



25 Sigourney Street Ste 2
Hartford CT 06106-5032

SPECIAL NOTICE

2015 Legislative Changes Affecting the Corporation Business Tax

Mandatory Unitary Combined Reporting:

Effective for income years beginning on or after January 1, 2016, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file their Corporation Business Tax returns on a unitary basis.

The Department of Revenue Services (DRS) is preparing guidance regarding mandatory unitary combined reporting and will make this guidance available on its website as it becomes available.

2015 Conn. Pub. Acts 244, §§ 138-163, as amended by 2015 Conn. Pub. Acts 5, §§ 139-153 (June Spec. Sess.).

Sunset of Elective Combined Return and Elective Unitary Return:

In connection with the implementation of the mandatory unitary combined reporting requirements, taxpayers may no longer file elective combined returns (**Form CT-1120CR**, *Combined Corporation Business Tax Return*) or elective unitary returns (**Form CT-1120U**, *Unitary Corporation Business Tax Return*) for income years beginning on or after January 1, 2016.

Conn. Gen. Stat. §§ 12-218d(d)(3) and 12-223a, as amended by 2015 Conn. Pub. Acts 244, §§ 152 and 157 and 2015 Conn. Pub. Acts 5, §§ 139, 147 and 150 (June Spec. Sess.).

Surtax Extended: The surtax has been extended through income year 2018. However, the surtax rate is reduced in income year 2018.

The surtax rate remains at 20% through income year 2017 and is reduced to 10% for income year 2018. Companies with less than \$100 million of

gross income continue to be exempt from the surtax. However, companies that file as part of a combined or elective unitary return (through income year 2015) or as part of a mandatory unitary combined tax return (after income year 2015) are not eligible for this exemption.

Conn. Gen. Stat. §§ 12-214 and 219, as amended by 2015 Conn. Pub. Acts 244, §§ 83-84, and 2015 Conn. Pub. Acts 5, §§ 139-141 (June Spec. Sess.).

Net Operating Loss Deductions Limited:

Effective for income years beginning on or after January 1, 2015, a taxpayer's net operating loss (NOL) deduction may not exceed 50% of its net income.

Taxpayers with more than \$6 billion of unused NOLs from income years beginning before January 1, 2013, may elect to forfeit 50% of the balance of their unused NOLs and utilize the reduced balance to exceed the 50% limitation in income year 2017 and thereafter until the reduced balance is fully utilized. This election must be made on a timely filed 2015 Corporation Business Tax return. Information on how to make this election will be provided in the 2015 Corporation Business Tax return instructions.

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

Tax Credits May Not Reduce Tax by More than 50.01%:

Effective for income years beginning on or after January 1, 2015, the amount of tax credits otherwise allowable against the Corporation Business Tax for any income year shall not exceed 50.01% of the

amount of tax due from such taxpayer prior to the application of the tax credits.

Conn. Gen. Stat. § 12-217zz, as amended by 2015 Conn. Pub. Acts 244, § 88.

Impact on 2015 Estimated Payments:

DRS recognizes that several provisions of 2015 Conn. Pub. Acts 244 and 2015 Conn. Pub. Acts 5 (June Spec. Sess.) affect the amount of Corporation Business Tax due for income year 2015. As a result, taxpayers may have underpaid their 2015 estimated tax payments with respect to payments due prior to June 30, 2015. To the extent that these estimates have been underpaid as a direct result of the legislation, taxpayers are encouraged to contact DRS to explore options available to avoid the application of interest. A written explanation describing the manner in which the changes to the law resulted in an underpayment along with all documentation supporting such explanation must be sent to DRS by the due date, or extended due date, of the return. All documents must be submitted to the following address:

Department of Revenue Services
25 Sigourney Street, 19th Floor
Hartford, Connecticut 06106
Attn: Office of Counsel/MMD

Changes to Existing Tax Credits:

Film Production. There were two changes to the Film Production Tax Credit:

- The period of time to claim the credit has been extended with respect to vouchers issued on or after July 1, 2015. For these vouchers, the credit may be claimed in the year the expenses or costs were incurred or in the next five income years.
- The period of time for which no tax credit vouchers may be issued for certain motion pictures has been extended through June 30, 2017. The motion pictures affected by this provision are those that were not designated as state-certified qualified productions prior to July 1, 2013.

Conn. Gen. Stat. § 12-217jj, as amended by 2015 Conn. Pub. Acts 244, § 86 and 2015 Conn. Pub. Acts 5, § 431 (June Spec. Sess.).

Neighborhood Assistance. Effective July 1, 2017, the cap on the total amount of credits that may be granted annually under this program increases from \$5 million to \$10 million.

Conn. Gen. Stat. § 12-632, as amended by 2015 Conn. Pub. Acts 5, § 446 (June Spec. Sess.).

Urban and Industrial Site Reinvestment. The total amount of credits that may be granted under this program has been increased from \$800 million to \$950 million.

Conn. Gen. Stat. § 32-9t, as amended by 2015 Conn. Pub. Acts 5, § 408 (June Spec. Sess.).

DRS to Issue Report on Apportionment Methods:

DRS is required to issue a report to the Finance, Revenue & Bonding Committee of the Connecticut General Assembly by February 1, 2016 on the impact of alternate methods of apportionment and sourcing of income for Corporation Business Tax purposes. The report must also provide recommendations relating thereto.

2015 Conn. Pub. Acts 244, § 219.

Establishment of Commission on Economic Competitiveness:

A Commission on Economic Competitiveness has been established to examine the implications of Connecticut's tax policy on business and to develop policies to promote economic growth. The Commission includes the Commissioner of Revenue Services as a member.

2015 Conn. Pub. Acts 5, § 498 (June Spec. Sess.).

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 DRS.

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.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

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 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.

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 and select *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.