Sales Tax Treatment of Specially Adapted Vehicles for People With Disabilities

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Issue

What is Connecticut's sales tax treatment of special motor vehicle equipment for people with disabilities and how does this tax treatment compare to Massachusetts, New Jersey, New York, and Rhode Island? Have there been any legislative proposals or studies on expanding Connecticut's current sales tax exemption to cover the specially adapted vehicles, rather than just the equipment?

Summary

Connecticut sales and use tax law exempts special motor vehicle equipment for people with physical disabilities, as well as repair and replacement parts for the equipment, but not the vehicles themselves. New Jersey, New York, and Rhode Island have comparable exemptions that cover just the special equipment. Massachusetts, on the other hand, fully exempts a vehicle from sales and use tax if it is purchased by someone who has lost two or more limbs or permanently lost the use of those limbs. Both Massachusetts and Rhode Island limit their exemptions to one vehicle per person and require that the vehicle be registered for personal, noncommercial use. We explain each of these exemptions in detail below.

We identified one past proposal to fully exempt specially adapted motor vehicles from sales and use tax. SB 190 (2004) was referred to the Finance, Revenue and Bonding Committee where it died without a public hearing. We have not identified any related studies.

You may also be interested to know that the General Assembly first enacted the sales and use tax exemption for this special motor vehicle equipment in 1992 (PA 92-17, May Special Session, § 29). In 1999, it expanded the exemption to cover repair and replacement parts for the special equipment (PA 99-173, § 26). In 2011, it extended the exemption to the portion of the vehicle's sale price attributable to the special equipment when a vehicle with the equipment already installed is sold (PA 11-61, §§ 60 & 61).

Sales Tax Treatment of Accessibility Equipment and Adapted Vehicles in Selected States

Connecticut

Under Connecticut law, the sale of special motor vehicle equipment for the exclusive use of someone with physical disabilities is exempt from sales and use tax. If the equipment is already installed in a vehicle being sold (either privately or by a dealer), the portion of the vehicle's sales price attributable to the equipment is tax-exempt. Repair or replacement parts for this equipment are also tax-exempt (CGS § 12-412(80)).

Massachusetts

Massachusetts exempts sales of motor vehicles to, and for use by, anyone who has lost two or more limbs or permanently lost at least 80% of the use of two or more limbs. The exemption applies only to one motor vehicle that an eligible person buys and registers for their personal, noncommercial use. To qualify, the eligible purchaser (and their physician if the exemption is based on the loss of limb use) must provide an affidavit to support the exemption claim. Qualifying disabled veterans may also receive this same exemption (Mass. Gen. Laws Ann. ch. 64H, § 6(u) & 830 Mass. Code Regs. 64H.25.1(7)(f)).

Sales of wheelchair lifts are also tax-exempt if they are purchased separately from the motor vehicle. In certain cases, a physician's prescription is required for the lift to qualify for the exemption (Massachusetts Department of Revenue, Directive 00-7, September 29, 2000).

New Jersey

New Jersey exempts sales of prescription "mobility enhancing equipment," which generally includes adaptive motor vehicle equipment for people with disabilities, as well as its repair and replacement parts. It also exempts any labor charges for modifying a vehicle post-production to make it handicapped accessible and any charges for servicing, repairing, or maintaining the equipment (N.J. Stat. § 54:32B-8.1; N.J. Admin. Code §§ 18:24-37.2 & -37.6).

New York

New York exempts sales of accessibility equipment (prosthetic aids), which includes special lifts and hand controls installed on or in a vehicle to help people with disabilities access or operate it. The exemption also applies to any charges for the equipment's installation, maintenance, servicing, or repair.

If the equipment is already installed on the vehicle, the exemption applies only to the incremental cost of the equipment and not the vehicle itself. This amount must be reasonable and separately stated in the customer's contract or bill. If the vehicle and equipment are sold for a single price, the entire amount is taxable (N.Y. Tax Law § 1115(a)(4); New York Department of Taxation and Finance, *Publication 838: A Guide to Sales Tax for Automobile Dealers*, pp. 28-29)

Rhode Island

Rhode Island exempts sales of certain motor vehicle equipment ("special adaptations") for people with disabilities and the equipment's component parts. It also provides a use tax credit for specially adapted motor vehicles that equals the cost of the special adaptations, including their installation. (The use tax credit is capped at the amount of use tax that would otherwise be due on the vehicle, excluding the adaptations.) To qualify, the owner must provide an affidavit from a licensed physician that the specially adapted vehicle (1) is needed to transport a family member with a disability or (2) has been specially adapted to meet the person's disability. Owners may receive the exemption or use tax credit for only one vehicle and the vehicle must be registered for personal, noncommercial use.

The tax-exempt equipment includes (1) wheelchair lifts, carriers, ramps, and securements; (2) hand controls, steering devices, power-assisted controls, and extensions, relocations, and crossovers for operator controls; (3) raised tops, dropped floors, and raised entry doors; and (4) alternative signaling devices to auditory signals. Special equipment for wheelchair accessible taxis and public motor vehicles is also exempt (44 R.I. Gen. Laws Ann. § 44-18-30(19)).

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