



**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

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2024

CORPORATION BUSINESS TAX – GENERAL INSTRUCTIONS

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What's New for 2024

Exemption from corporate surtax for corporations that offer an employee stock-sharing arrangement to participating employees

Legislation provides an exemption from the corporate surtax for eligible corporations offering an employee stock-sharing arrangement that distributes common stock to participating employees. In order to qualify for such exemption, the corporation must be subject to Connecticut's Corporation Business Tax, have at least 100 full-time employees in Connecticut, and have its stock-sharing arrangement approved by the Commissioner of Revenue Services. If the Commissioner approves the stock-sharing arrangement, the corporation is exempt from the Corporation Business Tax surtax starting in 2027. (Note: If the surtax expires or is eliminated after a corporation starts claiming the exemption, the corporation is eligible for a credit against the Corporation Business Tax equal to the surcharge amount that said corporation would have owed had it still been in effect.) This legislation is effective January 1, 2025.

Capital base phaseout

The capital base tax phaseout begins in income year 2024 with a reduction of the tax rate from .0031 to .0026.

Amendments to Tax Credit for Human Capital Investment

Legislation expands the scope of the tax credit to include additional qualifying expenses, increase the tax credit amount from 5% to 10% or 25% of qualified expenses, and allow for certain eligible credits to be applied in excess of the standard tax credit limitation, offsetting up to 70% of tax due. This legislation is effective January 1, 2024.

Increase in the amount of Film Production Tax Credits that can be applied against taxes owed under Chapter 219 (Sales and Use Taxes)

Legislation expands the limitation on the amount of credit an eligible taxpayer is allowed to claim against taxes from 78% to 92% for the income years commencing on or after January 1, 2024, but prior to January 1, 2026. This legislation is effective January 1, 2024.

Amendment to the Housing Program Contribution Tax Credit

Legislation amends the Housing Program Contribution Tax Credit by making investments in "workforce housing development projects" eligible for said tax credit. The legislation is effective June 1, 2024.

New Tax Credit for Accredited Theater Productions

Legislation establishes a new tax credit for production companies of eligible pre- and post-Broadway productions and live theatrical tours performed at qualified facilities in Connecticut. The legislation specifies the taxes against which the credit can be applied and caps the total amount of these tax credits allowed to \$2.5 million per fiscal year. This legislation is effective January 1, 2024, and applicable to income and taxable years commencing on or after January 1, 2024.

New Tax Credit for businesses that make cash contributions to nonprofit organizations for scholarships to income-qualified students attending private elementary or secondary schools

Legislation authorizes a new tax credit for cash contributions made to a youth development organization to fund programs such as after-school tutoring, mentoring programs and workforce preparedness training. The credit is only available for income or taxable years commencing on or after January 1, 2024, and prior to January 1, 2026. This legislation is effective January 1, 2024.

New Tax Credit for contributions made by taxpayers into ABLE accounts

Legislation authorizes a new tax credit for contributions made by taxpayers into the ABLE accounts of employees who are employed by such taxpayers. The legislation specifies the taxes

against which the credit can be applied and is effective January 1, 2024, and applicable to income years or taxable years commencing on or after January 1, 2024.

New credit associated with participation in workforce housing opportunity development program

Legislation establishes a workforce housing opportunity development program to be administered by the Department of Housing under which individuals or entities who make cash contributions to an eligible developer for an eligible workforce housing opportunity development project located in a federally designated opportunity zone may be allowed a credit against certain taxes. The legislation caps the total amount of credits allowed per fiscal year at \$5 million. The legislation is effective June 1, 2024.

Extension of period of time to claim net operating losses

Legislation extends the period of time in which a corporation can claim net operating losses. With regard to net operating losses incurred in income years starting on or after January 1, 2025, the carryforward period for such losses has been extended from twenty (20) years to (30) thirty years. The legislation is effective upon passage.

Amendment to the Historic Homes Rehabilitation Tax Credit

Legislation sets forth the various taxes for which such persons holding a tax credit voucher issued on or after January 1, 2024, may apply. The legislation also makes changes to the carryforward provisions relative to said credit. The legislation is effective July 1, 2024, and applicable to taxable and income years commencing on or after January 1, 2024.

Amendment to “Jobs CT” Tax Rebate Program

Legislation amends the “Jobs CT” Tax Rebate Program so as to incentivize the hiring of persons who reside in a concentrated poverty census tract. The legislation is effective from passage.

Who Must Complete a Registration Application and File a Corporation Business Tax Return

Every corporation (or association taxable as a corporation) that carries on business or has the right to carry on business in Connecticut must complete a registration application and file **Form CT-1120, Corporation Business Tax Return**. Any corporation dissolved or withdrawn from Connecticut is subject to the Corporation Business Tax up to the date of dissolution or withdrawal.

Groups of companies with common ownership that are engaged in a unitary business, where at least one member of the group is subject to the Corporation Business Tax, are required to calculate their tax liability on a combined unitary basis on **Form CT-1120CU, Combined Unitary Corporation Business Tax Return**. See **Special Notice 2016(1), Combined Unitary Legislation**.

Register online through myconneCT. Go to myconneCT, under Business Registration click *New Business/Need a CT Registration Number?* There is no fee for registering for the Unrelated Business Income Tax.

[Click here to File, Pay, or Register Now on myconneCT!](#)

myconneCT is the Connecticut Department of Revenue Services' (DRS) online portal to file tax returns, make payments, view your filing history, and communicate with the agency simply and more efficiently on virtually any mobile device, including laptops, tablets, and smartphones, 24 hours a day, 7 days a week.

If the corporation elects S corporation status with the Internal Revenue Service after it registers for corporation business tax, it must notify DRS of the change in its status by logging into **myconneCT** to send a message using the Messages feature within the **myconneCT** application.

In addition to any tax filing obligations, your company may also be required to register with the Connecticut Secretary of the State as referenced in **Connecticut Agencies Regulations 12-214-1**.

Carrying on business includes:

- Owning or leasing (as lessee) real property;
- Maintaining an office;
- Selling tangible personal property;
- Performing or soliciting orders for services;
- Selling or soliciting orders for real property;
- Maintaining a stock of inventory in a public warehouse;
- Delivering merchandise inventory on consignment to its distributors or dealers;
- Owning or leasing (as lessee) personal property which is not related to solicitation of orders; **and**
- Participating in the approval of servicing distributors and dealers where its customer or user of its product can have such product serviced or repaired.

Having the right to carry on business means:

- For companies incorporated or organized under the laws of this state, the Secretary of the State has endorsed its certificate of incorporation.
- For companies incorporated or organized under the laws of another state, the Secretary of the State has issued to it a certificate of authority.

Economic Nexus

If your company has a substantial economic presence in Connecticut, it must file a Corporation Business Tax return, see **Informational Publication 2010(29.1), Q & A on Economic Nexus**.

Exempt Entities

Certain types of companies are specifically exempt from the Corporation Business Tax. If your company is exempt, it is not subject to the Corporation Business Tax, but may be required to file a return.

The following companies are exempt from the Corporation Business Tax and from filing Form CT-1120 or being included in Form CT-1120CU:

- Insurance companies incorporated under the laws of any other state or foreign government, and domestic insurance companies;
- Companies exempt by the federal corporation net income tax law;
- A domestic international sales corporation (DISC) which has made a valid election for federal income tax purposes to be treated as a DISC;

- Companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes or whose properties in Connecticut are operated by railroad companies subject to gross earnings taxes under Chapter 210;
- Cooperative housing corporations, as defined for federal income tax purposes;
- Corporate limited partners in one or more investment partnerships that are otherwise not doing business in Connecticut; **and**
- Non-United States corporations whose sole activity in Connecticut is trading in stocks, securities, or commodities for their own account.

The following companies are exempt from the Connecticut Corporation Business Tax but must file Form CT-1120 to claim the exemption:

- A homeowner's association that has elected to be treated as such for federal income tax purposes. (A copy of federal Form 1120-H must be available only upon request from DRS. Do not mail a copy unless otherwise requested.);
- Certain political organizations or associations exempt from federal income taxes under IRC § 527 (if the organization or association files federal Form 1120-POL, then it must be attached to the Form CT-1120);
- Financial service companies whose corporate headquarters are located in the export zone in the City of Hartford, Connecticut, and who are conducting all of their business outside the United States; **and**
- Passive investment companies (PICs), as defined under Conn. Gen. Stat. § 12-213(a)(27), must file **Form CT-1120 PIC, Information Return for Passive Investment Companies**, in place of Form CT-1120.

What Constitutes a Unitary Business (Form CT-1120CU)

A unitary business is characterized by significant flows of value evidenced by factors such as those described in *Mobil Oil Corp. v. Vermont*, 445 U.S. 425 (1980): functional integration, centralization of management, and economies of scale. These factors provide evidence of whether the business activities operate as an integrated whole or exhibit substantial mutual interdependence. Facts suggesting the presence of the factors mentioned above should be analyzed in combination for their cumulative effect and not in isolation.

Without limiting the scope of what constitutes a unitary business, the presence of the following circumstances likely indicate the existence of a unitary business when conducted by two or more commonly owned companies:

- Companies engaged in the same line or similar lines of business.
- Companies engaged in different steps of a vertically structured business.
- Companies controlled by strong centralized management.
- Economies of scale that allow for mutual benefit to companies.
- One company exercises significant control over another company or companies.
- Companies engaged in intercompany business transactions, particularly relating to products, services, intellectual property, or financing that are significant to the businesses' operations.

What is Common Ownership (Form CT-1120CU)

Common ownership means that more than fifty per cent of the voting control of each member of a combined group is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, whether or not the owner or owners are members of the combined group. Whether voting control is indirectly owned shall be determined in accordance with Internal Revenue Code (IRC) § 318.

Which Companies Must Be Included in the Combined Group?

The following steps describe how to identify companies that must be included in the combined group:

Step 1

Identify all companies with common ownership that are engaged in a unitary business with a company that is subject to the Corporation Business Tax.

Step 2

The group of companies identified in Step 1 should be modified to reflect the applicable group filing basis: water's-edge, worldwide, or affiliated group. The group filing basis dictates which companies are included in or excluded from the combined group. Information on each group filing basis is provided below.

Step 3

Exclude from the modified group of companies identified in Step 2 those companies that are specifically exempt from the Corporation Business Tax, such as:

- Insurance companies;
- Companies exempt from federal corporation net income tax;
- Companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes;
- Companies all of whose properties in this state are operated by companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes;
- Cooperative housing corporations;
- Certain political organizations or associations;
- Passive investment companies; **and**
- Municipal utilities.

Step 4

The group of companies remaining after Step 3 is the combined group. Prior to calculating the combined group's tax on a combined unitary basis, the companies must be divided between taxable members and nontaxable members. Members of the combined group that are individually subject to the Corporation Business Tax (i.e., have Connecticut nexus) are the **taxable members**. All other members are the **nontaxable members**.

Pass-Through Entities

The businesses of pass-through entities are considered to be conducted by their direct or indirect members, but only to the extent of each member's distributive share of the pass-through entity income. Accordingly, a member's pro-rata share of the pass-through entity's income, capital, and apportionment factors derived from the unitary business must be included in the calculation of the combined group's tax.

Portion of a Company's Operations Engaged in a Unitary Business

If only a portion of a company's operations are part of a unitary business, only the income, capital, and apportionment factors related to said portion should be included in the calculation of the combined group's tax. The remaining portion of a member's business operations may be subject to tax separately from the combined group, if such member individually conducts business in Connecticut, or with another combined group, if it is engaged in a unitary business with a different combined group that conducts business in Connecticut.

Passive Holding Companies

Passive holding companies that directly or indirectly control one or more operating companies engaged in a unitary business shall themselves be deemed to be engaged in a unitary business with such companies. Passive holding companies may be engaged in more than one unitary business. The income, capital, and apportionment factors of a passive holding company, or any other company, that is a member of more than one combined group shall be allocated on a consistent basis in accordance with combined unitary reporting principles. If a passive holding company is engaged in a unitary business with members of a combined group and with entities exempt from or otherwise not subject to the Corporation Business Tax, its income, capital, and apportionment must be allocated between the combined group and such other entities.

Selecting the Combined Group's Filing Basis (Form CT-1120CU)

A combined group must select which filing basis it will use. A group's filing basis affects which members are included in or excluded from the combined group. The filing bases are:

- Water's-Edge (default rule);
- Worldwide (elective option); **or**
- Affiliated Group (elective option).

The water's-edge basis is the default option. The worldwide basis and affiliated group basis are elective options. 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 to file on a worldwide or affiliated group basis, the combined group must continue to use the selected elective basis for the current year and the next ten income years.

An election is made by checking either the worldwide or affiliated group box on Page 1 of Form CT-1120CU. If no election is made, the combined group should check the water's-edge box and file on the default water's-edge basis.

Water's-Edge Basis (default rule)

Under the water's-edge filing basis, the combined group includes those commonly owned companies engaged in a unitary business that:

- Are incorporated in the United States or formed under the laws of the United States, excluding companies with 80% or more of their property and 80% or more of their payroll located outside of the United States during the income year;
- Are incorporated outside of the United States, if 20% or more of their property and 20% or more of their payroll are located in the United States during the income year; **or**
- Are incorporated in a tax haven, unless it is proven to the satisfaction of the Commissioner that such companies are incorporated in a tax haven for a legitimate business purpose. See **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information on tax havens.

Worldwide Basis (election)

Under the worldwide election, the combined group includes all companies with common ownership that are engaged in a unitary business regardless of where they are incorporated.

Affiliated Group Basis (election)

Under the affiliated group election, the combined group includes:

- Companies included in a federal consolidated return with a taxable member (regardless of whether said companies are engaged in a unitary business);
- Domestic (United States) companies that have more than 50% of their voting stock owned, directly or indirectly, by any member or members of a federal consolidated return that includes a taxable member (regardless of whether said companies are engaged in a unitary business); **and**
- Companies incorporated in a tax haven that share common ownership with a taxable member and are engaged in a unitary business with such member, unless it is proven to the satisfaction of the Commissioner that such companies are incorporated in a tax haven for a legitimate business purpose. See **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information on tax havens.

How is the designated taxable member selected (Form CT-1120CU)

The combined group must select a designated taxable member. The designated taxable member must be a taxable member (i.e., have Connecticut nexus) and have a Connecticut Tax Registration Number. The designated taxable member is the combined group member that files the return, makes payments and performs other acts on behalf of the combined group. If the common parent is a taxable member in the combined group, it must be the designated taxable member. Otherwise, any taxable member may be selected.

If this is the first year that a combined group is filing a Form CT-1120CU, the group will select the designated taxable member by reporting the member as the named filer on Page 1 of Form CT-1120CU (in the box Name of Connecticut designated taxable member). 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.

Even though the designated taxable member is responsible for filing and paying on behalf of the combined group, each taxable member is jointly and severally liable for the tax due from the combined group.

How to Determine the Combined Group's Income Year (Form CT-1120CU)

If two or more members of the combined group file a federal consolidated return, the combined group's income year is the same as it is for federal consolidated return purposes. Otherwise, the combined group's income year is the designated taxable member's income year.

If a member has a different income year than the combined group's income year, it should report the amounts from its income year ending during the combined group's income year in the combined group's return.

Foreign (Non-United States) Companies (Form CT-1120CU)

Connecticut Combined Unitary Corporation Business Tax Return

For any member not incorporated in the United States, not included in a consolidated federal corporate income tax return and not required to file its own federal corporate income tax return, the income to be included in the combined group's net income shall be determined from a profit and loss statement. The statement shall be prepared for each foreign branch or company in the currency in which the books of account of the branch or company are regularly maintained. The statement must be adjusted to conform it to the accounting principles generally accepted in the United States for the presentation of such statements and further adjusted to take into account any book-tax differences required by federal or Connecticut law.

The profit and loss statement of each member of the combined group and the related apportionment factors, whether United States or foreign, shall be translated from the currency in which the company maintains its books and records into United States dollars on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis.

In lieu of these procedures and subject to the determination of the Commissioner that the income to be reported reasonably approximates income as determined under the Corporation Business Tax, income may be determined on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis.

Accounting Period and Method of Accounting

A corporation must use the same accounting period and method of accounting for Connecticut tax purposes as it does for federal tax purposes. If a corporation's accounting period or method of accounting is changed for federal tax purposes, the same change must be made for Connecticut tax purposes.

NAICS Code for Principal Business Activity

Enter the North American Industry Classification System (NAICS) code for your principal business activity. General information concerning the classification of principal business activity under NAICS can also be found at www.census.gov/naics.

When to File (Tax Due Dates and Extensions)

Every corporation must file a return on or before the fifteenth day of the month following the due date of the corporation's corresponding federal income tax return for the income year (May 15 for calendar year taxpayers). For example, if a corporation has a December 31st year end, the return is due on May 15th. Exception for June 30th year ends: If a corporation has a June 30th year end, the return is due on October 15th. If the due date falls on a Saturday, Sunday, or legal holiday, the return is considered timely if filed on the next business day.

Year End	Original Due Date	Extended Due Date
Anything except June 30	15th day of 5th month after year end	15th day of 11th month after year end
June 30	15th day of 4th month after year end	15th day of 11th month after year end

In order to request additional time to file **Form CT-1120** or **Form CT-1120CU**, a corporation must file **Form CT-1120 EXT**, *Application for Extension of Time to File Connecticut Corporation Business Tax Return*. For detailed information about extensions, see the instructions to **Form CT-1120 EXT**.

Where to File

File Electronically

All Corporation Business Tax returns **must** be filed electronically.

Modernized e-File Program (MeF)

DRS accepts Corporation Business Tax returns, extensions, and estimated payments through the MeF Program. Check with your software provider for availability.

Form CT-1120 can be filed electronically through **myconneCT**. DRS **myconneCT** allows taxpayers to electronically file, pay, and manage state tax responsibilities. If you file electronically you are expected to pay electronically at the time of filing.

Form CT-1120CU can be filed electronically using the MeF program using third party software. Check with your current software provider to verify that they provide support for Form CT-1120CU. DRS **myconneCT** does not support filing of Form CT-1120CU, but can be used to make electronic Form CT-1120CU Estimated Payments, Extension Payments, and balance due payments.

If Form CT-1120 or Form CT-1120CU is filed late, see **Interest and Penalties** to determine if interest and penalty should be reported with this return.

Electronic Payment Options

All Corporation Business Tax payments (estimates, extension payments, and return payments) **must** be made electronically. Non-electronic payments made without an electronic payment waiver will be subject to penalty.

There are multiple options to pay electronically:

DRS myconneCT

Visit **myconneCT** to make an electronic payment. After logging in to **myconneCT**, find your tax account on the Summary screen, select the Make a Payment link, and choose your payment method.

- **Pay by Direct Payment:** Using this option authorizes DRS to electronically withdraw a payment from your bank account (checking or savings) on a date you select up to the due date.
- **Pay by Credit Card or Debit Card:** You may elect to pay your tax liability using a credit card (American Express®, Discover®, Master Card®, Visa®) or comparable debit card. A convenience fee will be charged by the credit card service provider. You will be informed of the amount of the fee and may elect to cancel the transaction. Your payment will be effective on the date that you make the charge.

At the end of the transaction, you will receive a confirmation number for your records. As a reminder, even if you pay electronically, you must still file your return by the due date. Tax not paid on or before the due date will be subject to penalty and interest.

Modernized e-File (MeF)

Check with your current software provider to determine if this option is available.

ACH Credit

ACH credit method users should consult with their banking institution for guidelines to ensure that payment is received timely. (Taxpayers must pre-register with the DRS Electronic Commerce Unit (ECU) prior to using this option). The taxpayer initiates an electronic payment through their banking institution. This payment must be sent in the ACH standard CCD+TXP format.

Estimated Tax Payments

Every corporation subject to the Connecticut Corporation Business Tax whose estimated current year tax exceeds \$1,000 must make its required annual payment in four installments. All Corporation Business Tax estimated payments must be filed and paid electronically. To file and pay estimated taxes electronically, visit **myconneCT**.

The amount of each estimated payment is calculated based upon the corporation's required annual payment. In general, the required annual payment is the lesser of:

- 90% of the tax (including surtax) shown on the return for the income year, or, if no return is filed, 90% of the tax for such year; **or**
- 100% of the tax (including surtax) shown on the return for the previous income year without regard to any credit, if the previous income year was an income year of 12 months and if the company filed a return for the previous income year showing a liability for tax.

Note: For combined group (Form CT-1120CU) the second portion of the required annual payment will be based upon the total tax due from all members of the combined group that filed with the designated taxable member in the prior year.

If the due date falls on a Saturday, Sunday, or legal holiday, the return is considered timely if filed on the next business day.

The two methods for calculating installments of estimated tax are the regular installment method and the annualized installment method. The estimated tax due dates table indicates the amount due for each installment under the regular installment method.

Estimated Tax Payments

Estimated Tax Due Dates		Required Payment Amounts
		The estimated payments for the income year are the lesser of:
First	ESA - Fifteenth day of the third month of the income year	30% of prior year tax (including surtax) without regard to credits or 27% of current year tax (including surtax)
Second	ESB - Fifteenth day of the sixth month of the income year	* 70% of prior year tax (including surtax) without regard to credits or 63% of current year tax (including surtax)
Third	ESC - Fifteenth day of the ninth month of the income year	* 80% of prior year tax (including surtax) without regard to credits or 72% of current year tax (including surtax)
Fourth	ESD - Fifteenth day of the twelfth month of the income year	* 100% of prior year tax (including surtax) without regard to credits or 90% of current year tax (including surtax)

* Taking into account all prior estimated tax payments made for this year

If a corporation establishes that it can use the annualized installment method, it must use **Worksheet CT-1120AE**, *Connecticut Corporation Business Tax Annualized Estimated Worksheet*, to determine the amount of estimated tax due with each installment.

Which Installment Method to Use

A corporation must determine the amount of each installment under the regular installment method. However, if a corporation establishes that any installment is lower under the annualized installment method than under the regular installment method, the corporation can pay the amount due under the annualized installment method. The annualized installment method may be beneficial to some corporations that do not receive income evenly throughout the year. Under the annualized installment method, one or more installments may be decreased or eliminated, and one or more subsequent installments may be increased.

How Overpayments are Applied

A corporation that has filed its return on or before its due date or extended due date may apply an overpayment reported on such return against the estimated tax due for the succeeding income year. Such 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.**

Amended Returns and Federal Changes

Beginning with income year 2021, **Form CT-1120X**, *Amended Connecticut Corporation Business Tax Return*, will no longer be issued. Instead, companies that file on a separate company basis can file an amended 2021 corporation business tax return by using **Form CT-1120**, *Corporation Business Tax Return*, and checking the Amended box on Page 4 of the return. Amended returns for prior years can be filed using Form CT-1120X for the applicable year.

Combined unitary filers should continue to use **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*, to file amended returns by checking the Amended box.

When to File an Amended Return

Generally, an amended tax return must be filed within three years of the due date of the original return or, if an extension of time was granted, three years from the extended due date.

Reporting Federal Changes

If a corporation has filed an amended federal return with the Internal Revenue Service (IRS) and the amendment affects the corporation's Connecticut tax return, then within 90 days of the IRS final determination on that amended federal return, the corporation shall file Form CT-1120 or Form CT-1120CU, and attach a copy of federal Form 1120X, Amended U.S. Corporation Income Tax return.

Corrections to taxable income made by the IRS must be reported to the Commissioner of Revenue Services on or before 90 days after the final determination of the change. All federal adjustments must be reported on an amended return. An extension request for reporting federal audit changes may be submitted in writing to the Commissioner stating the reason additional time is required.

If the adjustment on a Connecticut amended return is **not** related to an adjustment made on a federal amended return (e.g., an adjustment to Connecticut net income, Connecticut minimum tax base, a Connecticut apportionment factor, a Connecticut net operating loss, or a Connecticut Corporation Business Tax credit), explain such adjustment in detail and attach all appropriate supporting forms and schedules.

Interest and Penalties

In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.

Interest

If the corporation does not pay the tax when due, it will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full. Interest due on the underpayment of estimated tax is computed using **Form CT-1120I**, *Computation of Interest Due on Underpayment of Estimated Tax*. Interest on underpayment or late payment of tax cannot be waived.

Penalty for Failure to Remit Payments Electronically

The following graduated penalty amounts will apply if you fail to remit payments electronically:

- First offense – 10% penalty on the amount of the tax payment, but not more than \$2,500;
- Second offense – 10% penalty, but not more than \$10,000; **and**
- Third and subsequent offenses – 10% penalty.

When initiating a payment through your financial institution's online banking system you must verify that your financial institution is sending an EFT, not a check.

Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of Corporation Business Tax is 10% of the tax due or \$50, whichever is greater. If a request for a filing extension has been granted, a corporation may avoid a penalty for failure to pay the full amount due by the original due date if it pays:

- At least 90% of the tax shown to be due on the return on or before the original due date of the return; **and**
- The balance due with the filing of Form CT-1120 or Form CT-1120CU, on or before the extended due date.

If no tax is due, DRS may impose a \$50 penalty for the late filing of any return or report required by law to be filed.

Penalty for Willful Failure to File or Pay

Anyone who willfully fails to pay the tax or file a return will be fined up to \$1,000 or imprisoned up to one year, or both, in addition to any other penalty.

Penalty for Willful Filing of a Fraudulent or Materially False Return

If you willfully file a tax return you know to be fraudulent or false in any material matter, you may be fined up to \$5,000 or imprisoned from one to five years, or both.

Penalty for Failure to Disclose Listed Transaction

A penalty of 75% of the amount of the deficiency may be imposed when it appears that any part of the deficiency is due to failure to disclose a listed transaction, as defined in IRC § 6707A.

Tax Calculation and Credits

Your Corporation Business Tax liability is the greater of your:

- Net Income Base Tax
- Capital Base Tax

Companies whose total income reported on line 11 of federal Form 1120 equals or exceeds \$100 million, or who file as part of a combined unitary group must pay a surtax of 10% of the tax without regard to credits and tax credit recapture. The surtax does not apply to the minimum tax of \$250.

Tax Credits

You may qualify for tax credits that can reduce your Corporation Business Tax liability. In general, credits cannot reduce your corporation's tax by more than 50.01%. The **Guide to Business Tax Credits** provides information on credits available to corporations.

Net Income Base Tax Calculation - Summary

In general, the net income base calculation begins with federal taxable income, which is found on Line 28 of Form 1120, U.S. Corporation Income Tax Return. Certain Connecticut specific adjustments are then made to arrive at Connecticut net income. Companies that engage in business in multiple states are permitted to apportion their income. Accrued net operating losses derived from prior years are then deducted. The tax rate of 7.5% is then applied to arrive at the net income base tax.

Net Income Base Tax Example

	Federal Taxable Income	\$88,000
Add	Connecticut Specific Addition Modifications	12,000
Subtract	Connecticut Specific Subtraction Modifications	(16,000)
Equals	Connecticut Net Income	84,000
Multiply by	Apportionment Fraction	.20250
Equals	Apportioned Connecticut Net Income	17,010
Subtract	Net Operation Loss (NOL) Deduction	(7,010)
Equals	Apportioned Net Income Subject to Tax	10,000
Multiply by	Tax Rate of 7.5%	.075
Equals	Net Income Base Tax	\$750

Adjustments to determine Connecticut net income

To calculate your net income base tax, you must make certain modifications to your company's federal taxable income. These modifications may be additions or subtractions.

Additions

Companies must add back certain items deducted in arriving at federal taxable income, such as:

- Exempt interest income
- State and local income taxes
- Royalties or interest paid to a related member
- Bonus Depreciation
- 80% of I.R.C. §179 deduction

Subtractions

Companies may deduct certain items from federal taxable income, such as:

- Certain dividends less 5% related expense
- Capital losses carryovers not deducted in computing federal gain
- Deferred cancellation of debt income
- I.R.C. §163(j) interest deduction disallowed for federal tax purposes
- Contributions from Connecticut or its municipalities included in federal taxable income

Certain additional adjustments are required for companies that file a **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*. See **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information.

Net Income Apportionment

Companies that conduct business in multiple states are allowed to apportion their net income. In general, Connecticut requires companies to apportion their income based upon the percentage of their sales made in Connecticut. Connecticut provides special apportionment rules and forms for certain types of companies, including:

- Air Carriers
- Broadcasters and Production Entities
- Credit Card Companies
- Financial Service Companies
- Limited Partners
- Manufacturing Companies
- Motor Bus and Motor Carrier Companies
- Security Brokerage Companies
- Income from Services to Regulated Investment Companies.

Combined Unitary Filers

Groups of companies that file a **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*, also generally apportion their income based upon the percentage of their sales made in Connecticut. Use **Form CT-1120A-CU**, *Apportionment Computation for Combined Unitary Filers*, and **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information.

Net Operating Losses (NOLs)

Companies that report negative apportioned net income (i.e., NOLs) in a prior year, may carry forward such NOLs and deduct them from positive apportioned net income in future years. An NOL deduction may not exceed 50% of a company's pre-NOL income. NOLs may be carried forward until utilized, up to a maximum of 30 years.

Capital Base Tax Calculation - Summary

The capital base tax calculation begins with the average value of a company's capital. Surplus Reserves are then added and holdings of stock in corporations are deducted to arrive at the capital base. Companies that engage in business in multiple states are permitted to apportion their capital base. The tax rate of 0.26% is then applied to the apportioned capital base to arrive at the capital base tax.

Certain companies are exempt from calculating the capital base tax:

- Real estate investment trusts
- Regulated investment companies; **or**
- Financial service companies are only subject to a capital base tax of \$250.

Capital Base Tax Example

	Average* amounts from Line 22a, 22b, 23, 24 and 25 Schedule 1, Federal Form 1120	\$2,500,000
Add	Average* Surplus Reserves**	250,000
Subtract	Average* Holdings of Stock in Corporations ***	(500,000)
Equals	Capital Base	2,250,000
Multiply by	Apportionment Fraction	<u>.470</u>
Equals	Apportioned Capital Base	1,057,500
Multiply by	Tax Rate of 0.26%	<u>.0026</u>
Equals	Capital Base Tax (cannot be less than \$250)	\$2,750

*Average of beginning and end of year balances

**A surplus reserve is an amount set aside or deducted from current or retained earnings for meeting future liabilities

*** Holdings of stock includes all non-governmental corporations, whether closely or publicly held, including treasury stock.

Capital Base Apportionment

Companies that conduct business in multiple states are allowed to apportion their capital base. Companies apportion their capital base based upon the percentage of their total tangible and intangible assets located in Connecticut. A tangible asset is in Connecticut when it is physically located within the state. An intangible asset is presumed to be in Connecticut if the company's principal place of business is in Connecticut unless it can be clearly established that some or all of such assets are held in connection with business conducted outside of Connecticut.

Groups of companies that file a **Form CT-1120CU**, *Combined Unitary Corporation Business Tax Return*, also generally apportion their capital base based upon the percentage of their tangible and intangible assets in Connecticut. See **Form CT-1120A-CU**, *Apportionment Computation for Combined Unitary Filers*, and **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information.

Connecticut provides special capital base apportionment rules for air carriers.

Resources

Corporation Business Tax Research Links

- [Corporation Business Tax Topic Index](#)
- [Online Guide to Connecticut Business Tax Credits](#)
- [General Statutes of Connecticut](#)
- [Regulations of Connecticut State Agencies](#)
- [Connecticut Secretary of the State](#)

Contact Information

- [Contact DRS](#)

Corporation Business Tax - FAQs

- Who is required to file a Connecticut Corporation Business Tax Return?
- Who Must File a Form CT-1120CU?
- My corporation is located out of state. Am I required to file a Corporation Business Tax Return if it is registered with the Connecticut Secretary of the State for authority to conduct business in Connecticut?
- When is the Corporation Business Tax return due?
- How much time will be granted to file with an appropriate extension request?
- I made a Corporation Business Tax Extension payment on myconneCT before the due date. Do I still have to file the form or is the payment sufficient to get the extension approved?
- When is a corporation required to make estimated tax payments?
- Which member of the Combined Unitary return should make estimated payments?
- How do I file and make estimated tax payments?
- A taxable member that wishes to act as the designated taxable member for a combined group does not have a Connecticut Tax Registration Number. How does the member obtain a Connecticut Tax Registration Number?
- If the parent company of a federal consolidated return is not included in the combined group or is a non-taxable member of the combined group (i.e., it does not have nexus in Connecticut), can one of the taxable members be selected to act as the designated taxable member of the combined group?
- After completing a Certificate of Dissolution with the Connecticut Secretary of the State, what forms do I need to file with the DRS?
- Are you Being Audited?

Who is required to file a Connecticut Corporation Business Tax Return?

C corporations that carry on or have the right to carry on business in Connecticut are required to file a Connecticut Corporation Business Tax Return.

[Additional Information](#)

Who Must File a Form CT-1120CU?

Groups of companies with common ownership that are engaged in a unitary business, where at least one member of the group is subject to the Corporation Business Tax, are required to file Form CT-1120CU.

If a company is individually subject to the Corporation Business Tax and does not meet the criteria to file on a combined unitary basis, it must file **Form CT-1120**, *Corporation Business Tax Return*, and not Form CT-1120CU.

My corporation is located out of state. Am I required to file a Corporation Business Tax Return if it is registered with the Connecticut Secretary of the State for authority to conduct business in Connecticut?

Yes. When an out-of-state C corporation obtains a certificate of authority to conduct business in Connecticut from the Secretary of the State, it is subject to the Corporation Business Tax.

[Additional Information](#)

When is the Corporation Business Tax return due?

Every corporation must file a return on or before the fifteenth day of the month following the due date of the corporation's corresponding federal income tax return for the income year (May 15 for calendar year taxpayers). For example, if a corporation has a December 31st year end, the return is due on May 15th. Exception for June 30th year ends: If a corporation has a June 30th year end, the return is due on October 15th.

Year End	Original Due Date	Extended Due Date
Anything except June 30	15th day of 5th month after year end	15th day of 11th month after year end
June 30	15th day of 4th month after year end	15th day of 11th month after year end

How much time will be granted to file with an appropriate extension request?

Requests that are granted will receive a six-month extension, except for those with a June 30th year end can receive a seven-month filing extension.

[Additional Information](#)

I made a Corporation Business Tax Extension payment on myconneCT before the due date. Do I still have to file the form or is the payment sufficient to get the extension approved?

Payment is not sufficient; you must timely file **Form CT-1120 EXT**, *Application for Extension of Time to File Connecticut Corporation Business Tax Return*, in order to receive an extension.

When is a corporation required to make estimated tax payments?

Every corporation subject to the Connecticut Corporation Business Tax whose estimated current year tax exceeds \$1,000 must make its required annual payment in four installments.

The amount of each estimated payment is calculated based upon the corporation's required annual payment. In general, the required annual payment is the lesser of:

- 90% of the tax (including surtax) shown on the return for the income year, or, if no return is filed, 90% of the tax for such year; **or**
- 100% of the tax (including surtax) shown on the return for the previous income year without regard to any credit, if the previous income year was an income year of 12 months and if the company filed a return for the previous income year showing a liability for tax.

Additional Information

Estimated Tax Payments

Estimated Tax Due Dates		Required Payment Amounts
		The estimated payments for the income year are the lesser of:
First	ESA- Fifteenth day of the third month of the income year	30% of prior year tax (including surtax) without regard to credits or 27% of current year tax (including surtax)
Second	ESB- Fifteenth day of the sixth month of the income year	* 70% of prior year tax (including surtax) without regard to credits or 63% of current year tax (including surtax)
Third	ESC- Fifteenth day of the ninth month of the income year	* 80% of prior year tax (including surtax) without regard to credits or 72% of current year tax (including surtax)
Fourth	ESD- Fifteenth day of the twelfth month of the income year	* 100% of prior year tax (including surtax) without regard to credits or 90% of current year tax (including surtax)

* Taking into account all prior estimated tax payments made for this year

Which member of the Combined Unitary return should make estimated payments?

The designated taxable member is responsible for making payments on behalf of the group. Even though the designated taxable member is responsible for paying on behalf of the combined group, each taxable member is jointly and severally liable for the tax due.

How do I file and make estimated tax payments?

All Corporation Business Tax estimated payments must be filed and paid electronically. To file and pay estimated taxes electronically, visit **myconneCT**.

A taxable member that wishes to act as the designated taxable member for a combined group does not have a Connecticut Tax Registration Number. How does the member obtain a Connecticut Tax Registration Number?

Every taxable member, including the designated taxable member, must have a Connecticut Tax Registration Number to file Form CT-1120CU. If a taxable member, including the designated taxable member, does not have a Connecticut Tax Registration Number, that company must apply for one through **myconneCT**. In the Reason for Registering section, select Other and in the text box, type "Registering a company to file Form CT-1120CU" and follow the instructions to complete the application. Allow ten business days for the application to be processed and the registration number to be mailed.

Please note that the designated taxable member of a combined group must be entered as a taxable member on **Form CT-1120CU-MI**, *Combined Group Member Information*.

If the parent company of a federal consolidated return is not included in the combined group or is a non-taxable member of the combined group (i.e., it does not have nexus in Connecticut), can one of the taxable members be selected to act as the designated taxable member of the combined group?

Yes, if the parent company of a federal consolidated return is not included in the combined group or is a non-taxable member (i.e., it does not have nexus in Connecticut), then the combined group must select one of the taxable members to act as the designated taxable member for the combined group. See **Special Notice 2016(1)**, *Combined Unitary Legislation*, for more information about selecting a designated taxable member and their responsibilities.

After completing a Certificate of Dissolution with the Connecticut Secretary of the State, what forms do I need to file with the DRS?

There is no form for this specific purpose. Check the "Final return" box on the final Corporation Business Tax Return to notify the Department.

If you have questions or concerns, contact DRS at 860-297-5962, or write to us at:

Department of Revenue Services
Attn: Registration Team
450 Columbus Blvd, Suite 1
Hartford, CT 06103-1837

Are you Being Audited?

The purpose of conducting an audit is to verify that the correct tax was paid and to ensure compliance with Connecticut law. During the audit, you may be required to provide the auditor with whatever records are necessary to verify the information that was provided on the tax return.

Taxpayer Rights

You have the right to:

- Be informed of the audit process, the audit procedures, and appeal rights if selected for an audit
- Have the audit conducted at a reasonable place and time, and completed in a timely manner
- Be provided with an explanation of any changes made during an audit.

Desk Audits and Examinations

Many examinations of returns are conducted by correspondence. Typically, an auditor will write to you to request additional information about items on your tax return, or to notify you of errors that need to be adjusted. You will have the opportunity to respond to the notice of proposed adjustments before a bill is issued.

Field Audits

An auditor will notify you by phone or correspondence that your Corporation Business Tax Return has been selected for audit. Field audits are scheduled in advance to enable enough time for you to assemble the required records.

A written confirmation of the appointment date and location, and a description of the books and records to be made available to start the audit, will be forwarded to you.

Audit Interview

At the initial meeting with you, the auditor will explain the audit approach and procedures, describe the audit process, make you aware of your appeal rights, and answer any questions that you may have about the audit. The auditor will ask you to sign the Audit Letter of Understanding.

Waivers/Statute of Limitations

The statute of limitations for auditing a Corporation Business Tax return is generally three years, beyond which the Department needs a written consent from the taxpayer. The auditor may ask you to sign an agreement, Consent to Extend the Statute of Limitations, which is commonly called a waiver.

Informal Conference

If you disagree with the proposed audit changes, you may request an informal conference by contacting the manager or the supervisor in the office that conducted the audit. The informal conference may be conducted by phone or in our office. You should be prepared to discuss all disputed issues and to submit the documentation necessary to support your position.

Appeal Process

If you disagree with the results of the audit, you may file a protest with our Appellate Division by using **Form APL-002, Appellate Division Protest Form**. The protest must be filed within 60 days of the notice of assessment.

Other Helpful Information

- **Other Taxes for Which the Corporation May be Liable**
- **Electronic Filing and Payment Waiver**
- **File a Paper Return**
- **Waiver of Penalty**
- [Copies of My Returns](#)
- [Status Letter](#)
- **Obtain Tax Clearance**
- **Rounding Off to Whole Dollars**
- **Report a Lost or a Stolen Check-Form CT-3911**
- **Recordkeeping**
- [Fraud Reporting Form](#) or DRS Fraud Hotline: 855-842-1441
- **Closing Corporation Business Tax**
- **Power of Attorney**
- **Change of Address**

Other Taxes for Which the Corporation May be Liable

Note: Additional taxes for which the corporation is liable may be added to the registration online through **myconneCT**.

Connecticut Income Tax Withholding

Any corporation that maintains an office or transacts business in Connecticut (regardless of the location of the payroll department) and is considered an employer for federal income tax withholding purposes must withhold Connecticut income tax from Connecticut wages as defined in Conn. Agencies Reg. § 12-706(b)-1. See the current edition of the **Connecticut Employer's Tax Guide, Circular CT**.

Connecticut Sales and Use Taxes

A corporation may be responsible for filing sales and use tax returns. Sales tax is due if the company sells taxable goods or services. Use tax is due on the purchase of taxable goods or services from out-of-state retailers or Connecticut retailers who have not collected the sales tax. Use **Form OS-114, Connecticut Sales and Use Tax Return**, to report both sales tax and business use tax.

Controlling Interest Transfer Tax

Tax is imposed on the sale or transfer for consideration of a controlling interest in an entity where the entity owns, directly or indirectly, an interest in Connecticut real property. This tax is reported on **Form AU-330, Connecticut Controlling Interest Transfer Tax Return**.

Electronic Filing and Payment Waiver

If a corporation can show that filing and paying electronically creates an undue hardship, the Commissioner of Revenue Services may grant a one-year waiver of the electronic filing and payment requirement. Request a waiver by completing **Form DRS-EWVR, Electronic Filing and Payment Waiver Request**, no fewer than 30 days before the due date of your first electronic filing and payment. See **Policy Statement 2020(2), Requests for Waiver of Electronic Filing and Electronic Payment Requirements**.

File a Paper Return

A paper return may be filed **only** if a waiver from the electronic filing requirement has been granted. To apply for a waiver from the electronic filing requirement, complete **Form DRS-EWVR, Electronic Filing and Payment Waiver Request**. See **Electronic Filing and Payment Waiver** for more information.

If you file a paper return, print in blue or black ink, or type the information requested in the space provided at the top of Form CT-1120 or Form CT-1120CU.

Mail paper return **with payment** to:

Department of Revenue Services
State of Connecticut
PO Box 2974
Hartford CT 06104-2974

Mail paper return **without payment** to:

Department of Revenue Services
State of Connecticut
PO Box 150406
Hartford CT 06115-0406

Make check payable to **Commissioner of Revenue Services**. To ensure payment is applied to the correct account, write "**2024 Form CT-1120**" and the corporation's Connecticut Tax Registration Number on the front of the check. For Form CT-1120CU, write "**2024 Form CT-1120CU**" and the designated taxable member Connecticut Tax Registration Number on the front of the check. Be sure to sign your check and paper clip it to the front of your return. DRS may submit your check to your bank electronically. **Do not send cash.**

The return will meet the timely filed and timely payment rules if the U.S. Postal Service cancellation date, or the date recorded or marked by a designated private delivery service (PDS) using a designated type of service, is on or before the due date. Not all services provided by these designated PDSs qualify. See **Policy Statement 2016(4)**, *Designated Private Delivery Services and Designated Types of Service*, for a current list of qualified PDSs.

If Form CT-1120 or Form CT-1120CU is filed late, see **Interest and Penalties** to determine if interest and penalty should be reported with this return.

Waiver of Penalty

To make a penalty waiver request, complete and submit **Form DRS-PW**, *Request for Waiver of Civil Penalty*, to the DRS Operations Bureau/Penalty Waiver through **myconneCT**, by mail, or fax.

For more information about the penalty waiver process, see [Penalty waiver request, offer in compromise or protest \(ct.gov\)](https://portal.ct.gov/ct.gov/penalty-waiver-request-offer-in-compromise-or-protest).

Obtain Tax Clearance

- **IP 2018(10)**, *Successor Liability and Request for Tax Clearance*
- **AU-866**, *Request for a Tax Clearance Certificate*

Rounding Off to Whole Dollars

You must round off cents to the nearest whole dollar on your return and schedules. If you do not round, DRS will disregard the cents. Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents and round off **only** the total.

Example: Add two amounts (\$1.29+\$3.21) to compute the total (\$4.50) to enter on a line. \$4.50 is rounded to \$5.00 and entered on a line.

Recordkeeping

Keep a copy of the tax return, worksheets, and records of all items appearing on the return until the statute of limitations expires for that return. Usually, this is three years from the date the return was due or filed, whichever is later. However, if the corporation reports a net operating loss or credit carryforward or carryback, the statute of limitations may expire later.

Closing Corporation Business Tax

You may not close the corporation business tax account until you dissolve (if a domestic corporation) or withdraw (if a foreign corporation) with the Connecticut Secretary of the State. You may download the appropriate forms for dissolution or withdrawal on the Secretary of State's website or contact the Office of the Secretary of the State for information and forms at 860-509-6000.

Remember, you are required to file a final **Form CT-1120**, *Connecticut Corporation Business Tax Return*. The corporation business tax applies to any year or part of a year when the corporation was in existence.

Power of Attorney

To authorize one or more individuals to represent you or your business before the Department of Revenue Services (DRS), use **LGL-001**, *Power of Attorney*. This authorization allows your representative(s) to receive and inspect confidential tax information and to act on your behalf in matters before DRS.

Complete and attach LGL-001 through **myconneCT** at portal.ct.gov/DRS-myconneCT.

To attach LGL-001 through **myconneCT**:

- Log into myconneCT.
- Click the *More...* tab.
- Under the *Forms* panel, click the *Submit LGL-001 for Power of Attorney* hyperlink.

LGL-001 must be completed and signed prior to submission on myconneCT.

Change of Address

Taxpayers can change their address through **myconneCT**.

1. Log in to **myconneCT**.
2. Open the **More...** menu.
3. Locate the **Taxpayer Updates** group and click the **Manage Names & Addresses** hyperlink.
4. Continue to follow the prompts on the screen.