



450 Columbus Blvd Ste 1
Hartford CT 06103-1837

SPECIAL NOTICE

Treatment of Global Intangible Low-Taxed Income for Connecticut Corporation Business Tax Purposes

Effective Dates: This guidance applies to income years commencing on or after January 1, 2018.

Purpose: As a result of changes made by the federal Tax Cuts and Jobs Act, certain US taxpayers are subject to tax on their global intangible low-taxed income (GILTI) for income years beginning on or after January 1, 2018. This publication explains how GILTI will be treated for Connecticut Corporation Business Tax purposes.

Federal Treatment: For federal purposes, GILTI is included in a corporation's gross income and is generally treated in a manner similar to Subpart F income. I.R.C. §§ 951A(a) and 951A(f).¹ A corporation with GILTI is allowed to claim a deduction against a portion of such income on its federal return. I.R.C. § 250. The amount of a corporation's GILTI and corresponding deduction are determined under federal law. In addition, a corporation may exclude from its federal gross income any income that has previously been taxed as GILTI. I.R.C. § 959.

Connecticut Treatment

Dividends Received Deduction for GILTI. Connecticut treats Subpart F income as a dividend. Because GILTI is treated in a manner similar to Subpart F income for federal tax purposes, Connecticut will treat such income as dividend income.

Connecticut provides a dividend received deduction (DRD) that fully offsets the dividend income that a corporation receives from foreign corporations to the

extent such income is not otherwise deducted. Accordingly, even though a corporation must include its GILTI on its Connecticut return, it is then entitled to claim a deduction to fully offset such income.

After a corporation claims the DRD, a corporation must add back its expenses that relate to its dividend income on its Connecticut return. Pursuant to Conn. Gen. Stat. § 12-217(a)(2), which was recently amended by 2018 Conn. Pub. Acts 49, § 13, this addback is equal to 5% of the dividend income. The addback should equal 5% of the gross amount of GILTI prior to any corresponding federal deduction.

The combined effect of the 100% DRD and the 5% addback is a net 95% DRD for GILTI.

Previously Taxed GILTI Excluded. Connecticut conforms to the federal definition of "gross income" unless there is a modification specifically provided by Connecticut law. No Connecticut modification exists with respect to the previously taxed GILTI exclusion. Therefore, because income previously taxed as GILTI is excluded from gross income for federal purposes, it is similarly excluded for Connecticut Corporation Business Tax purposes.

GILTI Excluded from Apportionment Factor Calculation. For Corporation Business Tax purposes, Connecticut does not include dividend income in the apportionment factor calculation. Accordingly, GILTI must be excluded from the apportionment factor calculation.

How to Report GILTI on a Connecticut Corporation Business Tax Return. As of the date of this publication, the Internal Revenue Service has not issued forms that show how GILTI, the corresponding deduction, and the previously taxed income exclusion will be reported for federal tax purposes. After the Internal Revenue Service issues such forms, the Department of Revenue Services (DRS) will issue specific guidance on how such

¹ All references to the Internal Revenue Code are to the Internal Revenue Code as amended by the Tax Cuts and Jobs Act.

items will need to be reported on a Connecticut Corporation Business Tax return.

Effect on Other Documents: None.

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. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.

DRS E-alerts Email Service: Get connected to the latest DRS news including new legislation, policies, press releases, and more. 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.
