

(Rev. 12/04)

Form CT-1120AB
Add Back and Exceptions to Add Back
of Interest and Intangible Expenses

For Income Year	
Beginning	2004, and Ending

Corporation Name	Connecticut Tax Registration Number
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Purpose

Form CT-1120AB, *Add Back and Exceptions to Add Back of Interest and Intangible Expenses*, must be completed by each corporation that paid, accrued, or incurred interest expenses to a related member or intangible expenses and costs, and interest expenses and costs related to intangibles to a related member. All interest expenses and intangible expenses and costs that are paid, accrued, or incurred to a related member must be added back to income. To be entitled to an exception from the add back of expenses and a corresponding deduction from net income, the taxpayer must complete this form.

PART I - ADD BACK

A - Total Interest Expenses Add Back			
1.	Total interest expenses paid to a related member. Do not include any interest expense and costs related to intangibles. Enter amount here and on Form CT-1120, Schedule D , Line 4.	1.	00

B - Total Intangible Expenses Add Back			
1.	Total intangible expenses and costs paid to a related member. Enter amount here and on Form CT-1120, Schedule D , Line 5.	1.	00

PART II - EXCEPTIONS TO ADD BACK

A - Exceptions to Interest Expenses Add Back			
1.	Enter total from Part III, <i>Schedule A</i> , Line 5. Enter here and on Form CT-1120, Schedule D , Line 12.	1.	00
2.	Enter total from Part III, <i>Schedule B</i> , Line 5. Enter here and on Form CT-1120, Schedule D , Line 13.	2.	00
3.	Enter total from Part III, <i>Schedule C</i> , Line 5. Enter here and on Form CT-1120, Schedule D , Line 14.	3.	00
4.	Total Exceptions. Add Lines 1 through 3 and enter the total here.	4.	00

B - Exceptions to Intangible Expenses Add Back			
1.	Enter total from Part V, <i>Schedule A</i> , Line 5. Enter here and on Form CT-1120, Schedule D , Line 15.	1.	00

PART III - EXCEPTIONS TO INTEREST EXPENSES ADD BACK

The following questions are applicable to *Schedule A* and *Schedule B* below. In order to complete *Schedule A* and *Schedule B*, the answer to Question 1 and Question 2 must be "Yes." If the answer to Question 1 or Question 2 is "No," the taxpayer **does not** qualify for the exceptions provided in *Schedule A* and *Schedule B*.

1.	Can the taxpayer establish by clear and convincing evidence that a principal purpose of the payment of interest to a related member was not to avoid the payment of taxes due under Chapter 208 of the Connecticut General Statutes? If "Yes," attach such evidence for each payment to a related member.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	Was the interest that the taxpayer paid to a related member paid according to a written contract that reflects an arm's length rate of interest and sets forth the terms of the loan? If "Yes," enter the date of the contract that gave rise to the interest deduction. If "No," the interest must be added back. Contract Date _____	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3.	Was the transaction giving rise to the payment of interest entered into after a recommendation by a tax professional regarding the tax implications or consequences of such transaction?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Schedule A - Exception for Interest Paid, Accrued, or Incurred to a Related Member That is Taxed at a Similar Rate.

Name of Related Member	Federal Employer ID Number (FEIN) of Related Member	Fiscal Period of Related Member	
Name of state or foreign nation in which the related member is subject to a tax on net income			
Amount of interest income included in the measure of net income subject to tax by the state or foreign nation			
<p>This exception does not apply to transactions with a related member when the related member:</p> <ul style="list-style-type: none"> Files in another jurisdiction with the taxpayer on a combined, consolidated, or unitary basis which results in the interest expense of the taxpayer and the interest income of the related member being offset or eliminated; Has a net operating loss; or Pays tax on a basis other than net income including, but not limited to, a gross receipts tax, capital base tax, or a business and occupational tax. <p>If claiming this exception for transactions with more than one related member, complete this schedule for each related member and enter the total for all related members on Part II A, Line 1.</p>			
1.	Amount of deductible interest claimed by taxpayer and paid to a related member	1.	00
2.	Enter the taxable income of the related member in this state or in another state	2.	00
3.	Enter the tax paid by the related member in this state or in another state	3.	00
4.	Divide Line 3 by Line 2	4.	.
5.	Exception Amount. If Line 4 is equal to or greater than 4.5% (.045), enter the amount from Line 1 here and on Part II A, Line 1. Otherwise enter "0"	5.	00

Schedule B - Exception for Certain Related Members That are Insurance Companies

1.	Is the related member that received the interest income a company subject to tax under Chapter 207 of the Connecticut General Statutes?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	Is the related member that received the interest income a company subject to a tax in another state that is comparable to the tax under Chapter 207 of the Connecticut General Statutes?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>If the answer to either of the above questions is "Yes," complete the following schedule. If the answer to both questions is "No," the taxpayer does not qualify for this exception.</p>			

	Name of Related Member	FEIN	State in Which Taxes Were Paid	Amount Deducted
1.				00
2.				00
3.				00
4.				00
5.	Total. Enter here and on Part II A, Line 2.			00

Schedule C - Exception for Interest Paid to Related Members Subject to Tax in Foreign Nations

Was any interest paid, accrued, or incurred to a related member in a foreign nation which has in force a comprehensive income tax treaty with the United States?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If the answer to the above question is "Yes," complete the following schedule. If the answer to the above question is "No," the taxpayer does not qualify for this exception.		

1.	Name of Related Member	Name of Foreign Nation	Description of Treaty	Amount Deducted
				00
				00
				00
				00
5.	Total. Enter here and on Part II A, Line 3.			00

PART IV - UNITARY ELECTION

If a taxpayer is subject to the interest expenses add back, the taxpayer may elect to calculate its tax on a unitary basis including all members of the unitary group, provided the taxpayer clearly establishes that there are substantial intercorporate business transactions among the included corporations. The election to file on a unitary basis shall be irrevocable for and applicable for five successive income years.

Does the taxpayer file on a unitary basis in another state?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If the answer to the above question is "Yes," are all the same companies that are filing on a unitary basis in another state included in the Connecticut Form CT-1120U , <i>Unitary Corporation Business Tax Return</i> ?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If "Yes," the taxpayer may elect to file on a unitary basis subject to the following:

- The unitary group must file on **Form CT-1120U**, located on the DRS Web site;
- The unitary group must use a three factor apportionment formula consisting of property, payroll, and double weighted gross receipts under Conn. Gen. Stat. §12-218(c);
- Each corporation included in the unitary group is subject to the \$250 minimum tax;
- The unitary group is subject to the 25% (.25) surtax. The surtax does not apply to the \$250 minimum tax;
- The unitary group may not use net operating losses that have been carried forward. Only losses incurred by the unitary group in the first year of the unitary election (and thereafter) can be used on the unitary return;
- The unitary group may not use credits that have been carried forward. Only credits earned by the unitary group in the first year of the unitary election (and thereafter) can be used on the unitary return;
- The unitary group must complete **Form CT-1120Q**, *Connecticut Corporate Unitary Questionnaire*, located on the DRS Web site. The questionnaire must be attached to **Form CT-1120U**; and
- The election to file on a unitary basis is irrevocable for five successive income years.

PART V - INTANGIBLE EXPENSES AND COSTS WITH A RELATED MEMBER

<p>1. Did the taxpayer deduct intangible expenses and costs in connection with a transaction with a related member involving:</p> <p>a) The direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;</p> <p>b) Factoring transactions or discounting transactions;</p> <p>c) Royalty, patents, technical and copyright fees; or</p> <p>d) Licensing fees?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> No <input type="checkbox"/> No <input type="checkbox"/> No
2. Did the taxpayer deduct directly or indirectly, interest expenses and costs in connection with a transaction with a related member that involved the direct or indirect acquisition, maintenance, management, ownership, sale, exchange, or disposition of intangible property?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If the answer to any of the above questions is "Yes," the total expenses must be added back and reported on Part I B, Line 1; and **Form CT-1120**, *Schedule D*, Line 5.

Schedule A

1.	Did the related member during the same income year directly or indirectly pay the amount deducted to an unrelated third-party?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.	Did the taxpayer and the Commissioner agree in writing that the taxpayer did not have to add back expenses?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If the answer to either of the above questions is "Yes," complete the schedule below:

	Name of Related Member	FEIN	Amount Deducted
1.			00
2.			00
3.			00
4.			00
5.	Total. Enter here and on Part II B, Line 1.....		00