

Form CT-1120CU
Connecticut Combined Unitary Corporation
Business Tax Return Instructions

2023

For additional information on the Connecticut Combined Unitary Corporation Business Tax, visit portal.ct.gov/DRS/Corporation-Tax/Tax-Information.

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.

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.

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.

Requesting a Refund for the Student Loan Payment Tax Credit

To request a Student Loan Payment tax credit to be issued in the form of a refund for the Student Loan Payment tax credit available under Conn. Gen. Stat. § 12-217qq:

- Check the **Yes** box on Form CT-1120CU, Line 3a;
- Enter the total amount of credit to be issued in the form of a refund requested by all combined group members on Form CT-1120CU, Line 3a;
- File **Form CT-RSLP**, *Application for Refund of Student Loan Payment Tax Credits by a Qualified Small Business*, separately from Form CT-1120CU. Attach **Form CT-SLP**,

Student Loan Payment Tax Credit, and all required supporting schedules and documentation to Form CT-RSLP; **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

Exchange of Research and Development Tax Credits

To request a Research and Development tax credit to be issued in the form of a refund for any member that is exchanging Research and Development tax credits available under Conn. Gen. Stat. §§ 12-217j or 12-217n:

- Check the **Yes** box on Form CT-1120CU, Line 3;
- Enter the total amount of credit to be issued in the form of a 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

These credits may be exchanged for a credit to be issued in the form of a refund equal to 65% of the value of the credit, subject to certain limitations. A taxpayer may not receive a credit to be issued in the form of a refund of more than \$1.5 million in any one income year.

Eligibility

In order to be eligible for a research and development credit to be issued in the form of a 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 to be issued in the form of a 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. For more information, see portal.ct.gov/DRS/Corporation-Tax/Tax-Information.

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 eight 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.

Lines 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.

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. Research and Development and Research and Experimental Expenditures tax credits that remain after the application of the 50.01% limitation may be further used, provided that the total of all tax credits used shall not exceed 70% of the tax liability. See **Form CT-1120K**, *Business Tax Credit Summary*.

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*.

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

Subtract Line 3 from Line 1.

Line 5

Enter the lesser of Line 1 multiplied by 19.99% (.1999) or Line 4 minus \$250. If negative, enter zero ("0").

Line 6

Excess credit utilization: Do not exceed the amount reported on Line 5 in any column. Only Research and Development and Research and Experimental Expenditures tax credits that remain after the application of the 50.01% limitation may be used on this line. See *How to Apply Tax Credits*, on this page.

Line 7

Add Line 3 and Line 6 in each column.

Line 8

Combined unitary tax credits: Add the amounts in each column on Line 7 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.

Combined Unitary Group Net Operating Loss Summary

Line 1

Enter the total apportioned net operating loss (NOL) applied by combined group members in 2023 on Form CT-1120CU-NI, Part III, Line 11.

Line 2

Enter the total apportioned NOL carryover available for use in 2024 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 2022.

Line 2

Enter the sum of each member's 2023 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 2023. Add Line 1 and Line 2.

Line 4

Enter the amount of Pass-Through Entity credit applied in 2023 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 2024.

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 2023 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 2023 estimated payments made by each combined group member with Forms CT-1120 ESA, ESB, ESC, and ESD.

Line 6c

Enter total of 2022 overpayments by each combined group member.

Line 8a

Enter penalty if applicable.

Line 8b

Enter interest due on tax not paid by the original due date.

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 2024 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. For more information, see **portal.ct.gov/DRS/Corporation-Tax/Tax-Information**.

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 2023 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 2023 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

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

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. Include credits applied up to the standard 50.01% limitation and excess credits that were applied above the limitation. These amounts are reported by each member on Part I-C, Columns D and F 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-C, Column H of its respective Form CT-1120K.

Total

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