



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

AN 2011(6)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

ANNOUNCEMENT

Additional Guidance Regarding Withholding Calculation Rules for Supplemental Compensation and Use of Newly Issued Form CT-W4T

Purpose: This Announcement provides additional information to Connecticut taxpayers regarding calculation rules for supplemental compensation in light of the “catch-up” income tax withholding requirements in effect for 2011. This Announcement also includes **Form CT-W4T, 2011 Withholding Certificate**, which can be used by employees who receive supplemental compensation after the date of issuance of this Announcement as well as by taxpayers whose Connecticut income tax withholding has otherwise been impacted by issues related to the implementation of the “catch-up” withholding rules.

Effective Date: Effective upon issuance.

Background: By way of brief background, the General Assembly made changes to the Connecticut income tax that are effective as of January 1 of this year. In recognition of the retroactive nature of these changes, the General Assembly also passed a provision requiring that the Department issue new income tax withholding calculation rules that take into account these changes. In simple terms, the new withholding calculation rules spread any tax increases over the remainder of calendar year 2011 thereby allowing taxpayers to “catch-up” with increases that were effective back to January 1.

The Department is aware that employers, payroll and software companies, and taxpayers have encountered issues in the implementation of the “catch-up” withholding requirements that were enacted this past legislative session. Specifically, companies are having difficulty separating supplemental compensation (e.g., bonuses and overtime) from regular wages when calculating the required “catch-up” withholding. As a result, employees who receive supplemental compensation after August 1, 2011 will likely be over withheld for Connecticut income tax

purposes. The information contained in this Announcement is intended to provide employees who are faced with this issue a mechanism to both determine and have the proper amount of Connecticut income tax withheld.

IMPORTANT NOTE: Please be advised that not all employers, payroll and software companies, and potentially impacted taxpayers are experiencing these problems. Therefore, before making any of the changes or following any of the steps set forth in this publication, employees are urged to contact their payroll office or department. Moreover, the Department also wants to make clear to employees who are impacted by these issues that they are not required to take any action. As stated above, the purpose of this Announcement is to provide those employees with the information necessary to adjust their Connecticut income tax withholding if they choose to do so.

Method to Determine Proper Amount of Connecticut Withholding if You Receive Supplemental Compensation: As explained above, if you receive supplemental compensation (e.g., bonuses and overtime) after August 1, 2011 you may be at risk to be over withheld for Connecticut income tax purposes. To this end, if you have verified with your employer that you either have been or are likely to be over withheld, the Department has developed a methodology that is intended to help you correct or avoid this situation. The methodology is set forth in the *Projected Withholding Worksheet* that is attached to this Announcement.

Use of Form CT-W4T: As noted above, the Department has developed and issued **Form CT-W4T**. **Form CT-W4T** is intended to be used by those taxpayers whose Connecticut income tax

withholding has been impacted by issues related to the implementation of the “catch-up” withholding rules. Therefore, and so as to avoid any confusion, the Department hereby notifies those employees who have been impacted by system constraints relating to “catch-up” withholding that they are authorized to use **Form CT-W4T** and provide it to their employers. Correspondingly, the Department hereby notifies employers that they are authorized to accept **Form CT-W4T** from said employees. That said, **Form CT-W4T** cannot be used other than in connection with issues pertaining to the application of the “catch-up” withholding rules and, therefore, should not be accepted if being provided by an employee that is not impacted by these types of issues. Please note that this form is available only as part of this Announcement.

Other Issues Pertaining to “Catch-Up” Withholding: To the extent that employers, payroll and software companies, and taxpayers are experiencing other issues related to the “catch-up” income tax withholding requirements in effect for 2011, they are encouraged to contact the Department. As illustrated by this Announcement, the Department recognizes that there are circumstances where taxpayers will be over withheld as a result of issues pertaining to the application of the “catch-up”

withholding rules. The Department likewise recognizes and understands that there are likely to be situations where, despite good faith efforts, taxpayers will be under withheld for 2011 as a result of issues pertaining to application of the “catch-up” withholding rules. Please be advised that employers and taxpayers who find themselves in this situation will not be held liable for any associated interest and/or penalty.

Reminder for Taxable Year 2012: If you provide your employer with a **Form CT-W4T**, please be advised that your employer will continue to withhold the amount of Connecticut income tax that you list thereon unless you provide your employer with a new **Form CT-W4, Employee’s Withholding Certificate**. Therefore, as the “catch-up” withholding requirements for 2011 do not apply in 2012, employees who provide their employers with a Form CT-W4T must check with their respective payroll offices or departments to determine the date by which they must submit a new Form CT-W4 in order for said form to be effective by January 1, 2012.

Projected Withholding Worksheet: Use the *Projected Withholding Worksheet* to determine the proper amount of Connecticut income tax to be withheld.

Projected Withholding Worksheet	
1. Projected Connecticut adjusted gross income (AGI) for taxable year 2011.	
2. Projected Connecticut income tax liability for taxable year 2011.	
3. Projected credit for income tax paid to other jurisdictions.	
4. Subtract Line 3 from Line 2.	
5. Total Connecticut income tax withheld to date for taxable year 2011.	
6. Total Connecticut estimated payments paid or expect to pay in taxable year 2011 and any overpayments from taxable year 2010 applied to 2011 Connecticut income tax liability.	
7. Joint Filers Only: Connecticut income tax withholding for your spouse expected for the remainder of 2011.	
8. Add Lines 5, 6, and 7.	
9. Subtract Line 8 from Line 4.	
10. Divide Line 9 by the number of pay periods remaining in 2011 and enter the amount here and on Form CT-W4T, Line 1.	

Worksheet Line Instructions

Line 1

The projected Connecticut AGI for taxable year 2011 should include regular wages, supplemental income (such as bonuses and overtime), as well as any interest, dividend or other income that you expect to earn in 2011. If you file a joint return, include the projected income for both spouses.

Line 2

The projected Connecticut income tax liability for taxable year 2011, based on the amount entered on Line 1, can be determined by utilizing the **2011 Connecticut Income Tax Calculator** by visiting www.ct.gov/drs and selecting *Individuals*. You may also use the 2011 Connecticut Tax Tables or 2011 tax calculation schedule.

Line 3

Residents and part-year residents only: If you and/or your spouse work in a state other than Connecticut, enter your projected credit for income taxes paid to such other jurisdictions for taxable year 2011. In general, your credit is the lesser of your Connecticut tax liability or the amount paid to the other jurisdiction.

Line 4

If you arrived at a negative number, no additional Connecticut withholding is required. If you do not want any additional Connecticut withholding, you should file a Form CT-W4T with your employer and enter zero ("0") on Line 1.

Line 5

Enter the total amount of Connecticut income tax withheld to date for taxable year 2011. This information should be available on your last pay statement. (If you have more than one job, be sure to include withholding from each job in this calculation.) If you file a joint return, make sure to include the total amount of Connecticut income tax withheld to date for taxable year 2011 for both spouses.

Line 6

Enter the total amount of estimated Connecticut income tax payments you have paid or expect to pay in taxable year 2011 or any overpayments from taxable year 2010 that you have directed to be applied to your 2011 tax liability.

If you file a joint return, include any estimated payments your spouse has made or expects to make during taxable year 2011.

Line 7

If you file a joint return, enter the amount of Connecticut income tax withholding for your spouse that is expected for the remainder of 2011. Multiply the amount of Connecticut income tax now being withheld for your spouse each payday by the number of paydays remaining in the year and enter the amount.

Line 9

If you arrived at a negative number, no additional withholding is required. If you do not want any additional withholding, you would be required to file a **Form CT-W4T** and enter zero on Line 1. Otherwise, your employer will continue to withhold based on your **Form CT-W4, Employee's Withholding Certificate** that is currently on file.

If you arrived at a positive number, proceed to Line 10.

Line 10

Divide Line 9 by the number of pay periods remaining in 2011 and enter the amount. This is the amount of additional withholding that is required per pay period for the remainder of taxable year 2011.

In order to have the amount on Line 10 withheld from your pay, you must complete **Form CT-W4T**. Enter the amount from Line 10 on **Form CT-W4T**, Line 1.

Effect of This Document: Announcements alert taxpayers to new developments (other than newly enacted or amended Connecticut or federal laws or newly released judicial decisions), including new administrative positions, policies, or practices.

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

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

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

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

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

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

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

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *e-alerts* from the left navigation bar.

AN 2011(6)
Withholding
Issued: 10/20/2011

Form CT-W4T

2011 Withholding Certificate



Complete this certificate in blue or black ink only.

Purpose

Form CT-W4T allows Connecticut taxpayers to instruct their employer to withhold Connecticut income tax at a flat dollar amount.

Form CT-W4T may be used by Connecticut taxpayers who receive supplemental compensation or are otherwise impacted by the catch-up withholding calculation rules to adjust their Connecticut income tax withholding to a flat dollar amount.

Reminder for Taxable Year 2012: If you adjust your withholding using Form CT-W4T, your employer will continue to withhold the amount of Connecticut income tax that you request until you provide your employer with a new **Form CT-W4, Employee's Withholding Certificate**. Therefore, as the "catch-up" withholding requirements for 2011 do not apply in 2012, employees who complete a Form CT-W4T should check with their payroll offices or departments to determine the date they must submit a new Form CT-W4 in order for it to be effective by January 1, 2012.

General Instructions

If you wish to have Connecticut income tax withheld at a flat dollar amount, complete the projected withholding worksheet to calculate the amount to withhold and enter the amount on Form CT-W4T, Line 1.

Where to File

Send this certificate to your employer's payroll department. Keep a copy for your records. Do **not** send this certificate to the Department of Revenue Services (DRS).

For More Information

Call DRS during business hours, Monday through Friday:

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

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Forms and Publications

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

First name	Middle initial	Last name	Social Security Number
			_ _ _ : _ _
Home address		PO Box	
City or town	State	ZIP code	
1. Connecticut income tax to be withheld each pay period: Enter amount from <i>Projected Withholding Worksheet</i> , Line 10. 1.			00
Sign Here	Employee's signature		Date