

Form CT-1120 PIC

Information Return

for Passive Investment Companies

– See Instructions on Reverse –

Enter Income Year Beginning _____, _____, and Ending _____, _____

| | | | |
|---------------------------------------|-------------------|----------|-------------------------------------|
| Passive Investment Company (PIC) Name | | | CONNECTICUT TAX REGISTRATION NUMBER |
| Address | Number and Street | PO Box | DRS Use Only – – 20 |
| City or Town | State | ZIP Code | FEDERAL EMPLOYER ID NUMBER |

Check and Complete All Applicable Boxes

1. Date PIC began commercial operations: _____

Date PIC began commercial operations in Connecticut: _____

2. Parent company's name: _____

Connecticut Tax Registration Number: _____

Federal Employer ID Number: _____

3. Is a common paymaster used: Yes No

If **Yes**, indicate the common paymaster's:

Name: _____

Address: _____

Connecticut Tax Registration Number: _____

Federal Employer ID Number: _____

4. Did the PIC have at least five full-time equivalent employees in Connecticut for the period covered by this return:

Yes No

If **Yes**, indicate the number of PIC employees:

Full-time: _____ Part-time: _____ Dual (See instructions.): _____

If **No**, the company does not qualify as a PIC. **Do not** file this return.

5. Indicate the method used to determine the number of full-time equivalent employees:

Actual time or business records

Safe Harbor Method elected (See instructions.):

____ First 30 days of taxable year (See instructions.)

____ Average of first three months of taxable year (See instructions.)

6. Indicate the method used to allocate expenses and employee costs to the PIC:

- I.R.C. §482 Type Method (See instructions.)
- Safe Harbor Method elected (See instructions.):
 - _____ Percentage of Time
 - _____ Percentage of Loans

The PIC hereby affirms that the Applicable Period selected under the safe harbor methods in either Line 5 or Line 6 is representative of, or generally no less than, its level of employment for the entire year.

7. Enter the amount of expenses and employee costs to be allocated to the PIC: _____
 (Attach detailed schedule. See instructions.)

8. Enter the amount of the PIC's total gross receipts (Attach detailed schedule.): _____

9. Enter the amount of total dividends issued by the PIC (Attach detailed schedule.): _____

DECLARATION: I declare under penalty of law that I have examined this return (including any accompanying schedules and statements) and, to the best of my knowledge and belief, it is true, complete, and correct. I understand the penalty for willfully delivering a false return or document to the Department of Revenue Services is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

| | | | | |
|---|--------------------------------|-------|------|-----------------------------|
| SIGN HERE Keep a copy of this return for your records. | Signature of Corporate Officer | Title | Date | Telephone Number () |
| | Paid Preparer's Signature | Date | | Preparer's SSN or PTIN |
| | Firm's Name and Address | | | Federal Employer ID Number |
| | | | | Telephone Number () |

Form CT-1120 PIC

Information Return for Passive Investment Companies

Instructions

Purpose

Use **Form CT-1120 PIC**, *Information Return for Passive Investment Companies*, to establish that the corporation meets the requirements of a Passive Investment Company (PIC) as defined in Conn. Gen. Stat. §12-213(a)(27).

Filing Instructions

If the PIC parent company (taxpayer) is subject to the Connecticut corporation business tax, Form CT-1120 PIC must be attached to **Form CT-1120**, *Corporation Business Tax Return*. If the PIC parent company is not subject to such tax, Form CT-1120 PIC must be filed with the Department of Revenue Services (DRS) by April 1, following the close of its taxable year. Mail to: Department of Revenue Services, PO Box 2974, Hartford CT 06104-2974.

Definitions

Passive Investment Company (PIC) means any corporation which is a related person to a financial service company or to an insurance company, as defined in Conn. Gen. Stat. §12-218b, **and**:

- Employs not less than five full-time equivalent employees in the state;
- Maintains an office in the state; **and**
- Confines its activities to the purchase, receipt, maintenance, management, and sale of its intangible investments, and the collection and distribution of the income from such investments, including but not limited to interest and gains from the sale, transfer, or assignment of such investments or from the foreclosure upon or sale, transfer, or assignment of the collateral securing such investments.

Related Person means:

- A corporation, limited liability company, partnership, association, or trust controlled by the taxpayer;
- An individual, corporation, limited liability company, partnership, association, or trust in control of the taxpayer;
- A corporation, limited liability company, partnership, association, or trust controlled by an individual, corporation, limited liability company, partnership, association, or trust in control of the taxpayer; **or**
- A member of the same controlled group as the taxpayer.

Control, with respect to a corporation, means ownership, directly or indirectly, of stock possessing 50% or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. Control, with respect to a trust, means ownership, directly or indirectly, of 50% or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership or association, or of a beneficial interest in a trust shall be determined in accordance with the

rules for constructive ownership of stock provided in I.R.C. §267(c) other than paragraph (3) of said section.

Intangible Investments of a PIC are limited to:

- Loans, as defined in Conn. Gen. Stat. §12-218b(a)(10), secured by real property (as defined in Conn. Gen. Stat. §12-218b(a)(11)); **or**
- Short-term investments of cash.

Line Instructions

Line 1 - Enter the date the PIC began commercial operations and the date the PIC began commercial operations in Connecticut.

Line 2 - Enter the PIC's parent company name and its Connecticut Tax Registration Number and/or Federal Employer Identification Number.

Line 3 - Check the appropriate box to indicate whether a common paymaster is used. If **Yes**, indicate the common paymaster's name, address, Connecticut Tax Registration Number, and Federal Employer Identification Number.

Line 4 - Check the appropriate box to indicate whether the PIC had at least five full-time equivalent employees in Connecticut. Enter the number of employees on the appropriate line(s). If the company did not have at least five full-time equivalent employees in Connecticut, the company **does not** qualify as a PIC, and its income will be subject to tax. Do not complete this informational return.

A **full-time employee** must work 35 hours or more per week. (See Conn. Gen. Stat. §12-217u(d); Conn. Agencies Regs. §31-236-58(c)(2).) A **dual employee** works for both the PIC and the parent company. Part-time or dual employees may be used in calculating the number of full-time equivalent employees. The PIC must employ the number of full-time, part-time, and/or dual employees that will add up to at least five full-time equivalent employees, when calculating the amount of time such employees work on PIC-related matters. However, the maximum number of employees whose time may be allocated to attain the requisite five full-time equivalent employees is 25.

Line 5 - Check the appropriate box to identify the method used to determine the number of full-time equivalent employees. The five full-time equivalent employees may be established from the employees' time records. In lieu of relying on actual time records maintained throughout the year, taxpayers may use an annual **safe-harbor test** based on the employees' time records for either the first 30 days of the taxable year or an average of the first three months in such taxable year ("the applicable period").

Line 6 - Check the appropriate box to identify the method used to allocate expenses and employee costs to the PIC.

PIC-related expenses and costs may be allocated to a PIC on any reasonable basis provided in I.R.C. §482. Use of such method will require the taxpayer to maintain adequate books and records. In lieu of this method, the taxpayer is allowed to make one of two alternative **safe harbor elections** on its return each year in determining the reasonable allocation of the aggregate pool of expenses and employee costs to the PIC.

Percentage of Time Method - Under this safe harbor method, PIC-related expenses and employee costs are allocated on the basis of the ratio of the number of PIC employees to the total number of employees in the PIC and the related financial service company. The number of PIC employees may be determined either from the employees' time records used in calculating the five full-time equivalent employees under the safe harbor test, or from actual time records for those taxpayers that do not rely on the safe harbor test. No employee that expends less than 20% of his or her time on PIC business shall be included in the calculation of the number of PIC employees for purposes of determining the ratio.

Percentage of Loans Method - Under this method, PIC-related expenses and employee costs may be allocated on the basis of the ratio of the number of PIC loans to all loans serviced by the PIC and its related financial service company. Such ratio shall be based upon the average number of loans held during the first month of a PIC's taxable year or first 30 days after it begins commercial operations in Connecticut for its first taxable year, and the average number of loans held during

the last month of a PIC's taxable year. This method may be used by any entity that employs five or more full-time employees on PIC business without the need to allocate employees' time in order to qualify for PIC status.

The method selected in a particular year must be consistently applied to **all** expenses and employee costs on an **all or nothing** basis.

On the basis of the method identified, detailed schedules must be attached to this return.

Line 7 - Enter the amount of expenses and employee costs to be allocated to the PIC. A detailed schedule must be attached, showing all expenses and employee costs (including wages) of the financial service company to be allocated to the PIC, the computation of the percentage used in allocating expenses and employee costs to the PIC, and the resulting amount of PIC expenses and employee costs for the taxable year. Do not include interest expenses on borrowings, deposits, and escrows. Do not include expenses related to FDIC insurance premiums and investment and banking fees relating to mergers, acquisitions, and other extraordinary transactions.

Line 8 - Enter the PIC's total gross receipts. A detailed schedule must be attached to this return.

Line 9 - Enter the total amount of dividends issued by the PIC. A detailed schedule must be attached to this return.