



Important Legislative Changes Passed in 2016 or Affecting 2016 Periods

Effective Date of Tax Changes: The effective dates are set forth below.

Sales and Use Taxes

Motor Vehicle Parking Services: Effective **May 27, 2016**, two exclusions from taxable motor vehicle parking services were added:

- Space in a seasonal parking lot provided by entities exempt under Conn. Gen. Stat. § 12-412(1).
- Space in a municipally-owned parking lot.

Conn. Gen. Stat. § 12-407(a)(37)(N), as amended by 2016 Conn. Pub. Acts 72, § 1, and 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 180.

Exemption for Sales to Connecticut Credit Unions: Effective **July 1, 2016**, sales of tangible personal property or services to, and the storage, use or other consumption of tangible personal property or services by, a Connecticut credit union are exempt from sales and use taxes.

Connecticut credit union is defined in Conn. Gen. Stat. § 36a-2(13).

Conn. Gen. Stat. § 12-412, as amended by 2014 Conn. Pub. Acts 217, § 196.

Feminine Hygiene Products and Diapers: Effective **July 1, 2018**, two exemptions will be added:

- Sales of feminine hygiene products; **and**
- Sales of disposable or reusable diapers.

Conn. Gen. Stat. § 12-412, as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 202.

Sales and Use Taxes; Cigarette and Tobacco Products Taxes

Permits and Licenses: Effective **January 1, 2017**, a seller's permit, tobacco products license, or cigarette license may not be renewed for taxpayers that have any outstanding unfiled returns.

Conn. Gen. Stat. § 12-390, as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 198.

Admissions Tax

Exemptions Added:

Adds exemptions from admissions tax for:

- Any event at the Dunkin' Donuts Park in Hartford, effective **June 2, 2016**.
- Any athletic event presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium, effective **July 1, 2017**.

Conn. Gen. Stat. § 12-541(a), as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 185.

Municipal Admissions Surcharge: Effective **June 2, 2016**, municipalities may enact an ordinance to impose a "surcharge" on the admission charge for any event held at a facility located within the municipality. The surcharge is in addition to the state admissions tax, and is imposed without regard to the exemptions from the state admissions tax in Conn. Gen. Stat. § 12-541.

2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 186.

Corporation Business Tax

Combined Unitary Reporting: Effective for income years beginning on or after **January 1, 2016**, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*.

Single Sales Factor Apportionment: Effective for income years beginning on or after **January 1, 2016**, multistate corporations not subject to industry-specific apportionment methodologies are required to use a single-sales factor formula to apportion income. Previously, these corporations were required to use a three-factor formula consisting of property, payroll, and double-weighted sales. *Conn. Gen. Stat. § 12-218(b)*.

Market-Based Sourcing: Effective for income years beginning on or after **January 1, 2016**, most corporations are required to utilize market-based sourcing for purposes of determining their net income apportionment factors. Corporations (other than corporations subject to industry-specific sourcing rules) must source receipts from the sales of services and intangible property on a market basis. Real and tangible personal property continue to be sourced according to location. Corporations that cannot reasonably determine where their receipts should be sourced under the statutory rules may petition the Commissioner to use an alternate method that reasonably approximates such sourcing rules.

Sales of real, tangible and intangible property are excluded from the apportionment calculation (numerator and denominator) if such property is not held by the corporation primarily for sale to customers in the ordinary course of the corporation's trade or business.

The Department of Revenue Services (DRS) is preparing guidance regarding market-based sourcing and will post this guidance on its website as soon as it becomes available.

Conn. Gen. Stat. § 12-218(b), as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 199.

Credit Limitation: In general, the amount of tax credits allowable against the Corporation Business Tax for any income year beginning on or after **January 1, 2015**, shall not exceed 50.01% of the amount of tax due. However, if research and experimental expenditures tax credits (Conn. Gen. Stat. § 12-217j), research and development expenses tax credits (Conn. Gen. Stat. § 12-217n), or urban and industrial site reinvestment tax credits (Conn. Gen. Stat. § 32-9t) remain after application of the 50.01% limitation, such remaining credits may be used in excess of the general limitation, provided the total of all credits used shall not exceed the following percentage limitations:

Income Years Beginning In	Limit
2016	55%
2017	60%
2018	65%
2019 and after	70%

Conn Gen Stat. § 12-217zz.

Knowledge Center Enterprise Zones: The Department of Economic and Community Development is authorized to establish up to ten knowledge center enterprise zones. A business located within one of these zones is entitled to the same benefits as a business located in an enterprise zone.

2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 24.

Income Tax

Angel Investor Tax Credit: Effective for taxable years beginning on or after **January 1, 2016**, an angel investor may sell, assign, or transfer all or part of the Angel Investor Tax Credit to another taxpayer one time. Additionally, an angel investor can continue to seek this tax credit through Connecticut Innovations, Inc., until June 30, 2019. The program was previously scheduled to sunset on June 30, 2016.

Conn. Gen. Stat. §12-704d, as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 183.

Single Sales Factor Apportionment and Market-Based Sourcing: Effective for taxable years beginning on or after **January 1, 2017**, a business, trade, profession or occupation carried on in Connecticut and outside of Connecticut must apportion its income using a single factor gross income percentage. These multistate businesses are required to utilize market-based sourcing for purposes of determining their gross income percentage. Businesses must source receipts from the sales of services and intangible property on a market basis. Receipts from the rental, lease or license of tangible personal property are sourced according to the location of the property. Receipts from the sale of tangible personal property continue to be sourced based upon the location of the purchaser. Businesses that cannot reasonably determine where their receipts should be sourced under the statutory rules may petition the Commissioner to use an alternate method that reasonably approximates such sourcing rules.

Sales of intangible property and tangible personal property are excluded from the apportionment calculation (numerator and denominator) if such property is not held by the company primarily for sale to customers in the ordinary course of the company's trade or business. Net income from the sale, rental, lease or license of real property is allocated to the location of the real property, and the gross receipts from these transactions are excluded from the apportionment calculation.

DRS is preparing guidance regarding market-based sourcing and will post this guidance on its website as soon as it becomes available.

Conn. Gen. Stat. § 12-711, as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 200.

Determination of Nonresident Partner's, Shareholder's or Beneficiary's Share of Income Within Connecticut: Effective for taxable years beginning on or after **January 1, 2017**, nonresident partners, shareholders, or beneficiaries must determine their share of income derived from or connected with sources within Connecticut according to the statutory apportionment provisions of Conn. Gen. Stat. § 12-711, as amended by May Spec. Sess. P.A. 16-3, section 200, rather than according to Conn. Agencies Regs. § 12-711(c)-3 and 12-711(c)-4 to the extent such regulations are inconsistent with the revisions to Conn. Gen. Stat. § 12-711(c).

Conn. Gen. Stat. § 12-712, as amended by 2016 Conn. Pub. Acts 3 (May Spec. Sess.), § 201.

Personal Tax Exemption for Single Filers: Effective for taxable years beginning on or after **January 1, 2016**, the personal tax exemption for single filers increased to \$15,000. There is a \$1,000 reduction in the personal tax exemption for every \$1,000 of Connecticut adjusted gross income over \$30,000.

Conn. Gen. Stat. § 12-702(a)(2)(I), as amended by 2015 Conn. Pub. Acts. 244, § 67.

Personal Tax Credit for Single Filers: Effective for taxable years beginning on or after **January 1, 2016**, the Connecticut adjusted gross income beginning threshold for calculating the personal tax credit for single filers increased to \$15,000.

Conn. Gen. Stat. § 12-703(a)(2)(I), as amended by 2015 Conn. Pub. Acts 244, § 68.

Property Tax Credit: Effective for taxable years beginning on or after **January 1, 2016**, the maximum income tax credit for taxes paid to a Connecticut municipality decreases from \$300 to \$200. The \$200 will phase out as follows:

- Single taxpayers: 15% for every \$10,000 of Connecticut adjusted gross income over \$49,500;
- Married taxpayers filing jointly: 15% for every \$10,000 of Connecticut adjusted gross income over \$70,500;
- Head of household taxpayers: 15% for every \$10,000 of Connecticut adjusted gross income over \$54,500;
- Married taxpayers filing separately: 15% for every \$5,000 of Connecticut adjusted gross income over \$35,250.

Conn. Gen. Stat. § 12-704c, as amended by 2015 Conn. Pub. Acts 244, § 70.

Income Tax Exemption for Teacher Pensions: Effective for the taxable year beginning **January 1, 2016**, to the extent properly includible in gross income for federal income tax purposes, a taxpayer is allowed to subtract from federal adjusted gross income 25% of the pension received from the Connecticut teacher's retirement system.

For the taxable year beginning January 1, 2017, and each taxable year thereafter, the excluded amount will be 50 percent (50%).

Conn. Gen. Stat. § 12-701(a)(20)(B), as amended by 2014 Conn. Pub. Acts 47, § 50.

Earned Income Tax Credit: The earned income tax credit for Connecticut resident individuals in effect for 2015 (27.5% of the federal earned income credit) will remain in effect for the 2016 taxable year. The increase to 30% of the federal earned income tax credit is scheduled to occur starting with the 2017 taxable year.

Conn. Gen. Stat. § 12-704e, as amended by 2015 Conn. Pub. Acts 244, § 69.

Real Estate Conveyance Tax

Effective **October 1, 2016**, there is a new exemption from the real estate conveyance tax for deeds made pursuant to a judgment of loss mitigation.

Conn. Gen. Stat. § 12-498(a), as amended by 2016 Conn. Pub. Acts 65, § 91.

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.

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 *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.

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Sales and use taxes
Admissions tax
Corporation business tax
Income tax
Real estate conveyance tax
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