



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2010(3)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

SPECIAL NOTICE

2010 Legislative Changes Affecting the Income Tax

Purpose: This Special Notice describes changes affecting the Connecticut income tax made during the 2010 session of the Connecticut General Assembly.

Effective Date: Effective for taxable years beginning on or after January 1, 2010.

Statutory Authority: Conn. Gen. Stat. §12-743, as amended by 2010 Conn. Pub. Acts 117, §81; 2010 Conn. Pub. Acts 75, §8; 2010 Conn. Pub. Acts 75, §9, as amended by 2010 Conn. Pub. Acts 1, §18 (June Spec. Sess.); 2010 Conn. Pub. Acts 75, §15; Conn. Gen. Stat. §12-704(b)(2), as amended by 2010 Conn. Pub. Acts 188, §12; Conn. Gen. Stat. §12-727(b)(2), as amended by 2010 Conn. Pub. Acts 188, §13.

Information Regarding Organ Donor Registry

Organization: The Department of Revenue Services (DRS) is required to include information in the income tax instructions about the manner in which a taxpayer may contact an organ donor registry organization or provide electronic links to appropriate organ donor registry organizations.

DRS will include the required information in the income tax instructions booklet for taxable year 2010.

Qualified Small Business Job Creation Tax Credit Program:

2010 Conn. Pub. Acts, §8, establishes a qualified small business job creation tax credit program, which is available to a qualified small business that hires a new employee. The credit is administered by the Department of Economic and Community Development (DECD) and is applicable to taxable years beginning on or after January 1, 2010.

To be eligible to claim the credit, the qualified small business must apply to DECD. If approved, DECD will issue a certification letter to the qualified small business indicating that the credit will be available to be claimed.

A *qualified small business* is an employer who is subject to tax under Chapter 207, 208, or 229 of the Connecticut General Statutes and who employs less than 50 employees in Connecticut as of the date of its application to DECD.

The amount of the credit is \$200 per month for each new employee hired. The new employee must reside in Connecticut and be hired after May 6, 2010, to fill a new full time job in which he or she is required to work at least 35 or more hours per week for not less than 48 weeks in a calendar year during the income years beginning on or after January 1, 2010, and prior to January 1, 2013. However, the new employee cannot have been employed in Connecticut during the prior 12 months by any of the following:

- A corporation, limited liability company, partnership, association, or trust controlled by the qualified small business;
- An individual, corporation, limited liability company, partnership, association, or trust in control of the qualified small business;
- A corporation, limited liability company, partnership, association, or trust controlled by an individual, corporation, limited liability company, partnership, association, or trust in control of the qualified small business; **or**
- A member of the same controlled group as the qualified small business.

A credit cannot be claimed for:

- A new temporary employee;
- A new employee hired for a seasonal job;
- Any new employee who is an owner, member, or partner in the qualified small business;
- A new employee for whom credit will be claimed against any tax under another statutory provision; **or**
- A new employee who is not employed at the close of the income year of the qualified small business.

The qualified small business must claim and use the credit in the income year in which the new employee is hired and, if eligible, the two immediately succeeding income years provided the new employee is still employed at the close of the income year of the qualified small business. The credit is not refundable and any tax credit not used in the income year will expire.

For qualified small businesses subject to Connecticut income tax under Chapter 229 of the Connecticut General Statutes, *income year* means the taxable year of the qualified small business as determined for federal income tax purposes.

For qualified small businesses subject to the corporation business tax under Chapter 208 of the Connecticut General Statutes, *income year* means the calendar year upon the basis of which net income of the qualified small business is computed unless a fiscal year other than a calendar year has been established for federal income tax purposes.

For qualified small businesses subject to the insurance premiums tax and health care centers tax under Chapter 207 of the Connecticut General Statutes, *income year* means the calendar year of the qualified small business.

The tax credit may be claimed by the shareholders or partners if the qualified small business is an S corporation or an entity treated as a partnership for federal income tax purposes. If the qualified small business is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company owner.

The credit may be used against the tax liability under Chapter 207, 208, and 229 of the Connecticut General Statutes. If the qualified small business is subject to the income tax imposed under Chapter 229 of the General Statutes, the credit allowed under this section cannot exceed the amount of the tax imposed by that chapter. However, the credit cannot be used against the withholding tax liability imposed under Conn. Gen. Stat. §12-707.

Vocational Rehabilitation Job Creation Tax Credit Program: 2010 Conn. Pub. Acts 75, §9, establishes a vocational rehabilitation job creation tax credit program. The credit is administered by DECD and is applicable to taxable years beginning on or after January 1, 2010.

To be eligible to claim the credit, the employer must apply to DECD. If approved, DECD will issue a certification letter to the employer indicating that the credit will be available to be claimed.

The credit is \$200 per month for each new qualifying employee hired by a Connecticut employer engaged in business in Connecticut who is subject to tax under Chapter 207, 208, or 229 of the Connecticut General Statutes, who hires a new qualifying employee who resides in Connecticut, and who is required to work at least 20 hours or more per week for not less than 48 weeks in a calendar year.

A *new qualifying employee* is a person (A) receiving vocational rehabilitation services from the Bureau of Rehabilitation Services within the Department of Social Services or from the Board of Education and Services for the Blind, and (B) hired by the employer to fill a new job after May 6, 2010, during the employer's income years beginning on or after January 1, 2010. However, it does not include a person receiving vocational rehabilitation services who was employed in Connecticut during the prior 12 months by:

- A corporation, limited liability company, partnership, association, or trust controlled by the employer;
- An individual, corporation, limited liability company, partnership, association, or trust in control of the employer;
- A corporation, limited liability company, partnership, association, or trust controlled by an individual, corporation, limited liability company, partnership, association, or trust in control of the employer; **or**
- A member of the same controlled group as the employer.

A credit cannot be claimed for:

- Any new qualifying employee who is an owner, member, or partner in the business of the employer;
- A new qualifying employee for whom credit may be claimed against any tax under another statutory provision; **or**
- A new qualifying employee who is not employed at the close of the income year of the employer.

The employer must claim and use the credit in the income year in which the new employee is hired and, if eligible, the two immediately succeeding income years provided the new qualifying employee is still employed at the close of the income year of the employer. The credit is not refundable and any tax credit not used in the income year will expire.

For employers subject to Connecticut income tax under Chapter 229 of the Connecticut General Statutes, **income year** means the taxable year of the employer as determined for federal income tax purposes.

For employers subject to the corporation business tax under Chapter 208 of the Connecticut General Statutes, **income year** means the calendar year upon the basis of which net income of the employer is computed unless a fiscal year other than a calendar year has been established for federal income tax purposes.

For employers subject to the insurance premiums tax and health care centers tax under Chapter 207 of the Connecticut General Statutes, **income year** means the calendar year of the employer.

The tax credit may be claimed by the shareholders or partners if the employer is an S corporation or an entity treated as a partnership for federal income tax purposes. If the employer is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company owner.

The credit may be used against the tax liability under Chapter 207, 208, and 229 of the Connecticut General Statutes. If the employer is subject to the income tax imposed under Chapter 229, the credit allowed under this section cannot exceed the amount of the tax imposed by that chapter. In addition, the credit cannot be used against the withholding tax liability imposed under Conn. Gen. Stat. §12-707.

Angel Investor Tax Credit: 2010 Conn. Pub. Acts 75, §15, provides for a tax credit against the tax imposed under Chapter 229 of the Connecticut General Statutes for a cash investment of not less than \$100,000 in the qualified securities of a Connecticut business by an angel investor. This new tax credit is applicable to taxable years beginning on or after January 1, 2010.

An **angel investor** is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business.

The following are **not** angel investors:

- A person controlling 50% or more of the Connecticut business invested in by the angel investor;
- A venture capital company; **and**
- Any bank, bank and trust company, insurance company, trust company, national bank, savings association, or building and loan association for activities that are a part of the normal course of business.

The angel investor that intends to make a cash investment of not less than \$100,000 in a Connecticut business may apply to Connecticut Innovations Inc. at www.ctangeltaxcredit.com to reserve a tax credit equal to 25 percent of the cash investment. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2014.

The total tax credit allowed to an angel investor cannot exceed \$250,000 and cannot exceed the amount of the income tax imposed under Chapter 229 of the Connecticut General Statutes for the taxable year. The credit cannot be used against the withholding tax liability imposed by Conn. Gen. Stat. §12-707.

The credit must be claimed in the taxable year in which the investment is made. Any tax credit claimed but not applied against the income tax liability may be carried forward for the five immediately succeeding taxable years until the full credit has been applied. The credit is not transferable.

The tax credit may be claimed by the shareholders or partners if the angel investor is an S corporation or an entity treated as a partnership for federal income tax purposes. If the angel investor is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company owner, provided the owner is a person subject to Connecticut income tax.

Modification to the Requirement for Filing Amended Returns: Effective for taxable years commencing on or after January 1, 2010, if a Connecticut taxpayer files an amended federal income tax return with the Internal Revenue Service (IRS) or other competent authority, the taxpayer is required to file an amended Connecticut income tax return on or before the date that is 90 days after the final determination is made on the amended return by the IRS or other competent authority.

If a Connecticut taxpayer files an amended return with another state of the United States or a political subdivision of another state or the District of Columbia which affects the amount used on the Connecticut return to determine the credit for taxes paid to the other jurisdiction, the taxpayer is required to file an amended Connecticut income tax return on or before the date that is 90 days after the final determination is made on the amended return by the tax officers or other competent authority of the other jurisdiction.

If proof of the final determination by the IRS or other competent authority or by the tax officers or other competent authority of the other jurisdiction is submitted with the Connecticut amended return, DRS will treat the Connecticut amended return reporting a tax overpayment as containing sufficient information to process the return.

Formerly, the same Connecticut taxpayer was required to file an amended return with Connecticut on or before the date that was 90 days after the date of filing an amended return with the other jurisdiction or with the IRS.

Effect on Other Documents: None affected

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *e-alerts* from the left navigation bar.
