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SPECIAL NOTICE

## Legislation Passed in the 2015 December Special Session

**Important Notice:** The changes discussed in this Special Notice are based upon legislation (Public Act 15-1) passed by the General Assembly on December 8, 2015.

### Corporation Business Tax:

**Mandatory Unitary Combined Reporting:** Several provisions of the mandatory unitary combined reporting legislation enacted earlier in 2015 were amended during the 2015 December Special Session. These changes are not described in this notice. The Department of Revenue Services (DRS) is preparing guidance on the mandatory unitary combined reporting requirements resulting from the 2015 Regular Session, the 2015 June Special Session, and the 2015 December Special Session.

**Single Sales Factor Apportionment:** Apportionment provisions changed to require multistate corporations not subject to industry-specific apportionment methodologies to use a single-sales factor formula to apportion income. Previously, these corporations were required to use a three-factor formula consisting of property, payroll, and double-weighted sales. This change is effective for income years beginning on or after January 1, 2016.

*Conn. Gen. Stat. §12-218, as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §40.*

**General Credit Limitations:** Pursuant to legislation enacted earlier in 2015, the amount of tax credits allowable against the Corporation Business Tax may not exceed 50.01% of the tax due. The credit limitation for Corporation Business Tax was changed so that taxpayers could claim certain credits subject to a higher percentage limitation than the general 50.01% credit limitation on returns for income years beginning on or after January 1, 2016. Specifically, research and experimental expenditures tax credits (Conn. Gen. Stat. §12-217j), research and development expenses tax credits (Conn. Gen. Stat. §12-217n), and urban and industrial site reinvestment tax credits (Conn. Gen. Stat. §32-9t) that remain after application of the 50.01% limitation may be used in excess of the general limitation, provided the total of all credits used shall

not exceed the following percentage limitations in the following income years:

<u>Income Years Beginning</u>	<u>Credit Limit</u>
January 1, 2016 – December 31, 2016	55%
January 1, 2017 – December 31, 2017	60%
January 1, 2018 – December 31, 2018	65%
January 1, 2019 and after	70%

*Conn. Gen. Stat. §12-217zz, as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §29.*

**Enterprise Zone Credit:** The enterprise zone credit changed to allow certain bioscience, clean technology, and cyber-security firms created on or after July 1, 2015, to qualify for the credit. To qualify, firms must be located in an enterprise zone and have:

1. 188 or more employees, at least 40% of whom are residents of the enterprise zone or the town in which the zone is located and qualify under the Job Training Partnership Act; **or**
2. Less than 188 employees, at least 75% of whom are residents of the enterprise zone or the town in which the zone is located and qualify under the Job Training Partnership Act.

This change is effective for income years beginning on or after January 1, 2017.

*Conn. Gen. Stat. §12-217v, as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §35.*

**Net Operating Loss (NOL) Election:** Legislation enacted earlier in 2015 limited the amount of NOLs which may be applied against net income to an amount equal to 50% of net income. This change is effective for income years beginning on or after January 1, 2015. This legislation also provided an exception to the 50% limitation. Specifically, taxpayers with at least \$6 billion of unused NOLs from income years beginning before January 1, 2013, are allowed to make an election to relinquish 50% of the unused NOLs and use the remaining NOLs without regard to the 50% limitation. If made, the election was effective for the income year beginning on or after January 1, 2017. Senate Bill No. 1601 allows electing taxpayers to benefit from this election in the income

year beginning on or after January 1, 2015. Senate Bill No. 1601 further amended the election provision to provide that if the election is made, the remaining NOLs cannot be used to reduce a taxpayer's tax to less than \$2.5 million, prior to the application of surtax and credits.

*Conn. Gen. Stat. §12-217(a)(4), as amended by 2015 Conn. Pub. Acts 244, §87, as further amended by 2015 Conn. Pub. Acts 5 (June Spec. Sess.), §482, as further amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §38.*

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**Personal Income Tax:** The sourcing rules for personal income tax were changed to allow nonresident employees performing personal services in Connecticut for 15 days or less to not source the compensation received for the services to Connecticut. This change is effective for taxable years beginning on or after January 1, 2016.

This change does not apply to any income other than compensation for personal services performed by a nonresident employee. This change does not apply in any circumstance to athletes, entertainers or performing artists.

For purposes of this provision, presence in Connecticut for any part of a day is considered presence in this state for the entire day unless the presence is solely for the purpose of traveling through the state. Presence in Connecticut for reasons other than performing services as a nonresident employee are not relevant for purposes of the 15-day limitation.

*Conn. Gen. Stat. §12-711, as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §26.*

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**Sales and Use Taxes:** The sales and use tax exemption for residential weatherization products and compact fluorescent light bulbs is repealed effective for sales occurring on and after January 1, 2016.

Residential weatherization products are defined as programmable thermostats, window film, caulking, window and door weather strips, insulation, water heater blankets, water heaters, natural gas and propane furnaces and boilers that meet the federal Energy Star standard, windows and doors that meet the federal Energy Star standard, oil furnaces and boilers that are not less than 84% efficient and ground-source heat pumps that meet the minimum federal energy efficiency rating. As of January 1, 2016, sales of these residential weatherization products and compact fluorescent light bulbs will be subject to sales and use taxes.

Sales of residential weatherization products will be subject to the following transitional rules:

- If a customer purchases a residential weatherization product, and the customer pays for the item in full, or is fully charged, prior to January 1, 2016, the exemption applies even if delivery is made on or after January 1, 2016.
- If a customer pays a deposit to the retailer on or before December 31, 2015, for a residential weatherization product, and the retailer pulls the product from its inventory or otherwise accounts for the sale of the product in its inventory control system, the exemption applies even if delivery is made on or after January 1, 2016.
- If a customer pays a deposit to the retailer on or before December 31, 2015, for a residential weatherization product that is not currently in stock or that is not accounted for as a sale in the retailer's inventory control system, the exemption will not apply if delivery is made to the customer on or after January 1, 2016.

Delivery is made to the customer when the retailer delivers the item to the customer at the retailer's establishment or at the customer's location, or ships the item to the customer.

*Conn. Gen. Stat. §12-412k, as repealed by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §49.*

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### **Petroleum Products Gross Earnings Tax:**

**Propane Exemption:** The exemption that relates to propane used for heating purposes has been changed so that propane used primarily for heating purposes is exempt from the petroleum products gross earnings tax for sales made on or after December 1, 2015.

*Conn. Gen. Stat. §12-587(b)(2)(D), as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §27.*

**Apprenticeship Tax Credit:** The apprenticeship tax credit was changed so that credits purchased from pass-through entities can be used by taxpayers to offset taxes due under the Petroleum Products Gross Earnings Tax for periods beginning on or after January 1, 2016.

*Conn. Gen. Stat. §12-217g(a)(2), as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §28.*

**Utility Companies Tax:** The apprenticeship tax credit was changed so that credits purchased from pass-through entities can be used by taxpayers to offset taxes due under the Utility Companies Tax for periods beginning on or after January 1, 2016.

*Conn. Gen. Stat. §12-217g(a)(2), as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §28.*

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**Hospitals Tax and Ambulatory Surgical Centers Gross Receipts Tax:**

Pursuant to legislation enacted earlier in 2015, the amount of tax credits allowable against the hospitals tax and ambulatory surgical centers gross receipts tax may not exceed 50.01% of the tax due. This credit limitation was changed so that the amount of tax credits otherwise allowable against the hospitals tax and ambulatory surgical centers gross receipts tax shall not exceed the following percentage limitations for the following calendar quarters:

<u>Calendar Quarters Occurring</u>	<u>Credit Limit</u>
July 1, 2015 – December 31, 2015	50.01%
January 1, 2016 – December 31, 2016	55%
January 1, 2017 – December 31, 2017	60%
January 1, 2018 – December 31, 2018	65%
January 1, 2019 and after	70%

The only credit that can currently be taken against these taxes is the urban and industrial site reinvestment tax credit set forth in Conn. Gen. Stat. §32-9t.

*Conn. Gen. Stat. §12-263b(c), as amended by 2015 Conn. Pub. Acts 1 (Dec. Spec. Sess.), §30.*

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**Effective Dates:** The effective dates for the legislation passed by the General Assembly in the 2015 December Special Session are noted in the sections above.

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

**Effect of This Document:** A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the DRS.

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**For Further Information:** Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); or
- **860-297-5962** (from anywhere).

**TTY, TDD, and Text Telephone users only** may transmit inquiries anytime by calling 860-297-4911.

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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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**Paperless Filing/Payment Methods (fast, easy, free, and confidential):** Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) and select *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.

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SN 2015(11)  
Corporation Business Tax  
Personal Income Tax  
Sales and Use Taxes  
Petroleum Products Gross Earnings Tax  
Utility Companies Tax  
Hospitals Tax  
Ambulatory Surgical Centers Tax  
Issued: 12/22/2015