



Q & A on Estimated Corporation Business Tax and Worksheet CT-1120AE

Purpose: To explain the two methods for calculating installments of estimated Connecticut corporation business tax and discuss 2009 legislative changes that may affect the calculation of estimated tax payments.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-242d, as amended by 2009 Conn. Pub. Acts 8, §6 (Sept. Spec. Sess.); Conn. Gen. Stat. §12-214(b)(6), as amended by 2009 Conn. Pub. Acts 3, §94 (June Spec. Sess.); Conn. Gen. Stat. §12-217, as amended by 2009 Conn. Pub. Acts 2, §4 (June Spec. Sess.) and 2009 Conn. Pub. Acts 3, §95 (June Spec. Sess.); Conn. Gen. Stat. §12-219(b)(6), as amended by 2009 Conn. Pub. Acts 3, §102 (June Spec. Sess.); and Conn. Gen. Stat. §12-223f as amended by 2009 Conn. Pub. Acts 3, §103 (June Spec. Sess.), and 2009 Conn. Pub. Acts 8, §39 (Sept. Spec. Sess.).

1. Who should pay estimated corporation business tax?

Every corporation carrying on business or having the right to carry on business in Connecticut, whose current year tax exceeds \$1,000 after applying corporation business tax credits, must pay estimated tax based on its required annual payment.

A corporation that made an estimated tax payment in the prior income year or whose corporation business tax liability exceeded \$1,000 for the prior income year will receive four preprinted estimated tax payment coupons with instructions from the Department of Revenue Services (DRS).

2. What is the corporation's required annual payment for the 2010 taxable year?

The corporation's required annual payment is the lesser of:

- 90% of the tax shown (including surtax) on the Connecticut corporation business tax return for the current income year, or if no return is filed, 90% of the tax for the year; **or**

- 100% of the tax shown (including surtax) on the Connecticut corporation business tax return for the previous income year without regard to tax credits, if the previous income year was an income year of 12 months and if the corporation filed a return for the previous income year showing a liability for tax.

3. When must the corporation make estimated payments?

Calendar year filers must make estimated payments on or before March 15, June 15, September 15, and December 15. Fiscal year filers must make estimated payments on or before the fifteenth day of the third, sixth, ninth, and twelfth months of the income year. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

4. What are the two methods for calculating installments of estimated tax?

The two methods for calculating installments of estimated tax are the regular installment method and the annualized installment method.

5. How does the corporation calculate the amount of each installment?

Under the regular installment method, complete **Forms CT-1120 ESA, ESB, ESC, and ESD**, *Estimated Corporation Business Tax*. A corporation calculating its installments under the regular installment method must pay 30% of its required annual payment by its first installment, 70% of its required annual payment by its second installment, 80% of its required annual payment by its third installment and 100% of its required annual payment by its fourth installment.

If a corporation establishes that it can use the annualized installment method, it must use **Worksheet CT-1120AE**, *Connecticut Corporation Business Tax Annualized Estimated Worksheet*, to determine the amount of estimated tax due with each installment. Enter the amount from Worksheet CT-1120AE, Line 20 of the appropriate column on Forms CT-1120 ESA, ESB, ESC, or ESD, Line 5.

6. Should the corporation calculate its payments under the regular installment method or the annualized installment method?

A corporation must determine the amount of each installment under the regular installment method. However, if a corporation establishes that any installment is lower under the annualized installment method than under the regular installment method, the corporation can pay the amount due under the annualized installment method. The annualized installment method may be beneficial to some corporations that do not receive income evenly throughout the year. Under the annualized installment method, one or more installments may be decreased or eliminated and one or more subsequent installments may be increased.

7. Do any of the 2009 legislative changes to the corporation business tax affect the installment payments a corporation must make?

Legislative changes made during the June and September Special Sessions of the General Assembly may increase a corporation's required annual payment for the 2009 taxable year. In the June and September Special Sessions of the General Assembly, the following changes were made to the Connecticut corporation business tax:

- A surtax in the amount of 10% was imposed on any corporation that has \$100,000,000 or more in gross income or that files as part of a combined or unitary return;
- The maximum preference tax applied to a Connecticut combined return was increased from \$250,000 to \$500,000;
- Connecticut decoupled from the federal deduction allowed for domestic production activities under Internal Revenue Code (I.R.C.) §199; and
- Connecticut decoupled from the deferral of cancellation of debt income under I.R.C. §108(i).

If any of the legislative changes noted above result in an increase in the corporation's 2009 required annual payment, the corporation's 2009 installment payment or installment payments due on or after October 5, 2009, must be adjusted to account for the increase in its 2009 required annual payment.

8. How does a corporation adjust its installment payments to reflect the increase in tax due?

To calculate the increased installment payment or payments due on or after October 5, 2009, for the corporation's 2009 income year, complete the following steps:

Step 1. For all installments of estimated tax due on or after October 5, 2009, estimate the corporation's required annual payment taking into account the legislative changes listed above.

Step 2. For the next installment of estimated tax due on or after October 5, 2009, multiply the amount calculated in Step 1 by the applicable percentage of estimated tax due.

Step 3. Subtract all installments of estimated tax paid from the amount calculated in Step 2.

Step 4. The amount calculated in Step 3 is the amount of the corporation's next installment of estimated tax.

Any corporation whose required annual payment for the 2009 income year was increased as a result of 2009 legislation should check the "Yes" box on the appropriate form: 2009 **Form CT-1120**, *Corporation Business Tax Return*, Line 10; 2009 **Form CT-1120CR**, *Connecticut Combined Corporation Business Tax Return*, Line 6; or 2009 **Form CT-1120U**, *Unitary Corporation Business Tax Return*, Line 7, to indicate that the Department of Revenue Services (DRS) should apply annualization in calculating the interest due on the underpayment of installments.

9. How does the corporation pay its estimated corporation business tax?

The DRS website at www.ct.gov/TSC allows the corporation to use the **Taxpayer Service Center (TSC)** to file Forms CT-1120 ESA, ESB, ESC, and ESD and pay the tax due. DRS requires corporations that paid tax in excess of \$10,000 in the prior year to pay the current year liability electronically.

A corporation that does not use the **TSC** should use the preprinted Forms CT-1120 ESA, ESB, ESC, or ESD, received from DRS. In the event preprinted forms were not received, the forms are available on the DRS website.

10. What if the corporation underestimates its corporation business tax?

Under either the regular installment method or the annualized installment method, if the current year tax is more than \$1,000 and the corporation does not make its required annual payment in a timely and sufficient manner, it will be charged interest on the amount of any underpayment. Interest will accrue until the earlier of the date on which an underpayment is satisfied or the first day of the fourth month following the end of the income year.

11. May the corporation apply overpayments in the current year to the next year's estimated corporation business tax?

When the corporation's current year return is filed, the corporation may apply overpayments of Connecticut corporation business tax to the estimated tax for the following income year. The request to apply overpayments to the next year's estimated tax is irrevocable, and the credit is established as of the date of the U.S. Postal Service cancellation mark on the completed return, or if the return was electronically filed through the *TSC*, the date the return was successfully transmitted.

12. Are organizations that are exempt from tax under I.R.C. §501 but that are subject to tax on unrelated business income required to make estimated tax payments?

Generally, the same rules for calculating installments of estimated tax apply to such organizations. Organizations that are exempt from tax under I.R.C. §501 and that are subject to tax on unrelated business income attributable to Connecticut must complete **Forms CT-990T ESA, ESB, ESC, and ESD**, *Estimated Unrelated Business Income Tax*, and pay the tax due. For income years commencing on or after January 1, 2009 and ending prior to January 1, 2012, the surtax applies to organizations that report \$100,000,000 or more in gross income on federal Form 990-T, Part 1, Line 13, Column A.

Effect on Other Documents: Informational Publication 2009(34) supersedes Informational Publication 2008(15) which may no longer be relied upon on or after the issuance date of this publication.

Effect of This Document: An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

IP 2009(34)
Corporation Business Tax
Estimated Taxes
Issued: 12/1/2009

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 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.

Worksheet CT-1120AE

Connecticut Corporation Business Tax Annualized Estimated Worksheet (Keep for your records)

Part I – Estimated Payment Calculation	A	First 2 months	B	First 5 months	C	First 8 months	D	First 11 months
1. Enter your Connecticut corporation business income for each period. See instructions.								
2. Annualization factor		6		2.4		1.5		1.09091
3. Annualized Connecticut corporation business income: Multiply Line 1 by Line 2.								
4. Multiply Line 3 by 7.5% (.075).								
5. Enter amounts for surtax and preference tax, if applicable. See instructions.								
6. Add Line 4 and Line 5.								
7. Corporation business tax credits: See instructions.								
8. Total annualized corporation business tax: Subtract Line 7 from Line 6.								
9. Applicable percentages		.27		.63		.72		.90
10. Multiply Line 8 by Line 9.								
11. Add the amounts in all preceding columns of Line 10. See instructions.								
12. Annualized income installment using net income: Subtract Line 11 from Line 10. If zero or less, enter "0."								
13. Enter your required annual payment for the period. See Part II below.								
14. Enter the amount from Line 16 of the preceding column of this Worksheet.								
15. Add Line 13 and Line 14.								
16. If Line 15 is more than Line 12, subtract Line 12 from Line 15, otherwise enter "0."								
17. Enter the lesser of Line 12 or Line 15.								
18. Total required installment for the period: Add Line 11 and Line 17.								
19. Estimated tax payments made through the due date for the period								
20. Estimated tax payment required by the next due date. Subtract Line 19 from Line 18 and enter the result, but not less than "0."								

Part II – Computation of Required Annual Payment (Line 13)

21. Current year Connecticut corporation business tax due, after credits: See instructions.	21.	
22. Multiply Line 21 by 90% (.90).	22.	
23. Prior year Connecticut corporation business tax, before credits: See instructions.	23.	
24. Multiply Line 23 by 100% (1.00).	24.	
25. Required annual payment: Enter the lesser of Line 22 or Line 24.	25.	
26. Required annual payment for the first 2 months: Multiply Line 25 by 30% (.30). Enter here and on Line 13, Column A.	26.	
27. Required annual payment for the first 5 months: Multiply Line 25 by 40% (.40). Enter here and on Line 13, Column B.	27.	
28. Required annual payment for the first 8 months: Multiply Line 25 by 10% (.10). Enter here and on Line 13, Column C.	28.	
29. Required annual payment for the first 11 months: Multiply Line 25 by 20% (.20). Enter here and on Line 13, Column D.	29.	

Worksheet CT-1120AE Instructions

Before beginning, be sure to have a copy of **Forms CT-1120 ESA, ESB, ESC, and ESD, *Estimated Corporation Business Tax*** or **Forms CT-990T ESA, ESB, ESC, and ESD, *Estimated Unrelated Business Income Tax***. At the end of each payment period, complete the column on *Worksheet CT-1120AE* for the period from the beginning of the income year through the end of that payment period to calculate how much estimated tax to pay by the payment due date.

Part I - Estimated Payment Calculation

- Line 1** - Enter the company's Connecticut business income for the period.
- Line 3** - Multiply Line 1 by Line 2.
- Line 4** - The Connecticut corporation business tax rate is 7.5%. Multiply Line 3 by 7.5%.
- Line 5** - If the corporation is subject to the surtax or preference tax, include such amounts on Line 5.
- Line 7** - Enter the company's estimated allowable Connecticut corporation business tax credits for the year. The credits are based on the annualized income for the period.
- Line 11** - Do not enter anything in Column A. Enter in Column B the amount from Line 17, Column A. Enter in Column C the sum of Line 17, Column A, plus Line 17, Column B. Enter in Column D the sum of Line 17, Column A, plus Line 17, Column B, plus Line 17, Column C.
- Line 13** - Enter the appropriate amount of the required annual payment as calculated in Part II of this worksheet.
- Line 19** - Include all estimated tax payments through the payment due date for the period. Include overpayments of the prior year tax applied to the current year. In determining the payment amount, the company may apply an overpayment from the previous income year, but only if the tax return (**Form CT-1120, *Corporation Business Tax Return***; **Form CT-1120U, *Unitary Corporation Business Tax Return***; **Form CT-1120CR, *Combined Corporation Business Tax Return***; or **Form CT-990T, *Connecticut Unrelated Business Income Tax Return***) for the previous income year was filed prior to the due date of the estimated installment payment.
- Line 20** - Subtract Line 19 from Line 18. Enter the result (but not less than "0") here and on Line 5 of either Form CT-1120 ESA, ESB, ESC, and ESD or Form CT-990T ESA, ESB, ESC, and ESD.

Part II - Computation of Required Annual Payment

- Line 21** - Calculate the current year corporation business tax due after the application of credits and without regard to any recapture amount.
- Line 22** - Multiply the amount on Line 21 by 90%.
- Line 23** - Enter the prior year corporation business tax before credits from the prior year **Form CT-1120, *Schedule C***, Line 1, minus *Schedule C*, Line 1c; the prior year **Form CT-1120U, *Schedule C***, Line 1, minus *Schedule C*, Line 1c; the prior year **Form CT-1120CR, *Part IV***, Line 7, minus *Part IV*, Line 4; or the prior year **Form CT-990T, *Computation of Amount Payable***, Line 3.
- Line 24** - Multiply the amount on Line 23 by 100%.
- Line 25** - Enter the lesser of Line 22 or Line 24.
- Line 26** - Multiply the amount on Line 25 by 30%. Enter the result on Line 13, Column A.
- Line 27** - Multiply the amount on Line 25 by 40%. Enter the result on Line 13, Column B.
- Line 28** - Multiply the amount on Line 25 by 10%. Enter the result on Line 13, Column C.
- Line 29** - Multiply the amount on Line 25 by 20%. Enter the result on Line 13, Column D.