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SPECIAL NOTICE

2019 Legislative Changes Affecting the Corporation Business Tax

Purpose: This Special Notice describes legislation enacted during the 2019 regular session of the Connecticut General Assembly affecting the Corporation Business Tax.

Effective Date: The effective dates of the legislative changes are noted herein.

Capital Base Tax Phaseout: The tax calculated on a company’s capital will be phased out as follows:

Income Year	Capital Base Tax Rate
Beginning prior to January 1, 2021	0.0031
Beginning on or after January 1, 2021, and prior to January 1, 2022	0.0026
Beginning on or after January 1, 2022, and prior to January 1, 2023	0.0021
Beginning on or after January 1, 2023, and prior to January 1, 2024	0.0011
Beginning on or after January 1, 2024	0.0000

The minimum tax remains at \$250 for all income years.
Conn. Gen. Stat. § 12-219, as amended by 2019 Conn. Pub. Acts 117, § 340.

Surtax Extended: The 10% surtax has been extended two additional years and now applies to income years beginning on or after January 1, 2018, and prior to January 1, 2021. Under prior law, the 10% surtax was set to expire starting with income years beginning on or after January 1, 2019.

CT-1120I Relief: The 10% surtax imposed on 2019 liabilities will not be included in the calculation of interest on the underpayment of estimated taxes (i.e., CT-1120I interest) for any company whose 2019 income year began prior to June 26, 2019.

Conn. Gen. Stat. § 12-214, as amended by 2019 Conn. Pub. Acts 117, § 341; Conn. Gen. Stat. § 12-219, as amended by 2019 Conn. Pub. Acts 117, § 342; Conn. Pub. Acts 117, § 343.

PE Tax Credit Reduction: For taxable years beginning on or after January 1, 2019, the PE Tax Credit percentage has been reduced to 87.5%. A corporate member in a pass-through entity is now entitled to a credit equal to 87.5% of the corporate member’s direct and indirect share of the pass-through entity’s PE Tax. The PE Tax Credit can be used by the corporate member against its Corporation Business Tax liability.

For taxable year 2018, the credit percentage was 93.01%.
Conn. Gen. Stat. § 12-699, as amended by 2019 Conn. Pub. Acts 117, § 333.

Repeal of Excess Credit Utilization: Effective for income years beginning on or after January 1, 2019, companies can no longer claim excess credits above the standard 50.01% credit limitation.

Under prior law, companies that had unused Urban and Industrial Site Reinvestment Tax Credits, Research and Development Tax Credits, or Research and Experimental Expenditure Tax Credits could claim such unused tax credits in excess of the standard 50.01% credit limitation (up to 65% of a company’s tax liability in income year 2018).

Conn. Gen. Stat. § 12-217zz, as amended by 2019 Conn. Pub. Acts 117, § 349.

Urban and Industrial Site Reinvestment Credit: Effective July 1, 2019, the Department of Economic and Community Development (DECD) will give priority to Urban and Industrial Site Reinvestment Tax Credit applications for projects located in federally designated opportunity zones.

Conn. Gen. Stat. § 32-9t, as amended by 2019 Conn. Pub. Acts 54, § 8.

Historic Rehabilitation Tax Credit: Effective July 1, 2019, DECD will give priority to Historic Rehabilitation Tax Credit applications for the rehabilitation of certified historic structures located in federally designated opportunity zones. Additionally, if a certified historic structure is located in a federally

designated opportunity zone, the tax credit will equal 30% of qualified rehabilitation expenditures.

Conn. Gen. Stat. § 10-416c, as amended by 2019 Conn. Pub. Acts 54, § 7.

Higher Education Loan Repayment Tax Credit:

For income years beginning on or after January 1, 2022, a new tax credit will be available to companies that are subject to the Corporation Business Tax or Insurance Premiums Tax. This new credit will become available to companies that make payments directly to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) on eligible education loans on behalf of qualified employees.

“Qualified employee” means an individual who:

- Is a Connecticut resident;
- Earned a first bachelor’s degree from an institution of higher education within the past five years;
- Is employed full-time in Connecticut by the company;
- Is not an owner, member or partner (or a family member of an owner, member or partner) of the company; **and**
- Has received a loan from CHESLA to refinance one or more student loans.

The tax credit will be equal to 50% of the payments made against the outstanding principal balance of such loans during the income year. While there is no overall limit on the amount of tax credit that a company can earn, the maximum amount of tax credit allowed with respect to each specific qualifying employee is \$2,625 for any income year.

2019 Conn. Pub. Acts 86, § 1.

Effect on Other Documents: The Department of Revenue Services (DRS) is in the process of identifying those documents affected by the legislative changes described herein, and will update those publications as soon as practicable.

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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:

- **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 portal.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 portal.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. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.