecticut State Agencies*, for more information.) Cash payments do not satisfy this condition, regardless of the cost of the meals or lodging; **and**
3. The exempt entity is not reimbursed, in whole or in part, by donation or otherwise, for its payment of the meals or lodging by those consuming the meals or lodging. See also *Purchases of Meals to Be Resold at Up to Five Events Per Year*.

Exempt entities must submit the following information to DRS at least three weeks before an event to request preapproval to purchase meals or lodging tax exempt at the specific event.

1. A properly completed **CERT-112**, *Exempt Purchases of Meals or Lodging by Exempt Entities*, signed by an authorized representative of the entity;
2. A copy of the flyer, announcement, or other promotional literature about the event; **and**
3. Proof of exemption as follows:
 - If the purchaser is an exempt organization, it must either attach a copy of its I.R.C. §501(c)(3) or (13) determination letter issued by the U.S. Treasury Department or, if it was issued an exemption permit by DRS, enter its exemption permit number on CERT-112.
 - If the purchaser is a qualifying governmental entity, no attachment is required.
 - If the purchaser is a nonprofit charitable hospital, nonprofit nursing home, nonprofit rest home, or nonprofit residential care home, it must attach a copy of a valid and active license issued by the Department of Public Health under Chapter 368v of the Connecticut General

Statutes **and** either a copy of its I.R.C. §501(c)(3) or (4) determination letter issued by the U.S. Treasury Department or, if it was issued an exemption permit by DRS, enter its exemption permit number on CERT-112.

CERT-112 may not be used for the purchase of meals or lodging not meeting all three conditions previously stated above. CERT-112 will not be approved if the exempt entity is reimbursed in whole or in part for all meals or lodging at the same event. Nonqualifying purchases include fund raisers where those who attend are charged or are required to make any payment and seminars or conferences where meals or lodging charges are included in the conference or seminar registration fee. However, these events may qualify for sales and use tax exemption under Conn. Gen. Stat. §12-412(94) as described below.

Procedures for Exempt Entities That Receive Official Approval From DRS on CERT-112:

If DRS determines the applicant is making a qualifying exempt purchase of meals or lodging, DRS will return CERT-112 with DRS official approval noted on it to the exempt entity. The exempt entity must submit the approved CERT-112 to the retailer of meals or lodging. The exempt entity must keep a copy of the approved CERT-112 and a copy of the attached documents submitted to DRS for at least six years from the date it was issued.

If the exempt entity has not presented an approved CERT-112 to the retailer of the meals or lodging, the retailer must charge the applicable tax to the exempt entity unless the entity issues a valid certificate for purchases of meals to be resold at any one of five social or fundraising events permitted to be exempt from tax under Conn. Gen. Stat. §12-412(94), as described below.

Purchases of Meals to Be Resold at Up to Five Events Per Year:

Nonprofit organizations and governmental agencies may sell tangible personal property, including meals, at five social or fundraising events of one day's duration during a calendar year without charging sales and use taxes. (Conn. Gen. Stat. §12-412(94))

An exempt entity may purchase meals tax exempt, without prior approval from DRS, when it resells the meals at any one of five social or fundraising events per year exempt from tax under Conn. Gen. Stat. §12-412(94), including meals resold at conferences and seminars. See **Special Notice 98(11)**, *Exemption*

From Sales and Use Taxes of Sales by Nonprofit Organizations at Fundraising or Social Events.

To make purchases for resale under Conn. Gen. Stat. §12-412(94), the exempt entities may use **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-119**, *Purchases of Tangible Personal Property and Services by Qualifying Exempt Organizations*, or **CERT-134**, *Exempt Purchases by Qualifying Governmental Agencies*. These certificates **cannot be used** as a blanket certificate to purchase meals to be resold at any one of five social or fundraising events. If the exempt entity is registered as a retailer, it may use a resale certificate to purchase meals to be resold at any one of five social or fundraising events.

If the exempt entity paid tax on meals resold at any one of five fundraising or social events that qualify for exemption under Conn. Gen. Stat. §12-412(94), the exempt entity should submit a refund request to DRS. The entity should attach a copy of its I.R.C. §501(c)(3) or (4) determination letter issued by the U.S. Treasury Department, a copy of the invoice from the retailer, and a copy of the check or credit card statement showing payment from the exempt entity's account. No certificate is required.

Preapproved Blanket Purchases of Meals or Lodging by Exempt Entities: DRS may, at its discretion, allow certain exempt entities that make frequent qualifying exempt purchases of meals or lodging to receive a blanket certificate for a specified period without being required to submit CERT-112 for each event. The exempt entity must submit a properly completed **CERT-123**, *Blanket Certificate for Exempt Qualifying Purchases of Meals or Lodging by an Exempt Organization or Qualifying Governmental Agency*, to DRS to request approval to make repeat purchases of meals or lodging tax exempt for a specified period. The same conditions and proof of exemption required for CERT-112 apply to CERT-123.

When the exempt entity receives an approved CERT-123 from DRS, the exempt entity must provide a copy of the approved CERT-123 to each of the retailers of the meals or lodging from which it makes tax-exempt purchases during the period specified on the certificate. The exempt entity must keep a copy of the approved CERT-123 and a copy of any documents submitted to DRS with the approved CERT-123 for at least six years from the date it was issued.

Credit Card Purchases: If a credit card is used to pay the retailer of meals or lodging, the card must be used exclusively to make purchases for the use of the exempt entity (not for the convenience of its officers, employees, or members), and the credit card charges must be paid by a check drawn on the organization's or agency's own checking account. P-cards issued by a State of Connecticut agency may be used to make tax-exempt purchases of meals or lodging although issued in the name of an agency employee.

Federal Government Purchases Using GSA Smart Pay Cards: The federal government has implemented the "GSA SmartPay" program, which uses several categories of credit cards. Federal employees may purchase meals and lodging tax exempt by using certain GSA SmartPay cards when the purchases are billed to and paid by the federal government. U.S. government agencies making tax-exempt purchases of meals and lodging using GSA SmartPay cards are not required to get preapproval for these purchases from DRS and are not required to provide the retailer with CERT-112. See **Policy Statement 2000(1.1)**, *Retailer's Acceptance of U.S. Government "GSA SmartPay" Credit Card for Exempt Purchases*.

Purchases of Meals or Lodging by Diplomats: Purchases of meals or lodging by diplomatic personnel are unaffected by this Policy Statement. For more information about procedures diplomats seeking exemption from tax on the purchase of meals or lodging must follow, see **Policy Statement 93(2)**, *Sales and Use Tax Exemption for Diplomatic Personnel*.

Refund of Tax on Qualifying Exempt Purchases of Meals or Lodging: If the exempt entity does not receive prior approval from DRS of exemption for purchases of meals or lodging, either because it is reimbursed in whole or in part for certain meals or lodging (although not reimbursed directly or indirectly for other meals or lodging) or because it does not submit a properly completed CERT-112 at least three weeks prior to the event, the exempt entity must pay tax to the retailer on all purchases of meals or lodging at the time of the purchase. The exempt entity may request a refund of sales tax paid on meals or lodging for which it was not reimbursed in whole or in part by submitting a properly completed CERT-122 to DRS. The exempt entities must submit the same documents with CERT-122 as are required with

CERT-112 to show proof of exemption. Also included with CERT-122 are the following items:

1. A copy of an itemized bill directly invoicing and charging the exempt entity for the meals or lodging. The bill must separately state the amount of sales tax charged on meals and lodging; **and either**
2. A copy of the cancelled check(s) (front and back), including the initial deposit, drawn on the exempt entity's checking account directly paying for the meals or lodging; **or**
3. If payment is made by credit card, a copy of the exempt entity's credit card statement showing the purchases of the meals and lodging and a copy of the cancelled check(s) (front and back) drawn on the exempt entity's checking account that paid the credit card bill.

If the exempt entity files CERT-122 and DRS approves the certificate, DRS will refund the tax on those meals or lodging paid by the exempt entity and not reimbursed in whole or in part. The exempt entity must keep a copy of the approved CERT-122 and a copy of the documents submitted with the certificate for at least six years from the date it was issued.

The exempt entity is not eligible for a refund of tax on meals or lodging for which it received full or partial reimbursement (other than for meals sold under the five one-day social or fund-raising events per calendar year exemption, as discussed above).

Example 1: B, an exempt organization, sponsors a dinner to honor one of its members. The restaurant charges B \$50 per meal and B sells tickets for \$50 per person. The honoree and members of the immediate family attend as guests of the organization. B must pay sales tax on all meals purchased. It may, however, complete and file CERT-122 to claim a refund of the taxes paid only on meals consumed by the honoree and members of the family.

Example 2: C, an exempt organization, sponsors a retirement dinner to honor one of its employees. The restaurant charges C \$60 per meal. C sells tickets for \$50 per person and pays the \$10 difference to the restaurant from its own funds. C must pay sales tax on the full price of all meals purchased. Because the organization received partial reimbursement for all the meals, C is not eligible for a refund of any of the tax paid and should not issue CERT-122 to claim a refund of sales taxes paid by the exempt entity for the honoree and family members. If, however, the exempt entity paid the full cost of the meals for the honoree and the honoree's guests, the exempt entity may request a refund of sales tax paid on these meals as discussed in Example 1.

Effect on Other Documents: This Policy Statement modifies and supersedes **Policy Statement 2003(4)**, *Purchases of Meals or Lodging by Exempt Entities*, and **Policy Statement 98(4)**, *Tax Exemption Numbers for Connecticut State Agencies*.

Effect of This Document: A Policy Statement explains in depth a current DRS position, policy, or practice affecting the tax liability of taxpayers.

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:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
 - **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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PS 2006(3)
Sales and Use Taxes
Exempt Organizations
Governmental Exemption
Meals
Room Occupancy Tax
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