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**PASS-THROUGH ENTITY TAX – GENERAL INSTRUCTIONS**

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- [TSSB- 2025-4, DRS Provides Filing Season Update Options Available to File Form CT-1065/CT-1120SI and Form CT-PET](#)
- [TSSB-2025-5, Taxpayer Alert 2024 Form CT-1065/CT-1120SI and 2024 Form CT-PET Filing and Payment Initiative](#)
- **What's New for 2024**
- **Definitions**
- **Who Must File a Pass-Through Entity Tax Return**
- **Substantial Economic Presence**
- **How to File**
- **When to File (Tax Due Date and Extensions)**
- **Electronic Payment Options**
- **Estimated Tax Payments**
- **Interest and Penalties**
- **Disregarded Entities**
- **Order in Which to Complete Schedules**

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**What's New for 2024**

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**Pass-through entity tax optional starting January 1, 2024**

Legislation makes the pass-through entity tax optional. The election is made annually and is irrevocable. Starting with taxable years commencing on and after January 1, 2024, any entity that elects to pay such tax must give the Commissioner of Revenue Services written notice for each tax year it makes the election and must do so no later than the due date (or extended due date) for filing the return. **Checking off the box on a timely filed Form CT-1065/CT-1120SI, *Connecticut Composite Income Tax Return*, electing to file a Pass-Through Entity Tax return will constitute written notice.** The legislation also makes the following changes to the pass-through entity tax:

- Requires that the pass-through entity file an income tax return and pay the tax on behalf of nonresident members.
- Eliminates the option of standard or alternative base method. All entities now calculate PE income similar to the alternative base method from prior years.
- Eliminates the requirement to pay tax for C Corporations and tax-exempt entities.

- Eliminates the option for a pass-through entity to file a combined return with one or more commonly-owned pass-through entities.
- Eliminates Net Operating Loss offset from prior years.

The legislation is effective January 1, 2024, and applicable to taxable years starting on and after that date.

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### Definitions

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**Pass-through entity (PE)** means a partnership or an S corporation.

**Partnership** means and includes a general partnership, limited partnership, limited liability partnership, publicly traded partnership, limited liability company (LLC) treated as a partnership for federal income tax purposes, or other entity treated as a partnership for federal income tax purposes.

**Parent pass-through entity (parent PE)** is a PE which is a member of another PE. A PE may be both a parent PE (with respect to one or more PEs) and a subsidiary PE (with respect to one or more PEs).

**Subsidiary pass-through entity (subsidiary PE)** is a PE which has at least one member which is itself a PE. A PE may be both a subsidiary PE (with respect to one or more PEs) and a parent PE (with respect to one or more PEs).

**S corporation** means a corporation which is an S corporation for federal income tax purposes.

**Member** means and includes a partner of a partnership, a member of an LLC treated as a partnership for federal income tax purposes, or a shareholder of an S corporation.

**Member's share** means a partner's distributive share of partnership income, gain, loss, or deduction; a member's distributive share of LLC income, gain, loss, or deduction; or a shareholder's pro-rata share of S corporation income, gain, loss, or deduction.

**Noncorporate member** means each member that is a resident individual, resident trust, resident estate, nonresident individual, nonresident trust, nonresident estate, part-year resident individual, or part-year resident trust.

**Nonresident noncorporate member** means each noncorporate member who is a nonresident individual, nonresident trust, nonresident estate, part-year resident individual, or part-year resident trust.

**Corporate member** means each member which is a C corporation for federal income tax purposes, LLC which has elected to be taxed as a C corporation for federal income tax purposes, real estate investment trust, real estate mortgage investment conduit, regulated investment company, individual retirement account described in 26 U.S.C. § 408(a), trust described in 26 U.S.C. § 401(a), or organization exempt from federal income tax (including organizations described in 26 U.S.C. § 501(c) or (d)).

For **Distributive Share Percentage**, see the instructions for Part 4 - Member Information, in the Form CT-PET instructions.

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### Who Must File a Pass-Through Entity Tax Return

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Legislation makes the pass-through entity tax optional. Starting with taxable years commencing on and after January 1, 2024, any entity that elects to pay such tax must give the Commissioner of Revenue Services written notice for each tax year it makes the election and must do so no later

than the due date (or extended due date) for filing the return. **Checking off the box on a timely filed Form CT-1065/CT-1120SI, Connecticut Composite Income Tax Return, electing to file a Pass-Through Entity Tax return will constitute written notice.** The PE must first complete either federal Form 1065, U.S. Return of Partnership Income, or federal Form 1120S, U.S. Income Tax Return for an S Corporation. Information on the federal return is needed to complete Form CT-PET.

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### Substantial Economic Presence

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A PE having a substantial economic presence in Connecticut will be deemed to be doing business in Connecticut. A PE has substantial economic presence in Connecticut if it purposefully directs business toward the state. The purpose can be determined by the frequency, quantity, and systematic nature of its economic contact with Connecticut. See **Informational Publication 2010(29.1), Q & A on Economic Nexus**.

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### How to File

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#### File Electronically

**Form CT-PET**, *Connecticut Pass-Through Entity Tax Return*, **Form CT-PET EXT**, *Application for Extension of Time to File Connecticut Pass-Through Entity Tax Return*, and **Form CT-PET ES**, *Estimated Connecticut Pass-Through Entity Tax Payment Coupon*, must be filed and paid electronically. These returns can be filed and paid through **myconneCT** or the MeF Program.

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

#### Modernized e-File Program (MeF)

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

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### When to File (Tax Due Date and Extensions)

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Form CT-PET is due on or before the fifteenth day of the third month following the close of the taxable year (March 15 for calendar year filers).

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

If Form CT-PET is filed late or all the tax due is not paid with the return, see **Interest and Penalties** to determine if interest and penalty must be reported with this return.

To request additional time to file, use **Form CT-PET EXT**, *Application for Extension of Time to File Connecticut Pass-Through Entity Tax Return*. For detailed information, see the Form CT-PET EXT instructions.

To request additional time to pay, use **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*. For detailed information, see the Form CT-1127 instructions.

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### Electronic Payment Options

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Visit **myconneCT** to make an electronic payment. After logging into **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®, MasterCard®, 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 you make the charge.

At the end of the transaction, you will be given 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.

### Estimated Tax Payments

Every PE whose required annual payment is equal to or greater than \$1,000 must make estimated payments in four installments. The required annual payment is the lesser of:

- 90% of the PE Tax shown on Part 1, Schedule A, Line 2a of the return for the current taxable year, or, if no return is filed, 90% of the PE Tax for such year; **or**
- 100% of the PE Tax shown on Part 1, Schedule A, Line 2a of the return for the previous taxable year, if the previous taxable year was a taxable year of 12 months and if the PE filed a return for the previous income year.

#### Estimated Tax Payments

Estimated Tax Due Dates		Required Payment Amounts The estimated payments for the income year are the lesser of:
<b>First</b>	Fifteenth Day of the fourth month of the taxable year (April 15th for calendar year filers)	25% of prior year tax <b>or</b> 22.5% of current year tax
<b>Second</b>	Fifteenth Day of the sixth month of the taxable year (June 15th for calendar year filers)	* 50% of prior year tax <b>or</b> 45% of current year tax
<b>Third</b>	Fifteenth Day of the ninth month of the taxable year (September 15th for calendar year filers)	* 75% of prior year tax <b>or</b> 67.5% of current year tax
<b>Fourth</b>	Fifteenth Day of the first month after the end of the taxable year (January 15th for calendar year filers)	* 100% of prior year tax <b>or</b> 90% of current year tax
		* Taking into account all prior estimated tax payments made for this year

Use **Form CT-PET ES**, *Estimated Connecticut Pass-Through Entity Tax Payment Coupon*, to make estimated Connecticut income tax payments. For detailed information about estimates, see the Form CT-PET ES instructions.

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## Interest and Penalties

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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 PE 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 on underpayment or late payment of tax cannot be waived.

### Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of tax is 10% of the tax not paid on or before the original due date of the return. The PE can avoid a penalty for failure to pay the full amount due by the original due date if:

- The PE files Form CT-1127;
- An extension of time to pay is granted; **and**
- The PE pays all the tax due in full by the end of the extension period.

For detailed information, see the Form CT-1127 instructions.

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

### Electronic Payment Penalties

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 Failure to File

If the PE does not file its return and the Commissioner of Revenue Services files a return for it, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater.

If the PE is required to file an amended Form CT-PET and fails to timely do so, a penalty may be imposed.

### Penalty for Willful Failure to File or Pay

If you willfully fail to pay the tax or file a return, you may 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 for not more than five years, or both.

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## Disregarded Entities

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If the PE reports income or loss from a disregarded entity (DE), prepare a statement to include the DE's name and Federal Employer Identification Number (FEIN).

The PE filing Form CT-PET electronically should retain a copy of the completed statement for three years from the date of filing. The statement must be provided to DRS upon request. Taxpayers filing by paper, must attach the statement to their paper return.

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## Order in Which to Complete Schedules

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Complete the schedules for **Form CT-PET, Connecticut Pass-Through Entity Tax Return**, in the following order:

- Pass-Through Entity Information;
- Part 2 – Allocation and Apportionment of Income;
- Part 3, *Schedule B* – PE's Connecticut Modifications;
- Part 3, *Schedule A* – Computation of PE's Own Connecticut Source Income/(Loss);
- Part 4 – Member Information;
- Part 1, *Schedule B* – Pass-Through Entity Income;
- Part 1, *Schedule C* – Resident Portion of Unsourced Income;
- Part 1, *Schedule D* – Allocation of PE Tax Credit to Members; **and**
- Part 1, *Schedule A* – Computation of Amount Due.

## Resources

- [General Statutes of Connecticut](#)
- [Contact DRS](#)

## Other Helpful Information

- **Electronic Filing and Payment Waiver**
- **File a Paper Return**
- **Waiver of Penalty**
- **Pass-Through Entity Tax Refund**
- **Recordkeeping**
- **Requirement to Attach Copies of Federal Forms**
- **Other Taxes for Which the Pass-Through Entity May be Liable**
- **Accounting Period and Method of Accounting**
- **Amended Returns**
- **Power of Attorney**
- [Fraud Reporting Form](#) or DRS Fraud Hotline: 855-842-1441

- **Change of Address**
- [Copies of my returns](#)
- [Status Letter](#)

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### Electronic Filing and Payment Waiver

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If the PE can show that 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***.

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### File a Paper Return

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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***.

Mail a paper return **without payment** to:

Department of Revenue Services  
State of Connecticut  
PO Box 2967  
Hartford CT 06104-2967

Mail a paper return **with payment** to:

Department of Revenue Services  
State of Connecticut  
PO Box 5019  
Hartford CT 06102-5019

Make check payable to **Commissioner of Revenue Services**. To ensure payment is applied to your account, write "**2024 Form CT-PET**" and the PE's FEIN on the front of your check. 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. This list is subject to change. See **Policy Statement 2016(4), *Designated Private Delivery Services and Designated Types of Service***, for a current list of qualified PDSs.

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### Waiver of Penalty

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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).

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### Pass-Through Entity Tax Refund

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A Connecticut PE Tax overpayment may be refunded to the PE, applied to the PE's 2024 Composite liability, or applied to the PE's 2025 estimated PE tax. If applying to the estimated PE tax, the overpayment will be treated as estimated tax paid on the due date of the first quarter estimate 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.**

### **Direct Deposit**

Get the refund faster by choosing **direct deposit**. Complete Lines 10d, 10e, and 10f of Part 1, *Schedule A* 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.

### **Offset Against Debts**

If the PE is due a refund, all or part of the overpayment may be used to pay outstanding debts or taxes. Any remaining balance will be refunded to the PE. If the refund is reduced, DRS will mail an explanation for the reduction.

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## **Recordkeeping**

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Keep a copy of the tax return, worksheets used, 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. This information may be needed to prepare future returns or to file amended returns.

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## **Requirement to Attach Copies of Federal Forms**

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Taxpayers filing Form CT-PET electronically should retain copies of **completed** federal Form 1065, U.S. Return of Partnership Income, or federal Form 1120S, U.S. Income Tax Return for an S Corporation, for three years from the date of filing. The forms must be provided to DRS upon request.

Taxpayers who complete a paper Form CT-PET are required to attach a copy of **completed** federal Form 1065, U.S. Return of Partnership Income, or federal Form 1120S, U.S. Income Tax Return for an S Corporation. Do **not** attach copies of federal Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., or federal Schedule K-1 (Form 1120S), Shareholders Share of Income, Deductions, Credits, etc.

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## **Other Taxes for Which the Pass-Through Entity May be Liable**

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The information that follows is a general description of other Connecticut taxes for which a PE may be liable. Failure to pay these or any taxes for which the PE is liable may subject the PE to civil and criminal penalties.

### **Connecticut Income Tax Withholding**

Any PE 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 PE 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 Taxes**

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**.

### **Real Estate Conveyance Tax**

If a PE transfers real estate in Connecticut, it must complete and file **Form OP-236, Connecticut Real Estate Conveyance Tax Return**, in the town in which the real estate is situated.

### **Registration**

A PE must register with the Connecticut Department of Revenue Services (DRS) if it is liable for any taxes administered by DRS. If the PE does not have a Connecticut Tax Registration Number, the PE may register through **myconneCT**. If the PE already has a Connecticut Tax Registration Number, additional taxes for which the PE is liable may be added to the registration online through **myconneCT**.

### **Abusive Tax Shelters**

Any individual or business entity that fails to disclose participation in an abusive tax shelter designated by the Internal Revenue Service (IRS) as a listed transaction is subject to audit penalties of 75% of the tax deficiency that results from the tax shelter activity. To fulfill the Connecticut disclosure requirement, any taxpayer (individual or entity) that has participated in a listed transaction must complete **Form CT-8886, Connecticut Listed Transaction Disclosure Statement**. Form CT-8886 must be completed for each taxable year for which a taxpayer participates in, or receives a benefit from, a listed transaction.

You must retain the completed Form CT-8886 with your tax records for the tax year the form is required. Form CT-8886, along with federal Form 8886, Reportable Transaction Disclosure Statement, including all supplemental statements and any required federal Schedule M-3, must be retained for a period of six years after the due date of required completion. Form CT-8886 and supporting documents must be provided to DRS upon request.

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### **Accounting Period and Method of Accounting**

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A PE's accounting period and method of accounting for Connecticut PE Tax purposes must be the same as its accounting period and method of accounting for federal PE tax purposes.

If a PE's accounting period or method of accounting is changed for federal PE Tax purposes, the same change must be made for Connecticut PE Tax purposes.

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### **Amended Returns**

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An amended Form CT-1065/CT-1120SI and Form CT-PET must be filed electronically through myconneCT or the MeF Program, unless you have an electronic filing waiver. See How to File.

Check the "Amended Return" box on Form CT-1065/CT-1120SI or Form CT-PET to amend a previously-filed Form CT-1065/CT-1120SI or Form CT-PET. If an amended return is filed to have an overpayment of Connecticut Pass-Through Entity Tax (PE Tax) refunded, the overpayment will be refunded to the PE. However, the amended Form CT-1065/CT-1120SI or Form CT-PET must

be filed before the Connecticut statute of limitations expires. Generally, the statute of limitations for refunding any Connecticut PE Tax overpayment expires three years after the due date of the return, but if a timely request for an extension of time to file a return was filed, the statute of limitations expires three years after the extended due date of the return or three years after the date of filing the return, whichever is earlier. If an amended return is filed to report an underpayment of Connecticut PE Tax, interest will apply and, if the amended return is not timely filed, a penalty may be imposed. See **Interest and Penalties**. An amended Form CT-1065/CT-1120SI or Form CT-PET must be filed under the following circumstances:

<b>1. The IRS or federal courts change or correct the PE's federal return and the change or correction results in the Connecticut PE Tax being overpaid or underpaid.</b>	File no later than 90 days after the final determination by the IRS or federal courts.
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<b>2. The PE files a timely amended federal return and the amendment results in the Connecticut PE Tax being overpaid or underpaid.</b>	File no later than 90 days after the final determination by the IRS.
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<b>3. If neither of the circumstances above apply, but the PE made a mistake or omission on its Form CT-1065/CT-1120SI or Form CT-PET and the mistake or omission results in the Connecticut PE Tax being overpaid or underpaid.</b>	File no later than three years after the due date of the return or, if a timely request for an extension of time to file the return was filed, three years after the extended due date of the return or three years after the date of filing the return, whichever is earlier.
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### Power of Attorney

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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](https://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.**

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### Change of Address

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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.