
OLR Bill Analysis

sHB 5443

AN ACT CONCERNING THE SALES AND USE TAXES RATE FOR AND APPLICABILITY TO CERTAIN MOTOR VEHICLES, PEER-TO-PEER CAR SHARING AND CERTAIN PERSONAL PROPERTY USED IN BURIALS AND CREMATIONS, DEDICATING FUNDING FOR THE TOURISM FUND AND INCREASING THE EXEMPTION AMOUNT FOR SALES TAX-FREE WEEK.

SUMMARY

This bill makes the following sales and use tax changes:

1. increases the sales price threshold for a motor vehicle subject to the 7.75% sales and use tax rate from \$50,000 to \$75,000 (§§ 1 & 2);
2. directs 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund (§§ 1 & 2);
3. increases the exemption amount for “sales tax free week” from \$100 to \$300 and adds backpacks to list of exempt items (§ 4);
4. explicitly subjects short-term peer-to-peer (P2P) car sharing to the 9.35% sales and use tax rate applicable to passenger motor vehicle rentals or leases and directs this revenue to the Special Transportation Fund (§§ 1 & 2); and
5. increases the sales and use tax exemption for certain personal property used in burials and cremations from \$2,500 to \$10,000 (§ 3).

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date, except that the changes to sales tax free week are effective upon passage.

§§ 1 & 2 — MOTOR VEHICLES SUBJECT TO LUXURY TAX RATE

The bill increases, from \$50,000 to \$75,000, the sales price threshold for motor vehicles subject to the 7.75% sales and use tax rate (known as the luxury tax rate).

By law, this rate applies to the full sales price of motor vehicles costing more than the threshold amount, except for vehicles (1) purchased by an active duty U.S. military member stationed in Connecticut; (2) weighing over 12,500 pounds; or (3) weighing 12,500 pounds or less that are designed or used for commercial purposes and issued a commercial or more specific type of registration from the Department of Motor Vehicles.

§§ 1 & 2 — MEALS AND BEVERAGES TAX DIVERSION TO TOURISM FUND

Existing law imposes an additional 1% tax on meals and certain beverages that applies on top of the 6.35% sales and use tax rate. Starting October 1, 2026, the bill directs half of the revenue from this 1% tax to the Tourism Fund.

Under current law, the Tourism Fund receives 10% of room occupancy tax revenue.

§§ 1 & 2 — SALES AND USE TAX ON PEER-TO-PEER CAR SHARING

The bill explicitly subjects short-term P2P car sharing to sales and use tax at the 9.35% rate that applies to short-term car rentals or leases under existing law (see BACKGROUND). As with car rentals and leases, the 9.35% tax rate applies only to P2P car sharing for periods of 30 consecutive days or less. By law, car rentals and leases for longer periods are subject to sales and use tax at the 6.35% rate.

Under the bill, the revenue from sales and use tax on short-term P2P car sharing must be directed to the Special Transportation Fund, starting with calendar quarters ending on or after December 31, 2026.

§ 3 — PERSONAL PROPERTY USED IN BURIALS AND CREMATIONS

Current law exempts from the 6.35% sales and use tax property sold by funeral homes and used directly in preparing and conducting burials and cremations, up to \$2,500 per funeral. The bill increases this exemption to up to \$10,000 per funeral.

§ 4 — SALES TAX FREE WEEK

The bill expands the sales and use tax exemption for clothing and footwear sold from the third Sunday in August through the following Saturday (sales tax free week) to (1) items costing less than \$300, rather than \$100, and (2) backpacks costing less than \$300.

Under current law, during this week, the state's 6.35% sales and use tax does not apply to clothing and footwear costing less than \$100, except for (1) special athletic and protective clothing and footwear not normally worn except for its specialized use and (2) jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items that people carry but do not wear.

BACKGROUND***DRS Guidance on Peer-to-Peer Car Sharing and Sales and Use Tax***

In 2021, DRS issued guidance stating that P2P car sharing constitutes a lease of a motor vehicle under the sales and use tax laws and is taxable if the sale is made by a retailer (and not on a casual or isolated basis). The guidance notes that a 9.35% sales tax applies to the rental or lease of a passenger motor vehicle for a period of 30 consecutive days or less.

It further concluded that a P2P car sharing company that meets the law's definition of a marketplace facilitator must collect and remit tax on sales that take place on its platform. (Marketplace facilitators are generally businesses that (1) facilitate retail sales of at least \$250,000 during the previous 12-month period for sellers by providing a forum that lists or advertises the sellers' goods and services; (2) collect receipts from customers; (3) remit payments to sellers; and (4) are compensated for their services. By law, they are considered retailers for these sales

and, therefore, must collect and remit sales tax for them.)

Related Bills

sSB 1, §§ 1-2 & 7, favorably reported by the Finance, Revenue and Bonding Committee, exempts from sales and use tax (1) nonelectronic school supplies, including backpacks; (2) clothing and footwear costing less than \$100 (and correspondingly eliminates “sales tax free week” for these items); and (3) sandwiches, grinders, coffee, and tea prepared and sold in a supermarket for takeout, other than when they are sold in the food court or snack bar area (which are currently subject to the additional 1% meals and beverages tax).

sSB 2, §§ 2-5, favorably reported by the Finance, Revenue and Bonding Committee, dedicates half of the additional 1% tax on meals and beverages to the Tourism Fund and the other half to a new municipal diversification account, starting October 1, 2026.

sSB 84, §§ 28-31, favorably reported by the Finance, Revenue and Bonding Committee, has similar provisions.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 53 Nay 0 (03/31/2026)