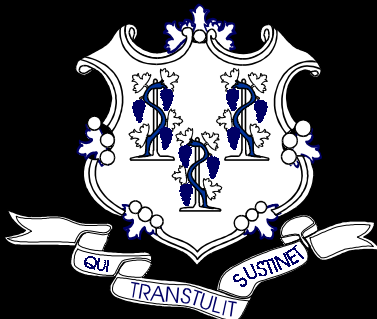


1999 FORM CT-1120

Connecticut Corporation Business Tax Return and Instructions

This booklet
contains:

- Form CT-1120
- Form CT-1120/
CT-1120S ATT
- Form CT-1120A
- Form CT-1120K
- Form CT-1120 EXT
- Forms CT-1120 ESA, ESB,
ESC, and ESD



Dear Customer:

Over the past five years, the State of Connecticut has reduced taxes by \$1.6 billion — with nearly half that amount directly benefiting Connecticut businesses, and the balance reducing the tax burden on individual taxpayers. Connecticut corporations are seeing the results of those tax cuts in reduced corporation business tax rates, enhanced tax credits and other tax policy changes. This is one of the ways Connecticut has recognized the importance of companies of all sizes who have helped contribute to the economic success of our State.

Again this year, there are important tax changes that can save you tax dollars, as well as streamline your tax reporting. Please be sure to read Pages 4 through 8 to learn about changes to tax rates, procedures and tax credits. If you have questions about these changes, our Taxpayer Services personnel are ready to assist you by phone, e-mail or in writing. Use the information on the back cover of this booklet to reach them. Our Web site shown below is a valuable resource and is available 24 hours a day, seven days a week. Use it to download forms and other information that you may need.

At the Department of Revenue Services we are proud of the partnerships we have created with Connecticut businesses. Our efforts continue to be recognized regionally and nationally for their innovation and user-friendly approach to tax administration. If you have comments about our service, or ideas on how we can make improvements, please write or e-mail me through our Web site, or phone. I look forward to hearing from you.

Sincerely,

Gene Gavin
Commissioner of Revenue Services

Taxpayer information is available on our Web site:
www.state.ct.us/drs

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (toll-free from within Connecticut) or **860-297-5962** (from anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number next to the topic of your choice shown below, or follow the prerecorded instructions.

GENERAL INCOME TAX INFORMATION

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|-----|---------------------------------------|-----|---|
| 101 | Important income tax changes for 1999 | 107 | Amending a Connecticut return |
| 102 | How to choose the correct form | 108 | Getting a copy of a previously filed return |
| 103 | Where to get forms and assistance | 109 | Offsets of state income tax refunds |
| 104 | Requesting a filing extension | 110 | Deducting Connecticut income tax when completing your federal income tax return |
| 105 | Filing a decedent's return | | |
| 106 | Filing an error-free return | | |

INCOME TAX FILING REQUIREMENTS, RESIDENCY, AND FILING STATUS

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| 201 | Who must file a Connecticut return? | 205 | Members of the armed forces |
| 202 | What is gross income? | 206 | Student's filing requirements |
| 203 | Who is a resident, nonresident or part-year resident? | 207 | Dependent children's filing requirements |
| 204 | What is Connecticut source income of a nonresident? | 208 | What is your filing status? |
| | | 209 | Title 19 recipients |

CONNECTICUT USE TAX, GIFT TAX, AND OTHER INCOME TAX RETURNS

- | | | | |
|-----|---|-----|--|
| 301 | Individual use tax | 305 | Partnership income tax return |
| 302 | Gift tax | 306 | Group return for shareholders, partners, and beneficiaries |
| 303 | Income tax on trusts and estates | | |
| 304 | S corporation information and composite income tax return | | |

FORM CT-1040 OR FORM CT-1040NR/PY

- | | | | |
|-----|---|-----|--|
| 401 | Tax status of United States government obligations | 406 | Modifications to federal adjusted gross income |
| 402 | Tax status of state or local obligations | 407 | Connecticut alternative minimum tax |
| 403 | Residents and part-year residents who paid income tax to another jurisdiction | 408 | Property tax credit |
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| 502 | Withholding instead of making estimates | 506 | Interest on underpayments |
| 503 | Estimated income tax form | 507 | Farmers and fishermen |
| 504 | When to file and how much to pay | | |

TELEFILE INFORMATION

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| 602 | What do I need to do before making the call? | 605 | What if I make a mistake while Telefiling? |
| 603 | Completing the Telefile Tax Return | | |

Extended Telephone Hours for the 2000 Filing Season (Option "0"):

- | | | | |
|-----------------------------|----------------|---------------------------|--------------------------|
| Tuesday, January 25 | (until 7 p.m.) | Thursday, April 6 | (until 7 p.m.) |
| Thursday, January 27 | (until 7 p.m.) | Saturday, April 8 | (8:30 a.m. - 12:00 p.m.) |
| Tuesday, February 1 | (until 7 p.m.) | Thursday, April 13 | (until 7 p.m.) |
| Thursday, February 3 | (until 7 p.m.) | | |

2000 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

- | | |
|---------------------------|--------------------------|
| Saturday, April 15 | (8:30 a.m. - 12:00 p.m.) |
| Monday, April 17 | (until 8 p.m.) |
| Tuesday, April 18 | (until 8 p.m.) |

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WHAT THIS BOOKLET CONTAINS

Read the instructions contained in this booklet carefully before preparing the Connecticut *Corporation Business Tax Return*. This booklet contains information and instructions regarding the following forms:

Form CT-1120, *Corporation Business Tax Return* is used to compute tax both on a net income basis and on a capital stock basis. Tax is paid on the basis that yields the higher tax. The minimum tax is \$250.

Form CT-1120/CT-1120S ATT contains the following computation schedules:

Schedule H, *Connecticut Apportioned Operating Loss Carryover*; and

Schedule I, *Dividend Deduction*

Form CT-1120A is used to compute the apportionment factors for the net income and the minimum tax base.

Form CT-1120K is used to summarize a corporation's claim for available business tax credits.

Form CT-1120 EXT is the application that is required for obtaining an extension of time to file **Form CT-1120**.

Forms CT-1120 ESA, ESB, ESC and ESD are used to file estimated corporation business tax installments for the 2000 income year.

For information on how to obtain forms or other information from the Department of Revenue Services refer to the back cover.

OTHER TAXES FOR WHICH THE CORPORATION MAY BE LIABLE

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

To register for sales and use taxes and Connecticut income tax withholding as well as most other Connecticut taxes administered by the Department of Revenue Services, the corporation must complete **Form REG-1**, *Application for Tax Registration Number*. If the corporation already has a Connecticut Tax Registration Number, additional taxes for which the corporation is liable may be added to the registration by contacting the Department's Registration Unit at 860-297-4885.

Connecticut Sales and Use Taxes

A corporation may be responsible for the filing of sales and use tax returns. Sales taxes are due if the company sells taxable goods or services. Use taxes are due on the purchase of taxable goods or services from out-of-state retailers, or Connecticut retailers who have failed to collect the sales tax. Both taxes are reported on **Form OS-114**, *Sales and Use Tax Return*.

Connecticut Income Tax Withholding

Anyone who maintains an office or transacts business in Connecticut and who is considered an employer for federal income tax withholding purposes must withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Controlling Interest Transfer Tax

Connecticut imposes a tax on the transfer of a controlling interest in an entity which owns Connecticut real property. This tax is reported on **Form AU-330**, *Controlling Interest Transfer Tax*.

LEGISLATIVE CHANGES AFFECTING CONNECTICUT CORPORATION BUSINESS TAX

Tax Rate Decreases

Conn. Gen. Stat. §12-214 (a)(1) specifies the effective dates and rate changes to the corporation business tax. Income years and corresponding rates are:

For Income Years Beginning On or After	But Before	Tax Rate
1/1/1997	1/1/1998	10.50%
1/1/1998	1/1/1999	9.50%
1/1/1999	1/1/2000	8.50%
1/1/2000	-	7.50%

Phaseout of S Corporation Business Tax

Conn. Gen. Stat. §12-217(c)(2) provides for the phaseout of the S corporation business tax by reducing the percentage of net income subject to corporation business tax for income years beginning on or after January 1, 1997. For income years beginning on or after January 1, 2001, S corporations will no longer be subject to the corporation business tax.

S corporation shareholders will pay personal income tax on the portion of their pro-rata share of nonseparately stated income as well as their Connecticut sourced portion of their pro rata share of separately stated income, that is not subject to the corporation business tax when filing **Form CT-1040**, **Form CT-1040NR/PY**, **Form CT-1120SI** or **Form CT-G**.

For Income Years Beginning On or After	But Before	Net Income Subject to Tax
1/1/1997	1/1/1998	90%
1/1/1998	1/1/1999	75%
1/1/1999	1/1/2000	55%
1/1/2000	1/1/2001	30%
1/1/2001	-	0%

Corporations Annualizing Estimated Payments

For income years beginning on or after January 1, 1999, corporations are allowed to make quarterly estimated tax payments using an annualized method. See **Informational Publication 99(12.1)**, *Calculating Annualized Estimated Corporation Business Tax Installments and Worksheet CT-1120AE*, for further information. (Conn. Gen. Stat. §12-242d)

Domestic Insurance Companies Exempt from Corporation Business Tax

For income years beginning on or after January 1, 1999, domestic insurance companies are exempt from the Connecticut corporation business tax. (Conn. Gen. Stat. §12-214)

Late Payment Penalty

For income years beginning on or after January 1, 1999, a corporation that has been granted a filing extension may avoid a late payment penalty provided the outstanding balance due is 10% or less **and** is paid with the filing of the Corporation Business Tax Return. (1999 Conn. Pub. Acts 121, §6)

Net Operating Loss Carryforward Increased

A corporation is allowed a five-year carryforward for net operating losses incurred prior to income years beginning January 1, 2000, and a twenty-year carryforward for net operating losses incurred in income years beginning on or after January 1, 2000. (1999 Conn. Pub. Acts 173, §39)

Deduction of the Value of Capital Gain Realized from the Sale of Preserved Land

In arriving at net income, a corporation may deduct from gross income the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any non-profit land conservation organization, where such land is permanently preserved as protected open space or to a water company where such land is to be permanently preserved as protected open space or as Class I or Class II water company land.

(1999 Conn. Pub. Acts 235, §5)

Corporations as Limited Partners in a Partnership

For income years beginning on or after January 1, 1999, corporations that are limited partners in a partnership not otherwise carrying on or doing business within the state, other than an investment partnership, may elect to apportion their net income inside and outside the state as provided under the provisions of the Connecticut corporation business tax.

(1999 Conn. Pub. Acts 121, §4)

Financial Service Companies Exempt from Minimum Tax

For income years beginning on or after January 1, 1999, financial service companies will no longer be subject to the minimum tax (\$250) or the capital base tax.

(Conn. Gen. Stat. §12-219)

Special Apportionment Available to Financial Service Companies

For income years beginning on or after January 1, 1999, a qualifying financial service company is allowed to apportion its net income to Connecticut using a single factor gross receipts formula in which the income is sourced based on the billing address of the financial service company's customers.

(Conn. Gen. Stat. §12-218b)

Passive Investment Companies (PICs) Exempt from Corporation Business Tax

For income years beginning on or after January 1, 1999, a corporation business tax exemption applies to a Connecticut passive investment company (PIC) created by a qualifying financial service company to hold and manage loans that are secured by real property. A PIC must maintain an office in Connecticut and employ at least five full-time equivalent employees.

(Conn. Gen. Stat. §12-213)

Add-back of Intangible Property Costs and Interest Expenses Between Related Corporations

For income years beginning on or after January 1, 1999, a corporation must add-back otherwise deductible intangible property costs and interest expenses paid or incurred, directly or indirectly, in transactions with related corporations, unless it can demonstrate by clear and convincing evidence that such add-back adjustments are unreasonable or it enters into an agreement with the Commissioner to use an alternate method of apportionment.

(Conn. Gen. Stat. §12-218c)

Repeal of Security Brokerage Services Election

For income years beginning on or after January 1, 1999, the apportionment election for Securities Brokerage Companies has been eliminated and such companies must apportion their income to Connecticut based on the location of the securities brokerage firms' customers.

(Conn. Gen. Stat. §12-218)

LEGISLATIVE CHANGES AFFECTING CONNECTICUT CORPORATION BUSINESS TAX CREDITS

For a brief overview of all Connecticut Corporation Business Tax Credits,
see Pages 18 through 22.

NEW CREDITS

Credit for Displaced Workers Hired by Electric Suppliers

For income years beginning on or after January 1, 1999, a new corporation business tax credit will be allowed to any electric supplier that hires a displaced worker who has been terminated as a direct result of electric industry restructuring. The available credit is \$1,500 for each displaced worker hired for at least six months. (*Conn. Gen. Stat. §12-217bb*)

Small Business Guaranty Fee

For income years beginning on or after January 1, 1999, a new tax credit is available equal to the amount paid during the income year by a small business to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing from the Small Business Administration.

(*1999 Conn. Pub. Acts 173, §42*)

Donation of Open Space Land

For income years beginning on or after January 1, 1999, a new credit is available equal to 50% of any donation of open space land. A *donation of open space land* means the value of any land conveyed without financial consideration, or the value of any discount of the sale price in any sale of land or any interest in land to the state, a political subdivision of the state or a nonprofit land conservation organization. The donated land must be permanently preserved as protected open space. The amount of donation shall be based on the use value of the donated open space land.

(*1999 Conn. Pub. Acts 173, §47*)

Historic Homes Rehabilitation

For income years beginning on or after January 1, 2000, a new tax credit voucher system will be administered by the Connecticut Historical Commission for rehabilitating historic homes or making contributions to qualified rehabilitation projects. The Connecticut Historical Commission may allocate tax credits in an amount equal to 30% of the projected qualified rehabilitation expenditures.

(*1999 Conn. Pub. Acts 173, §§34-37*)

CHANGES TO EXISTING CREDITS

Credit for Fixed Capital Investment

The Fixed Capital Investment Credit increases to 4% for income years beginning on or after January 1, 1999, and to 5% for income years beginning on or after January 1, 2000. (*Conn. Gen. Stat. §12-217w*)

Credit for Human Capital Investment

The Human Capital Investment Credit increases to 4% for income years beginning on or after January 1, 1999, and to 5% for income years beginning on or after January 1, 2000. (*Conn. Gen. Stat. §12-217x*)

Clean Alternative Fuel

The Clean Alternative Fuel Credit is extended to any income year beginning prior to January 1, 2002.

(*1999 Conn. Pub. Acts 173, §41*)

Neighborhood Assistance Act Tax Credit

Contributions to Open Space Acquisition Funds

A new Neighborhood Assistance Act provision allows a tax credit for contributions made to open space acquisition funds. A 40% credit is available for the donation of money to an open space acquisition fund of any political subdivision of the state or any nonprofit land conservation organization which qualifies under Conn. Gen. Stat. §12-631(h) and is used for the purchase of land, interest in land or permanent conservation restriction on land, which is to be permanently preserved as protected open space. (1999 Conn. Pub. Acts 235, §1)

Program Limitation Increases

For income years beginning on or after January 1, 2000, the amount of available credits for eligible businesses under the Neighborhood Assistance Program increases from \$4 million to \$5 million in any one fiscal year. (1999 Conn. Pub. Acts 173, §45)

S Corporations Eligible to Claim Corporation Business Tax Credits

Conn. Gen. Stat. §12-217 provides that an S corporation is eligible to claim corporation business tax credits to the extent and in the same percentage that net income of the S corporation is subject to the corporation business tax. For the 1999 income year, 55% of the S corporation's net income is subject to the corporation business tax. Thus, the corporation may claim 55% of 1999 credits (including carryforwards). The remaining 45% may be carried forward or backward if the credit so allows.

A special rule applies to S corporations claiming a credit under the Neighborhood Assistance Act. Any S Corporation with an income year beginning on or after January 1, 1999, but before December 31, 2000, shall be eligible for the entire available credit under the Act.

Corporations subject to the capital base tax or minimum tax are not affected by the phaseout and may use applicable credits in full. (1999 Conn. Pub. Acts 83, §1)

Housing Program Contribution

For income years beginning on or after January 1, 1999, the total amount of tax credits allowed for investments in low and moderate income housing programs in any one fiscal year, under Conn. Gen. Stat. §8-395, is increased from \$1 million to \$5 million and the tax credit allowed per business firm is increased from \$50,000 to \$75,000. (1999 Conn. Pub. Acts 173, §33)

Research and Experimental Incremental Expenditures Credit

For income years beginning on or after January 1, 2000, the 15-year credit carryforward that has been available only to biotechnology companies will be extended to all corporations. (Conn. Gen. Stat. §12-217j)

Research and Development Nonincremental Expenditures Credit

For income years beginning on or after January 1, 1999, the amount of credit under Conn. Gen. Stat. §12-217n available to businesses that have revenues in excess of \$3 billion, employing more than 2,500 employees and headquartered in an enterprise zone, shall be the tentative credit allowed for research and development expenses or 3.5% of the total expenses, whichever is greater. (1999 Conn. Pub. Acts 1, §28 (June Spec. Sess.))

For income years beginning on or after January 1, 2000, Conn. Gen. Stat. §12-217n allows a 6% credit for research and development nonincremental expenditures incurred by qualified small businesses.

For purposes of this credit a qualified small business is defined as a business that reports gross income of \$100 million or less in the previous income year.

Exchange of Tax Credits

For income years beginning on or after January 1, 2000, a qualified small business may exchange tax credits available under Conn. Gen. Stat. §12-217j (tax credit for research and experimental expenditures) and Conn. Gen. Stat. §12-217n (rolling tax credit for research and development). This only applies to credits that can not be "taken" in the taxable year in which the credit could otherwise be taken as a result of having no tax liability under the corporation business tax. Any credit that can be carried forward may be exchanged with the state for a cash payment equal to 65% of the value of the credit or carried forward at full value. *(1999 Conn. Pub. Acts 173, §38)*

Opportunity Certificate Credit

For income years beginning on or after January 1, 1999, to meet the requirements for the Opportunity Certificate Tax Credit under Conn. Gen. Stat. §12-217y, a qualifying employee must work 25 hours per week for the 1999 fiscal year and 30 hours per week for fiscal year 2000 and thereafter. Also, the number of hours per week an employee participates in a job training program approved by the Labor Commissioner shall be included in calculating the number of hours such employee is employed. *(1999 Conn. Pub. Acts 203, §1)*

GENERAL INFORMATION

Where to Get Help

Assistance is available from 8:00 a.m. to 5:00 p.m., Monday through Friday, by visiting any of the Department's offices listed on the back cover of this booklet. If you visit, be sure to bring your **COMPLETED** federal Form 1120, *U.S. Corporation Income Tax Return*.

Where to Get Additional Forms and Publications

Connecticut tax forms and publications may be obtained from any of the resources listed on the back cover of this booklet. The fastest way to obtain forms is to download them from our Web site listed on the front and back covers of this booklet. However, copies of Connecticut corporation business tax forms are also available at most public libraries by photocopying them from the 1999 *Connecticut Package X* on file at the libraries. Forms may also be obtained by writing to:

Department of Revenue Services
Forms Unit
25 Sigourney Street
Hartford CT 06106-5032

or by calling **1-800-382-9463** (toll-free from within Connecticut) and selecting **Option "2;"** or **860-297-4753** (from anywhere). Both numbers are available 24 hours a day.

Who Must File Form CT-1120?

Form CT-1120, *Corporation Business Tax Return*, must be filed by every corporation (or association taxable as a corporation) that carries on business or has the right to carry on business in Connecticut. Any corporation dissolved or withdrawn from Connecticut is subject to the corporation business tax up to the date of dissolution or withdrawal.

S corporations must file **Form CT-1120S**, *S Corporation Business Tax Return*. Corporations electing to file a combined return must also complete **Form CT-1120CR**, *Combined Corporation Business Tax Return*.

Who is Exempt from Corporation Business Tax?

The following companies **are exempt** from filing a Connecticut Corporation Business Tax Return:

- 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 or whose properties in Connecticut are operated by railroad companies subject to gross earnings taxes under Chapter 210 of the Connecticut General Statutes.
- 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.
- Non-United States corporations whose sole activity in Connecticut is trading in stocks, securities, or commodities for their own account.
- Passive investment companies (PICs), as defined under Conn. Gen. Stat. §12-213(a)(27), must file **Form CT-1120 PIC**.

The following companies, organizations or associations **are exempt** from payment of Connecticut corporation business tax **but must register** and 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 1120H must be attached to its Connecticut Corporation Business Tax Return);
- Certain political organizations or associations that are exempt from federal income taxes under §527 of the Internal Revenue Code (a copy of federal Form 1120 POL must be attached to its Connecticut Corporation Business Tax Return); and

- Financial service companies whose corporate headquarters are located in the export zone in the City of Hartford, Connecticut, and are conducting all of their business outside the United States.

Accounting Period and Method of Accounting

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

If a corporation's accounting period or method of accounting is changed for federal tax purposes, the accounting period or method of accounting must be changed for Connecticut tax purposes.

When to File Form CT-1120

Every corporation must file a return for a taxable period ending December 31 not later than April 1 of the following year, and, for any other taxable period, not later than the first day of the fourth month following the close of the taxable period. The return will be timely filed if the date shown by the U.S. Postal Service cancellation mark is on or before the due date of the return. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. If the return is filed late, the corporation will be subject to penalties and interest.

NOTE: On or after October 1, 1999, taxpayers can use certain private delivery services, in addition to the U.S. Postal Service, for delivering returns, claims, statements or other documents, or payments, and meet the timely mailing as timely filing/payment rules. DRS has accepted the list of private delivery services that is currently published by the Internal Revenue Service. The following is the current list of designated private delivery services: Airborne Express (Airborne), DHL Worldwide Express (DHL), Federal Express (FedEx) and United Parcel Service (UPS). This list is subject to change. For more information See **Special Notice 99(14)**, *Designated Private Delivery Services*.

How to Request an Extension

To get an extension of time to file the annual return, the corporation must file **Form CT-1120 EXT**, *Application for Extension of Time to File the Corporation Business Tax Return*, not later than the first day of the fourth month following the close of the taxable period, together with payment of the total tax due. The timely filing of **Form CT-1120 EXT** will automatically extend the due date for six months.

<p>Form CT-1120 EXT extends only the time to file the tax return; it does not extend the time to pay the corporation business tax. Interest on any tax not paid by the original due date will be computed at the rate of 1% per month or fraction thereof.</p>

S Corporations must use **Form CT-1120S EXT**, *Application for Extension of Time to File S Corporation Business Tax Return*.

Where to File

Use the pre-addressed envelope enclosed with your return or mail to:

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

Filing an Amended Return

Any corporation that fails to include items of income or deduction or makes any other error on a return must file an amended return using **Form CT-1120X**, *Amended Corporation Business Tax Return*. A copy of federal Form 1120X must be attached to substantiate any changes to federal net income.

Internal Revenue Service Changes

Corrections to taxable income by the Internal Revenue Service must be reported to the Commissioner of Revenue Services within 90 days after receipt of the final notice of correction from the Internal Revenue Service. All federal adjustments must be reported using **Form CT-1120X**. An extension request for reporting federal audit changes may be submitted in writing to the Commissioner of Revenue Services setting forth the reason additional time is required.

Estimated Tax Requirements

Every corporation carrying on or having the right to carry on business in Connecticut whose estimated current year's tax exceeds \$1,000 must file estimated tax payment coupons. Refer to General Instructions on **Forms CT-1120 ESA, ESB, ESC, and ESD, Estimated Corporation Business Tax**. DRS mails four preprinted estimated tax payment coupons with instructions to corporations that paid estimated tax or had a Connecticut corporation tax liability exceeding \$1,000 in the prior taxable year. Use of these preprinted forms will ensure accuracy and timeliness in processing your estimated tax payments. If a corporation does not receive preprinted estimated coupons, **Forms CT-1120 ESA, ESB, ESC, ESD**, and instructions are included in the forms section of this booklet.

The required annual payment is the lesser of:

1st installment
30% of prior year's tax or 27% of current year's tax
2nd installment
70% of prior year's tax or 63% of current year's tax
3rd installment
80% of prior year's tax or 72% of current year's tax
4th installment
100% of prior year's tax or 90% of current year's tax

The due dates for the required annual payments (for calendar year filers) are:

- **1st installment - March 15, 2000**
- **2nd installment - June 15, 2000**
- **3rd installment - September 15, 2000**
- **4th installment - December 15, 2000**

Effective for income years beginning on or after January 1, 1999, the estimated tax payments may be based on the applicable percentage of the current year's tax determined by annualizing net income. See **Informational Publication 99(12.1), Calculating Annualized Estimated Corporation Business Tax Installments and Worksheet CT-1120AE**, for further information.

Interest and Penalties

Interest will be computed at the rate of 1% (.01) per month or fraction thereof from the due date of the return through the date of payment. 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 underpayments or late payments of tax cannot be waived.

Late payment penalty

The penalty for underpayment of tax is 10% (.10) of such amount due or \$50, whichever is greater. For income years beginning on or after January 1, 1999, a taxpayer that has been granted a filing extension may avoid a late payment penalty provided the outstanding balance due is 10% or less **and** is paid with the filing of the Corporation Business Tax Return.

Late filing penalty

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

Willful failure to file or pay

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

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.

Waiver of Penalty

A corporation may be entitled to a waiver of penalty if the failure to file or pay tax was due to reasonable cause. Before a penalty waiver can be granted, a taxpayer must pay all tax and interest due. Interest on underpayments or late payments of tax cannot be waived. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include the Connecticut Tax Registration Number, taxable filing period, and the name of the

original form filed, or billing notice received. Attach the request to the **front** of **Form CT-1120**, or mail separately to:

**Department of Revenue Services
Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089**

Mail your request to:

**Department of Revenue Services
Refunds, Clearances, and Adjustments Unit
25 Sigourney Street
Hartford CT 06106-5032**

Retention of Records

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. However, if the corporation reports a net operating loss or credit carryforward or carryback, the statute of limitations may be longer.

Tax Clearance/Tax Status

Any request for tax clearance or tax status must be submitted in writing and must state:

1. Name and address of taxpayer;
2. Connecticut Tax Registration Number;
3. Reason for request; and
4. Tax types for which the tax clearance or tax status is being requested.

Copies of Returns

A copy of a previously filed Connecticut tax return may be requested from the Department by completing **Form LGL-002**, *Request for Disclosure of Tax Return or Tax Return Information*.

Tax Status Requests

The Department will send information pertaining to tax status requests directly to the corporation's last known address as shown on the Department's records. In situations where anyone other than a corporate officer or director requests tax status information, the requester must include a completed **LGL-001**, *Power of Attorney*.

FORM CT-1120 GENERAL INSTRUCTIONS

Attach a completed copy of your federal corporation tax return to Form CT-1120, including all schedules and attachments as filed with the Internal Revenue Service.

Required Information

Enter the beginning and ending dates of the corporation's income year regardless of whether the corporation is a calendar year or fiscal year filer. Also enter the corporation's Connecticut Tax Registration Number, Federal Employer Identification Number, total assets, federal principal business activity code, and gross receipts (net of returns and allowances) in the spaces provided at the top of **Form CT-1120**.

Name and Address

Remove the preprinted label from the back of this booklet and place it over the name and address block of the return. Be sure the information on the label is correct. If you need to make any changes, draw a line through the incorrect information and clearly print the new information. Using the label reduces the possibility of error in processing your return.

If there is no preprinted label, print or type the information requested in the space provided at the top of **Form CT-1120**. Be sure to enter the corporation's Connecticut Tax Registration Number and Federal Employer Identification Number.

Annualization

If the corporation is annualizing its income, check this box. Complete **Form CT-1120I**, *Computation of Interest Due on Underpayment of Estimated Tax*, and attach it to this return. See **Informational Publication 99(12.1)**, *Calculating Annualized Estimated Corporation Business Tax Installments and Worksheet CT-1120AE*, for further information.

Change of Address/Closing Month

Indicate any change of address by checking off the mailing address box on **Form CT-1120**. Indicate any change to the end of your filing period by checking off the proper box and attaching an explanation of the change.

Return Status

If this is the first time the corporation is filing **Form CT-1120**, check the “**Initial Return**” box.

If the corporation is legally dissolved or withdrawn, check the “**Final Return**” box.

If the corporation is filing for a short period, check the “**Short Period Return**” box along with the corresponding box providing the reason for the short period.

Final Return

If the corporation is filing a final return, check the corresponding box providing the reason for the final return.

Dissolution

To properly dissolve a domestic corporation you must file a Certificate of Dissolution with the Connecticut Office of the Secretary of the State. A dissolved corporation must file a return for the period up to the date of legal dissolution or the date of the final liquidation of assets, whichever is later.

Any dissolved corporation which continues to conduct business must file a Corporation Business Tax Return and pay any taxes due. If a corporation has been dissolved by forfeiture and wishes to be reinstated, it must submit a written request for a tax clearance to:

**Department of Revenue Services
Corporation Office Audit
25 Sigourney Street
Hartford CT 06106-5032**

The tax clearance and certificate of reinstatement must be filed with the Connecticut Office of the Secretary of the State.

Withdrawal from State

A foreign corporation that wishes to withdraw from Connecticut must file a written application for withdrawal with the Connecticut Office of the Secretary of the State. Any corporation that has withdrawn must file a Connecticut **Form CT-1120** up to the date of withdrawal and pay any taxes due.

Mergers and Reorganizations

A corporation that has merged must file a written application with the Connecticut Office of the Secretary of the State. Any corporation that has merged must file a Connecticut **Form CT-1120** covering the period up to the date of merger and pay any tax due. For further information contact the Connecticut Office of the Secretary of the State at **860-509-6000**.

Any corporation that is reorganized must submit the details concerning the reorganization in writing and disclose the survivor’s Connecticut tax registration number. Send to:

**Department of Revenue Services
Operations Division
Registration Unit
25 Sigourney Street
Hartford CT 06106-5032**

Type of Federal Return Filed

Check the appropriate box for the type of federal return filed. If the box for federal Form 1120PC is checked, see Page 14, *Computation of Net Income, Line 1*.

Combined Return

If the corporation is included in a Connecticut Combined Corporation Business Tax Return, check here and use **Form CT-1120CR**.

If the corporation was included in a combined corporation business tax return for any prior year or if this is the first year the corporation is revoking or electing combined status, check here and attach **Form CT-1120CC**, *Combined Return Consent*.

Financial Service Company

If the corporation is a financial service company, check the corresponding box and attach **Form CT-1120A FS**.

Attachments to be Filed with Return

Attach a completed copy of the corporation's federal Form 1120 including all schedules and attachments used in arriving at federal taxable income.

FORM CT-1120 - LINE INSTRUCTIONS

Computation of Net Income

Line 1 - Enter your federal taxable income before net operating loss and special deductions as filed on your federal return.

Federal Form 1120PC filers: Conn. Gen. Stat. §12-217(a) allows non-life insurance companies the full deduction for losses incurred without making the adjustment required by I.R.C. §832(b)(5)(B).

Line 2 - Enter all interest income that is exempt from federal taxation.

Line 3 - Enter the amount from **Form CT-1120**, *Schedule F*, Line 8 (total unallowable deduction for corporation business tax).

Line 4 - Enter otherwise deductible interest expenses and costs and intangible expenses and costs directly or indirectly paid, accrued or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related members. **Interest expenses and costs** means amounts directly or indirectly allowed as deductions under I.R.C. §163 for purposes of determining taxable income under the Internal Revenue Code to the extent such expenses and costs are directly or indirectly for, related to, or in connection with the direct or indirect acquisition, maintenance, management, ownership, sale, exchange or disposition of intangible property.

Intangible expenses and costs includes:

- (a) Expenses, losses and costs for, related to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property to the extent such amounts are allowed as deductions or costs in determining taxable income before operating loss deduction and special deductions for the taxable year under the Internal Revenue Code;
- (b) Losses related to or incurred in connection directly or indirectly with factoring transactions or discounting transactions;
- (c) Royalty, patent, technical, and copyright fees;
- (d) Licensing fees; and
- (e) Other similar expenses and costs.

Intangible property means patents, patent applications, trade names, trademarks, service marks, copyrights, and similar types of intangible assets.

Related member means a person that, with respect to the taxpayer during all or any portion of the taxable year, is a related entity, a component member as defined in I.R.C. §1563(b), or is a person to or from whom there is attribution of stock ownership in accordance with I.R.C. §1563(e). **Related entity** - see definition in Conn. Gen. Stat. §12-218c(6).

Line 5 - Add Lines 1, 2, 3 and 4 and enter the total on Line 5.

Line 6 - Enter dividend deduction from **Form CT-1120/CT-1120S ATT, Corporation Business Tax Return Attachment, Schedule I, Line 4.**

Line 7 - Enter the amount of any available capital loss carryover that was not deducted in computing federal capital gain. This amount is limited to the amount of the capital gain reported on the federal return as prescribed in Conn. Gen. Stat. §12-217.

Line 8 - Enter the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any non-profit land conservation organization where such land is to be permanently preserved as protected open space or to a water company (as defined in Conn. Gen. Stat. §25-32a), where such land is to be permanently preserved as protected open space or as Class I or Class II water company land.

Line 9 - Enter the amount received from a related member attributable to intangible expenses and costs or to interest expenses and costs, provided:

- Such income was included on Line 1 of this form;
- Such income was received from a related member who filed a Connecticut corporation business tax return for the same income year; and
- Such income was required to be added back by the related member under Conn. Gen. Stat. §12-218c.

For definitions of *interest expenses and costs*, *intangible property*, and a *related member*, see Line 4 instructions on Page 14. For definition of *related entity* - see definition in Conn. Gen. Stat. §12-218c(6).

Line 10 - Add Lines 6, 7, 8 and 9 and enter the total on Line 10.

Line 11 - Subtract Line 10 from Line 5 and enter the result on Line 11.

Schedule A - Computation of Tax on Net Income

A corporation entitled to apportion its income must complete **Form CT-1120A, Corporation Business Tax Return Apportionment Computation, Schedule Q or R**, whichever is applicable, and carry the result to *Schedule A, Line 2*. Special apportionment forms are applicable for certain business types.

- Air carriers use **Form CT-1120A-A, Apportionment - Air Carriers**.
- Motor bus companies and motor carriers engaged in multistate business use **Form CT-1120A-BMC, Apportionment - Bus Companies and Motor Carriers**.
- Financial service companies use **Form CT-1120A-FS, Corporation Business Tax Return Apportionment Computation of Income from Financial Service Companies Activities**.
- Corporations that receive income for services performed for regulated investment companies may elect to use **Form CT-1120A-IRIC, Corporation Business Tax Return Apportionment Computation - Income From Services to Regulated Investment Companies**.
- Corporations that receive income from rendering securities brokerage services use **Form CT-1120A-SBC, Corporation Business Tax Return Apportionment Computation - Securities Brokerage Services**.
- Corporations that derive income from credit card activities may elect to use **Form CT-1120A-CCA, Apportionment Computation of Income From Credit Card Activities**.
- If a corporation is a limited partner in one or more limited partnerships (other than an investment partnership) and is not otherwise carrying on or doing business in Connecticut, the partnership may elect for any income year, to apportion its net income inside and outside the state as provided under the corporation business tax. (1999 Conn. Pub. Acts 121, §4) Complete **Form CT-1120A-LP, Connecticut Distributive Share of Limited Partnership Income**.

Line 1 - Enter the net income from **Form CT-1120, Computation of Net Income, Line 11**.

Line 2 - Enter the appropriate apportionment fraction from **Form CT-1120A, Schedule Q, Line 2**; or *Schedule R, Line 6, Column C*; or from the appropriate forms previously referenced. The fraction must be expressed as a decimal and carried to six places.

Line 3 - Enter the amount from Line 1 multiplied by Line 2, or enter amount on Line 1 if not entitled to apportion.

Line 4 - Enter the amount of any unused losses from **Form CT-1120/CT-1120S ATT**, *Schedule H*, Line 6, Column A, attributable to Connecticut business operations as reported in years ending December 31, 1994, and thereafter.

Losses may be carried forward for five successive income years. Losses may not be carried back. The loss entered here is limited to the loss attributed to Connecticut according to the method of apportionment prescribed in Conn. Gen. Stat. §12-218. Refer to **Form CT-1120CR** instructions for information about using carryforward losses on a combined return.

Line 5 - Subtract Line 4 from Line 3 and enter the result on Line 5.

Line 6 - Multiply Line 5 by 8.50% (.0850) and enter the result on Line 6.

Schedule B - Computation of Minimum Tax on Capital

Use *Schedule B* to compute the minimum tax on the capital of a corporation. The minimum tax on capital does not apply to financial service companies, real estate investment trusts, regulated investment companies or interlocal risk management agencies formed under Chapter 113a of the Connecticut General Statutes.

Line 1 - Enter the amount shown on **Form CT-1120**, *Schedule D*, Line 6, Column C.

Line 2 - Corporations, other than air carriers, enter the apportionment fraction from **Form CT-1120A**, *Schedule S*, Line 3, Column C. The fraction must be expressed as a decimal carried to six places.

Line 3 - Enter the amount from Line 1 multiplied by Line 2, or enter amount on Line 1 if not entitled to apportion.

Line 4 - Enter the number of months the corporation carried on business or had the right to carry on business in Connecticut, whichever is greater. A fractional part of a month is counted as a full month.

Line 5 - Multiply Line 3 by Line 4. Divide the result by 12 and enter the amount on Line 5.

Line 6 - Multiply Line 5 by 0.31% (.0031) and enter the result on Line 6. The maximum tax for *Schedule B* is \$1,000,000.

Schedule C - Computation of Amount Payable

Line 1 (a) - Enter the amount from **Form CT-1120**, *Schedule A*, Line 6, **Form CT-1120**, *Schedule B*, Line 6, or \$250, whichever is greatest.

Line 1 (b) - If a corporation has received a notice from Connecticut Housing Finance Authority (CHFA) indicating that 60% or more of a revolving loan fund has not been properly loaned on or before the date that is three years after the date that a revolving loan fund is established by such corporation, the credit amount specified in the notice must be recaptured.

This amount should be reported on the first Connecticut corporation business tax return required to be filed on or after the date of notice. If any amount of the recaptured credit has not been paid to the Commissioner of Revenue Services on or before the due date of such return, the amount shall accrue interest at the rate of 1% (.01) per month or fraction thereof, from the due date to the date of payment.

Line 1 - Add Lines 1(a) and 1(b) and enter the total on Line 1.

Line 2 - Enter the total tax credits from **Form CT-1120K**, *Business Tax Credit Summary*, Part III, Line 13, Column B.

Line 3 - Subtract Line 2 from Line 1 and enter the result on Line 3. If the result is negative, enter zero.

Line 4 - Enter all prepayments you have made on Lines 4a, 4b and 4c. Enter the total on Line 4.

Line 5 - Subtract Line 4 from Line 3 and enter the result on Line 5.

Line 6(a) - Enter penalty if applicable. (See *Interest and Penalties*, Page 11.)

Line 6(b) - Enter interest due on tax not paid by the original due date. (See *Interest and Penalties*, Page 11.)

Line 6(c) - Enter interest due on underpayment of estimated tax. (Complete and attach **Form CT-1120I**, *Computation of Interest Due on Underpayment of Estimated Tax*.)

Line 6 - Add Lines 6(a), 6(b) and 6(c) and enter total on Line 6.

Line 7(a) - Enter the amount of overpayment to be credited to 2000 estimated tax.

Important: Overpayments are credited only as of the date of receipt of the completed **Form CT-1120**.

Line 7(b) - Enter the amount of overpayment to be refunded.

Line 7 - Enter the sum of Lines 7(a) and 7(b).

Line 8 - Enter the sum of Line 5 and Line 6. This amount is your balance due.

Schedule D - Computation of Minimum Tax Base

Line 1 - Enter the beginning (Column A) and ending (Column B) values of the issued and outstanding capital stock including treasury stock at par or face value, fractional shares, scrip certificates and payments on subscriptions. (Refer to federal Form 1120, Schedule L, Lines 22a and 22b for additional information.)

Line 2 - Enter the beginning (Column A) and ending (Column B) values of paid-in or capital surplus, including retained earnings. Any deficit must be reported as a negative number. (Refer to federal Form 1120, Schedule L, Lines 23, 24 and 25 for additional information.)

Line 3 - Enter the beginning (Column A) and ending (Column B) values of all surplus reserves (including deferred taxes). A reserve is an amount set aside or deducted from current or retained earnings for meeting future liabilities. Attach a schedule of all surplus reserves to support the amounts shown on Line 3.

Line 4 - Add Lines 1, 2, and 3 in both Column A and Column B. In Column C, enter the average of Column A and Column B.

Line 5 - Enter the total holdings of stock from **Form CT-1120, Schedule E**, in Column A and Column B. Enter the average of Column A and Column B on Line 5, Column C.

Line 6 - Subtract Line 5, Column C from Line 4, Column C. Enter the result here and on **Form CT-1120, Schedule B**, Line 1.

Schedule E - Holdings of Stock

List the beginning and ending book values of total holdings of stock of private corporations, including treasury stock. The total book value of shares must equal the amount claimed as a deduction on **Form CT-1120, Schedule D**, Line 5. The book value of stock does not include the value of other assets acquired and held in connection with or incidental to the ownership of such stock. *Private corporations* means all non-governmental corporations, whether closely or publicly held.

Schedule F - Taxes

Conn. Gen. Stat. §12-217 disallows any deduction for the Connecticut corporation business tax and any deduction for taxes imposed on or measured by income or profits by any state, political subdivision or the District of Columbia.

Line 1 - Enter all payroll taxes deducted in arriving at federal taxable income.

Line 2 - Enter all real property taxes deducted in arriving at federal taxable income.

Line 3 - Enter all personal property taxes deducted in arriving at federal taxable income.

Line 4 - Enter all sales and use taxes deducted in arriving at federal taxable income.

Line 5 - Enter any other taxes not based on income or profits deducted in arriving at federal taxable income.

Line 6 - Enter the amount of Connecticut corporation business tax deducted in arriving at federal taxable income.

Line 7 - Enter any corporate tax imposed on or measured by income or profits by any state (other than Connecticut), or political subdivision, or the District of Columbia, deducted in the computation of federal taxable income.

Line 8 - Add the amounts on Lines 6 and 7 in Column B and enter the result on Line 8. Enter also on **Form CT-1120, Computation of Net Income, Line 3**.

Schedule G - Additional Required Information

Corporate Officers - Enter corporate officers' names, complete home addresses and corporate titles.

Line 1 - If the principal place of business is located outside Connecticut, enter the name of the state where it is located.

In the spaces provided enter the state in which the corporation filed its Articles of Incorporation and the date of organization. If incorporated outside of Connecticut enter the date qualified to do business in Connecticut. A corporation must enter the date it began business operations in Connecticut.

Line 2 - Enter the Connecticut towns in which the corporation owns or leases (as lessee) real or tangible personal property or performed any services. Attach a separate page if necessary.

Line 3a - If the corporation transferred a controlling interest in an entity that owns Connecticut real property, the corporation (the transferor) is subject to the controlling interest transfer tax. Enter the name and Federal Employer Identification Number of the entity in which a controlling interest was transferred. The transferor is required to file **Form AU-330**, *Controlling Interest Transfer Taxes*.

Line 3b - If this corporation owned Connecticut real property and was the entity in which a controlling interest was transferred, enter the name and Federal Employer Identification Number of the transferor. The transferor is subject to the controlling interest transfer tax.

The entity in which a controlling interest was transferred is required to file **Form AU-331**, *Controlling Interest Transfer Taxes Informational Return*.

Line 4 - If any other corporation owns a majority of the voting stock of this corporation, enter the name of such corporation.

Line 5 - Corrections to taxable income by the Internal Revenue Service must be reported within 90 days after receipt of the final notice of correction from the Internal Revenue Service.

Line 6 - If the corporation is exempt from Connecticut corporation business tax, check this box and attach an explanation of the exemption. The explanation must include the statutory cite for the exemption. (See *Who Must File Form CT-1120?* on Page 9.)

All federal adjustments must be reported using **Form CT-1120X**.

Signature

The return must be signed by a duly authorized officer.

Anyone who is paid to prepare the return must sign the return and enter the preparer's Federal Employer Identification Number.

CONNECTICUT CORPORATION BUSINESS TAX CREDITS

The following information provides a brief overview of the Connecticut corporation business tax credits. More detailed information about Connecticut tax credits is available in DRS **Informational Publication 95(2.1)**, *A Guide to Connecticut Corporation Business Tax Credits*. See the back cover for where to get forms and publications. To order this publication, send a 9" x 12" self-addressed envelope with \$1.43 postage affixed to DRS.

Apprenticeship Training Credit in Manufacturing, Plastic and Construction Trades

A credit against the Connecticut corporation business tax is available to corporations that employ apprentices who are receiving training in the *manufacturing, plastic, or construction* trades.

For application information, call the Department of Labor (DOL) at 860-263-6035 and request Form AT-45. (*Conn. Gen. Stat. §12-217g* and *Conn. Agencies Regs. §§12-217g-1 through 12-217g-10*)

Electronic Data Processing Equipment Property Tax Credit

A credit equivalent to 100% of the property tax owed and paid on electronic data processing (EDP) equipment during the income year may be applied against certain business taxes.

Form CT-1120 EDPC must be attached to the Connecticut corporation business tax return.

Direct inquiries to Department of Revenue Services (DRS), Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217t*)

Clean Alternative Fuel Credits (10% and 50%) for Vehicles, Equipment and Related Filling or Recharging Stations

A credit of 10% is available for expenses paid or incurred for the incremental cost of purchasing a vehicle which is exclusively powered by a clean alternative fuel.

A credit of 50% is available for the amount spent directly on **certain** improvements.

For additional information contact DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217i*)

Employer-Assisted Housing Tax Credit

A credit is available for contributions made to a revolving loan fund established to provide loans for housing located in Connecticut for employees who meet income eligibility limits.

Applications can be obtained by calling the Tax Credit Unit of CHFA at 860-571-4265. Applications should be submitted to CHFA by November 1 for the following income year. (*Conn. Gen. Stat. §12-217p*)

Financial Institutions Credit

A credit is available for financial institutions that build and occupy a facility of at least 900,000 sq. ft. and create and maintain new jobs in Connecticut.

To apply for the credit, financial institutions must submit a proposal to the Commissioner of Economic and Community Development. For additional information contact Department of Economic and Community Development (DECD) at 860-270-8050. (*Conn. Gen. Stat. §§12-217u and 36-2*)

Housing Program Contribution Credit

A credit may be applied against various Connecticut business taxes for contributions made to housing programs sponsored, developed or managed by nonprofit corporations which benefit low and moderate income individuals and families.

Application information can be obtained by calling CHFA at 860-571-4377. Applications must be submitted between October 15 and November 15 annually. Applications are approved on a first-come, first-served basis. (*Conn. Gen. Stat. §8-395 and Conn. Agencies Regs. §§8-395-1 through 8-395-10*)

Manufacturing Facility Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone

A credit is available of 50% of that portion of the Connecticut corporation business tax that is allocable to a manufacturing facility, as defined under Conn. Gen. Stat. §32-9p, which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits, provided the facility became eligible after the designation of such zone.

A credit of 25% may be applied against the portion of the Connecticut corporation business tax that is allocable to a manufacturing facility that is located in a targeted investment community or other area with enterprise zone level benefits.

Form CT-1120 TIC/EZ must be attached to the Connecticut corporation business tax return.

For application information, call DECD at 860-270-8143 and request the Urban Jobs/Enterprise Zone Program questionnaire. (*Conn. Gen. Stat. §12-217e*)

Connecticut Insurance Reinvestment Fund Credit

A credit is available for investments in Connecticut insurance companies made through a fund manager who is registered with the Insurance Commissioner.

Form CT-1120 IRF must be attached to the Connecticut corporation business tax return.

Application information can be obtained by calling DECD at 860-270-8039.
(*Conn. Gen. Stat. §38a-88a*)

Traffic Reduction Programs Credit

A credit equal to 50% of the amount spent for the direct costs of traffic reduction programs and services instituted to achieve the goals of the Federal Clean Air Act is available.

For application information, call the Department of Transportation (DOT) at 860-594-2844.
(*Conn. Gen. Stat. §12-217s*)

Machinery and Equipment Expenditures Credit

A credit may be applied against the Connecticut corporation business tax that is based upon a percentage of the incremental increase in expenditures for machinery and equipment acquired for and installed in a Connecticut facility.

Form CT-1120 MEC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division, 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere).
(*Conn. Gen. Stat. §12-217o*)

Service Facility Credit

A credit is available to service facilities located outside of an enterprise zone in a targeted investment community.

For application information call DECD at 860-270-8143. (*Conn. Gen. Stat. §12-217e*)

Opportunity Certificate Credit

A credit of \$125 per month for each full month of employment may be applied against the Connecticut corporation business tax by Connecticut businesses that hire recipients of the temporary family assistance program.

Form CT-1120 OC must be attached to the Connecticut corporation business tax return.

For additional information call DOL, Program Support Unit at 860-263-6060. (*Conn. Gen. Stat. §12-217y*)

Neighborhood Assistance Program Credit

A credit may be applied against various Connecticut corporation business taxes by business firms which make cash investments of at least \$250 to certain community programs that have received both municipal and state approval.

For application information, call DRS Research Unit at 860-297-5687. Applications, in the form of pledges, are accepted annually between September 15 and October 1. (*Conn. Gen. Stat. §§12-631 through 12-638*, and *Conn. Agencies Regs. §§12-638-1 through 12-638-8*)

Enterprise Zone Credit for Qualifying New Corporations

A credit is available to a qualifying corporation which is created in an enterprise zone on or after January 1, 1997, and meets certain employment eligibility requirements.

For application information call DECD at 860-270-8143. (*Conn. Gen. Stat. §12-217v*)

Research and Development Grants to Institutions of Higher Education

A credit is available against the Connecticut corporation business tax for the incremental increase in amounts spent by any corporation for any grant or combination of grants to an institution of higher education in Connecticut made for the purposes of research and development related to advancements in technology.

Form CT-1120GC must be attached to the Connecticut corporation business tax return.

For additional information contact DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217l*)

Research and Development Nonincremental Expenditures Credit

A credit may be applied against the Connecticut corporation business tax for research and development expenses incurred in Connecticut.

Form CT-1120 RDC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217n*)

Research and Experimental Incremental Expenditures Credit

A credit is available against the Connecticut corporation business tax for the incremental increase in research and experimental expenditures incurred in Connecticut.

Form CT-1120RC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217j*)

Fixed Capital Investment Credit

A credit is available to corporations for amounts paid or incurred for any new tangible personal property that meets certain criteria.

Form CT-1120 FCIC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217w*)

Human Capital Investment Credit

A credit is available for amounts paid or incurred for certain types of Human Capital Investments such as in-state job training and work education of persons employed in Connecticut, certain donations or capital contributions to institutions of higher learning; planning site preparation, construction, renovation, or acquisition of daycare facilities in this state; or child care subsidies paid to employees employed in this state.

Form CT-1120 HCIC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217x*)

Credit for Displaced Workers Hired by Electric Suppliers

A credit may be applied against the Connecticut corporation business tax by Connecticut electric suppliers that hire displaced workers who have been terminated as a direct result of electric industry restructuring, for a minimum period of 6 months.

Form CT-1120 DEWC must be attached to the Connecticut corporation business tax return.

Direct inquiries to DRS, Taxpayer Services Division at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*Conn. Gen. Stat. §12-217bb*)

Small Business Guaranty Fee Credit

A credit may be applied against the Connecticut corporation business tax equal to the amount paid during an income year by a small business to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing from the SBA. This credit shall not reduce the corporation business tax below the minimum tax (\$250).

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere). (*1999 Conn. Pub. Acts 173, §42*)

Donation of Open Space Land Credit

A credit may be applied against the Connecticut corporation business tax equal to 50% of any donation of open space land. The amount of donation shall be based on the use value of the donated open space land.

Direct inquiries to DRS, Taxpayer Services Division, at 1-800-382-9463 (toll-free from within Connecticut) or 860-297-5962 (from anywhere).
(1999 Conn. Pub. Acts 173, §47)

1999 FORM CT-1120K INSTRUCTIONS

Form CT-1120K, *Business Tax Credit Summary*, must be attached to **Form CT-1120**, *Corporation Business Tax Return* or the applicable tax form whenever tax credits from the current income year are being claimed or carryforward credit balances exist from 1998. Additional information about Connecticut tax credits is available in DRS publication **Informational Publication 95(2.1)**, *A Guide to Connecticut Corporation Business Tax Credits*. To order this publication send a 9" x 12" self addressed envelope with \$1.43 postage affixed to:

**Department of Revenue Services
Mail Unit, Corporation Credit Guide
25 Sigourney Street
Hartford CT 06106-5032**

Corporation business tax credits must be applied in a specific order, where a corporation is eligible to claim more than one tax credit. In no event, however, shall any credit be claimed more than once. The order is as follows:

1. The Financial Institutions Credit must be applied before any and all other credits.
2. Any credit that may be carried back to a preceding income year must be applied after the Financial Institutions Credit, but before any other credits. Any credit carryback that will expire first must be claimed before any credit carryback that will expire later. If the credit carrybacks will expire at the same time, credits must be taken in the order in which the corporation may receive the maximum benefit.
3. Any credit that may not be carried back to a preceding income year and that may not be carried forward to a succeeding income year must be claimed next, in the order in which the corporation may receive the maximum benefit.
4. Any credit that may be carried forward to a succeeding income year must be claimed next. Any credit carryforward that will expire

first must be claimed before any credit carryforward that will expire later. If the credit carryforwards will expire at the same time, credits must be taken in the order in which the corporation may receive the maximum benefit.

5. The Electronic Data Processing Equipment Property Tax Credit must be applied last, after any and all other credits have been applied.

Form CT-1120K, *Business Tax Credit Summary*, must be attached to the tax returns covered under the Connecticut General Statutes chapters referenced below, when tax credits from the current income year are being claimed or when carryforward credit balances exist from 1998:

- Corporation business tax under Chapter 208;
- Domestic and foreign insurance premiums tax under Chapter 207;
- Health care centers tax under Chapter 207;
- Hospital and medical services tax under Chapter 207;
- Unrelated business income tax under Chapter 208a;
- Air carrier tax under Chapter 209;
- Railroad companies tax under Chapter 210;
- Express, telegraph or cable and community antenna television system companies tax under Chapter 211;
- Utility companies tax under Chapter 212;
- Public service companies tax under Chapter 212a.

If the taxpayer is claiming a tax credit against more than one tax type, a duplicate Form CT-1120K and applicable tax credit forms must be attached to each tax return for which a tax credit is being claimed.

Part I-A — Financial Institutions Tax Credit

Line 1 - Enter the credit for financial institutions constructing new facilities in Connecticut. The initial Certificate of Eligibility issued by the Department of Economic and Community Development (DECD) must be attached to and made a part of the tax return. Enter in Part I-A, Column A, the credit earned in 1999. Enter in Part I-A, Column B, the amount actually applied to the corporation business tax. Column B cannot exceed the amount from Part III, Line 2.

Part I-B — Tax Credits with Carryback Provisions

Enter in Part I-B, Lines 2 through 4, Column A, all of the credits that were earned in 1999 that have a carryback provision. The credits indicated here are applied to the current year's tax first. Any remaining balance may be claimed against a preceding year's tax by filing **Form CT-1120X** or the appropriate amended tax return. For credits that also have a carryforward provision, complete Part I-D.

Enter in Part I-B, Lines 2 through 4, Column B, the amount actually applied to the corporation business tax. The total of Column B cannot exceed the amount from Part III, Line 4.

Enter in Part I-B, Lines 2 through 4, Column C, the amount applied to taxes other than the corporation business tax. The total of Column C cannot exceed the amount from Part IV, Line 2.

Enter in Part I-B, Lines 2 through 4, Column D, the difference between the amount of credit claimed (Column A) and the amounts applied in the current year (Column B and Column C).

The taxpayer must maintain a tax credit schedule for each credit item included in the carryback balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried back.

Line 2 - Enter the Neighborhood Assistance Act (NAA) Credit computed according to the provisions of Conn. Gen. Stat. §§12-631 through 12-638. A copy of the NAA tax credit approval letter issued by the Department of Revenue Services must be attached to and made a part of the tax return.

Line 3 - Enter the Housing Program Contribution Credit computed according to the provisions of Conn. Gen. Stat. §8-395. A copy of the tax credit voucher issued by the Connecticut Housing Finance Authority (CHFA) must be attached to and made a part of the tax return. If you are claiming a carryforward, also complete Part I-D.

Line 4 - Enter the Employer-Assisted Housing Credit computed according to the provisions of Conn. Gen. Stat. §12-217p. A copy of the Certificate of Compliance issued by CHFA must be attached to and made a part of the tax return. If you are claiming a carryforward, also complete Part I-D.

Line 5 - Add Lines 2 through 4 in Column A, Column B, Column C, and Column D, and enter the totals in the spaces provided.

Part I-C — Tax Credits without Carryback or Carryforward Provisions

Enter in Part I-C, Lines 6 through 13, Column A, all of the credits that were earned in 1999 that can only be applied to the current year's corporation business tax.

Enter in Part I-C, Lines 6 through 13, Column B, the amount actually applied to the corporation business tax. The total of Column B cannot exceed the amount from Part III, Line 6.

Line 6 - Enter the Apprenticeship Training Credit computed according to the provisions of Conn. Gen. Stat. §12-217g. Eligibility Certificate Form AT-45, issued by the Department of Labor, must be attached to and made a part of the tax return.

Line 7 - Enter the Manufacturing Facility Credit as computed on **Form CT-1120 TIC/EZ**, *Manufacturing Facility Credit for Facilities Located in a Targeted Investment Community/Enterprise Zone*.

If filing a combined return, enter the Manufacturing Facility Credit as computed on **Form CT-1120 TIC/EZ**. Form UT-4, Certificate of Eligibility, and Form UT-9, Claim for Corporation Business Tax Credit, both issued by DECD, must also be attached to and made a part of the tax return.

Line 8 - For corporations other than biotechnology companies, enter the Research and Experimental Expenditures Credit, as computed on **Form CT-1120RC**, *Research and Experimental Expenditures Credit*, Part I, Line 4.

Line 9 - Enter the credit for Research and Development Grants to Institutions of Higher Education, as computed on **Form CT-1120GC**, *Tax Credit for Research and Development Grants to Institutions of Higher Education*.

Line 10 - Enter the Machinery and Equipment Expenditures Credit, as computed on **Form CT-1120 MEC**, *Machinery and Equipment Expenditure Credit*.

Line 11 - Enter the credit for Traffic Reduction Programs computed according to the provisions of Conn. Gen. Stat. §12-217s. The Certificate of Eligibility issued by DOT, must be attached to and made a part of the tax return.

Line 12 - Enter the Displaced Electric Worker Credit, as computed on **Form CT-1120 DEWC**, *Displaced Electric Worker Credit*.

Line 13 - Enter the credit for the Donation of Open Space Land. (See Page 6.)

Line 14 - Add Lines 6 through 13 in Column A and Column B and enter the totals in the spaces provided.

Part I-D — Tax Credits with Carryforward Provisions

This schedule enables a corporation to account for any credits with carryforward provisions that were earned in 1999.

Enter in Part I-D, Lines 17 through 24, Column A, all of the credits that were earned in 1999 that have a carryforward provision.

Enter in Part I-D, Lines 17 through 24, Column B, the amount actually applied to the corporation business tax. The total of Column B cannot exceed the amount from Part III, Line 10.

Enter in Part I-D, Lines 18 and 23, Column C, the amount applied to taxes other than the corporation business tax. The total of Column C cannot exceed the amount from Part IV, Line 6.

Enter in Part I-D, Lines 15 through 24, Column D, the difference between the amount of credit claimed (Column A) and the amounts applied in the current year (Column B and Column C).

Line 15 - If you are claiming the Housing Program Contribution Credit complete Part I-B, Line 3. Subtract Part I-B, Line 3, Column B, Column C and Column D from the amount in Part I-B, Line 3, Column A and enter the result here. This is your carryforward amount for the Housing Program Contribution Credit. A copy of the tax credit voucher issued by CHFA must be attached to and made a part of the tax return.

Line 16 - If you are claiming the Employer-Assisted Housing Credit, complete Part I-B, Line 4. Subtract Part I-B, Line 4, Column B, Column C and Column D, from the amount in Part I-B, Line 4, Column A and enter the result here. This is your carryforward amount for the Employer-Assisted Housing Credit. A copy of the certificate of compliance issued by CHFA must be attached to and made a part of the tax return.

Line 17 - Enter the Opportunity Certificate Credit, as computed on **Form CT-1120 OC**, *Opportunity Certificate Credit*. A copy of the tax credit approval letter issued must be attached to and made a part of the tax return.

Line 18 - Enter the total credit for Clean Alternative Fuel relating to vehicles, equipment and filling/recharging stations, as computed according to the provisions of Conn. Gen. Stat. §12-217i. Tax credits claimed under Conn. Gen. Stat. §12-217i must be supported by schedules reflecting the details of the computations, including the dates on which expenses were paid or incurred.

Line 19 - For biotechnology companies only, enter the Research and Experimental Expenditures credit, as computed on **Form CT-1120RC**, *Research and Experimental Expenditure Credit*.

Line 20 - Enter the allowable Research and Development credit as computed on **Form CT-1120 RDC**, *Research and Development Credit*.

Line 21 - Enter the allowable Fixed Capital Investment Credit as computed on **Form CT-1120 FCIC**, *Fixed Capital Investment Credit*.

Line 22 - Enter the allowable Human Capital Investment Credit as computed on **Form CT-1120 HCIC**, *Human Capital Investment Credit*.

Line 23 - Enter the allowable Insurance Reinvestment Fund Credit, as computed on **Form CT-1120 IRF**, *Insurance Reinvestment Fund Credit*.

Line 24 - Enter the credit for the Small Business Administration Guaranty Fee. This credit shall not reduce the corporation business tax below the minimum tax (\$250).

Line 25 - Add Lines 15 through 24 in Column A, Column B, Column C, and Column D, and enter the totals in the spaces provided.

Part I-E — Electronic Data Processing Equipment Property Tax Credit

Line 26 - Enter on Line 26, the allowable Electronic Data Processing Equipment Property Tax Credit as computed on **Form CT-1120 EDP**C, *Electronic Data Processing Equipment Property Tax Credit*. This credit is allowed only after all other tax credits have first been applied. The amount of credit allowable in any income year shall be applied first to the corporation business tax. Any remaining balance may be applied to other taxes described in Conn. Gen. Stat. §12-217t.

Part II — Carryforward Credits from 1998 Income Year

This schedule enables a corporation to account for any credits that were earned in a preceding income year which were not applied to or were in excess of the 1998 Connecticut corporation business tax. These credits will be applied to the 1999 corporation business tax after first applying the credits calculated in Part I-A, Part I-B, and Part I-C. This schedule only lists credits which have a carryforward provision. For credits that may also be applied to other taxes, complete Part IV.

Enter in Part II, Lines 1 through 13, Column A, the total amount of carryforward credits from 1998.

Enter in Part II, Lines 1 through 13, Column B, the amount actually applied to the corporation business tax. The total of Column B cannot exceed the amount from Part III, Line 8.

Enter in Part II, Lines 1 through 10, Column C, the amount applied to taxes other than the corporation business tax. The total of Column C cannot exceed the amount from Part IV, Line 4.

Any credit balance that remains after applying the credits to the current year's tax may be carried forward if the credit has not expired.

The taxpayer must maintain a tax credit schedule for each credit item included in the carryforward balance. The schedule must indicate the year in which the credit was originally claimed and the income years to which the credit was carried forward.

Line 1 - Enter any available credit carryforward balance for Air Pollution Abatement Facilities. Credits may be carried forward for nine successive income years. A copy of the approval letter issued by the Department of Environmental Protection (DEP) or a copy of **CERT-117**, *Certificate For Purchases of Tangible Personal Property Incorporated into or Consumed in Air Pollution Control Facilities*, or both, must be attached to and made a part of the tax return.

Line 2 - Enter any available credit carryforward balance for Industrial Waste Treatment Facilities. Credits may be carried forward for four successive income years. A copy of the approval letter issued by DEP or a copy of **CERT-124**, *Certificate For Purchases in Connection with Water Pollution Control Facilities*, or both, must be attached to and made a part of the tax return.

Line 3 - Enter any available credit carryforward balance for the NAA tax credit program for income year 1994. Tax credits earned during income year 1994 must first be carried back to the five preceding income years, and then carried forward to the five succeeding income years. Carryforward provisions are no longer available for NAA tax credits issued after January 1, 1995. Beginning with the 1995 income year, NAA tax credits may only be carried back to the two preceding income years.

Line 4 - Enter any available credit carryforward balance for the Child Day Care tax credit. Credits may only be carried forward to the five succeeding income years.

Line 5 - Enter any available credit carryforward balance for Housing Program Contribution tax credit (formerly Low and Moderate Income Housing). Credits must first be carried back to the five preceding income years, and then be carried forward to the five succeeding income years.

Line 6 - Enter any available credit carryforward balance for Clean Alternative Fuel relating to vehicles, equipment and filling/recharging stations under Conn. Gen. Stat. §12-217i. Credits may be carried forward for three succeeding income years.

Line 7 - Enter any available credit carryforward balance for Employer-Assisted Housing Credit. Credits must first be carried back to the five preceding income years and then be carried forward to the five succeeding income years.

Line 8 - Enter any available credit carryforward balance for Electronic Data Processing Equipment Property Tax Credit from 1998 **Form CT-1120 EDPC**, Part II, Line 6.

Line 9 - Enter any available credit carryforward balance for Research and Development Credit from 1998 **Form CT-1120 RDC**, Part IV, Line 5. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. Any balance may be carried forward to each successive income year until the credit is fully taken.

Line 10 - This carryforward is available to biotechnology companies only. Enter any credit carryforward balance for Research and Experimental Expenditures Credit from 1998 **Form CT-1120RC**, Part II, Line 3. Any unused credit balance can be carried forward and applied to each successive income year until the credit is fully taken. The maximum carryforward period is 15 years.

Line 11 - Enter any available credit carryforward balance for the Opportunity Certificate Credit from 1998 **Form CT-1120 OC**, Part II, Line 2. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. Any balance may be carried forward to each successive income year for five years, until the credit is fully taken.

Line 12 - Enter any available credit carryforward balance for the Fixed Capital Investment Credit from 1998 **Form CT-1120 FCIC**. Any balance may be carried forward to each successive income year for five years, until the credit is fully taken.

Line 13 - Enter any available credit carryforward balance for the Human Capital Investment Credit from 1998 **Form CT-1120 HCIC**. Any balance may be carried forward to each successive income year for five years, until the credit is fully taken.

Lines 14 and 15 - Do not use for 1999.

Line 16 - Add Lines 1 through 13 in Column A, Column B, and Lines 1 through 10 in Column C, and enter the totals in the spaces provided. Line 16, Column A is the corporation's credit carryforward balance from 1998 for all above credits. Line 16, Column B, is the amount of carryforward tax credit from 1998 being applied to the 1999 corporation business tax. Line 16, Column C, is the total amount of carryforward tax credit from 1998 being applied to 1999 taxes other than the corporation business tax.

Part III — Tax Credits Applied to the Corporation Business Tax

This schedule enables a corporation to apply credits earned from Part I and Part II against the 1999 corporation business tax.

Line 1 - Enter the amount from **Form CT-1120**, Schedule C, Line 1.

Line 2 - Enter the amount from **Form CT-1120K**, Part I-A, Line 1, Column B, in both columns. Do not exceed the amount on Line 1 above.

Line 3 - Subtract Line 2, Column A, from Line 1, Column A, and enter the result on Line 3.

Line 4 - Enter the amount from **Form CT-1120K**, Part I-B, Line 5, Column B, in both columns. Do not exceed the amount on Line 3 above.

Line 5 - Subtract Line 4, Column A, from Line 3, Column A, and enter the result on Line 5.

Line 6 - Enter the amount from **Form CT-1120K**, Part I-C, Line 14, Column B, in both columns. Do not exceed the amount on Line 5 above.

Line 7 - Subtract Line 6, Column A, from Line 5, Column A, and enter the result on Line 7.

Line 8 - Enter the amount from **Form CT-1120K**, Part II, Line 16, Column B, in both columns. Do not exceed the amount on Line 7 above.

Line 9 - Subtract Line 8, Column A, from Line 7, Column A, and enter the result on Line 9.

Line 10 - Enter the amount from **Form CT-1120K**, Part I-D, Line 25, Column B, in both columns. Do not exceed the amount on Line 9 above.

Line 11 - Subtract Line 10, Column A, from Line 9, Column A, and enter the result on Line 11.

Line 12 - Enter the amount from **Form CT-1120K**, Part I-E, Line 26, Column B, in both columns. Do not exceed the amount on Line 11 above.

Line 13 - Add the amounts on Lines 2, 4, 6, 8, 10, and 12, Column B. Enter here and on **Form CT-1120**, Schedule C, Line 2, and attach the 1999 **Form CT-1120K**, *Business Tax Credit Summary*. If filing a combined return enter the combined total of all tax credits on **Form CT-1120CR**, *Schedule KC*.

Part IV — Tax Credits Applied to Taxes Other Than the Corporation Business Tax

This schedule enables a corporation to account for any credits applied to taxes other than the corporation business tax. The following is a list of other taxes to which you may be able to apply these credits:

- Domestic and foreign insurance premiums tax under Chapter 207;
- Health care centers tax under Chapter 207;
- Hospital and medical services tax under Chapter 207;
- Unrelated business income tax under Chapter 208a;
- Air carrier tax under Chapter 209;
- Railroad companies tax under Chapter 210;
- Express, telegraph or cable and community antenna television system companies tax under Chapter 211;
- Utility companies tax under Chapter 212;
- Public service companies tax under Chapter 212a.

In the space provided, enter the name of the tax to which you are applying the tax credit. If you are applying tax credits to more than one tax other than corporation business tax, duplicate Part IV for each tax type.

Line 1 - Enter the amount of tax from the appropriate tax return in Line 1, Column A .

Line 2 - Enter the amount from **Form CT-1120K**, Part I-B, Line 5, Column C, in both columns. Do not exceed the amount on Line 1 above.

Line 3 - Subtract Line 2, Column A, from Line 1, Column A.

Line 4 - Enter the amount from **Form CT-1120K**, Part II, Line 16, Column C, in both columns. Do not exceed the amount on Line 3 above.

Line 5 - Subtract Line 4, Column A, from Line 3, Column A.

Line 6 - Enter the amount from **Form CT-1120K**, Part I-D, Line 25, Column C, in both columns. Do not exceed the amount on Line 5 above.

Line 7 - Subtract Line 6, Column A, from Line 5, Column A.

Line 8 - Enter the amount from **Form CT-1120K**, Part I-E, Line 26, Column C, in both columns. Do not exceed the amount on Line 7 above.

Line 9 - Add the amounts on Lines 2, 4, 6, and 8, Column B. Column B is the total amount of credit being applied to the tax named on this schedule (other than the corporation business tax). Enter this amount on the appropriate tax form and attach a copy of the **Form CT-1120K**, *Business Tax Credit Summary*. If the taxpayer is claiming a tax credit against more than one tax type, attach a duplicate **Form CT-1120K** and applicable tax credit forms.

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Web site at:
www.state.ct.us/drs
- Call CONN-TAX:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-5962 (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours will be offered January through April. Call Conn-Tax or visit our Web site for details.

- Write to:
**Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032**

FORMS AND PUBLICATIONS

May be obtained 24 hours a day, seven days a week by using any of the following resources:

- **Internet**
Preview and download forms and publications from the DRS Web site at: www.state.ct.us/drs
- **DRS TaxFax**
Call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone**
From a touch-tone phone call:
1-800-382-9463 (toll-free from within Connecticut) and select **Option "2"**, or
1-860-297-4753 (from anywhere).

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT
10 Middle Street
203-579-6251

HAMDEN
3074 Whitney Avenue, Bldg. #2
203-287-8243

HARTFORD
25 Sigourney Street
860-297-5962

NORWICH
2 Cliff Street
860-889-2669

WATERBURY *
91 Schrafts Drive
203-596-4310

* This office will be moving in 2000. To verify the address, please call before you visit.

STATEWIDE SERVICES

For information on statewide services and programs, visit the ConneCT Web site at www.state.ct.us

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity, and fairness of the state's tax programs.

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1999 FORM CT-1120/CT-1120S ATT INSTRUCTIONS

Form CT-1120/CT-1120S ATT must be attached to Form CT-1120, *Corporation Business Tax Return*, or Form CT-1120S, *S Corporation Business Tax Return*, whenever Schedule H or I is used in the calculation of the Connecticut corporation business tax.

SCHEDULE H – CONNECTICUT APPORTIONED OPERATING LOSS CARRYOVER

Lines 1 through 5 - Enter the amount of the Connecticut apportioned operating loss carryover from the five preceding income years as reported on Connecticut corporation business tax returns filed for those years.

Line 6 - Add Lines 1 through 5 and enter the total on Line 6, Column A and Column B. Enter the amount from Line 6, Column A on Form CT-1120 or Form CT-1120S, *Schedule A*, Line 4.

SCHEDULE I – DIVIDEND DEDUCTION (FORM CT-1120 ONLY)

Line 1 - Enter in Column A total dividend income included in the computation of federal taxable income, except for dividends received from a real estate investment trust, unless those dividends are: (1) deductible under I.R.C. §243 or (2) received by a qualified dividend recipient from a qualified real estate investment trust.

Line 2 - Enter in Column A dividends from less than 20% owned domestic corporations, which would include dividends from money market funds. The deduction is limited to 70% of gross dividends less related expenses. Multiply Column A by Column B (.70) and enter in Column C. Enter in Column D related expenses. (Attach schedule of related expenses and computation.) Subtract Column D from Column C and enter in Column E.

Line 3 - Dividend Balance: Subtract Line 2 from Line 1 and enter on Line 3, Column A. Multiply Column A by Column B (1.0) and enter in Column C. Enter in Column D related expenses. (Attach schedule of related expenses and computation.) Subtract Column D from Column C and enter in Column E.

Line 4 - Enter in Column E total dividend deduction. Add Column E, Line 2 and Column E, Line 3. Enter total here and on Form CT-1120, *Computation of Net Income*, Line 6.

FORM CT-1120A
INSTRUCTIONS FOR SCHEDULES Q, R AND S

Complete this form and file as a part of the Corporation Business Tax Return only if the company carried on business within and outside of Connecticut and was taxable in another state during the income year for which the return is filed.

A corporation entitled to apportion its income must complete Schedule Q or R, whichever is applicable. Special apportionment forms are applicable for certain business types:

- AIR CARRIERS use **Form CT-1120A-A**, *Corporation Business Tax Return Apportionment Computation - Air Carriers*.
- COMPANIES whose income is derived from credit card activities principally located in distressed municipalities may elect to calculate their apportionment fraction on **Form CT-1120A-CCA**.
- COMPANIES whose income is derived from services performed for regulated investment companies may elect to calculate their apportionment fraction on **Form CT-1120A-IRIC**.
- SECURITIES BROKERAGE SERVICES COMPANIES calculate their apportionment fraction on **Form CT-1120A-SBC**.
- COMPANIES (not otherwise conducting business in Connecticut) who are limited partners in a limited partnership doing business in Connecticut may apportion their limited partnership distribution on **Form CT-1120A-LP**.
- MOTOR BUS COMPANIES and MOTOR CARRIERS calculate their apportionment fraction on **Form CT-1120A-BMC**. Income derived from sources other than carrying passengers or tangible property for hire must be apportioned by an apportionment fraction calculated on **Form CT-1120A**, *Schedule Q or R*.
- FINANCIAL SERVICE COMPANIES calculate their apportionment fraction on **Form CT-1120A-FS**.

SCHEDULE Q - APPORTIONMENT OF NET INCOME

This schedule should be completed only by companies that derive business income from operations which do not involve the manufacture, sale or use of tangible property or real property. **Item 1(a)** should include all receipts from business carried on within Connecticut. The components of the receipts factor in *Schedule Q* will be determined in the same manner as in *Schedule R*.

SCHEDULE R - APPORTIONMENT OF NET INCOME

This schedule should be completed only by companies that derive business income from operations which involve the manufacture, sale or use of tangible personal or real property.

Item 1. Enter on Line 1(a) through Line 1(d) the average monthly net book value for each category of tangible personal and real property that is held and owned or rented by the corporation. Average monthly net value is computed by multiplying by eight the gross rents paid directly or indirectly for the use or possession of the property. Include interest, taxes, insurance and repairs to the property. Royalties are excluded. Enter on Line 1(e) items such as construction-in-progress, interest in partnerships, etc. A corporation that owns an interest in a partnership or joint venture should include its pro rata share of its apportionment factor (property, payroll, and receipts) in the numerator and denominator of the Connecticut statutory apportionment formula (Conn. Gen. Stat. §12-218) which is used to determine the corporation's portion of its total net income subject to the Connecticut corporation business tax. Total the amounts and divide Column A by Column B to compute the apportionment fraction, carried to six decimal places.

Item 2. This factor must include all compensation paid by the corporation during the income year to officers and all other employees inclusive of salaries and wages which have been capitalized and not claimed as a deduction in the income year of the return.

Item 3. Enter the gross receipts from sales and other sources during the income year. Include the following: receipts from sales of tangible property delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of sale; receipts from services performed within Connecticut; rents and royalties from property situated within Connecticut; royalties from patents and copyrights used within Connecticut; interest earned from assets managed or controlled within the state; net gains from sales or other disposition of intangible assets managed or controlled within the state; and net gains from sales or disposition of tangible assets situated within the state. If losses from sales or other dispositions of such tangible or intangible assets exceed the gains, then enter zero for the net gains. Dividends are excluded from the receipts factor. All other receipts earned within Connecticut not included above must be apportioned.

Item 4. This factor is the same as Item 3, Column C.

Item 6. Divide the total on Line 5 by the number of factors used. For example, if the taxpayer derives net income from manufacturing, this line would contain the sum of its property factor, payroll factor and the receipts factors on Lines 3 and 4, divided by four (less the number, if any, of factors that are not applicable).

SCHEDULE S - MINIMUM TAX BASE APPORTIONMENT

Item 3. This apportionment factor must include the average monthly net book value of all assets exclusive of holdings of stock of private (nongovernmental) corporations. The intangible assets of a company that has its principal place of business within Connecticut are deemed to have a tax situs within Connecticut, unless it can be clearly established that some or all of the assets are held in connection with business conducted during the income year outside of Connecticut.

APPORTIONMENT IN SPECIAL CASES

Conn. Gen. Stat. §12-221a provides for deviation from the statutory apportionment method under certain extraordinary circumstances. The return of a taxpayer requesting relief must be filed initially on the statutory basis using the formula methods prescribed in Conn. Gen. Stat. §§12-218, 12-218b, 12-219a or 12-244 for computing the net income and the minimum tax base, together with (1) payment of the tax due on the applicable base as so computed and (2) a statement containing a specific alternative method. Data supporting the contention that the operation of the statutory method is grossly inequitable and attributes to Connecticut an undue proportion of the taxpayer's net income or minimum tax base must be provided. Permission to determine the tax on an alternative basis will not be considered in any case in which this procedure has not been strictly followed.

Since the statutory method is designed to produce a reasonable apportionment within and outside Connecticut, it must be used in all cases except those in which it has been determined by the Commissioner of Revenue Services that an exception should be made. While the statutory method may produce a result substantially different from that produced by some other method, that fact alone does not justify an exception. It is the responsibility of the taxpayer to show that the statutory apportionment fraction, when applied to its business, provides grossly inequitable results and that the income attributed to Connecticut is out of proportion to the business transacted in Connecticut. The variance must be significant enough to invalidate the assumption that the statutory method is reasonable.

The commissioner will notify the company as to whether the proposed alternative method of apportionment is accepted or rejected. If the proposed method is accepted, the tax will be adjusted. The return may be audited within three years after the date filed. If the taxpayer is aggrieved by the audit findings, a hearing may be granted, provided a request for a hearing is filed within 60 days after issuance of the notice of assessment.

PART II - CARRYFORWARD CREDITS FROM 1998 INCOME YEAR

	A Total Amount of Carryforward Credit	B Amount Applied to Corporation Tax	C Amount Applied to Other Taxes
1	Air Pollution	▶	
2	Industrial Waste	▶	
3	Neighborhood Assistance	▶	
4	Child Day Care	▶	
5	Housing Program Contribution	▶	
6	Clean Alternative Fuel	▶	
7	Employer-Assisted Housing	▶	
8	Electronic Data Processing Equipment Property Tax Credit (Enter amount from 1998 Form CT-1120 EDPG Part II, Line 6)	▶	
9	Research and Development (Enter amount from 1998 Form CT-1120 RDC, Part IV, Line 5)	▶	
10	Research and Experimental Expenditures for Biotechnology Companies Only (Enter amount from 1998 Form CT-1120RC, Part II, Line 3)	▶	
11	Opportunity Certificate	▶	
12	Fixed Capital Investment (1998 Form CT-1120 FCIC, Part II, Column C)	▶	
13	Human Capital Investment (1998 Form CT-1120 HCIC, Part II, Column C)	▶	
14	Connecticut Insurance Reinvestment Fund (Form CT-1120 IRF)		
15	Small Business Administration Guaranty Fee		
16	TOTAL PART II (Add Lines 1 through 15 and enter in the appropriate columns)	▶	

PART III - TAX CREDITS APPLIED TO THE CORPORATION BUSINESS TAX

	A Corporation Business Tax	B Corporation Tax Credits Claimed
1	Corporation business tax (Enter amount from Form CT-1120, Schedule C, Line 1)	
2	Financial Institutions Credit (Enter amount from Form CT-1120K, Part I-A, Line 1, Column B in both columns. Do not exceed amount on Line 1.)	
3	Corporation business tax balance (Subtract Line 2 from Line 1)	
4	Tax Credits With Carryback Provisions (Enter amount from Form CT-1120K, Part I-B, Line 5, Column B in both columns. Do not exceed amount on Line 3.)	
5	Corporation business tax balance (Subtract Line 4 from Line 3)	
6	Tax Credits Without Carryback or Carryforward Provisions (Enter amount from Form CT-1120K, Part I-C, Line 14, Column B in both columns. Do not exceed amount on Line 5.)	
7	Corporation business tax balance (Subtract Line 6 from Line 5)	
8	Carryforward Credits From 1998 (Enter amount from Form CT-1120K, Part II, Line 16, Column B in both columns. Do not exceed amount on Line 7.)	
9	Corporation business tax balance (Subtract Line 8 from Line 7)	
10	Tax Credits With Carryforward Provisions (Enter amount from Form CT-1120K, Part I-D, Line 25, Column B in both columns. Do not exceed amount on Line 9.)	
11	Corporation business tax balance (Subtract Line 10 from Line 9)	
12	Electronic Data Processing Equipment Property Tax Credit (Enter amount from Form CT-1120K, Part I-E, Line 26, Column B in both columns. Do not exceed amount on Line 11.)	
13	TOTAL CORPORATION BUSINESS TAX CREDITS CLAIMED (Add Part III, Lines 2, 4, 6, 8, 10, and 12, Column B, then enter on the appropriate corporation tax form. Do not exceed amount on Line 1.)	▶

PART IV - TAX CREDITS APPLIED TO TAX OTHER THAN THE CORPORATION BUSINESS TAX

Name of tax: _____ (Duplicate this schedule as necessary.)		A Other Connecticut Tax	B Tax Credits Claimed
1	Tax (Enter the actual tax amount from the appropriate tax form)		
2	Tax Credits With Carryback Provisions (Enter amount from Form CT-1120K, Part I-B, Line 5, Column C in both columns. Do not exceed amount on Line 1.)		
3	Tax balance (Subtract Line 2 from Line 1)		
4	Carryforward Credits From 1998 (Enter amount from Form CT-1120K, Part II, Line 16, Column C in both columns. Do not exceed amount on Line 3.)		
5	Tax balance (Subtract Line 4 from Line 3)		
6	Tax Credits With Carryforward Provision (Enter amount from Form CT-1120K, Part I-D, Line 25, Column C in both columns. Do not exceed amount on Line 5.)		
7	Tax balance (Subtract Line 6 from Line 5)		
8	Electronic Data Processing Equipment Property Tax Credit (Enter amount from Form CT-1120K, Part I-E, Line 26, Column C in both columns. Do not exceed amount on Line 7.)		
9	TOTAL TAX CREDITS APPLIED TO TAXES OTHER THAN THE CORPORATION BUSINESS TAX (Add Lines 2, 4, 6, and 8, Column B, then enter on the appropriate tax return. Do not exceed amount on Line 1.)		▶

FORM CT-1120 EXT INSTRUCTIONS

Purpose: Use Form CT-1120 EXT, *Application for Extension of Time to File Corporation Business Tax Return* to request a six-month extension to file **Form CT-1120** or **CT-1120CR**. It is not necessary to include a reason for the Connecticut extension request if an extension on federal Form 7004 was already filed with the Internal Revenue Service.

If federal Form 7004 was not filed, the corporation may apply for a six-month extension to file the Connecticut Corporation Business Tax Return if there is reasonable cause for the request.

The Department of Revenue Services will notify the corporation only if the request for extension is denied.

To obtain a Connecticut filing extension the corporation MUST:

1. Complete Form CT-1120 EXT in its entirety, **including all tax credits**;
2. File it by the first day of the fourth month following the close of the income year; and
3. Pay the amount shown on front page, Line 3.

NOTE: Form CT-1120 EXT **only** extends the **time to file** the Connecticut Corporation Business Tax Return. Form CT-1120 EXT **does not extend the time to pay** the amount of tax due.

Interest will be assessed at the rate of 1% (.01) per month or fraction thereof on any underpayment of tax computed from the first day of the fourth month following the close of the income year. The penalty for underpayment of tax is 10% (.10) or \$50, whichever is greater. For income years beginning on or after January 1, 1999, a taxpayer that has been granted a filing extension may avoid a late payment penalty provided the outstanding balance due is 10% or less **and** is paid with the filing of the Connecticut Corporation Business Tax Return. In the event that no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

When To File Form CT-1120 EXT: File Form CT-1120 EXT on or before the first day of the fourth month following the close of the income year (April 1 for calendar year taxpayers). **NOTE: If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.**

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

Required Information— Enter the beginning and ending dates of the corporation's income year, corporate name, address, Connecticut Tax Registration Number and Federal Employer Identification Number.

Signature— An officer of the corporation must sign this form.

Others Who May Sign— Anyone (including attorneys, accountants, and enrolled agents) with a signed Power of Attorney may sign for the corporation in place of a corporate officer.

SPECIAL INSTRUCTIONS — COMBINED TENTATIVE CORPORATION BUSINESS TAX RETURN

If two or more affiliated corporations electing to file a Combined Corporation Business Tax Return apply for an extension, complete the schedule below. Attach a list of additional corporations if needed. The tentative amount of the tax may in no event be less than the sum of \$250 for each corporation to be included in the Combined Corporation Business Tax Return.

Form CT-1120CC, Combined Return Consent, should be attached to and made a part of this Form CT-1120 EXT for the initial income year for all affiliates that are included. The election to file a Combined Corporation Business Tax Return will require the filing of a Combined Corporation Business Tax Return for at least five successive income years.

Check here for: Addition Deletion of Affiliates (Attach explanation)

Affiliate Name

CT Tax Registration Number

Federal Employer ID Number

COMPLETE THIS SCHEDULE IF YOU ARE FILING A COMBINED CORPORATION BUSINESS TAX RETURN

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
NO.	Affiliated Corporations Included In This Combined Return:	CT TAX REGISTRATION NO.	TENTATIVE AMOUNT OF TAX	PREPAYMENTS/ CREDITS	TAX PAID WITH THIS RETURN
1	COMMON PARENT OR DESIGNATED CT PARENT:				
		-000			
2		-000			
3		-000			
4		-000			
5		-000			
6		-000			
7		-000			
8		-000			