

## Form CT-1120AB

### Add Back and Exceptions to Add Back of Interest and Intangible Expenses

# 2005

For Income Year	
Beginning	2005, and Ending

Corporation Name	Connecticut Tax Registration Number
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**Purpose**

**Form CT-1120AB**, *Add Back and Exceptions to Add Back of Interest and Intangible Expenses*, must be completed by each corporation that paid, accrued, or incurred interest expenses to a related member or intangible expenses and costs, and interest expenses and costs related to intangibles to a related member. All interest expenses and intangible expenses and costs that are paid, accrued, or incurred to a related member must be added back to income. See Conn. Gen. Stat. §§12-218c and 12-218d.

To be entitled to an exception from the add back of expenses and a corresponding deduction from net income, the taxpayer must complete this form.

**PART I - Add Back**

**A - Total Interest Expenses Add Back**

1.	<b>Total interest expenses paid to a related member.</b> Do not include any interest expense and costs related to intangibles. Enter amount here and on <b>Form CT-1120</b> , <i>Corporation Business Tax Return, Schedule D</i> , Line 4. ....	1.	00
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**B - Total Intangible Expenses Add Back**

1.	<b>Total intangible expenses and costs paid to a related member.</b> Enter amount here and on Form CT-1120, <i>Schedule D</i> , Line 5. ....	1.	00
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**PART II - Exceptions to Add Back**

**A - Exceptions to Interest Expenses Add Back**

1.	Enter amount from Part III, <i>Schedule A</i> , Line 5 or <i>Schedule B</i> , Line 2. Enter here and on Form CT-1120, <i>Schedule D</i> , Line 12. ....	1.	00
2.	Enter amount from Part III, <i>Schedule C</i> , Line 5. Enter here and on Form CT-1120, <i>Schedule D</i> , Line 13. ....	2.	00
3.	Enter amount from Part III, <i>Schedule D</i> , Line 5. Enter here and on Form CT-1120, <i>Schedule D</i> , Line 14. ....	3.	00
4.	<b>Total Exceptions.</b> Add Lines 1 through 3 and enter the total here. ....	4.	00

**B - Exceptions to Intangible Expenses Add Back**

1.	Enter amount from Part V, <i>Schedule A</i> , Line 5 or <i>Schedule B</i> , Line 2. Enter here and on Form CT-1120, <i>Schedule D</i> , Line 15. ....	1.	00
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**PART III - Exceptions to Interest Expenses Add Back**

**Schedule A - Exception for Interest Paid, Accrued, or Incurred to a Related Member That is Taxed at a Similar Rate in This State, in Another State, or in a Foreign Nation**

This exception does not apply to transactions with a related member when the related member:

- Files in another jurisdiction with the taxpayer on a combined, consolidated, or unitary basis which results in the interest expense of the taxpayer and the interest income of the related member being offset or eliminated;
- Has a net operating loss; **or**
- Pays tax on a basis other than net income including, but not limited to, a gross receipts tax, capital base tax, or a business and occupational tax.

A.	Can the taxpayer establish by clear and convincing evidence that a principal purpose of the payment of interest to a related member was not to avoid the payment of taxes due under Chapter 208 of the Connecticut General Statutes? <input type="checkbox"/> Yes <input type="checkbox"/> No			
B.	Was the interest that the taxpayer paid to a related member paid according to a written contract that reflects an arm's length rate of interest and sets forth the terms of the loan? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If the answer to Question A and Question B above is <b>Yes</b> , enter the following information:				
1.	Amount of deductible interest claimed by taxpayer and paid to a related member. ....	1.		00
2.	Enter the taxable income of the related member in this state, in another state, or in a foreign nation. ....	2.		00
3.	Enter the tax paid by the related member in this state, in another state, or in a foreign nation. ....	3.		00
4.	Divide Line 3 by Line 2. ....	4.	.	
5.	<b>Exception Amount.</b> If Line 4 is equal to or greater than 4.5% (.045), enter the amount from Line 1 here and on Part II, A, Line 1. Otherwise enter "0." ....	5.		00
Name of Related Member		Federal Employer ID Number (FEIN) of Related Member		Fiscal Period of Related Member
Name of state or foreign nation in which the related member is subject to a tax on net income			Date of Written Contract	
Amount of interest income included in the measure of net income subject to tax by the state or foreign nation				

If claiming this exception for transactions with more than one related member, complete the above schedule for each related member and enter the total for all related members on Part II A, Line 1.

**Schedule B - Exception for Written Agreement**

A.	Has the taxpayer received written confirmation from the Commissioner of Revenue Services (the Commissioner) that the adjustments required under Conn. Gen. Stat. §12-218d are unreasonable? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If the answer to Question A above is <b>Yes</b> , enter the following information:				
1.	Letter Date: _____			
2.	Amount not subject to add back. Enter here and on Part II, A, Line 1. ....	2.		00

**Schedule C - Exception for Certain Related Members That are Insurance Companies**

A.	Can the taxpayer establish by clear and convincing evidence that a principle purpose of the payment of interest to a related member was not to avoid the payment of taxes due under Chapter 208 of the Connecticut General Statutes? <input type="checkbox"/> Yes <input type="checkbox"/> No				
B.	Was the interest that the taxpayer paid to a related member paid according to a written contract that reflects an arm's length rate of interest and sets forth the terms of the loan? <input type="checkbox"/> Yes <input type="checkbox"/> No				
C.	Is the related member that received the interest income a company subject to tax under Chapter 207 of the Connecticut General Statutes or subject to a tax in another state that is comparable to the tax under Chapter 207 of the Connecticut General Statutes? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If the answer to Question A, B, and C above is <b>Yes</b> , complete the following schedule. If the answer to Question A, B, or C above is <b>No</b> , the taxpayer <b>does not</b> qualify for this exception.					
	<b>Name of Related Member</b>	<b>FEIN</b>	<b>Contract Date</b>	<b>State in Which Taxes Were Paid</b>	<b>Amount Deducted</b>
1.					00
2.					00
3.					00
4.					00
5.	<b>Total.</b> Enter here and on Part II A, Line 2. ....				00

**Schedule D - Exception for Interest Paid to a Related Member Located in a Country With Which the U.S. Has a Comprehensive Income Tax Treaty**

A.	Was any interest paid, accrued, or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If the answer to Question A above is <b>Yes</b> , complete the following schedule.				
	<b>Name of Related Member</b>	<b>Name of Foreign Nation</b>	<b>Description of Treaty</b>	<b>Amount Deducted</b>
1.				00
2.				00
3.				00
4.				00
5.	<b>Total.</b> Enter here and on Part II A, Line 3. ....			00

**PART IV - Unitary Election**

If a taxpayer is subject to the interest expenses add back, the taxpayer may elect to calculate its tax on a unitary basis (including all members of the unitary group) provided the taxpayer clearly establishes that there are substantial intercorporate business transactions among the included corporations. The election to file on a unitary basis is irrevocable for and applicable for five successive income years.

A.	Does the taxpayer file on a unitary basis in another state? <input type="checkbox"/> Yes <input type="checkbox"/> No			
B.	Are all the same companies that are filing on a unitary basis in another state included in the Connecticut <b>Form CT-1120U, Unitary Corporation Business Tax Return</b> ? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If the answer to Question A and Question B above is <b>Yes</b> , the taxpayer may elect to file on a unitary basis subject to the following:				
<ul style="list-style-type: none"> <li>• The unitary group must file on Form CT-1120U;</li> <li>• The unitary group must use a three factor apportionment formula consisting of property, payroll, and double weighted gross receipts as provided under Conn. Gen. Stat. §12-218(c);</li> <li>• Each corporation included in the unitary group is subject to the \$250 minimum tax;</li> <li>• The unitary group may not use net operating losses that have been carried forward. Only losses incurred by the unitary group in the first year of the unitary election (and thereafter) can be used on the unitary return;</li> <li>• The unitary group may not use tax credits that have been carried forward. Only credits earned by the unitary group in the first year of the unitary election (and thereafter) can be used on the unitary return;</li> <li>• The unitary group must complete <b>Form CT-1120Q, Connecticut Corporate Unitary Questionnaire</b>, and attach it to Form CT-1120U; <b>and</b></li> <li>• The election to file on a unitary basis is irrevocable for five successive income years.</li> </ul>				

**PART V - Intangible Expenses and Costs Paid to a Related Member As Provided in Conn. Gen. Stat. §12-218c**

A.	Did the taxpayer deduct intangible expenses and costs in connection with a transaction with a related member involving: <ul style="list-style-type: none"> <li>• The direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property; ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</li> <li>• Factoring transactions or discounting transactions; ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</li> <li>• Royalty, patents, technical and copyright fees; or ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</li> <li>• Licensing fees? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No</li> </ul>
B.	Did the taxpayer deduct directly or indirectly, interest expenses and costs in connection with a transaction with a related member that involved the direct or indirect acquisition, maintenance, management, ownership, sale, exchange, or disposition of intangible property? <input type="checkbox"/> Yes <input type="checkbox"/> No
If the answer to any of the above questions is <b>Yes</b> , the total expenses must be added back and reported on Part I, B, Line 1; and Form CT-1120, <i>Schedule D</i> , Line 5.	

**Schedule A - Exception for Intangible Expenses Paid to Unrelated Third-Party**

A.	Did the related member to whom the taxpayer paid the intangible expenses and costs, directly or indirectly pay the amount deducted to an unrelated third-party during the same income year ? <input type="checkbox"/> Yes <input type="checkbox"/> No		
B.	Can the corporation establish by a preponderance of evidence that transaction giving rise to the intangible expenses and costs between the corporation and the related member did not have as a principle purpose the avoidance of any portion of the corporation business tax. <input type="checkbox"/> Yes <input type="checkbox"/> No		
If the answer to Question A and Question B above is <b>Yes</b> , enter the following information:			
	<b>Name of Related Member</b>	<b>Name of Unrelated Third-Party</b>	<b>Amount Deducted</b>
1.			00
2.			00
3.			00
4.			00
5.	<b>Total.</b> Enter here and on Part II B, Line 1. ....		00

**Schedule B - Exception for Intangible Expenses Subject to Written Agreement with the Commissioner**

A.	Has the taxpayer received written confirmation from the Commissioner that the adjustments required under Conn. Gen. Stat. §12-218c are unreasonable? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If the answer to Question A above is <b>Yes</b> , enter the following information:			
1.	Letter Date: _____		
2.	Amount not subject to add back. Enter here and on Part II, B, Line 1. ....	2.	00