

**Schedule CT-1040BA**  
**Nonresident Business Apportionment**

Formula basis apportionment of Connecticut income derived from  
 business carried on both inside and outside Connecticut

For the year January 1 – December 31, 2015, or other taxable year beginning \_\_\_\_\_, 2015, and ending \_\_\_\_\_, \_\_\_\_\_.

**Purpose:** Nonresidents and part-year residents (for the nonresidency portion of the year) must complete Schedule CT-1040BA if they are carrying on business both in and outside Connecticut and are required to allocate or apportion business income. Complete in blue or black ink only.

First name and middle initial	Last name	Social Security Number ____-____-____ : : : ____-____-____
Last name If a joint return, spouse's first name and middle initial		Spouse's Social Security Number ____-____-____ : : : ____-____-____
Name of business	Doing business as	Federal Employer Identification Number

**Schedule A** List all places, both inside and outside Connecticut, where you carry on business.

(1) Street Address	(2) City and State	(3) Description: See Instructions.

Check this box if Connecticut income was determined from books and records. Do not complete *Schedule B*.

**Schedule B** Formula basis apportionment of income or (loss) if books and records do not satisfactorily disclose the portion of business income derived from or connected with Connecticut sources

		Column A Totals – All Locations	Column B Connecticut Only	Column C Divide Column B by Column A.  Carry to four decimal places and enter as a percentage.
1. Real property owned.....	1.			
2. Real property rented from others .....	2.			
3. Tangible personal property owned or rented from others .....	3.			
4. <b>Property percentage:</b> Add Lines 1, 2, and 3. ....	4.			%
5. <b>Payroll percentage</b> .....	5.			%
6. <b>Gross income percentage</b> .....	6.			%
7. Total of percentages: Add Lines 4, 5, and 6, Column C. ....	7.			%
8. <b>Business apportionment percentage:</b> Divide Line 7 by three, or by actual number of percentages if less than three. Do not divide by three if you have entered zero in Column A for Lines 4, 5, or 6. See instructions. ...	8.			%

Apply the business apportionment percentage on Line 8 to certain items of business income or loss to determine the amounts to be reported on Schedule CT-SI. See instructions for Schedule CT-SI for details.

## Who Must Allocate or Apportion Business Income

An allocation or apportionment of business income must be made if you are a nonresident and you are carrying on business both in and outside of Connecticut.

Generally, you are considered to be carrying on business at the location:

1. Where you maintain, operate, or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency, or other place where your affairs are regularly carried on (this summary is not all inclusive); **or**
2. Where your business is transacted with a fair measure of permanency and continuity.

You are considered to be carrying on business outside Connecticut if you maintain, operate, or occupy outside Connecticut an office, a shop, a store, a warehouse, a factory, an agency, or other place where your business matters are systematically and regularly carried on.

You are not considered to be carrying on business outside Connecticut and may not allocate or apportion business income if you have an occasional or isolated business transaction outside Connecticut or if you have no regular place of business outside of Connecticut.

You are not considered to be carrying on business in Connecticut if your business activities in Connecticut are considered casual, isolated, or inconsequential. See *Activities Considered Casual, Isolated, or Inconsequential* in the Form CT-1040NR/PY instruction booklet.

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**Example 1:** A plumber, who is a resident of Rhode Island, carries on his business from an office in Danielson, Connecticut. He has maintenance contracts with housing authorities in the Worcester, Massachusetts, area that require him to regularly perform his services at various locations in and around Worcester. This taxpayer is considered to be carrying on business in Connecticut (by reason of his office in this state) and in Massachusetts (because his business is conducted there with a fair measure of permanency and continuity).

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**Example 2:** Assume the same facts as in Example 1 except that the taxpayer carries on his business from an office in Auburn, Massachusetts, and has maintenance contracts with housing authorities in northeast Connecticut that require him to regularly perform his services at various locations in and around Connecticut. This taxpayer is considered to be carrying on business in Massachusetts (by reason of his office there) and in Connecticut (because his business is conducted here with a fair measure of permanency and continuity).

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## Who Must Complete Schedule A

**Any nonresidents who are required to allocate or apportion income** because they carry on business both in and outside of Connecticut must complete *Schedule A*.

**If income is determined from separate books and records of the business (allocation of income):** If you carry on business both in and outside of Connecticut and maintain books and records that satisfactorily disclose the portion of business income derived from or connected with sources within Connecticut, check the box in the space immediately below *Schedule A*. **Do not** complete *Schedule B*.

If you report income using this method, your income reported to other states in which you carry on your business, where the states permit allocation on the basis of separate books and records, must result in a consistent allocation of income. Where

another state does not permit allocation on the basis of separate books and records, a consistent allocation of income may not be possible.

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**Example 3:** Assume the same facts as in Example 1 except that the plumber allocated, on the basis of separate books and records, the income derived from his plumbing business on his Connecticut nonresident return as follows. The income from his plumbing business is \$134,000 with \$91,500 being from Connecticut business and \$42,500 from Massachusetts business. Therefore, on his Massachusetts return, this taxpayer must also allocate \$91,500 of this income to Connecticut and \$42,500 to Massachusetts since Massachusetts permits allocation on the basis of separate books and records.

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## Who Must Complete Schedule B

If your books and records do not satisfactorily disclose the portion of business income derived from or connected with sources within Connecticut, income from business carried on both in and outside of Connecticut must be apportioned by using the **business apportionment percentage** (arrived at by completing *Schedule B*) or by using an approved alternative method. *Schedule B* of Schedule CT-1040BA must be completed for this purpose and attached to Form CT-1040NR/PY. If you submit an alternative method of apportionment, you must also complete Schedule CT-1040BA and include with it information explaining the alternative method of apportionment.

The **business apportionment percentage** or alternative method is **not** applied to income from the rental of real property or gains (losses) from the sale of real property. The entire rental income from **Connecticut** real property or gain from the sale of the property is allocated to Connecticut and the entire amount of any loss from the sale is allocated to Connecticut. Rental income from real property located **outside** Connecticut or gain from the sale of this property is allocated outside Connecticut. Any loss connected with the property is allocated outside Connecticut.

The **business apportionment percentage** is applied to business income (loss), farm income (loss), or to the income from intangible personal property (such as annuities, dividends, interest, and gains from the disposition of intangible personal property) if the property is used in or connected with a business carried on both in and outside of Connecticut.

If you carried on more than one business for which an apportionment of business income is required on Schedule CT-1040BA, prepare a separate Schedule CT-1040BA for each business and attach all schedules to Form CT-1040NR/PY.

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## Schedule A Instructions

In Column 1 and Column 2, list the exact locations both in and outside of Connecticut where you carry on business. In Column 3, describe the places listed in Column 1 and Column 2 (for example, branch office, agency, factory, warehouse, etc.) **and** state whether you rent or own these places.

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## Schedule B Instructions

Complete this schedule if business is carried on both in and outside of Connecticut and you do not maintain books and records that satisfactorily disclose the portion of business income derived from or connected with sources within Connecticut.

### Line 1 - Real Property Owned

Enter in Column A the average value of all real property owned, wherever located, by the business. Do not include in Column A

the average value of real property rented to others or sold, exchanged, or otherwise disposed of during the taxable year. Enter in Column B the average value of real property owned by the business and located in Connecticut. Do not include in Column B the average value of Connecticut real property rented to others or sold, exchanged, or otherwise disposed of during the taxable year. Real property includes assets of a fixed nature, such as buildings and land.

The average value of property is determined by adding its fair market value at the beginning and at the end of the taxable year and dividing the result by two.

### **Line 2 - Real Property Rented From Others**

Enter the value of all real property rented from others in Column A and the value of Connecticut real property rented from others in Column B.

The value of real property rented by the business and included in Line 2 generally is eight times the gross rent payable during the taxable year for which the return is filed. Gross rent includes:

1. Any amount payable for the use or possession of real property, or any part of it, whether designated as a fixed sum of money or as a percentage of sales, profits, or otherwise;
2. Any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs, or any other amount required to be paid by the terms of a lease or other agreement; **and**
3. A proportion of the cost of any improvement to real property made by or on behalf of the business which reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

### **Line 3 - Tangible Personal Property Owned or Rented From Others**

Enter in Column A the average value of all tangible personal property owned by the business and the value of all tangible personal property rented from others by the business. Enter in Column B the average value of tangible personal property located in Connecticut that is owned by the business and the value of tangible personal property located in Connecticut that is rented from others by the business. If tangible personal property is rented from others by the business, its value is determined by multiplying the gross rents payable during the taxable year by eight. If tangible personal property is owned by the business, its average value is determined by adding its book value at the beginning and at the end of the taxable year and dividing the result by two.

### **Line 4 - Property Percentage**

Add Lines 1, 2, and 3 in Column A and Column B and enter the result.

Divide Column B by Column A. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6667 is entered as 66.67%.

### **Line 5 - Payroll Percentage**

Enter wages, salaries, and other personal service compensation paid only to employees of the business. Do not include payments to independent contractors, independent sales agents, etc. Enter in Column A the total compensation paid to employees during

the taxable year in connection with business operations carried on both in and outside of Connecticut. Enter in Column B the amount paid in connection with business operations carried on in Connecticut. The compensation paid for services is in connection with operations carried on in Connecticut if the employee works in or travels out of an office or other place of business located in Connecticut.

Divide Column B by Column A. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6667 is entered as 66.67%.

### **Line 6 - Gross Income Percentage**

Enter in Column A the total gross receipts from sales of property or services made or charges for services performed by the proprietor or by an employee, agent, agency, or independent contractor of the business in and outside of Connecticut.

Enter in Column B:

1. The portion of total gross receipts from sales of property or charges which represent sales of property made in Connecticut. For taxable years beginning on or after January 1, 2014, the gross receipts from sales of property are considered to be earned within Connecticut when the property is delivered to or shipped to a purchaser within Connecticut, regardless of the F.O.B. point or other conditions of sale.
2. The portion of total gross receipts or charges for services performed, by the proprietor or by an employee, agent, agency, or independent contractor situated at, connected with, or sent out from, offices or branches of the business, trade, profession or occupation, or other agencies or locations situated with Connecticut.

Divide Column B by Column A. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6667 is entered as 66.67%.

### **Line 7 - Total of Percentages**

Add Lines 4, 5, and 6 in Column C and enter the total.

### **Line 8 - Business Apportionment Percentage**

Divide Line 7 by three or by the actual number of percentages if less than three. Do not divide by three if you have entered zero in Column A for Lines 4, 5, or 6. Divide by the actual number of lines where you have entered an amount other than zero in Column A. Carry the result to four decimal places and enter the result as a percentage.

Each item of business income (loss) reported on federal Form 1040, which is required by these instructions to be apportioned, is multiplied by the percentage on Line 8. Nonresidents enter the apportioned amounts on the proper lines of Schedule CT-SI. Part-year residents enter the apportioned amounts on the proper lines of Schedule CT-1040AW, Column D.

**Do not** apply the business apportionment percentage to income from the rental of real property or gains or losses from the sale of real property. The entire rental income from Connecticut real property or gain from the sale of the property is allocated to Connecticut and the entire amount of any loss from the sale is allocated to Connecticut. Rental income from real property located **outside** Connecticut or any gain or loss from the sale of this property is allocated out of state.