

# Public needs to know about changes in tax laws

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If you are considering buying a new boat or a luxury car, you might want to do it now. It's going to cost more July 1.

The state of Connecticut has made sweeping tax changes that will affect individuals and businesses, estates and trusts, and just about all commerce conducted in our state. Whether you agree with the changes or not, we all need to be aware of them as nearly everything we purchase will be affected, and nearly all businesses will likely go through a learning curve implementing these changes.

Although many of the tax law changes will be effective as of July 1, many will be retroactively applied to Jan. 1 of this year. Most consumers and nearly all small-business people I speak to throughout the day are unaware of key aspects of the new laws that could have a significant impact on their finances. In fact, the July 1 target may even cause some to rethink the timeline for certain larger purchases that will become more expensive on that day.

If you have been considering purchase of a number of luxury items, including cars, expensive jewelry or perhaps a large boat, you probably can save some money by completing the purchase within the next few weeks -- before July 1.

The sales tax will increase to 7 percent (versus the current 6 percent) for a host of luxury goods including clothing or footwear costing more than \$1,000, jewelry costing more than \$5,000, automobiles costing more than \$50,000 and boats costing more than \$100,000. Clearly, these tax law changes may motivate some people to speed up anticipated purchases, perhaps making a spike in such purchases before July 1 -- with a subsequent decline in these kinds of sales right after the increase. The state likely factored this into their economic models when calculating the level of new revenues.

Overall, the sales tax rate increases from 6 percent to 6.35 percent on July 1. But we're not just facing that increase -- several previous sale tax exemptions have been eliminated. The new 6.35 percent sales tax will now be charged, for example, on nonprescription drugs and removal of hazardous waste. Other specialized taxes also will increase. The hotel tax, for example, will jump from the current 12 percent to 15 percent (which, incidentally, will be close to the combination of state, local and occupancy taxes charged in New York City). There also will be an increase in

the tax on automobile rentals if the vehicle is rented for 30 days or less. That new rate will be 9.35 percent, more than 3 percentage points higher than at present.

Many people are not aware that the sales tax increases will be accompanied by retroactive increases in the state income tax. That means businesses must adjust employee tax withholding amounts, perhaps requiring computer programming changes and additional employee training.

Hopefully, the increased taxes will have the desired impact and will help generate the revenues needed to move our state toward a healthier economy. However, the state needs to do a better job communicating the changes to all of us.

These changes were enacted so recently, the state Department of [Revenue Services](#) hasn't had sufficient time to notify those affected. It would be very helpful if that department could create a website giving guidance to the tax law changes so we don't have to potentially miss an important change -- and then suffer potential penalties and interest charges.

We all want to see the long term well-being of the state we love and where we went to raise our families, but we need more easily accessible information on the details.

The staff at the Department of Revenue Services has a daunting task implementing the new tax laws, particularly when that department, like all others in the state, is being asked to do more with less. Like the rest of the state, this department will have increased staffing pressures. We all will need a bit more patience when contacting the department for assistance or information. However, based on the past, once you get to the right person, you will undoubtedly encounter professional services and individuals eager to help with your needs.

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