

2021 FORM CT-1120CU

This booklet
contains
instructions for the
following forms:

- Form CT-1120CU
- Form CT-1120CU-MI
- Form CT-1120CU-NI
- Form CT-1120CU-MTB
- Form CT-1120A-CU
- Form CT-1120CU-NCB



Connecticut Combined Unitary Corporation Business Tax Return Instructions

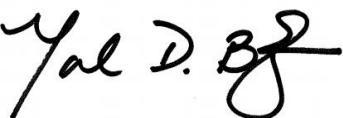
Dear Taxpayer,

The 2021 **Form CT-1120CU, Connecticut Combined Unitary Corporation Business Tax Return Instructions**, contains everything you will need to complete your 2021 Connecticut combined unitary corporation business tax filing. Please remember that electronic filing is the easiest and most efficient way to file. All of your electronic filing options are contained in these instructions.

The goal of DRS is to provide taxpayers with world-class customer service and a user-friendly approach to tax administration. If you have any questions about filing this return or any Connecticut tax matter, visit the DRS website at portal.ct.gov/DRS to use the robust search engine tool to get the most up-to-date tax information, forms, and publications.

As always, we welcome your comments and ideas about how we can improve our products and the way we do business.

Sincerely,

A handwritten signature in black ink that reads "Mark D. Boughton".

Mark D. Boughton
Commissioner of Revenue Services

**Tax information is available on the DRS
website at portal.ct.gov/DRS.**

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Form CT-1120CU must be filed electronically.

**Form CT-1120CU can be filed through the Connecticut
Federal/State Electronic Filing Modernized e-File (MeF)
Program.**

See Where to File on Page 9.

What's New

Surtax Extended

Under prior law, the 10% surtax was set to expire with income years beginning on or after January 1, 2021. Under new legislation, the 10% surtax has been extended two additional years to income years beginning on or after January 1, 2021, and prior to January 1, 2023.

Capital Base Tax Phaseout

Under prior law, the capital base tax phaseout was scheduled to begin in income year 2021.

Under new legislation, the capital base tax portion of the corporation business tax will begin to phase out starting in income year 2024 as follows:

Income Year	Capital Base Tax Rate
Beginning prior to January 1, 2024	0.0031
Beginning on or after January 1, 2024, and prior to January 1, 2025	0.0026
Beginning on or after January 1, 2025, and prior to January 1, 2026	0.0021
Beginning on or after January 1, 2026, and prior to January 1, 2027	0.0016
Beginning on or after January 1, 2027, and prior to January 1, 2028	0.0011

The minimum tax remains at \$250 for all income years.

Relief from Interest on Underpayment of Estimated Taxes

Any additional tax attributable to the 10% surtax extension and the delay in the phaseout of the capital base tax, which are both described above, shall not be included when calculating interest on the underpayment of estimated tax (CT-1120I interest). This provision only applies to income years that began on or after January 1, 2021 and before June 23, 2021.

Research Credit Utilization

Beginning with income year 2022, a company may utilize research and experimental tax credits available under section 12-217j (R&E Tax Credits) and research and development tax credits available under section 12-217n (R&D Tax Credits) in excess of the standard credit limitation.

In general, the amount of tax credits allowable against the corporation business tax shall not exceed 50.01% of the amount of tax due. However, R&E Tax Credits and R&D Tax Credits may be used up to 60% of the tax due in income year 2022, and up to 70% of the tax due in income year 2023 and thereafter.

R&D Tax Credit Carryforward

Unused R&D Tax Credits that are earned during income years that begin on or after January 1, 2021 may be carried forward for up to 15 years.

For more information, see **Special Notice 2021(5), 2021 Legislative Changes Affecting the Corporation Business Tax**.

What This Booklet Contains

This booklet contains information and instructions on how to complete **Form CT-1120CU, Combined Unitary Corporation Business Tax Return**, and its supporting forms.

The combined unitary forms should be submitted to DRS together in the order they are listed below. Any other forms or statements should be attached after these forms.

Form CT-1120CU <i>Combined Unitary Corporation Business Tax Return</i>	<ul style="list-style-type: none">• Listing of all Taxable and Nontaxable members;• Part I, Combined Group Total Tax Computation;• Part II, Combined Group Unitary Tax Credit Computation;• Part III, Computation of Amount Payable;• Combined Unitary Group Net Operating Loss Summary; and• Schedule KU, Combined Unitary Tax Credits.
Form CT-1120CU-MI <i>Combined Group Member Information</i>	<ul style="list-style-type: none">• Part I, Listing of Taxable and Nontaxable Members;• Part II, Listing of Mergers with Members from Part I;• Part III, Listing of Members that No Longer Belong to this Group; and• Part IV, Additional Information Section.
Form CT-1120CU-NI <i>Tax on Combined Group Net Income</i>	<ul style="list-style-type: none">• Part I, Computation of Adjusted Federal Taxable Income;• Part II, Computation of Combined Group Net Income; and• Part III, Tax on Combined Group Net Income.
Form CT-1120CU-MTB <i>Tax on Combined Group Minimum Tax Base</i>	<ul style="list-style-type: none">• Section A, Computation of Combined Group Minimum Tax Base; and• Section B, Computation of Tax on Combined Group Minimum Tax Base.
Form CT-1120A-CU <i>Apportionment Computation for Combined Unitary Filers</i>	<ul style="list-style-type: none">• Schedule Q – Net Income Apportionment; and• Schedule S – Minimum Tax Base Apportionment.
Form CT-1120CU-NCB <i>Nexus Combined Base Tax Calculation</i>	<ul style="list-style-type: none">• Part I, Computation of Nexus Combined Net Income; and• Part II, Computation of Nexus Combined Minimum Tax Base. <p><i>(Complete Form CT-1120CU-NCB only if Form CT-1120CU Part I, Line 3 is greater than \$2,500,000)</i></p>

General Information

Tax Assistance

The Connecticut Department of Revenue Services (DRS) offers a variety of fast and convenient taxpayer service options.

Secure Messaging

Send a secure message through **myconneCT**:

- Log in to **myconneCT**.
- Open the *More...* menu.
- Locate the *Correspondence* group and click the *Send Message* link.
- Select the account, period, message area (e.g. account, return, refund), and category.
- Enter the subject and message. You can also add attachments to your message.

Telephone

Business Hours: Monday through Friday 8:30 a.m. to 4:30 p.m.

- **860-297-5962** (from anywhere)
- **800-382-9463** (within CT, outside Greater Hartford area only)
- **860-297-4911** (Hearing Impaired, TDD/TT users only)

Email

- **DRS@po.state.ct.us** (general questions only)
- Subscribe to *E-alerts*.

In-Person Assistance

DRS offers convenient options:

- Remote videoconferencing via the Microsoft Teams platform. Taxpayers will receive DRS assistance in the comfort of their own homes from a trained DRS professional.
- In-person meetings with a DRS professional at the 450 Columbus Boulevard, Hartford, CT location. In-person meetings are by appointment only and scheduled during normal business hours, Monday through Friday 8:30 a.m. to 4:30 p.m.

To schedule an appointment, taxpayers should contact the **DRS Taxpayer Services Contact Center** at **DRS@po.state.ct.us**.

For additional information, visit the DRS website at **portal.ct.gov/DRS**.

Who Must File a Form CT-1120CU?

Groups of companies with common ownership that are engaged in a unitary business, where at least one member of the group is subject to the Corporation Business Tax, are required to file Form CT-1120CU.

If a company is individually subject to the Corporation Business Tax and does not meet the criteria to file on a combined unitary basis, it must file **Form CT-1120, Corporation Business Tax Return**, and not Form CT-1120CU.

What Constitutes a Unitary Business?

A unitary business is characterized by significant flows of value evidenced by factors such as those described in *Mobil Oil Corp. v. Vermont*, 445 U.S. 425 (1980): functional integration, centralization of management, and economies of scale. These factors provide evidence of whether the business activities operate as an integrated whole or exhibit substantial mutual interdependence. Facts suggesting the presence of the factors mentioned above should be analyzed in combination for their cumulative effect and not in isolation.

Without limiting the scope of what constitutes a unitary business, the presence of the following circumstances likely indicate the existence of a unitary business when conducted by two or more commonly owned companies:

- Companies engaged in the same line or similar lines of business.
- Companies engaged in different steps of a vertically structured business.
- Companies controlled by strong centralized management.
- Economies of scale that allow for mutual benefit to companies.
- One company exercises significant control over another company or companies.
- Companies engaged in intercompany business transactions, particularly relating to products, services, intellectual property, or financing that are significant to the businesses' operations.

What is Common Ownership?

Common ownership means that more than fifty per cent of the voting control of each member of a combined group is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, whether or not the owner or owners are members of the combined group. Whether voting control is indirectly owned shall be determined in accordance with Internal Revenue Code (IRC) § 318.

Which Companies Must Be Included in the Combined Group?

The following steps describe how to identify companies that must be included in the combined group:

Step 1

Identify all companies with common ownership that are engaged in a unitary business with a company that is subject to the Corporation Business Tax.

Step 2

The group of companies identified in *Step 1* should be modified to reflect the applicable group filing basis: water's-edge, worldwide, or affiliated group. The group filing basis dictates which companies are included in or excluded from the combined group. Information on each group filing basis is provided below.

Step 3

Exclude from the modified group of companies identified in *Step 2* those companies that are specifically exempt from the Corporation Business Tax, such as:

- Insurance companies;
- Companies exempt from federal corporation net income tax;
- Companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes;
- Companies all of whose properties in this state are operated by companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes;
- Cooperative housing corporations;
- Certain political organizations or associations;
- Passive investment companies; **and**
- Municipal utilities.

Step 4

The group of companies remaining after *Step 3* is the combined group. Prior to calculating the combined group's tax on a combined unitary basis, the companies must be divided between taxable members and nontaxable members. Members of the combined group that are individually subject to the Corporation Business Tax (i.e., have Connecticut nexus) are the **taxable members**. All other members are the **nontaxable members**.

Pass-Through Entities

The businesses of pass-through entities are considered to be conducted by their direct or indirect members, but only to the extent of each member's distributive share of the pass-through entity income. Accordingly, a member's pro-rata share of the pass-through entity's income, capital, and apportionment factors derived from the unitary business must be included in the calculation of the combined group's tax.

Portion of a Company's Operations Engaged in a Unitary Business

If only a portion of a company's operations are part of a unitary business, only the income, capital, and apportionment factors related to said portion should be included in the calculation of the combined group's tax. The remaining portion of a member's business operations may be subject to tax separately from the combined group, if such member individually conducts business in Connecticut, or with another combined group, if it is engaged in a unitary business with a different combined group that conducts business in Connecticut.

Passive Holding Companies

Passive holding companies that directly or indirectly control one or more operating companies engaged in a unitary business shall themselves be deemed to be engaged in a unitary business with such companies. Passive holding companies may be engaged in more than one unitary business. The income, capital, and apportionment factors of a passive holding company, or any other company, that is a member of more than one combined group shall be allocated on a consistent basis in accordance with combined unitary reporting principles. If a passive holding company is engaged in a unitary business with members of a combined group and with entities exempt from or otherwise not subject to the Corporation Business Tax, its income, capital, and apportionment must be allocated between the combined group and such other entities.

Selecting the Combined Group's Filing Basis

A combined group must select which filing basis it will use. A group's filing basis affects which members are included in or excluded from the combined group. The filing bases are:

- Water's-Edge (default rule);
- Worldwide (elective option); **or**
- Affiliated Group (elective option).

The water's-edge basis is the default option. The worldwide basis and affiliated group basis are elective options. A worldwide or affiliated group election must be made on the original return filed by the due date or extended due date of such return. If an election is made to file on a worldwide or affiliated group basis, the combined group must continue to use the selected elective basis for the current year and the next ten income years.

An election is made by checking either the worldwide or affiliated group box on Page 1 of Form CT-1120CU. If no election is made, the combined group should check the water's-edge box and file on the default water's-edge basis.

Water's-Edge Basis (default rule)

Under the water's-edge filing basis, the combined group includes those commonly owned companies engaged in a unitary business that:

- Are incorporated in the United States or formed under the laws of the United States, excluding companies with 80% or more of their property and 80% or more of their payroll located outside of the United States during the income year;
- Are incorporated outside of the United States, if 20% or more of their property and 20% or more of their payroll are located in the United States during the income year; **or**
- Are incorporated in a tax haven, unless it is proven to the satisfaction of the Commissioner that such companies are incorporated in a tax haven for a legitimate business purpose. See **Special Notice 2016(1), Combined Unitary Legislation**, for more information on tax havens.

Worldwide Basis (election)

Under the worldwide election, the combined group includes all companies with common ownership that are engaged in a unitary business regardless of where they are incorporated.

Affiliated Group Basis (election)

Under the affiliated group election, the combined group includes:

- Companies included in a federal consolidated return with a taxable member (regardless of whether said companies are engaged in a unitary business);
- Domestic (United States) companies that have more than 50% of their voting stock owned, directly or indirectly, by any member or members of a federal consolidated return that includes a taxable member (regardless of whether said companies are engaged in a unitary business); **and**
- Companies incorporated in a tax haven that share common ownership with a taxable member and are engaged in a unitary business with such member, unless it is proven to the satisfaction of the Commissioner that such companies are incorporated in a tax haven for a legitimate business purpose. See **Special Notice 2016(1), Combined Unitary Legislation**, for more information on tax havens.

Selecting a Designated Taxable Member

The combined group must select a designated taxable member. The designated taxable member must be a taxable member (i.e., have Connecticut nexus) and have a Connecticut Tax Registration Number. The designated taxable member is the combined group member that files the return, makes payments and performs other acts on behalf of the combined group. If the common parent is a taxable member in the combined group, it must be the designated taxable member. Otherwise, any taxable member may be selected.

If this is the first year that a combined group is filing a Form CT-1120CU, the group will select the designated taxable member by reporting the member as the named filer on Page 1 of Form CT-1120CU (in the box *Name of Connecticut designated taxable member*). No other form is required to select the designated taxable member. The designated taxable member should continue to file, pay and act on behalf of the combined group in future years.

Even though the designated taxable member is responsible for filing and paying on behalf of the combined group, each taxable member is jointly and severally liable for the tax due from the combined group.

How to Determine the Combined Group's Income Year

If two or more members of the combined group file a federal consolidated return, the combined group's income year is the same as it is for federal consolidated return purposes. Otherwise, the combined group's income year is the designated taxable member's income year.

If a member has a different income year than the combined group's income year, it should report the amounts from its income year ending during the combined group's income year in the combined group's return.

When to File

Form CT-1120CU, Combined Unitary Corporation Business Tax Return, must be filed on or before the fifteenth day of the month following the due date of the corresponding federal income tax return for the income year (May 15 for calendar year taxpayers). If the due date falls on a Saturday, Sunday, or legal holiday, the return is considered timely if filed on the next business day.

Extension Requests

Use **Form CT-1120 EXT, Application for Extension of Time to File Connecticut Corporation Business Tax Return**, to request a six-month extension (seven-month extension for combined groups with a June 30 fiscal year end) to file **Form CT-1120CU, Combined Unitary Corporation Business Tax Return**. It is not necessary to include a reason for the Connecticut extension request if an extension on federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, was filed with the Internal Revenue Service. If federal Form 7004 was not filed, the combined group may apply for an extension to file the Connecticut Combined Unitary Corporation Business Tax return if there is reasonable cause for the request.

To get a Connecticut filing extension the combined group **MUST**:

- Complete Form CT-1120 EXT in its entirety;
- File it on or before the fifteenth day of the month following the due date of the corporation's corresponding federal income tax return for the income year (May 15 for calendar year taxpayers); **and**
- Pay the amount shown on Line 15.

Due Date Chart		
Year End	Original Due Date	Extended Due Date
Anything except June 30	Fifteenth day of the fifth month after year end	Fifteenth day of the eleventh month after year end
June 30	Fifteenth day of the fourth month after year end	Fifteenth day of the eleventh month after year end

Form CT-1120 EXT **must** be filed and paid electronically. Payment of the total tax due must be included with the extension request. Form CT-1120 EXT extends **only** the **time to file** the Combined Unitary Corporation Business Tax Return. Form CT-1120 EXT **does not extend the time to pay** the amount of tax due. Visit **myconneCT** at portal.ct.gov/DRS-myconneCT to file Form CT-1120 EXT and to make an extension payment. Extensions also may be filed using the Connecticut Federal/State Electronic Filing Modernized e-File (MeF) program. Check with your software provider to see if the software you use supports filing of extensions.

Interest on any tax not paid by the original due date is computed at 1% per month or fraction of a month until the tax is paid in full.

Where to File

File Electronically

All Combined Unitary Corporation Business Tax Returns **must** be filed electronically. Form CT-1120CU can be filed electronically using the MeF program using third party software. Check with your current software provider to verify that they provide support for Form CT-1120CU.

DRS **myconneCT** does not support filing of Form CT-1120CU, but can be used to make electronic Form CT-1120CU Estimated Payments, Extension Payments, and balance due payments. See **Informational Publication 2021(5), Filing and Paying Connecticut Taxes Electronically**.

File a Paper Return

A paper return may be filed **only** if a waiver from the electronic filing requirement has been granted. To apply for a waiver from the electronic filing requirement, complete **Form DRS-EWVR, Electronic Filing and Payment Waiver Request**. See *Electronic Filing and Payment Waiver* on Page 10 for more information.

If you file a paper return print in blue or black ink, or type the information requested in the space provided at the top of Form CT-1120CU.

Mail return **with** payment to:

Department of Revenue Services
State of Connecticut
PO Box 2974
Hartford CT 06104-2974

Mail return **without** payment to:

Department of Revenue Services
State of Connecticut
PO Box 150406
Hartford CT 06115-0406

Make check payable to **Commissioner of Revenue Services**. To ensure payment is applied to the correct account, write **“2021 Form CT-1120CU”** and the designated taxable member Connecticut Tax Registration Number on the front of the check. Be sure to sign your check and paper clip it to the front of your return. DRS may submit your check to your bank electronically. **Do not send cash**.

The return will meet the timely filed and timely payment rules if the U.S. Postal Service cancellation date, or the date recorded or marked by a designated private delivery service (PDS) using a designated type of service, is on or before the due date. Not all services provided by these designated PDSs qualify. See **Policy Statement 2016(4), Designated Private Delivery Services and Designated Types of Service**, for a current list of qualified PDSs.

If Form CT-1120CU is filed late, see *Interest and Penalties* on Page 12 to determine if interest and penalty should be reported with this return.

Electronic Payment Options

All Combined Unitary Corporation Business Tax payments (e.g., estimates, extension payments, and return payments) **must** be made electronically. Non-electronic payments made without an electronic payment waiver will be subject to penalty. See **Informational Publication 2021(5), Filing and Paying Connecticut Taxes Electronically**.

There are multiple options to pay electronically:

DRS myconneCT

Visit **myconneCT** at portal.ct.gov/DRS-myconneCT to make an electronic payment. After logging in to **myconneCT**, find your tax account on the Summary screen, select the *Make a Payment* link and choose your payment method.

- **Pay by Direct Payment:** Using this option authorizes DRS to electronically withdraw a payment from your bank account (checking or savings) on a date you select up to the due date.
- **Pay by Credit Card or Debit Card:** You may elect to pay your tax liability using a credit card (American Express®, Discover®, MasterCard®, VISA®) or comparable debit card. A convenience fee will be charged by the credit card service provider. The convenience fee is generally 2.35% of the payment amount, with a minimum charge of \$3.95. You will be informed of the amount of the fee and may elect to cancel the transaction. Your payment will be effective on the date you make the charge.

At the end of the transaction, you will be given a confirmation number for your records. As a reminder, even if you pay electronically, you must still file your return by the due date. Tax not paid on or before the due date will be subject to penalty and interest.

Modernized e-File (MeF)

Check with your current software provider to determine if this option is available.

ACH Credit

ACH credit method users should consult with their banking institution for guidelines to ensure that payment is received timely. (Taxpayers must pre-register with the DRS Electronic Commerce Unit (ECU) prior to using this option). The taxpayer initiates an electronic payment through their banking institution. This payment must be sent in the ACH standard CCD+TXP format. For detailed information and a list of FAQ's, review **Informational Publication 2021(5), Filing and Paying Connecticut Taxes Electronically**.

Electronic Filing and Payment Waiver

If a combined group can show that filing and paying electronically creates an undue hardship, the Commissioner of Revenue Services may grant a one-year waiver of the electronic filing and payment requirement. Request a waiver by completing **Form DRS-EWVR, Electronic Filing and Payment Waiver Request**, no fewer than 30 days before the due date of your first electronic filing and payment. See **Policy Statement 2020(2), Requests for Waiver of Electronic Filing and Electronic Payment Requirements**.

Estimated Tax Payments

A combined group whose estimated current year tax exceeds \$1,000 must make its required annual payment in four estimated payment installments. All Corporation Business Tax estimated payments must be filed and paid electronically. In general, estimated payments should be made by the designated taxable member. For more information on how to make estimated payments, see *Electronic Payment Options*, on Page 10.

Filings and payments made without a waiver from the electronic filing and payment requirement will be subject to penalty. To apply for a waiver from the electronic filing and payment requirement, complete Form DRS-EWVR.

The amount of each estimated payment is calculated based upon the group's required annual payment. In general, the required annual payment is the lesser of:

- 90% of the tax due, including surtax, after application of credits, for the current income year; **and**
- 100% of the tax due, including surtax, before application of credits for the preceding income year.

The second portion of the required annual payment will be based upon the total tax due from all members of the combined group that filed with the designated taxable member in the prior year.

If the due date falls on a Saturday, Sunday, or legal holiday, the return is considered timely if filed on the next business day.

The estimated tax due date table indicates the amount due for each installment under the regular installment method. For more information regarding estimated Combined Unitary Corporation Business Tax payments, including information regarding the annualized installment method, see **Informational Publication 2021(9), 2021 Q & A on Estimated Corporation Business Tax and Worksheet CT-1120AE**.

Estimated Tax Payments		
Estimated Tax Due Dates		Required Payment Amounts The estimated payments for the income year are the lesser of :
First	ESA - Fifteenth day of the third month of the income year	30% of prior year tax (including surtax) without regard to credits or 27% of current year tax (including surtax)
Second	ESB - Fifteenth day of the sixth month of the income year	* 70% of prior year tax (including surtax) without regard to credits or 63% of current year tax (including surtax)
Third	ESC - Fifteenth day of the ninth month of the income year	* 80% of prior year tax (including surtax) without regard to credits or 72% of current year tax (including surtax)
Fourth	ESD - Fifteenth day of the twelfth month of the income year	* 100% of prior year tax (including surtax) without regard to credits or 90% of current year tax (including surtax)

* Taking into account all prior estimated tax payments made for this year.

Amended Returns

Any combined group that fails to include items of income or deduction or makes any other error on a return must file an amended combined return on Form CT-1120CU that applies to the tax year being amended and check the *Amended* box. Electronic filing of amended returns is not available.

If a member of the combined group has filed an amended federal return with the IRS and the amendment affects the combined group's Connecticut tax return, then within 90 days of the IRS final determination on that amended federal return, the corporation must file an amended Connecticut Corporation Business Tax return and attach a copy of federal Form 1120X, Amended U.S. Corporation Income Tax return.

Corrections to taxable income made by the IRS must be reported to the Commissioner of Revenue Services on or before 90 days after the final determination of the change. All federal adjustments must be reported on an amended return. An extension request for reporting federal audit changes may be submitted in writing to the Commissioner stating the reason additional time is required.

If the adjustment on a Connecticut amended return is not related to an adjustment made on a federal amended return (e.g. an adjustment to Connecticut net income, Connecticut minimum tax base, a Connecticut apportionment factor, a Connecticut net operating loss, or a Connecticut Corporation Business Tax credit), explain the adjustment in detail and attach all appropriate supporting forms and schedules.

Interest and Penalties

In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.

Interest

If the combined group does not pay the tax when due, it will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full. Interest due on the underpayment of estimated tax is computed using **Form CT-1120I, Computation of Interest Due on Underpayment of Estimated Tax**. Interest on underpayment or late payment of tax cannot be waived.

Penalty for Failure to Remit Payments Electronically

The following graduated penalty amounts will apply if a combined group fails to remit payments electronically:

- First offense – 10% penalty on the amount of the tax payment, but not more than \$2,500;
- Second offense – 10% penalty, but not more than \$10,000; **and**
- Third and subsequent offenses – 10% penalty.

When initiating a payment through your financial institution's online banking system you **must** verify that your financial institution is sending an EFT, not a check.

Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of Corporation Business Tax is 10% of the tax due or \$50, whichever is greater. If a request for a filing extension has been granted, a combined group may avoid a penalty for failure to pay the full amount due by the original due date if it pays:

- At least 90% of the tax shown to be due on the return on or before the original due date of the return; **and**
- The balance due with the filing of Form CT-1120CU on or before the extended due date.

If no tax is due, DRS may impose a \$50 penalty for the late filing of any return or report required by law to be filed.

Penalty for Willful Failure to File or Pay

Anyone who willfully fails to pay the tax or file a return will be fined up to \$1,000 or imprisoned up to one year, or both, in addition to any other penalty.

Penalty for Willful Filing of a Fraudulent or Materially False Return

If you willfully file a tax return you know to be fraudulent or false in any material matter, you may be fined up to \$5,000 or imprisoned from one to five years, or both.

Penalty for Failure to Disclose Listed Transaction

A penalty of 75% of the amount of the deficiency may be imposed when it appears that any part of the deficiency is due to failure to disclose a listed transaction, as defined in IRC § 6707A.

Recordkeeping

Keep a copy of the tax return, worksheets, and records of all items appearing on the return until the statute of limitations expires for that return. Usually, this is three years from the date the return was due or filed, whichever is later. However, if any combined group member reports a net operating loss or credit carryforward or carryback, the statute of limitations may expire later. Any ancillary documentation that cannot be transmitted with the electronically filed return should be retained by the taxpayer and supplied to DRS only upon request.

Foreign (Non-United States) Companies

For any member not incorporated in the United States, not included in a consolidated federal corporate income tax return and not required to file its own federal corporate income tax return, the income to be included in the combined group's net income shall be determined from a profit and loss statement. The statement shall be prepared for each foreign branch or company in the currency in which the books of account of the branch or company are regularly maintained. The statement must be adjusted to conform it to the accounting principles generally accepted in the United States for the presentation of such statements and further adjusted to take into account any book-tax differences required by federal or Connecticut law.

The profit and loss statement of each member of the combined group and the related apportionment factors, whether United States or foreign, shall be translated from the currency in which the company maintains its books and records into United States dollars on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis.

In lieu of these procedures and subject to the determination of the Commissioner that the income to be reported reasonably approximates income as determined under the Corporation Business Tax, income may be determined on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis.

Form CT-1120CU - Line Instructions

Purpose

Use **Form CT-1120CU, Combined Unitary Corporation Business Tax Return**, to calculate and report your Corporation Business Tax on a combined unitary basis.

Group Income Year

Enter the beginning and ending dates for the combined group's income year. See *How to Determine the Combined Group's Income Year* on Page 8.

Designated Taxable Member Information

Enter the designated taxable member's name, mailing address, Connecticut tax registration number, and federal employer identification number. A designated taxable member must have a Connecticut Tax Registration Number.

If this is the first year that the combined group is filing a Form CT-1120CU, select the designated taxable member by reporting the member as the named filer on Page 1 of Form CT-1120CU. No other form is required to select the designated taxable member. The designated taxable member should continue to file, pay and act on behalf of the combined group in future years. See *Selecting a Designated Taxable Member* on Page 8.

Address Change

To make any changes to the designated taxable member's address, check the *Address change* box, and go to portal.ct.gov/DRS-myconneCT to change your address through **myconneCT**. Log in to **myconneCT**, open the *More...* menu, locate the *Taxpayer Updates* group, and select *Manage Names & Addresses*.

Combined Unitary Return Status

- **First year filers:** Check the *Initial Return* box.
- If this is the last year that the combined group is filing a combined unitary return, check the *Final* box.
- If the combined group is filing for a short period, check the *Short Period* box.
- If the combined group is filing an amended return, check the *Amended* box.

Exchange of Research and Development Tax Credits

Check the *Yes* box and enter the total amount of credit refund requested if any member is exchanging Research and Development tax credits available under Conn. Gen. Stat. §§ 12-217j or 12-217n. These credits may be exchanged for a credit refund equal to 65% of the value of the credit, subject to certain limitations. A taxpayer may not receive a credit refund of more than \$1.5 million in any one income year.

To request a Research and Development tax credit refund:

- Check the *Yes* box on Form CT-1120CU, Line 3;
- Enter the total amount of credit refund requested by all combined group members on Form CT-1120CU, Line 3;
- File **Form CT-1120 XCH, Application for Exchange of Research and Development or Research and Experimental Expenditures Tax Credits by a Qualified Small Business**, separately from Form CT-1120CU. Attach **Form CT-1120RC, Research and Experimental Expenditures Tax Credit**, or **Form CT-1120 RDC, Research and Development Expenditures Tax Credit**, and all required supporting schedules and documentation to Form CT-1120 XCH; and
- At the same time as filing Form CT-1120CU, mail the completed application and supporting information to:
Department of Revenue Services
PO Box 150420
Hartford, CT 06115-0420

Eligibility

In order to be eligible for a research and development credit refund, a taxpayer must have no Corporation Business Tax liability. For credit exchange purposes, payment of a capital base tax under Conn. Gen. Stat. § 12-219 in a year that the taxpayer reports no net income as defined in Conn. Gen. Stat. § 12-213, or payment of the \$250 minimum tax under Conn. Gen. Stat. § 12-219, shall not be considered a liability.

A company included in a combined group that files as part of Form CT-1120CU must separately determine if it is eligible to exchange credits. This includes a separate determination as to whether the company claiming the credit refund has no tax liability for purposes of the eligibility requirements of this credit exchange.

If other requirements are satisfied, a company that files as part of a combined group is eligible to exchange credits if the group pays tax on the minimum tax base and:

- The company's apportioned amount of the combined group's net income is zero or negative (as reported on Form CT-1120CU-NI, Part III, Line 12), regardless of its portion of the minimum tax base; **or**
- The company's portion of the minimum tax base is equal to \$250 (as reported on Form CT-1120CU, Part I, Line 6b).

Annualizing Estimated Payments

Check the corresponding box if the combined group is using the annualized installment method to calculate its estimated tax payments. Complete **Form CT-1120I, Computation of Interest Due on Underpayment of Estimated Tax**, and attach it to Form CT-1120CU. See **Informational Publication 2021(9), 2021 Q & A on Estimated Corporation Business Tax and Worksheet CT-1120AE**.

Filing Method

Check the corresponding box to report the group's filing basis.

The worldwide basis and affiliated group basis are elective options. An election to file on either elective basis is made by checking the appropriate box on Page 1 of Form CT-1120CU. If no election is made, the combined group should check the water's-edge box.

A worldwide or affiliated group election must be made on the original return filed by the due date or extended due date of such return. If an election is made, the combined group must continue to use the selected elective basis for the current year and the next ten income years.

Schedule of Members Included in the Combined Unitary Return

Only submit this schedule if you are filing the return by paper.

List all taxable members first followed by nontaxable members. Continue using the assigned member number when completing all CT-1120CU forms and schedules.

Supplemental Attachment

For combined groups with more than 50 members, attach copies of the *Schedule of Members Included in the Combined Unitary Return*, as needed, using the same format. Continue the member number sequence on additional sheets. Do not assign the same member number to multiple companies.

In the *Taxable* column, enter *Y* for taxable members and *N* for nontaxable members. Enter the member's Connecticut Tax Registration Number (if applicable) followed by its Federal Employer Identification Number (FEIN). Enter *NoFederalID* if the member does not have an FEIN.

At the bottom of the schedule, enter the total number of members in this combined unitary return in the left hand box followed by the total number of taxable members in the right hand box.

Part I – Combined Group Total Tax

Complete a column for each taxable member. If there are more than nine taxable members in the combined group, attach copies of Page 4, as needed, using the same format.

Do not complete columns for nontaxable members.

Line 1

Enter the tax on combined group net income from Form CT-1120CU-NI, Part III, Line 14.

Line 2

Enter the tax on combined group minimum tax base from Form CT-1120CU-MTB, Line 14.

Line 3

Enter the larger of Line 1 or Line 2. If the amount entered is greater than \$2,500,000, complete Form CT-1120CU-NCB, *Nexus Combined Base Tax Calculation*.

Line 4

Aggregate Maximum Tax Calculation: If Line 3 exceeds \$2,500,000, enter the amount from Form CT-1120CU-NCB, Part III, Line 5. Otherwise, enter zero (“0”).

Line 5

If Line 4 is zero (“0”), enter the amount from Line 3. Otherwise, enter the lesser of Line 3 or Line 4.

Line 6a, 6b, and 6c

On Lines 6a, 6b, and 6c, enter each taxable member’s share of the amount shown on Line 5.

Line 6a

If the amount on Line 5 is based on combined group net income from Line 1, enter the corresponding amounts in each column as reported on Form CT-1120CU-NI, Part III, Line 13. Otherwise leave Line 6a blank.

Line 6b

If the amount on Line 5 is based on combined group minimum tax base from Line 2, enter the corresponding amounts in each column as reported on Form CT-1120CU-MTB, Line 10 (or Line 12, if applicable). Otherwise leave Line 6b blank.

Line 6c

If the amount on Line 5 is based on the aggregate maximum tax from Line 4, enter the corresponding amounts in each column as reported on Form CT-1120CU-NCB, Part III, Line 9. Otherwise leave Line 6c blank.

Line 7

Surtax: Multiply each applicable tax amount on Line 6a, Line 6b, or Line 6c, by 10% (.10). If the tax amount in any column is \$250 or less, enter zero (“0”). Enter the total of all columns on Line 7 in *Combined Group Total* column.

Line 8

Recapture of tax credits: Enter the total of all columns on Line 8 in *Combined Group Total* column.

The following tax credits are subject to recapture:

- Historic Preservation;
- Fixed Capital Investment;
- Insurance Reinvestment; **and**
- Urban and Industrial Site Reinvestment.

In most cases, other than the Fixed Capital Investment tax credit, the corporation will have been advised by the agency administering the tax credit that recapture is required. A corporation is required to recapture the Fixed Capital Investment tax credit when the fixed capital is not held and used in Connecticut by the corporation for five full years following its acquisition. See **Form CT-1120 FCIC, Fixed Capital Investment Tax Credit**, to calculate the amount of tax credit that must be recaptured.

Line 9

Combined Unitary Tax: Add Lines 6a, 6b, or 6c, whichever is applicable, and Line 7 and Line 8. Enter the amount in each column on Part II, Line 1, and enter the total of all columns on Line 9 in *Combined Group Total* column. Enter the *Combined Group Total* on Part III, Line 1.

Part II – Combined Group Unitary Tax Credit Computation

Complete a column for each taxable member. If there are more than nine taxable members in the combined group, attach copies of Page 6, as needed, using the same format.

Do not complete columns for nontaxable members.

Line 1

Enter each member's separate tax liability as reported on Part I, Line 9.

Line 2

Enter the lesser of Line 1 multiplied by 50.01% (.5001) or Line 1 minus \$250. If negative, enter zero ("0").

Line 3

Tax credits applied. Do not exceed the amount reported on Line 2 in any column.

Line 4

Combined unitary tax credits: Add the amounts in each column on Line 3 and enter the total here and on Part III, *Computation of Amount Payable* (Page 1), Line 2.

Tax Credit Reporting Requirements: Complete and attach a separate Form CT-1120K for each member that has a credit carryforward from a prior year or is claiming, applying, or sharing a business tax credit in the current year.

How to Apply Tax Credits

After each taxable member's tax liability has been determined, credits, if available, may be used to offset the tax due. Each taxable member is individually subject to the limitations imposed by Conn. Gen. Stat. § 12-217zz, which provides that credits may offset no more than 50.01% of each taxable member's tax.

Credits may be deducted from each taxable member's portion of the combined group's tax as follows:

- Credits earned in the current year by a taxable member of the combined group may be utilized by any taxable member in the group.
- Unused credits earned by a combined group member in a prior year in which a combined unitary tax return was filed may be utilized by the member that earned the credit or by any member that was included in the combined group in the year the tax credit was earned (regardless of whether or not the member was a taxable member or nontaxable member in such prior year).
- Unused credits earned by a taxable member in a prior year in which the taxable member filed a separate Corporation Business Tax return may be utilized only by the member that earned the credit.
- Unused credits earned by a combined group member in a year that it was included in a group that filed a **Form CT-1120CR, Combined Corporation Business Tax Return**, or a **Form CT-1120U, Unitary Corporation Business Tax Return**, may be used by the member that earned the credit or any other combined group member that was included in the Form CT-1120CR or Form CT-1120U in the year the credit was earned.

The credit ordering rules of Conn. Gen. Stat. § 12-217aa continue to apply. Any credits available to a taxable member, including credits it earned and credits earned by other members that it is allowed to utilize, must be utilized in accordance with such ordering rules. See **Special Notice 2016(1), Combined Unitary Legislation**.

Combined Unitary Group Net Operating Loss Summary

Line 1

Enter the total apportioned net operating loss (NOL) applied by combined group members in 2021 on Form CT-1120CU-NI, Part III, Line 11.

Line 2

Enter the total apportioned NOL carryover available for use in 2022 by all combined group members.

NOL Reporting Requirements: Use Form CT-1120 ATT, *Schedule H*, as a worksheet for each member that has an NOL carryforward from a prior year or is claiming, applying or sharing an NOL in the current year. Each member applies the NOL against its apportioned amount of the combined group's net income. **Do not file Form CT-1120 ATT as part of Form CT-1120CU.**

Combined Unitary Group Pass-Through Entity (PE) Tax Credit Summary

Line 1

Enter the Pass-Through Entity Tax credit carryforward from 2020.

Line 2

Enter the sum of each member's 2021 Pass-Through Entity Tax credit as reported in each column on Form CT-1120CU-MI, Part I, Line 10.

Line 3

Enter the total Pass-Through Entity credit available for 2021. Add Line 1 and Line 2.

Line 4

Enter the amount of Pass-Through Entity credit applied in 2021 reported on Form CT-1120CU, Part III, Line 4.

Line 5

Subtract Line 4 from Line 3. This is the Pass-Through Entity credit carryforward to 2022.

Part III – Computation of Amount Payable

(Complete Part I, Part II, and *Schedule KU* before completing Part III)

Line 1

Enter the combined group unitary tax amount from Part I, Line 9 from the *Combined Group Total* column.

Line 2

Enter the combined unitary tax credits from Part II, Line 8.

Line 4

Enter the total Pass-Through Entity tax credit being applied in 2021 as reported on Page 5, *Combined Unitary Group Pass-Through Entity (PE) Tax Credit Summary*, Line 4. Do not exceed the balance of tax payable reported on Part III, Line 3.

Line 6a

Enter the total payment made by each combined group member with Form CT-1120 EXT.

Line 6b

Enter the total of 2021 estimated payments made by each combined group member with Forms CT-1120 ESA, ESB, ESC, and ESD.

Line 6c

Enter total of 2020 overpayments by each combined group member.

Line 8a

Enter penalty if applicable. See *Interest and Penalties*, on Page 12.

Line 8b

Enter interest due on tax not paid by the original due date. See *Interest and Penalties*, on Page 12.

Line 8c

Enter interest due on underpayment of estimated tax. Complete and attach **Form CT-1120I**, *Computation of Interest Due on Underpayment of Estimated Tax*.

Line 9a

Enter the amount of overpayment to be credited to 2022 estimated tax. The overpayment will be treated as estimated tax paid on the fifteenth day of the third month (March 15 for calendar year filers), if the tax return is filed on time or if the tax return is filed within the extension period if a timely request for extension was filed. A request to apply an overpayment to the following income year is irrevocable. See **Informational Publication 2021(9)**, 2021 *Q&A on Estimated Corporation Business Tax and Worksheet CT-1120AE*.

Line 9b

Enter the amount of overpayment to be refunded.

Line 9c, Line 9d, and Line 9e

Get the refund faster by choosing direct deposit. Complete Lines 9c, 9d, and 9e to have the refund directly deposited into a checking or savings account. If any of the bank information supplied for direct deposit does not match, or the applicable bank account is closed prior to the deposit of the refund, the refund will automatically be mailed.

Line 9f

Federal banking rules require DRS to request information about foreign bank accounts when the taxpayer requests the direct deposit of a refund into a bank account. If the refund is requested to be deposited into a bank account outside of the United States, DRS will mail the refund.

Signature

The return must be signed by a duly authorized officer.

Paid Preparer Signature

A paid preparer must sign and date Form CT-1120CU. Paid preparers must also enter their Social Security Number (SSN) or Preparer Tax Identification Number (PTIN) and their firm's FEIN in the spaces provided.

Paid Preparer Authorization

If the combined group wants to authorize DRS to contact the paid preparer who signed the 2021 Combined Unitary Corporation Business Tax Return to discuss it, check the *Yes* box in the signature area of the return. This authorization applies only to the individual whose signature appears in the paid preparer's signature section of the combined unitary return. It does not apply to the firm, if any, shown in that section.

If the *Yes* box is checked, the combined group is authorizing DRS to contact the paid preparer to answer any questions that may arise during the processing of the 2021 Combined Unitary Corporation Business Tax Return.

The combined group is also authorizing the paid preparer to:

- Give DRS any information that is missing from the Combined Unitary return;
- Call DRS for information about the processing of the unitary group's return or the status of the combined group's refund or payment; **and**
- Respond to certain DRS notices that the combined group may have shared with the preparer regarding math errors, offsets, and return preparation. The notices will not be sent to the preparer.

Schedule KU - Combined Unitary Tax Credits

Complete and attach a separate Form CT-1120K for each member that has a credit carryforward from a prior year or is claiming, applying, or sharing a business tax credit in the current year. Enter the combined credit totals on *Schedule KU*.

Tax Credits With Carryback Provisions

(Line 1 and Line 2)

In Column A, enter the aggregate amount of each credit that was carried back to a prior income year by a combined group member. These amounts are reported by each member on Part I-A, Column F of its respective **Form CT-1120K**.

In Column B, enter the aggregate amount of each credit applied by a combined group member against the current year's Corporation Business Tax. These amounts are reported by each member on Part I-A, Column C of its respective Form CT-1120K.

Tax Credits without Carryback or Carryforward Provisions

(Line 3 through Line 10)

In Column B, enter the aggregate amount of each credit applied by a combined group member against the current year's Corporation Business Tax. These amounts are reported by each member on Part I-B, Column C of its respective Form CT-1120K.

Tax Credits With Carryforward Provisions

In Column B, enter the aggregate amount of each credit applied by a combined group member against the current year's Corporation Business Tax. These amounts are reported by each member on Part I-C, Column D of its respective Form CT-1120K.

In Column C, enter the aggregate amount of each credit that may be carried forward to a future income year by a combined group member of the combined group. These amounts are reported by each member on Part I-B, Column G of its respective Form CT-1120K.

Total

Enter on Line 26 the totals from Column A, Column B, and Column C.

Form CT-1120CU-MI Combined Group Member Information

Purpose

Use Form CT-1120CU-MI to provide certain member information necessary to complete and process Form CT-1120CU, *Combined Unitary Corporation Business Tax Return*.

General Information

Complete and attach Form CT-1120CU-MI as part of Form CT-1120CU.

Each column provides information on each taxable and nontaxable member.

A **taxable member** means a combined group member that is subject to the Connecticut Corporation Business Tax (i.e., a member with nexus in Connecticut).

A **nontaxable member** means a combined group member that is not subject to the Connecticut Corporation Business Tax (i.e., it does not have nexus with Connecticut).

Companies exempt from the Corporation Business Tax are not included in the combined unitary return.

Part I – Taxable and nontaxable members included in the combined unitary return

For each taxable and nontaxable member included in Form CT-1120CU, enter the identifying number assigned to each member beginning with “1” and continuing in ascending order using whole numbers. These unique identifying numbers remain with the particular member assigned throughout the combined unitary series of tax returns.

If a paper Form CT-1120CU is being filed, the member numbers listed on Page 2 of that form must be consistent with the member numbers assigned on Form CT-1120CU-MI.

Line 1

Enter the name of each taxable and nontaxable member.

Line 2

Enter the Connecticut tax registration number for each taxable member. Leave Line 2 blank for each nontaxable member that does not have a Connecticut tax registration number.

Line 3

Enter the Federal Employer Identification Number (FEIN) for each taxable and nontaxable member. Enter *NoFederalID* on Line 3 for each member that does not have a FEIN.

Line 4

Enter the North American Industry Classification System (NAICS) code for each taxable and nontaxable member’s principal business activity. General information concerning the classification of principal business activity under NAICS can be found at www.census.gov/naics.

Line 5

Check the *YES* box if the member information provided per column is for a taxable member. Check the *NO* box if the member information is for a nontaxable member.

Line 6

If this is a new member joining the combined group that was not included in the previously filed combined unitary return for this combined group, check the *YES* box. Otherwise, check *NO*.

Line 7

Check the *YES* box if the member is a financial service company. Otherwise, check *NO*.

Line 8

Check the *YES* box if the member is a regulated investment company or real estate investment trust. Otherwise, check *NO*.

Line 9

Check the *YES* box if this is a taxable member that conducts business in Connecticut, but is protected from taxation on its net income by Public Law 86-272. Otherwise, check *NO*.

Taxable members that are protected by Public Law 86-272 are treated as a nontaxable member for net income base purposes, but as a taxable member for all other purposes.

Line 10

Enter in the appropriate column the Pass-Through Entity credit for each member from **Form CT-1120PE, Pass-Through Entity Tax Credit**, Line 2.

Line 11

Enter in the appropriate column the amount of the extension payment made by each member on **Form CT-1120 EXT, Application for Extension of Time to File Connecticut Corporation Business Tax Return**.

Line 12

Enter in the appropriate column the amount of the total estimated tax payments made by each member on **Form CT-1120 ESA, ESB, ESC, or ESD, Estimated Connecticut Corporation Business Tax**.

Line 13

Enter in the appropriate column the amount of each overpayment from the prior income year tax filing to be credited to the current period as estimated tax.

Line 14

Check *YES* if only a portion of a member's business is included in this combined unitary return. Commonly owned companies may be engaged in more than one unitary business, and any tax due from non-unitary operations is calculated separately. If only a portion of a member's operations are included, only the income, capital and apportionment factors related to that portion should be included in the calculation of the combined group's tax.

Line 15

Check *YES* if the member will file a separate **Form CT-1120, Corporation Business Tax Return**, to report the tax due from business operations that are not included in this combined unitary return.

Line 16

Check *YES* if the member will file as part of a different combined group on a different Form CT-1120CU to report tax due from business operations that are not included in this combined unitary return.

Line 17

If the member checked *YES* on Line 16, indicate the Connecticut tax registration number of the designated taxable member of the different combined group.

Part II – List any mergers with members listed in Part I

Column A

If a member that was included in a previously filed Form CT-1120CU has since merged with another member of the same previously filed Form CT-1120CU, indicate the name and federal employer identification number of the corporation that merged out of existence.

Column B

For each member listed in Column A, indicate the member number of the merged entity reported on the previously filed Form CT-1120CU and the date of merger.

Part III – List all members that left the group during this tax year

If any member left the combined group since the last Form CT-1120CU was filed for any reason other than a merger with another combined group member reported in Part II, list the name of the corporation, its federal employer identification number, the date the member left the group, and the reason for not being included along with its previous combined group.

Part IV – Provide information about excluded members

List the domestic (U.S.) companies that are not included in this Form CT-1120CU, but have common ownership with this combined group. Explain why these companies are not included.

Form CT-1120CU-NI **Tax on Combined Group Net Income**

Purpose

Use Form CT-1120CU-NI to calculate the combined group's tax on the net income base. Complete and attach Form CT-1120CU-NI to Form CT-1120CU. Combined groups are subject to tax on the greater of their net income base or their minimum tax base (sometimes referred to as the *capital base*). See **Special Notice 2016(1), Combined Unitary Legislation**.

General Information - How to Calculate the Combined Group's Net Income

A combined group's net income is the aggregate net income or loss of each taxable member and nontaxable member, derived from a unitary business, subject to the following:

- Each member calculates its net income derived from a unitary business as if it were filing a Corporation Business Tax return on a stand alone basis, subject to certain modifications described herein.
- Dividends paid from one member to another are eliminated from the income of the recipient.
- The principles set forth in the federal consolidated return regulations promulgated under IRC § 1502 shall apply to the extent consistent with the Connecticut combined group membership and combined unitary reporting principles. Income deferred in accordance with such principles is restored to the seller's income if the object of the transaction is resold to an entity not in the combined group or resold to or converted by a combined group member for use outside of the unitary business. The income is also restored to the seller's income if the buyer and seller are no longer part of the same combined group. The restored income is included in the seller's net income as if it were earned immediately prior to the event that caused its restoration.
- The charitable contribution limitation is calculated on a combined group's net income, prior to the charitable contribution deduction. To the extent that a member's charitable contribution deduction is limited, it may be carried forward by the member and utilized in a future year. To the extent that the group's charitable contribution deduction is limited, each member shall deduct an amount equal to its pro rata share of the group's allowable deduction. Charitable contribution carryforwards are treated as if they were charitable contributions made in the subsequent year. These carryforwards may be used by the member in a combined unitary tax return or, if it no longer files in a combined unitary tax return in the future year, a separate return.
- Gains and losses from the sale or exchange of capital assets, property described in IRC § 1231(a)(3), and property subject to an involuntary conversion are removed from the separate member's net income and aggregated at the group level. The net gain or loss is apportioned to the taxable members in accordance with the net income apportionment provisions. Apportioned net losses are carried forward by each taxable member separately.
- No deductions are allowed for expenses that are attributable to income of any member of the combined group, which income is prohibited from Connecticut taxation under the United States Constitution or other federal law.

Part I – Computation of Adjusted Federal Taxable Income

Complete a column for each taxable and nontaxable member. If there are more than six members in the combined group, attach copies of Page 2 as needed using the same format.

Lines 1 through 28

For each member of the combined group, enter the appropriate amounts that were reported on its federal Form 1120 (or that would have been reported if it filed such a return). Use the *Eliminations* column to eliminate any transactions between members of the combined group. Use the *Adjustments* column to adjust any line to reflect the combined unitary basis of reporting. For information on adjustments that are required to be made for combined unitary purposes, see *How to Calculate the Combined Group's Net Income*, on Page 25. Also see **Special Notice 2016(1), Combined Unitary Legislation**.

Line 29

The group's capital gain or loss is determined at the group level. Use Line 29 to remove any capital gains or losses prior to arriving at adjusted federal taxable income.

Gains and losses from the sale or exchange of capital assets, property described in IRC § 1231(a)(3), and property subject to an involuntary conversion are aggregated at the group level. The aggregate net gain or loss is then apportioned by the taxable members in accordance with the net income apportionment provisions. Apportioned net losses are carried forward by each taxable member separately. See the instructions to Part III, Line 7.

Part II – Computation of Combined Group Net Income

Report Connecticut specific modifications at the combined group level.

Line 1

Enter the amount from Part I, Line 31, *Combined Group Total* column.

Line 2

Enter all interest income exempt from federal taxation.

Line 3

Enter state and local income taxes deducted in the calculation of federal taxable income, including Connecticut Corporation Business Tax.

Line 4

Enter the amount of interest expenses paid by a combined group member to a related member that is not included in the combined group.

Line 5

Enter the amount of intangible expenses paid by a combined group member to a related member that is not included in the combined group.

Line 6

Enter the amount of the federal bonus depreciation allowed under IRC § 168(k) and claimed on federal Form 4562, Depreciation and Amortization.

Line 7

Enter the amount of business interest expense that was incurred in a prior year and that was carried forward and deducted in the current year for federal tax purposes pursuant to IRC § 163(j).

Line 8

Enter 80% of the IRC § 179 deduction claimed for federal tax purposes.

Line 9

Enter any other income amount. Attach an explanation.

Line 10

Enter the sum of Line 1 through Line 9.

Line 11

Enter the amount of the dividend deduction. To calculate this amount, use Form CT-1120 ATT, *Schedule I*, as a worksheet.

Line 12

Enter the federal bonus depreciation recovery amount. To calculate this amount, use Form CT-1120 ATT, *Schedule J*, as a worksheet.

Line 13

Enter the amount of exceptions to the add back of interest expenses paid by a combined group member to a related member that is not included in the combined group.

Line 14

Enter the amount of exceptions to the add back of intangible expenses paid by a combined group member to a related member that is not included in the combined group.

Line 15

Enter 25% of IRC § 179 deduction that was added back in calculating the Connecticut net income in the preceding three years.

Line 16

Enter the amount of business interest expense that was incurred in the current year but was not allowed to be deducted for federal tax purposes pursuant to IRC § 163(j).

Line 17

Enter the amount of any contributions made by the State of Connecticut or political subdivision thereof to the extent that those contributions are included in federal taxable income.

Line 18

Enter any other income deduction. Attach an explanation. Include on Line 18 the Foreign Derived Intangible Income (FDII) deduction claimed for federal purposes.

Line 19

Enter the sum of Lines 11 through 18.

Line 20

Tentative Combined Group net income (loss): Subtract Line 19 from Line 10.

Line 21

Net Deferred Tax Liability Deduction: Enter one-thirtieth (1/30) of the amount reported on Line 6 of **Form CT-DTLD**, *Statement of Net Deferred Tax Liability Deduction*, that was submitted to DRS on or before July 3, 2017. Companies are not eligible to claim this deduction if Form CT-DTLD was not submitted on or before July 3, 2017. For more information, see **Special Notice 2016(1)**, *Combined Unitary Legislation*.

Under the original law, companies that timely filed Form CT-DTLD could claim one-seventh of their Net Deferred Tax Liability Deduction annually for a seven year period starting with their 2018 income year. Pursuant to amendments to the law that were enacted in 2017, these companies instead may claim one-thirtieth of such deduction annually for a thirty year period starting with their 2021 income year.

Line 22

Combined Group net income (loss): Subtract Line 21 from Line 20. Enter here and on Part III, Line 1.

Part III – Tax on Combined Group Net Income

Complete a column for each taxable member. If there are more than eight taxable members in the combined group, attach copies of Page 5, as needed, using the same format.

Do not complete columns for nontaxable members.

Line 1

Enter the amount from Part II, Line 22.

Line 2

Enter the amount of net income (loss) included in Line 1 that is subject to special apportionment rules. Net income derived from the following activities must be separately apportioned from other net income:

Activity	Use Form
Carrying of passengers or property for hire	Form CT-1120A-BMC
Services to regulated investment companies	Form CT-1120A-IRIC
Securities brokerage services	Form CT-1120A-SBC
Broadcasting and programming production services	Form CT-1120A-BPE
Credit card activities by financial service companies	Form CT-1120A-CCA

Net income that is subject to these special apportionment rules should be removed from the combined group's net income and separately apportioned on the forms listed above. Receipts from the activities whose net income is subject to separate apportionment should be removed from the calculation of the standard apportionment calculation on Form CT-1120A-CU, *Schedule Q*.

Line 3

Subtract Line 2 from Line 1.

Line 4

Enter the apportionment fraction for each respective taxable member that is reported on Form CT-1120A-CU, *Schedule Q*, Line 10.

Line 5

Multiple Line 3 by Line 4 in each column.

Line 6

Enter the amount of net income (loss) reported on Line 2 that is separately apportioned by a taxable member to Connecticut. Use the appropriate special apportionment form to calculate the separately apportioned net income (loss).

Line 6a

Add the amounts on Line 5 and Line 6 in each column.

Line 7

Enter the amount of capital gains apportioned to Connecticut by each respective taxable member as calculated on the Gains Adjustment worksheet on Page 30.

Also, if at least one taxable member reports positive net income on Line 6a and at least one other taxable member reports a loss on Line 6a, report the sharing of the current year loss(es) on Line 7. This adjustment is explained in the footnote to Example 3b of **OCG-3, Office of the Commissioner Guidance Regarding the Calculation of the Corporation Business Tax on a Combined Unitary Basis**.

Line 8

Add the amounts on Line 6a and Line 7 in each column.

Line 9

Add the amounts in each column on Line 8.

Line 10

Enter the net operating loss (NOL) deduction for each respective taxable member. Do not exceed 50% of the amount reported in each column on Line 8.

How to Apply NOLs

After apportionment, NOLs are deducted from each taxable member's portion of the combined group's net income in accordance with the following:

- NOLs incurred by a taxable member in a year when it filed a separate Corporation Business Tax return may be used only to reduce its apportioned amount of the combined group's net income.
- NOLs incurred by a group that filed a **Form CT-1120CR, Combined Corporation Business Tax Return**, or a **Form CT-1120U, Unitary Corporation Business Tax Return**, in an income year prior to 2016 may be used to reduce the apportioned amount of the combined group's net income of any taxable member that was included in the Form CT-1120CR or Form CT-1120U in the loss year. Only the combined NOLs from a Form CT-1120CR, and not separate company NOLs from such a return that were available for preference tax purposes under Conn. Gen. Stat. § 12-223f, may be utilized.
- NOLs incurred by a taxable member in a year in which it filed a combined unitary tax return as required in the Unitary Legislation may be used by the taxable member and/or may be shared with other members that were included in the combined group in the year of the loss (regardless of whether the member was a taxable member or nontaxable member in the loss year).

A taxable member may not claim an NOL deduction that exceeds 50% of its portion of the combined group's net income.

NOLs generated by a group that filed a Form CT-1120CR or Form CT-1120U may be used by any member of such prior year's return if they all are members of the current year Form CT-1120CU. Otherwise, these NOLs should be divided among the former members of the Form CT-1120CR or Form CT-1120U as described in **Special Notice 2016(1), Combined Unitary Legislation**. These divided NOLs may be shared between Form CT-1120CU members that filed together in the loss year.

See **Special Notice 2016(1), Combined Unitary Legislation**.

Line 11

Add the amounts in each column on Line 10.

Line 12

Subtract the amounts in each column on Line 10 from the amounts in each column on Line 8.

Line 13

Multiply each column by 7.5% (.075). Other than for REITs and RICs, if the resulting amount is less than \$250, enter \$250.

Line 14

Add the amounts in each column on Line 13. Enter this total here and on Form CT-1120CU, Part I, Line 1.

Form CT-1120CU-NI, Part III, Line 7
Gains Adjustment – Worksheet

Member #

1. Enter the combined group's net capital gain or loss from the current year. 1. .00
2. Enter the taxable member's apportionment fraction from Part III, Line 4. 2. .00
3. Multiply Line 1 by Line 2. 3. .00
4. Enter the taxable member's apportioned capital losses from prior years.* 4. .00
5. Subtract Line 4 from Line 3. If positive, include the amount on Part III, Line 7. Otherwise, carry the amount forward as an apportioned capital loss to next year. 5. .00

* Capital losses should be carried forward in accordance with the rules illustrated in Example B of **Special Notice 2016(1)**.

Form CT-1120CU-MTB **Tax on Combined Group Minimum Tax Base**

Purpose

Use Form CT-1120CU-MTB to calculate the tax due on a combined group's minimum tax base. Complete and attach Form CT-1120CU-MTB to Form CT-1120CU. Combined groups are subject to tax on the greater of their net income base or their minimum tax base (sometimes referred to as the *capital base*). See **Special Notice 2016(1), Combined Unitary Legislation**.

How to Calculate the Combined Group's Minimum Tax Base

Each member of the combined group reports its average beginning and ending separate minimum tax bases on Part A, Lines 1 through 6. These separate bases are then aggregated to arrive at the average combined group minimum tax base.

Each taxable member calculates its separate apportionment fraction on **Form CT-1120A-CU, Apportionment Computation for Combined Unitary Filers, Schedule S** and multiplies that fraction by the average combined group minimum tax base. Each taxable member's apportioned minimum tax base is then multiplied by the tax rate of .0031 mills per dollar (.0031) to arrive at each member's minimum tax on capital.

A taxable member's minimum tax on capital shall not be less than \$250 (except for REITs and RICs as explained below). The aggregate minimum tax on capital of the combined group shall not exceed \$1 million, prior to the surtax. If the aggregate amount of each taxable member's minimum tax on capital exceeds \$1 million, each taxable member should prorate its minimum tax on capital such that the group's aggregate minimum tax on capital equals \$1 million. Do not prorate the minimum tax of \$250.

In each member column, for both taxable and nontaxable members, enter the *Member Number* from **Form CT-1120CU-MI, Combined Group Member Information** and the name of the corporation being reported.

Financial Service Companies, REITs and RICs

Financial service companies should leave Lines 1 through 9 blank. Taxable members that are financial service companies should enter \$250 on Line 10. Nontaxable members that are financial service companies should enter \$0 on Line 10. REITs and RICs should leave all lines in Part A and Part B blank.

Companies Protected by Public Law 86-272

If the only member of a combined group that is subject to the Corporation Business Tax is immune from net income taxation in Connecticut pursuant to Public Law (P.L.) 86-272, the group should calculate its tax only on the minimum tax base. If there are other, non-immune combined group members subject to the Corporation Business Tax, the group should calculate its tax on both the net income and minimum tax bases, but should treat the immune member as a nontaxable member for net income base purposes and as a taxable member for minimum tax base purposes. All other non-immune members subject to the Corporation Business Tax should be treated as taxable members for both bases.

Part A – Computation of combined group minimum tax base

Complete a column for each taxable and nontaxable member. If there are more than six members in the combined group, attach copies of Page 2, as needed, using the same format.

Beginning of year

Line 1

In each member column, for both taxable and nontaxable members, enter the beginning of tax year total amounts of:

- The issued and outstanding capital stock, including treasury stock, at par or face value as reported on federal Form 1120, Schedule L, Line 22a and Line 22b;
- Paid-in or capital surplus, including retained earnings as reported on federal Form 1120, Schedule L, Lines 23, 24, and 25. Any deficit must be reported as a negative number; **and**
- Surplus reserves.

A ***surplus reserve*** is an amount set aside or deducted from current or retained earnings for meeting future liabilities.

Enter adjustments and eliminations amounts for intercorporate stock holdings and other intercompany transactions among members of the combined group. Add the amounts in each column and enter the total in the *Combined Group Total* column.

Line 2

Enter the beginning of tax year book value of holding of stock of private corporations. ***Private corporations*** means all non-governmental corporations, whether closely or publicly held. No deduction is allowed for intercorporate stock holdings among members of the combined group. Add the amounts in each column and enter the total in the *Combined Group Total* column.

Line 3

Subtract Line 2 from Line 1 in each *Member* column. Add the amounts in each column and combine with adjustments and eliminations and enter the total in the *Combined Group Total* column.

End of year

Line 4

In each *Member* column, for both taxable and nontaxable members, enter the end of tax year total amounts of:

- The issued and outstanding capital stock, including treasury stock, at par or face value as reported on federal Form 1120, Schedule L, Line 22a and Line 22b;
- Paid-in or capital surplus, including retained earnings as reported on federal Form 1120, Schedule L, Lines 23, 24, and 25. Any deficit must be reported as a negative number; **and**
- Surplus reserves.

A ***surplus reserve*** is an amount set aside or deducted from current or retained earnings for meeting future liabilities.

Enter adjustments and eliminations amounts for intercorporate stock holdings and other intercompany transactions among members of the combined group. Add the amounts in each column and enter the total in the *Combined Group Total* column.

Line 5

Enter the end of tax year book value of holdings of stock of private corporations.

Private corporations means all non-governmental corporations, whether closely or publicly held. No deduction is allowed for intercorporate stock holdings among members of the combined group. Add the amounts in each column and enter the total in the *Combined Group Total* column.

Line 6

Subtract Line 5 from Line 4 in each *Member* column. Add the amounts in each column and combine with adjustments and eliminations and enter the total in the *Combined Group Total* column.

Line 7

Compute the average combined group minimum tax base by adding Line 3 and Line 6, *Combined Group Total* column, and dividing that amount by two.

Part B – Computation of tax on combined group minimum tax base

Complete a column for each taxable and nontaxable member. If there are more than six members in the combined group, attach copies of Page 2, as needed, using the same format.

Line 8

For each taxable member, enter its minimum tax base apportionment fraction as calculated on **Form CT-1120A-CU, Apportionment Computation for Combined Unitary Filers, Schedule S**, or the appropriate apportionment form. Nontaxable members enter zero (“0”) apportionment.

Line 9

Multiply each member’s apportionment fraction on Line 8 by the average combined group total minimum tax base as reported on Line 7 to arrive at each member’s separately apportioned minimum tax base.

Line 10

Multiply each member’s separately apportioned minimum tax base reported on Line 9 by the tax rate of 0.31% (.0031) and enter the result in each column. Do not enter less than \$250 for any taxable member.

Line 11

Add the amount of tax calculated in each column on Line 10 and enter the total on Line 11. If Line 11 is \$1,000,000 or less, skip Line 12 and Line 13 and go to Line 14.

Line 12

If the amount on Line 11 exceeds \$1,000,000, prorate each member’s tax calculated on Line 10 so the total equals \$1,000,000. Do not prorate any member’s minimum tax of \$250. See **Special Notice 2016(1), Combined Unitary Legislation**.

Line 13

Add the amounts in each column on Line 12 and enter the total.

Line 14

Tax on combined group minimum tax base. Enter the lesser of \$1,000,000 or the amount on Line 11. Enter also on Form CT-1120CU, Part I, Line 2.

Form CT-1120A-CU

Apportionment Computation For Combined Unitary Filers

Purpose

Use Form CT-1120A-CU to calculate each taxable member's apportionment fraction for the net income and minimum tax bases. Complete and attach **Form CT-1120A-CU** to **Form CT-1120CU**. Combined groups are subject to tax on the greater of their net income base or their minimum tax base (sometimes referred to as the *capital base*). See **Special Notice 2016(1), Combined Unitary Legislation**.

Apportionment Calculation

Net Income Apportionment

If any member of the combined group carries on or does business outside of Connecticut or if any member is a financial services company, as defined in Conn. Gen. Stat. § 12-218b, the group is entitled to apportion its net income. If the group is entitled to apportion, each taxable member separately calculates its apportionment fraction in order to determine its portion of the combined group's net income.

Prior to calculating each taxable member's net income apportionment fraction, the nontaxable member's Connecticut receipts are assigned to taxable members. These receipts are assigned to taxable members on a pro rata basis in accordance with the ratio of each taxable member's Connecticut receipts over the total of all taxable member's Connecticut receipts.

Once the nontaxable member's Connecticut receipts are assigned to taxable members, each taxable member must calculate its apportionment fraction. In general, each taxable member must utilize a single receipts factor to apportion the combined group's net income. To calculate its net income apportionment fraction, each taxable member includes its individual Connecticut receipts (including receipts assigned to it from nontaxable members) in the numerator and the combined group's everywhere receipts in the denominator.

For net income apportionment purposes, receipts from transactions among members of the combined group are eliminated. In addition, receipts related to items of income not included in a combined group's unitary business or prohibited from Connecticut taxation under the United States Constitution or other federal law are excluded from the net income apportionment calculation.

Each taxable member's apportionment fraction is multiplied, individually, by the combined group's net income.

Receipts Subject to Special Apportionment Rules

Net income derived from the following activities must be separately apportioned from all other net income:

- Carrying of passengers or property for hire – **Form CT-1120A-BMC**;
- Services to regulated investment companies – **Form CT-1120A-IRIC**;
- Securities brokerage services – **Form CT-1120A-SBC**;
- Broadcasting and programming production services – **Form CT-1120A-BPE**; and
- Credit card activities by financial service companies – **Form CT-1120A-CCA**.

Net income that is subject to these special apportionment rules should be removed from the combined group's net income (on **Form CT-1120CU-NI**, Part III, Line 2) and separately apportioned according to the applicable provisions. Similarly, receipts from the activities whose net income is subject to special apportionment should be excluded from the standard apportionment calculation.

Manufacturers and financial service companies should **include** their income and receipts in the calculation of the group's net income and standard apportionment calculation, respectively. Manufacturers should use the standard sourcing rules explained in the instructions to *Schedule Q*. Financial service companies should use the rules provided under Conn. Gen. Stat. § 12-218b to source their receipts. See the instructions to Form CT-1120A-FS for more information on financial service company sourcing rules.

Minimum Tax Base Apportionment

If any member of the combined group carries on or does business outside of Connecticut, the group is entitled to apportion its minimum tax base. Similar to the method used to apportion the combined group's net income, taxable members separately apportion the combined group's minimum tax base. Each taxable member's minimum tax base apportionment fraction includes its assets sourced to Connecticut under Conn. Gen. Stat. § 12-219a in the numerator and the everywhere assets of the entire combined group in the denominator.

For minimum tax base apportionment purposes, the average monthly net book value of a part year member's assets should be prorated to reflect the percentage of the group's income year it was included in the group.

In each member column, for both taxable and nontaxable members, enter the Member Number from **Form CT-1120CU-MI**, *Combined Group Member Information* and the name of the corporation being reported.

Schedule Q – Net Income Apportionment

Total Connecticut Receipts

Line 1

Taxable member's Connecticut receipts: In each member column, for taxable members, enter the total of:

- Receipts from sales of tangible property delivered or shipped to a purchaser within Connecticut regardless of the F.O.B. point or other conditions of sale;
- Receipts from services where the market for services is in Connecticut;
- Receipts for the rental, lease or license of real or tangible property that is situated in Connecticut;
- Receipts from the rental, lease or license of intangible property used in this state. Intangible property utilized in marketing a good or service to a consumer is used in this state if that good or service is purchased by a consumer in this state;
- Interest earned from assets managed or controlled within Connecticut; **and**
- Receipts, other than those described above, are assignable to this state to the extent the taxpayer's market for the sales is in this state.

Exclude receipts from the sale or other disposition of real property, tangible personal property or intangible property if such property is not held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business.

Enter zero ("0") in each nontaxable member column.

Line 2

Total taxable member's Connecticut receipts: Enter the total of each column reported on Line 1.

Line 3

Percentage of taxable member's Connecticut receipts: Divide the taxable member's Connecticut receipts reported on Line 1 in each member column by the total taxable member's Connecticut receipts reported on Line 2, carry to six places.

Line 4

Nontaxable member's Connecticut receipts: In each member column, for nontaxable members, enter the total of:

- Receipts from sales of tangible property delivered or shipped to a purchaser within Connecticut regardless of the F.O.B. point or other conditions of sale;
- Receipts from services where the market for services is in Connecticut;
- Receipts for the rental, lease or license of real or tangible property that is situated in Connecticut;
- Receipts from the rental, lease or license of intangible property used in this state. Intangible property utilized in marketing a good or service to a consumer is used in this state if that good or service is purchased by a consumer in this state;
- Interest earned from assets managed or controlled within Connecticut; **and**
- Receipts, other than those described above, are assignable to this state to the extent the taxpayer's market for the sales is in this state.

Exclude receipts from the sale or other disposition of real property, tangible personal property or intangible property if such property is not held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business.

Enter zero ("0") in each taxable member column.

Line 5

Total nontaxable member's Connecticut receipts: Enter the total nontaxable member's Connecticut receipts reported on Line 4 for each column.

Line 6

Taxable member's pro-rata share of nontaxable member's Connecticut receipts: Multiply the percentage of taxable member's Connecticut receipts reported on Line 3 for each column by the total nontaxable member's Connecticut receipts reported on Line 5.

Line 7

Total taxable member's Connecticut receipts: Add the taxable member's Connecticut receipts reported on Line 1 for each column and the taxable member's pro-rata share of nontaxable member's Connecticut receipts reported on Line 6 for each column.

Everywhere Receipts

Line 8

Taxable and nontaxable member's everywhere receipts: Enter the total everywhere receipts of each member for each column.

- Total receipts from sales of tangible property;
- Total receipts from services;
- Total receipts for the rental, lease or license of real or tangible property;
- Total receipts from the rental, lease or license of intangible property;
- Total interest earned; **and**
- Other receipts.

Exclude receipts from the sale or other disposition of real property, tangible personal property or intangible property if such property is not held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business.

Line 9

Total everywhere receipts: Add the amounts reported on Line 8 for each column.

Line 10

Connecticut net income apportionment fraction: Divide each taxable member's Connecticut receipts reported on Line 7 in each column by the total everywhere receipts reported on Line 9, carry to six places. Also enter each taxable member's net income apportionment fraction in the appropriate column on Form CT-1120CU-NI, Part III, Line 4.

Receipts Subject to Special Apportionment Rules. On *Schedule Q*, exclude receipts from activities whose net income is subject to special apportionment.

Financial Service Companies. Financial service companies should use the rules provided under Conn. Gen. Stat. § 12-218b to source their receipts on Lines 1, 4, and 8. See the instructions to Form CT-1120A-FS for more information on financial service company sourcing rules.

Schedule S – Minimum Tax Base Apportionment

Taxable Members

Line 1

Intangible assets located within Connecticut. In each member column, for each taxable member, enter the average monthly net book value of all intangible assets, exclusive of holdings of stock of private (nongovernmental) corporations, held or managed within Connecticut. The intangible assets of a company that has its principal place of business within Connecticut are deemed to have a tax situs within Connecticut unless it can be clearly established that some or all of the assets are held in connection with business conducted during the income year outside Connecticut. Intercorporate holdings of stock are eliminated.

In each member column, for each nontaxable member, enter zero (“0”).

Line 2

Tangible property located within Connecticut. In each member column, for each taxable member, enter the average monthly net book value of all tangible property held within Connecticut.

In each member column, for each nontaxable member, enter zero (“0”).

Line 3

For each member column, add the Connecticut intangible assets reported on Line 1 and the Connecticut tangible property reported on Line 2.

Taxable and Nontaxable Members

Line 4

Everywhere intangible assets. In each member column, for taxable and nontaxable members, enter the average monthly net book value of all intangible assets, exclusive of holdings of stock of private (nongovernmental) corporations. Intercorporate holdings of stock are eliminated.

Line 5

Everywhere tangible property. In each member column, for taxable and nontaxable members, enter the average monthly net book value of all tangible property.

Line 6

For each member column, add the everywhere intangible assets reported on Line 4 and the everywhere tangible property reported on Line 5.

Line 7

For each member column, add the amounts reported on Line 6 and enter the total.

Line 8

Connecticut minimum tax base apportionment. For each member column, divide the Connecticut assets of taxable members reported on Line 3 by the combined group’s total everywhere assets reported on Line 7, carry to six places. Also enter each taxable member’s apportionment in the appropriate column on Form CT-1120CU-MTB, Line 8.

Financial Service Companies, REITs and RICs.

Financial service companies, real estate investment trusts, and regulated investment companies should enter zero (“0”) for their asset values reported for both everywhere and within Connecticut.

Form CT-1120CU-NCB **Nexus Combined Base Tax Calculation**

Do not complete this form if Form CT-1120CU, Part I, Line 3 is less than or equal to \$2,500,000.

Purpose

If the amount reported on Form CT-1120CU, Part I, Line 3 is greater than \$2,500,000, use Form CT-1120CU-NCB to calculate whether the combined group's tax liability is capped at an amount less than would otherwise be due on the standard combined unitary basis. If applicable, complete and attach Form CT-1120CU-NCB to Form CT-1120CU. See *Special Notice 2016(1), Combined Unitary Legislation*.

Nexus Combined Base

A combined group's tax liability, prior to surtax and credits, cannot exceed the amount calculated on a nexus combined basis by more than \$2,500,000. This is referred to as the aggregate maximum tax. If the aggregate maximum tax (as calculated on this form) is less than the tax on the standard combined unitary basis (as reported on Form CT-1120CU, Part I, Line 3), the group is subject to the aggregate maximum tax. Otherwise, the group is subject to tax on the standard combined unitary basis.

If the combined group determines that the calculations on Form CT-1120CU-NCB do not affect the tax due, it is not required to file this form (even if Part I, Line 3 is greater than \$2,500,000). If the combined group later determines that the calculations do impact the tax due, it may file Form CT-1120CU-NCB with an amended return or provide Form CT-1120CU-NCB to DRS during the course of an audit examination.

See *Special Notice 2016(1), Combined Unitary Legislation*.

Part I – Computation of Nexus Combined Net Income

Nexus combined net income is the sum of the apportioned separate net income or loss of each taxable member included in the combined unitary return. For nexus combined purposes, each taxable member calculates its apportioned net income as if it were filing a separate return, subject to certain adjustments specific to the nexus combined base.

Net Income Adjustments. Any intercompany intangible expenses and costs required to be added back pursuant to Conn. Gen. Stat. § 12-218c and the corresponding income attributable to such expenses are eliminated provided that both the payor and payee are both taxable members included in the combined unitary return. See Conn. Gen. Stat. § 12-218e(k)(2)(B). Enter the amount of expenses or income to be eliminated on Line 9 and Line 22, respectively. Intercorporate dividends from taxable members included in this combined unitary return are deducted. See Conn. Gen. Stat. § 12-218e(k)(2)(A).

Net Income Apportionment Calculation Adjustment. Do not include receipts from any other taxable member included in this combined unitary return in the computation of the receipts factor of the apportionment fraction.

Calculate each taxable member's apportioned net income on the consolidating schedules. Enter the sum of Lines 26 through 28 of each included corporation in the *Nexus Combined Total* column.

Line 1

Enter the corporation's federal taxable income (loss) before net operating loss and special deductions as filed on the taxable member's federal return.

Line 2

Enter all interest income exempt from federal taxation.

Line 3

Enter state and local income taxes deducted in the calculation of federal taxable income, including Connecticut Corporation Business Tax.

Line 4

Enter the amount of interest expenses paid to a related member as reported on Form CT-1120AB, Part I A, Line 1.

Line 5

Enter the amount of intangible expenses paid to a related member as reported on Form CT-1120AB, Part I B, Line 3.

Line 6

Enter the amount of the federal bonus depreciation allowed under IRC § 168(k) and claimed on federal Form 4562, Depreciation and Amortization.

Line 7

Enter the amount of business interest expense that was incurred in a prior year and that was carried forward and deducted in the current year for federal tax purposes pursuant to IRC § 163(j).

Line 8

Enter 80% of the IRC § 179 deduction claimed for federal tax purposes.

Line 9

Enter any other income amount. Attach an explanation. Include the amount of intercompany intangible expenses and costs that are eliminated pursuant to Conn. Gen. Stat. § 12-218e(k)(2)(B).

Line 11a

Enter the amount entered on Form CT-1120 ATT, *Schedule I*, Line 2.

Line 11b

Enter the amount entered on Form CT-1120 ATT, *Schedule I*, Line 3.

Line 11c

Enter the amount entered on Form CT-1120 ATT, *Schedule I*, Line 4.

Line 11d

Enter the amount of intercorporate dividends from taxable members included in this combined unitary return not otherwise deducted.

Line 12

Enter the amount of any available capital loss carryover not deducted in computing federal capital gain. This amount is limited to the amount of the capital gain reported on the federal return as described in Conn. Gen. Stat. § 12-217.

Line 13

Enter the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any nonprofit land conservation organization where such land is to be permanently preserved as protected open space or to a water company (as defined in Conn. Gen. Stat. § 25-32a), where such land is to be permanently preserved as protected open space land or as Class I or Class II water company land.

Line 14

Enter the federal bonus depreciation recovery amount from Form CT-1120 ATT, *Schedule J*, Line 26.

Line 15

Enter the amount of exceptions to interest add back as reported on Form CT-1120AB, Part II A, Line 1.

Line 16

Enter the amount of exceptions to interest add back as reported on Form CT-1120AB, Part II A, Line 2.

Line 17

Enter the amount of exceptions to interest add back as reported on Form CT-1120AB, Part II A, Line 3.

Line 18

Enter the amount of exceptions to the add back of intangible expenses paid to a related member as reported on Form CT-1120AB, Part II B, Line 1.

Line 19

Enter 25% of IRC § 179 deduction that was added back in calculating the Connecticut net income in the preceding three years.

Line 20

Enter the amount of business interest expense that was incurred in the current year but was not allowed to be deducted for federal tax purposes pursuant to IRC § 163(j).

Line 21

Enter the amount of any contributions made by the State of Connecticut or political subdivision thereof to the extent those contributions are included in federal taxable income.

Line 22

Enter any other income deduction. Attach an explanation.

- Enter the Foreign Derived Intangible Income (FDII) deduction claimed for federal purposes.
- Enter the amount of income received from a taxable member included in the combined unitary return attributable to intangible expenses and costs that is eliminated pursuant to Conn. Gen. Stat. § 12-218e(k)(2)(B).
- Enter the amount received from a related member attributable to intangible expenses and costs (that is not already eliminated on this line) or to interest expenses and costs, provided such income was:
 1. Included on Part I, Line 1 of this return;
 2. Received from a related member who filed a Connecticut Corporation Business Tax return for the same income year (other than as a nontaxable member of a combined unitary return); **and**
 3. Required to be added back by the related member under Conn. Gen. Stat. §§ 12-218c or 12-218d and was not entitled to an exception of the add back.

Line 24

Subtract Line 23 from Line 10. Enter the result here.

Line 25

Enter the apportionment fraction from Form CT-1120A, *Schedule Q*, or from the appropriate apportionment form. The fraction must be expressed as a decimal and carried to six places.

Line 26

Enter the amount from Line 24 multiplied by Line 25, or enter the amount from Line 24, if not entitled to apportion.

Line 27 and Line 29

For purposes of calculating the nexus combined tax, net operating losses (NOLs) incurred in a prior year by a taxable member or by a group that included a taxable member may be utilized to offset net income reported on this form. NOLs that may be utilized include NOLs reported on Form CT-1120, Form CT-1120CR, Form CT-1120U, or NOLs reported in the calculation of the nexus combined tax on Form CT-1120CU-NCB. NOLs reported in the calculation of the nexus combined base tax on Form CT-1120CU-NCB and NOLs reported on a Form CT-1120 or Form CT-1120CR may be utilized in a manner consistent with the rules prescribed by Conn. Agencies Regs. § 12-223a-2. NOLs reported on a Form CT-1120U may be utilized by any taxable member that filed as part of such return in the year of the loss.

NOL from a Form CT-1120. NOLs reported in a prior year on a Form CT-1120 may only be used to offset the income of the taxable member that generated the loss. Such NOLs should be reported on Line 27 and may not exceed 50% of each taxable member's separately calculated net income.

NOL from a Form CT-1120CR, Form CT-1120U or Form CT-1120CU-NCB. NOLs reported in a prior year on a Form CT-1120CR, Form CT-1120U or Form CT-1120CU-NCB that may be used to offset the income of more than one taxable member should be reported on Line 29.

The total amount of NOL applied on Line 27 and Line 29 cannot exceed 50% of net income reported on the *Nexus Combined Total* column, Line 26.

Part II – Computation of Nexus Combined Minimum Tax Base

The nexus combined minimum tax base is the sum of the separate minimum tax base of each taxable member included in the combined unitary return, but only to the extent the base is separately apportioned to Connecticut in accordance with the provisions of Conn. Gen. Stat. §§ 12-219a or 12-244.

If any income or expenses are eliminated in Part I, Line 22, the intangible property of the taxable member eliminating the income shall not be taken into account in apportioning the minimum tax base.

The maximum tax for the nexus combined minimum tax base is \$1,000,000.

Part III – Aggregate Maximum Tax

Line 1

Enter the amount from Part I, Line 31, *Nexus Combined Total* column.

Line 2

Enter the amount from Part II, Line 7, *Nexus Combined Total* column.

Line 3

Enter the greater of Line 1 or Line 2.

Line 5

Add \$2,500,000 to the amount reported on Line 3. This represents the combined group's aggregate maximum tax. Enter this amount here and on Form CT-1120CU, Part I, Line 4.

Allocation of Aggregate Maximum Tax

This section is used to allocate the aggregate maximum tax among the taxable members of the group.

Line 6

Enter in each column the tax reported for each taxable member on Form CT-1120CU-NI, Part III, Line 13.

Line 7

Enter the amount reported on Form CT-1120CU-NI, Part III, Line 14.

Line 8

Divide the amount in each column on Line 6 by the amount on Line 7.

Line 9

Multiply the amount on Line 5 in this Part by the percentage reported on Line 8 in each column. Also, enter these amounts in each corresponding column on Form CT-1120CU, Part I, Line 6c.

File and pay your taxes online!
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Revenue Services
portal.ct.gov/DRS



File returns, pay amounts due, and choose to
direct deposit refunds electronically using our easy, state-of-the-art,
and mobile-friendly tax filing system.

TAX ASSISTANCE

The Connecticut Department of Revenue Services (DRS) offers a variety of fast and convenient taxpayer service options.

Secure Messaging

Send a secure message through myconneCT:

- Log in to myconneCT.
- Open the *More...* menu.
- Locate the *Correspondence* group and click the *Send Message* link.
- Select the account, period, message area (e.g. account, return, refund), and category.
- Enter the subject and message. You can also add attachments to your message.

Telephone

Business hours: Monday through Friday 8:30 a.m. to 4:30 p.m.

- **860-297-5962** (from anywhere)
- **800-382-9463** (within CT, outside Greater Hartford area only)
- **860-297-4911** (Hearing Impaired, TDD/TT users only)



860-297-5962



800-382-9463



860-297-4911

Email

- **DRS@po.state.ct.us** (general questions only)
- Subscribe to *E-alerts*.



DRS Email



E-alerts

Mail

Department of Revenue Services
450 Columbus Boulevard, Suite 1
Hartford, Connecticut 06103-1837*

* A safe and secure drop box is also available at street level of the DRS Hartford location for quick drop off of tax documents.

In-Person Assistance

DRS offers convenient options:

- Remote videoconferencing via the Microsoft Teams platform. Taxpayers will receive DRS assistance in the comfort of their own homes from a trained DRS professional.
- In-person meetings with a DRS professional at the 450 Columbus Boulevard, Hartford, CT location. In-person meetings are by appointment only and scheduled during normal business hours, Monday through Friday 8:30 a.m. to 4:30 p.m.

To schedule an appointment, taxpayers should contact the DRS **Taxpayer Services Contact Center** at **DRS@po.state.ct.us**.

For additional information, visit the DRS website at portal.ct.gov/DRS.

Federal Tax Information

For questions about **federal taxes**, visit www.irs.gov or call the Internal Revenue Service (IRS) at 800-829-1040. To order **federal tax forms**, call 800-829-3676.



Statewide Services

Visit the **Official State of Connecticut Website** at portal.ct.gov for information on statewide services and programs.

