

# 2012

## FORM CT-1065/ CT-1120SI

# Connecticut Composite Income Tax

## Return and Instructions

This booklet  
contains:

- Form CT-1065/  
CT-1120SI
- Form CT-1065/  
CT-1120SI EXT
- Schedule CT K-1
- Form CT K-1T
- Form CT-1065/  
CT-1120SI  
Supplemental  
Attachment

Tax information is  
available on the DRS  
website at  
[www.ct.gov/DRS](http://www.ct.gov/DRS)



### Direct Deposit

Choose **direct deposit** for your  
Connecticut income tax refund.

For more information, see *Direct Deposit*, on Page 14.

More Department of Revenue Services (DRS) tax information is listed on the back cover.

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## What's New

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### Job Expansion Tax Credit

Beginning on or after January 1, 2012, a taxpayer may be allowed a credit for each new qualifying employee or veteran employee hired on or after January 1, 2012, and prior to January 1, 2014. The credit may be applied against the tax imposed under chapters 207, 208, 212, or 229, but not against the withholding tax liability imposed under §12-707. The credit cannot exceed the amount of tax due. The amount of the credit is:

- \$500 per month for each new employee; **or**
- \$900 per month for each qualifying or veteran employee.

The taxpayer must claim and use the credit in the taxable year in which it is earned and, if eligible, the two immediately succeeding taxable years, provided the new, qualifying or veteran employee is still employed at the close of the taxpayer's taxable year. A credit cannot be claimed for a new, qualifying or veteran employee who is an owner, member or partner in the business, or for a new, qualifying or veteran employee for whom credit is claimed against any tax under another statutory provision. The credit is not refundable and any tax credit not used in the taxable year will expire.

The tax credit may be claimed by the shareholders or partners, if the qualified small business is an S corporation or an entity treated as a partnership for federal income tax purposes. If the taxpayer is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the owner of the limited liability company, provided the owner is a taxpayer subject to Connecticut income tax.

To be eligible to claim the credit, the taxpayer must apply to Department of Economic and Community Development (DECD). DECD must render a written decision within 30 days after the date the application is received. If approved, DECD will issue a certification letter to the taxpayer indicating that the credit will be available to be claimed.

See **Special Notice 2012(6)**, *2012 Legislative Changes Affecting the Income Tax*.

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### Taxpayer's Email Address

DRS is collecting email addresses to expand the agency's opportunities to communicate with taxpayers. Providing the email of the individual DRS should contact relating to tax matters will

allow the agency to send notification of tax changes and programs. However, DRS will never use email to ask for sensitive information, such as your Tax Identification Number. If you ever have questions about an email claiming to be from DRS, contact DRS directly.

See *Tax Information*, on back cover.

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### Manufacturing Reinvestment Account Program

A manufacturing reinvestment account (MRA) program allows manufacturers to set aside money to pay for certain qualifying expenses. After being selected by the DECD, an MRA is a trust created or organized by a manufacturer that has no more than 50 employees. The MRA is held by a Connecticut bank for the benefit of the manufacturer.

For taxable years commencing on or after January 1, 2011, in computing Connecticut adjusted gross income, a taxpayer making a contribution to an MRA, to the extent such contribution is not deductible in determining federal adjusted gross income, is allowed a subtraction modification to his or her federal adjusted gross income for the amount of such contribution.

For taxable years commencing on or after January 1, 2011, in computing Connecticut adjusted gross income, a taxpayer receiving a distribution from an MRA, must add back such distribution to his or her federal adjusted gross income, to the extent not properly includible in gross income for federal income tax purposes.

See **Special Notice 2012(6)**, *2012 Legislative Changes Affecting the Income Tax*.

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### Vocational Rehabilitation Job Creation Tax Credit Expires

The Vocational Rehabilitation Job Creation Tax Credit has expired. You may not claim this credit for taxable year 2012.

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### Alternative Signature Methods

DRS conforms to IRS Notice 2004-54, which provides for alternative preparer signature procedures for federal income tax paper returns that paid practitioners prepare on behalf of their clients. Specifically, income tax return preparers may sign original returns, amended returns, or requests for filing extensions by rubber stamp, mechanical device,

or computer software program. These alternative methods of signing must include either a facsimile of the individual preparer's signature or the individual preparer's printed name.

Income tax return preparers who use alternative methods of signing must provide all of the other preparer information that is required on returns and extensions, such as the name, address, relevant employer identification number, the preparer's individual identification number (social security number or preparer tax identification number), and phone number.

Paid preparers can follow the same procedure with respect to paper Connecticut income tax returns prepared on behalf of their clients. This procedure only applies to preparers' signatures. It does not affect other signature requirements for taxpayers, and does not apply to documents other than tax returns.

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### **Support for Business E-filing**

DRS is supporting the electronic filing of **Form CT-1065/CT-1120SI**, *Connecticut Composite Income Tax Return* for taxable year 2012. Contact your software provider for information on availability. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) for more information.

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### **Disregarded Entities**

If the pass-through entity reports income or loss from a disregarded entity (DE), provide a statement to include the DE's name and federal identification number.

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## Other Taxes For Which the Pass-Through Entity May Be Liable

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The information that follows is a general description of other Connecticut taxes for which a pass-through entity (PE) may be liable. Failure to pay these or any taxes for which the PE is liable may subject the PE to civil and criminal penalties.

### Connecticut Income Tax Withholding

Any PE that maintains an office or transacts business in Connecticut (regardless of the location of the payroll department) and is considered an employer for federal income tax withholding purposes must withhold Connecticut income tax from Connecticut wages as defined in Conn. Agencies Reg. §12-706(b)-1. See **Informational Publication 2013(1)**, *Connecticut Employer's Tax Guide - Circular CT*.

### Business Entity Tax (BET)

The business entity tax (BET) is an annual tax of \$250 imposed on the following business types:

- S corporations (Qualified subchapter S subsidiaries (QSSS) are not liable for the BET.);
- Limited liability companies (LLCs or SMLLCs) that are, for federal income tax purposes, either:
  1. Treated as a partnership, if it has two or more members; **or**
  2. Disregarded as an entity separate from its owner, if it has a single member;
- Limited liability partnerships (LLPs); **and**
- Limited partnerships (LPs).

The BET applies to those business entities listed above if the entities were either:

- Formed under Connecticut law; **or**
- Not formed under Connecticut law but are required to register with or obtain a certificate of authority from the Connecticut Secretary of the State before transacting business in the state (regardless of whether or not the entities have complied with the requirement).

Visit the Department of Revenue Services (DRS) website at [www.ct.gov/bet](http://www.ct.gov/bet) for additional information regarding the BET.

### Connecticut Sales and Use Taxes

A PE may be responsible for filing sales and use tax returns. Sales tax is due if the company sells taxable

goods or services. Use tax is due on the purchase of taxable goods or services from out-of-state retailers or Connecticut retailers who have not collected the sales tax. Both taxes are reported on **Form OS-114**, *Sales and Use Tax Return*.

### Controlling Interest Transfer Taxes

Tax is imposed on the sale or transfer for consideration of a controlling interest in an entity where the entity owns, directly or indirectly, an interest in Connecticut real property. This tax is reported on **Form AU-330**, *Controlling Interest Transfer Taxes*. See **Special Notice 2003(11)**, *Legislation Affecting the Controlling Interest Transfer Tax*.

### Real Estate Conveyance Tax

If a PE transfers real estate in Connecticut, it must complete and file **Form OP-236**, *Real Estate Conveyance Tax Return*, in the town in which the real estate is situated.

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### Registration

Generally, a PE must register with DRS if it is liable for any taxes administered by DRS, such as sales and use taxes and Connecticut income tax withholding. If the PE does not have a Connecticut Tax Registration Number, the PE may register online through the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS). If the PE already has a Connecticut Tax Registration Number, additional taxes for which the PE is liable may be added to the registration online through the **Taxpayer Service Center (TSC)**.

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### Abusive Tax Shelters

Any individual or business entity that fails to disclose participation in an abusive tax shelter designated by the Internal Revenue Service (IRS) as a listed transaction is subject to audit penalties of 75% of the tax deficiency that results from the tax shelter activity. To fulfill the Connecticut disclosure requirement, any taxpayer (individual or entity) that has participated in a listed transaction must file a completed **Form CT-8886**, *Connecticut Listed Transaction Disclosure Statement*, with DRS. Form CT-8886 must be filed for each taxable year for which a taxpayer participates in, or receives a benefit from, a listed transaction.



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## Definitions

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**Pass-through entity (PE)** means a partnership or an S corporation.

**Partnership** means and includes a general partnership, limited partnership, limited liability partnership, publicly traded partnership, limited liability company (LLC) treated as a partnership for federal income tax purposes, or other entity treated as a partnership for federal income tax purposes.

**Parent pass-through entity (parent PE)** is a PE which is a member of another PE. A PE may be both a parent PE (with respect to one or more PEs) and a subsidiary PE (with respect to one or more PEs).

**Subsidiary pass-through entity (subsidiary PE)** is a PE which has at least one member which is itself a PE. A PE may be both a subsidiary PE (with respect to one or more PEs) and a parent PE (with respect to one or more PEs).

**S corporation** means a corporation which is an S corporation for federal income tax purposes.

**Member** means and includes a partner of a partnership, a member of an LLC treated as a partnership for federal income tax purposes, or a shareholder of an S corporation.

**Member's share** means a partner's distributive share of partnership income, gain, loss, or deduction; a

member's distributive share of LLC income, gain, loss, or deduction; or a shareholder's pro-rata share of S corporation income, gain, loss, or deduction.

**Noncorporate member** means each member that is a resident individual, resident trust, resident estate, nonresident individual, nonresident trust, nonresident estate, part-year resident individual, or part-year resident trust.

**Nonresident noncorporate member** means each noncorporate member who is a nonresident individual, nonresident trust, nonresident estate, part-year resident individual, part-year resident trust.

**Resident noncorporate member** means each noncorporate member who is a resident individual, resident trust, or resident estate.

**Corporate member** means each member which is a C corporation for federal income tax purposes, LLC which has elected to be taxed as a C corporation for federal income tax purposes, real estate investment trust, real estate mortgage investment conduit, regulated investment company, individual retirement account described in 26 U.S.C. §408(a), trust described in 26 U.S.C. §401(a), or organization exempt from federal income tax (including organizations described in 26 U.S.C. §501(c) or (d).

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## General Information

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### How to Get Help

Get answers to Connecticut tax questions by visiting the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) or by calling **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) or **860-297-5962** (from anywhere) during business hours. For personal assistance, refer to the back cover for a list of DRS offices. Be sure to bring your completed federal return if applicable.

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### Forms and Publications

Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications anytime.

### Taxpayer Service Center

The **Taxpayer Service Center (TSC)** allows taxpayers to electronically file, pay, and manage state tax responsibilities. DRS encourages Connecticut composite income tax filers to use the **TSC** to electronically file and pay their **Form CT-1065/CT-1120SI, Connecticut Composite Income Tax Return**. The **TSC** is an interactive site that provides a fast, free, accurate, and secure way to file eligible tax returns and pay the tax due or to initiate a payment-only transaction.

Additionally, the **TSC** offers a secure mailbox for information sharing, multi-level access to your account by tax type, the ability to view transactions, and the ability to cancel your electronic payments. The **TSC** also offers an easy way to get answers to most frequently-asked questions and enables taxpayers to send queries for additional information.

## Who Must File

Every PE that does business in Connecticut or has income derived from or connected with sources within Connecticut must file Form CT-1065/CT-1120SI regardless of the amount of its income (loss). The PE must first complete either federal Form 1065, U.S. Return of Partnership Income, or federal Form 1120S, U.S. Income Tax Return for an S corporation. Information on the federal return is needed to complete Form CT-1065/CT-1120SI.

An electing large partnership (ELP) that completes federal Form 1065-B, U.S. Return of Income for Electing Large Partnerships, must still use Form CT-1065/CT-1120SI. Connecticut does not conform to the electing large partnership provisions.

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## Substantial Economic Presence

A partnership, limited liability company treated as a partnership for federal income tax purposes, or S corporation having a substantial economic presence in Connecticut will be deemed to be doing business in Connecticut. A partnership, limited liability company, or S corporation has substantial economic presence in Connecticut if it purposefully directs business toward the state. The purpose can be determined by the frequency, quantity, and systematic nature of its economic contact with Connecticut. See **Informational Publication 2010(29.1)**, *Q & A on Economic Nexus*.

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## Accounting Period and Method of Accounting

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

If a PE's accounting period or method of accounting is changed for federal income tax purposes, the same change must be made for Connecticut income tax purposes.

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## Requirement to Attach Copies of Federal Forms

Taxpayers completing a paper Form CT-1065/CT-1120SI are required to attach a copy of **completed** federal Form 1065, U.S. Return of Partnership Income, or federal Form 1120S, U.S. Income Tax Return for an S Corporation. Do **not** attach copies of federal Schedule K-1 (Form 1065), Partner's

Share of Income, Deductions, Credits, etc., or federal Schedule K-1 (Form 1120S), Shareholders Share of Income, Deductions, Credits, etc.

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## Requirement to Identify Exempt Members

If a subsidiary pass-through entity (PE) is not making complete Connecticut income tax payments on behalf of a parent PE because one or more members of the parent PE are corporate members or resident noncorporate members, the subsidiary PE must attach a statement listing the parent PE's corporate and resident noncorporate members. The statement must include each exempt member's name, Social Security Number (SSN) or Federal Identification Number (FEIN), ownership percentage, and share of income.

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## Disregarded Entities

If the pass-through entity reports income or loss from a disregarded entity (DE), provide a statement to include the DE's name and federal identification number.

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## Special Filing Requirements for Form CT-1040NR/PY

If the member's only income derived from or connected with Connecticut sources is from one or more PEs and each PE is required to make a Connecticut income tax payment on his or her behalf because the member's share of each PE's income derived from or connected with Connecticut sources is \$1,000 or more, the member is **not required** to file **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*. Except as otherwise provided in **Informational Publication 2006(22)**, *Connecticut Income Tax Changes Affecting Pass-Through Entities*, Question 10, with respect to a member's payment obligations, the Connecticut income tax payment made by each PE on the member's behalf satisfies the member's Connecticut income tax filing and payment obligations. If the Connecticut income tax payment made on the member's behalf by a PE exceeds the amount of the member's Connecticut income tax liability, as reported on **Schedule CT K-1**, *Member's Share of Certain Connecticut Items*, Part III, Line 1, issued to the member by the PE, DRS will refund the excess to the PE.



## **A PE Must Provide Schedule CT K-1 to All Members**

A PE must furnish Schedule CT K-1s, to all members on or before the fifteenth day of the fourth month following the close of the taxable year (April 15 for calendar year filers). See *Schedule CT K-1 Instructions* on Page 29.

If the PE requested an extension of time to file Form CT-1065/CT-1120SI by timely filing **Form CT-1065/CT-1120SI EXT**, *Application for Extension of Time to File Connecticut Composite Income Tax Return*, the deadline for furnishing Schedule CT K-1 to members is automatically extended to the fifteenth day of the ninth month following the close of the taxable year (September 15 if the PE's taxable year for federal purposes is the calendar year).

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## **Requirement to Separately Submit Copies of All Schedule CT K-1s Issued**

Copies of all Schedule CT K-1s issued by a PE must be filed with DRS. Schedule CT K-1s should be attached to **Form CT K-1T**, *Transmittal of Schedule CT K-1, Member's Share of Certain Connecticut Items*, and sent separately to DRS. Use Form CT K-1T even if only one paper Schedule CT K-1 is being submitted. **Do not** file Form CT K-1T and Schedule CT K-1s if Form CT-1065/CT-1120SI is electronically filed with DRS. Schedule CT K-1 must still be issued to all members. Do not file Schedule CT K-1s with the composite income tax return. See instructions to Form CT K-1T and Schedule CT K-1.

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## **How Members Report Income**

### **Resident Noncorporate Member**

**If the member is a resident individual**, his or her share of PE income or loss is included in his or her federal adjusted gross income and, therefore, is includable in the federal adjusted gross income reported on the member's **Form CT-1040**, *Connecticut Resident Income Tax Return*. The PE must provide the member with Schedule CT K-1 reporting Connecticut modifications the member must include on Form CT-1040, *Schedule 1*.

**If the member is a resident trust or estate**, its share of PE income or loss is included in its federal taxable income and, therefore, is includable in the federal taxable income reported on the member's

**Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*. The PE must provide the member with a Schedule CT K-1 reporting Connecticut modifications the member must include on Form CT-1041, *Schedule A*.

### **Nonresident Noncorporate Member**

**If the member is a nonresident individual**, his or her share of PE income or loss is included in federal adjusted gross income and, therefore, is includable in the federal adjusted gross income reported on the member's Form CT-1040NR/PY. The PE must provide the member with a Schedule CT K-1 reporting Connecticut modifications the member must include on Form CT-1040NR/PY, *Schedule 1*, and amounts of PE income or loss derived from or connected with Connecticut sources the member must include on **Schedule CT-SI**, *Nonresident or Part-Year Resident Schedule of Income From Connecticut Sources*, assuming the member is required to file Form CT-1040NR/PY.

A member who is a nonresident individual is expressly relieved of the obligation to file his or her own Connecticut income tax return if the member's only Connecticut-sourced income is from one or more PEs and the total is less than \$1,000.

If a nonresident member's Connecticut-sourced income from one or more PEs is not the member's only Connecticut-sourced income, the filing of a composite income tax return by the PE and the making of an income tax payment by the PE on the member's behalf does not excuse the member from the obligation to file his or her own separate Connecticut income tax return.

If a nonresident member's only Connecticut-sourced income is from one or more PEs, the filing of a composite income tax return by each PE and the making of an income tax payment by each PE on the member's behalf fulfills the Connecticut income tax filing and payment requirements otherwise separately imposed on the member by Chapter 229 of the Connecticut General Statutes.

**If the member is a nonresident trust or estate**, its share of PE income or loss is included in federal taxable income and, therefore, is includable in the federal taxable income reported on the member's Form CT-1041. The PE must provide the member with a Schedule CT K-1 reporting Connecticut modifications the member must include on Form

CT-1041, *Schedule A*, and amounts of PE income or loss derived from or connected with Connecticut sources that the member must include on **Schedule CT-1041FA, *Fiduciary Allocation***.

For filing requirements of a nonresident trust or estate, see instructions for **Form CT-1041, *Connecticut Income Tax Return for Trusts and Estates***.

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### **Member That Is Itself a Pass-Through Entity**

If the member is a PE, it is referred to as a parent PE and the PE of which it is a member is referred to as a subsidiary PE. The parent PE's share of the subsidiary PE's income or loss is included in the income or loss reported on the parent PE's federal Form 1065 or federal Form 1120S, as the case may be, and is, therefore, included in the income or loss reported on the parent PE's Form CT-1065/CT-1120SI. The subsidiary PE must furnish a Schedule CT K-1 to the parent PE and report:

- Connecticut modifications that the parent PE must include on Form CT-1065/CT-1120SI, Part V;
- Amounts of the subsidiary PE's income or loss derived from or connected with Connecticut sources that the parent PE must report on its Form CT-1065/CT-1120SI, Part I, *Schedule D*, Column B, and must include on its Form CT-1065/CT-1120SI, Part VI;
- Amounts of income tax credits that the parent PE must include on Form CT-1065/CT-1120SI, Part VII; **and**
- The Connecticut income tax liability that the parent PE must report on its Form CT-1065/CT-1120SI, Part I, *Schedule D*, Column C.

The parent PE must, in turn, provide its members with:

- A Schedule CT K-1 reporting their share of the Connecticut modifications as reported on the parent PE's Form CT-1065/CT-1120SI, Part V;
- Their share of the amounts of the parent PE's income or loss derived from or connected with Connecticut sources as reported on the parent PE's Form CT-1065/CT-1120SI, Part VI;
- Their share of the parent PE's income tax credits as reported on the parent PE's Form CT-1065/CT-1120SI, Part VII; **and**
- Their share of the Connecticut income tax liability paid by the parent PE on behalf of

its members as reported on the parent PE's Form CT-1065/CT-1120SI, Part I, *Schedule B*, Column F.

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### **Composite Payment of Tax**

The PE should not rely or act on a statement made by a member that a Connecticut income tax payment, including estimated Connecticut income tax payments, have been made by the member for the taxable year. The PE must make an annual Connecticut income tax payment on behalf of the member where the following criteria are met regardless of any instructions to the contrary by the member to the PE:

- The member is a nonresident noncorporate member or a PE; **and**
- The member's share of the PE's income derived from or connected with Connecticut sources is \$1,000 or more.

The annual income tax payment that a PE is required to make on behalf of nonresident noncorporate or PE members must be calculated using the highest marginal rate of 6.7%. Interest and penalty will be assessed on the Connecticut income tax payment required to be made but not made by the PE on behalf of a member.

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### **Estimated Payments**

A PE is not required to make estimated Connecticut income tax payments on behalf of its nonresident members.

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### **Domestic Production Activity Deduction**

The domestic production activity deduction allowed under Internal Revenue Code (IRC) §199 is not allowed for Connecticut income tax purposes. See **Special Notice 2009(3), 2009 Legislative Changes Affecting the Income Tax**.

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### **Tax Credits**

The following credits are applicable against the income tax. For more information regarding additional requirements and limitations to these credits, see **Special Notice 2010(3), 2010 Legislative Changes Affecting the Income Tax**; **Special Notice 2012(6), 2012 Legislative Changes Affecting the Income Tax**; or contact the Department of Economic Development (DECD) or Connecticut Innovations Inc.

### **Qualified Small Business Job Creation Tax Credit**

An employer with less than 50 employees in Connecticut may earn a credit equal to \$200 per month for hiring a new employee after May 6, 2010, who resides in Connecticut. The new employee must be hired to fill a full time job during the taxable years beginning on or after January 1, 2010, and before January 1, 2013.

The tax credit may be used against the tax liability under Chapter 229 or against the tax liability under Chapter 207 or 208 of the Connecticut General Statutes, for the taxable year in which the new employee is hired and, if eligible, the two immediately succeeding taxable years. However, this credit cannot be used against the employer's withholding tax liability. Additionally, this credit does not carry forward, is nonrefundable, and if used against an income tax liability imposed under Chapter 229 of the Connecticut General Statutes, is limited by the amount of the tax. The tax credit is not available for a taxable year if the new employee is not employed by the employer at the close of that taxable year. The tax credit is administered by DECD.

### **Job Expansion Tax Credit**

Beginning on or after January 1, 2012, a taxpayer may be allowed a credit for each new qualifying employee or veteran employee hired on or after January 1, 2012, and prior to January 1, 2014. The credit may be applied against the tax imposed under chapters 207, 208, 212, or 229, but not against the withholding tax liability imposed under §12-707. The credit cannot exceed the amount of tax due.

The amount of the credit is:

- \$500 per month for each new employee; **or**
- \$900 per month for each qualifying or veteran employee.

If the taxpayer was issued a certification letter by DECD, prior to January 1, 2013 to receive a qualified small business job creation tax credit, the provisions of the qualified small business job creation tax credit will apply for the duration of the certification.

See **Special Notice 2012(6)**, *2012 Legislative Changes Affecting the Income Tax*.

### **Angel Investor Tax Credit**

This tax credit is available to angel investors making a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business. The credit is applicable to taxable years beginning on or after January 1, 2010. However, tax credits cannot

be reserved for any investments made on or after July 1, 2014.

The allowable credit is 25% of the cash investment, cannot exceed \$250,000, cannot exceed the amount of the income tax imposed under Chapter 229 of the Connecticut General Statutes for the taxable year, and cannot be used against the withholding tax liability imposed by Conn. Gen. Stat. §12-707. The credit must be claimed in the taxable year in which the investment is made. Any tax credit claimed but not applied against the income tax liability may be carried forward for the five immediately succeeding taxable years until the full credit has been applied. The credit is not transferable. The tax credit is administered by Connecticut Innovations, Inc.

### **Claiming the Tax Credits**

These credits may be claimed by the shareholders of an S corporation or the partners of an entity treated as a partnership for federal income tax purposes. The pro-rata share of the credits earned by a pass-through entity (PE) must be reported to each member or partner on Schedule CT K-1. If the entity is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company owner provided the owner is a person subject to Connecticut income tax.

A PE required to make Connecticut income tax payments on behalf of its nonresident noncorporate members, when calculating the required income tax payment, may subtract the nonresident noncorporate members' pro-rata share of any of the credits earned by the PE. See instructions for Form CT-1065/CT-1120SI, Part I, *Schedule B - PE Member Composite Return*, on Page 18 and *Schedule CT K-1 Instructions* on Page 29.

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### **When to File Form CT-1065/CT-1120SI**

Form CT-1065/CT-1120SI is due on or before the fifteenth day of the fourth month following the close of the taxable year (April 15 for calendar year filers).

If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date. The return will meet the timely filed and timely payment rules if the U.S. Postal Service cancellation date, or the date recorded or marked by a designated private delivery service (PDS) using a designated type of service, is on or before the due date. Not all services provided by these designated PDSs qualify.

The following are the designated PDSs and designated types of service at the time of publication:

<b>Federal Express (FedEx)</b> <ul style="list-style-type: none"> <li>• FedEx Priority Overnight</li> <li>• FedEx Standard Overnight</li> <li>• FedEx 2Day</li> <li>• FedEx International Priority</li> <li>• FedEx International First</li> </ul>	<b>United Parcel Service (UPS)</b> <ul style="list-style-type: none"> <li>• UPS Next Day Air</li> <li>• UPS Next Day Air Saver</li> <li>• UPS 2nd Day Air</li> <li>• UPS 2nd Day Air A.M.</li> <li>• UPS Worldwide Express Plus</li> <li>• UPS Worldwide Express</li> </ul>
<b>DHL Express (DHL)</b> <ul style="list-style-type: none"> <li>• DHL Same Day Service</li> </ul>	

This list is subject to change. To verify the names of designated PDSs and designated types of service see **Policy Statement 2012(2)**, *Designated Private Delivery Services and Designated Types of Service*.

If Form CT-1065/CT-1120SI is filed late or all the tax due is not paid with the return, see *Interest and Penalties* on Page 13 to determine if interest and penalty must be reported with this return.

### Extension Request

To get a five-month extension of time to file Form CT-1065/CT-1120SI and the same extension of time to furnish Schedule CT K-1 to its members, the PE must file **Form CT-1065/CT-1120SI EXT**, *Application for Extension of Time to File Connecticut Composite Income Tax Return*, on or before the fifteenth day of the fourth month following the close of the taxable year together with payment of the total tax due. Timely filing this form automatically extends the due date for five months only if federal Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, has been filed with the Internal Revenue Service (IRS). If federal Form 7004 was not filed, a PE may apply for a five-month extension to file Form CT-1065/CT-1120SI only if there is reasonable cause for the request.

Form CT-1065/CT-1120SI EXT extends only the time to file a return. It does not extend the time to pay the amount of income tax due. See *Interest and Penalties* on Page 13.

If a general partner or corporate officer is unable, by reason of illness, absence, or other good cause, to request an extension, any person standing in a close personal or business relationship (including attorneys, accountants, and enrolled agents) to the general partner or corporate officer may sign

the request on his or her behalf and is considered a duly authorized agent for this purpose provided the request states the reasons for a signature other than that of a general partner or corporate officer and the relationship existing between the general partner or corporate officer and the signer.

### Extension Request With Credit or Debit Card Payments

Do not send Form CT-1065/CT-1120SI EXT if payment is made with a credit card (American Express®, Discover®, MasterCard®, or VISA®) or comparable debit card. All credit or debit card payments with extension requests will be accepted by the credit card service provider. However, if your payment is late, DRS will notify you in writing that your extension request is denied. See *Pay by Credit Card or Debit Card* on Page 13.

### Extension of Time to Pay the Tax

A PE making a composite income tax payment may be eligible for a six-month extension of time to pay the tax due if the PE can show that paying the tax on or before the due date will cause undue hardship. The PE may request an extension by filing **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*, on or before the due date of the original return.

Attach Form CT-1127 to the front of Form CT-1065/CT-1120SI or Form CT-1065/CT-1120SI EXT and send it on or before the due date. As evidence of the need for extension, the PE **must** attach:

- A statement of its assets and liabilities;
- An itemized list of its receipts and disbursements for the preceding three months; **and**
- An explanation of why it could not borrow money to pay the tax due.

If an extension of time to pay is granted and the PE pays all the tax due in full by the end of the extension period, a penalty will not be imposed. However, interest will accrue on any unpaid tax from the original due date. The PE should make payments as soon as possible to reduce the interest it would otherwise owe. Write “**2012 Form CT-1065/CT-1120SI**” and the PE’s FEIN on the front of the check. DRS may submit your check to your bank electronically.



## Where to File

### File Electronically

Form CT-1065/CT-1120SI and Form CT-1065/CT-1120SI EXT can be filed electronically through the *TSC*. The *TSC* allows taxpayers to electronically file, pay, and manage state tax responsibilities. Visit [www.ct.gov/TSC](http://www.ct.gov/TSC) to make electronic transactions or administer your tax account online. If you file electronically, you are expected to pay electronically at the time of filing.

### File a Paper Return

Mail paper return **with payment** to:

Department of Revenue Services  
State of Connecticut  
PO Box 5019  
Hartford CT 06102-5019

Mail paper return **without payment** to:

Department of Revenue Services  
State of Connecticut  
PO Box 2967  
Hartford CT 06104-2967

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## Payment Options

### Pay Electronically

Visit [www.ct.gov/TSC](http://www.ct.gov/TSC) to use the *TSC* to make a direct tax payment. After logging into the *TSC*, select the *Make Payment Only* option and choose a tax type from the drop down box. Using this option authorizes DRS to electronically withdraw a payment from your bank account (checking or savings) on a date you select up to the due date. As a reminder, even if you pay electronically you must still file your return by the due date. You must pay the balance due on or before the due date, to avoid penalty and interest.

### Pay by Credit Card or Debit Card

You may elect to pay your tax liability using a credit card (American Express®, Discover®, Master Card® or Visa®) or comparable debit card. A convenience fee will be charged by the service provider. You will be informed of the amount of the fee and may elect to cancel the transaction. At the end of the transaction, you will be given a confirmation number for your records.

There are three ways to pay by credit card or comparable debit card:

- Log in to your account in the *TSC* and select *Make Payment by Credit Card*;

- Visit [www.officialpayments.com](http://www.officialpayments.com) and select *State Payments*; or
- Call Official Payments Corporation toll-free at **800-2PAY-TAX** (800-272-9829) and follow the instructions. You will be asked to enter the Connecticut Jurisdiction Code: 1777.

Your payment will be effective on the date you make the charge.

### Pay by Mail

Make check payable to **Commissioner of Revenue Services**. To ensure payment is applied to your account, write “**2012 Form CT-1065/CT-1120SI**” and the PE’s Federal Employer Identification Number (FEIN) on the front of your check. Be sure to sign your check and paper clip it to the front of your return. Do not send cash. DRS may submit your check to your bank electronically.

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## Interest and Penalties

In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.



### Interest

If the PE does not pay the tax when due, it will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full.

Interest on underpayment or late payment of tax cannot be waived.

### Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of tax is 10% of the tax not paid on or before the original due date of the return. The PE can avoid a penalty for failure to pay the full amount due by the original due date if:

- The PE files Form CT-1127;
- An extension of time to pay is granted; **and**
- The PE pays all the tax due in full by the end of the extension period.

See *Extension of Time to Pay the Tax* on Page 12.

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



### **Penalty for Failure to File**

If the PE does not file its return and the Commissioner of Revenue Services files a return for it, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater.

If the PE is required to file an amended Form CT-1065/CT-1120SI and fails to timely do so, a penalty may be imposed.

### **Penalty for Willful Failure to File or Pay**

If you willfully fail to pay the tax or file a return, you may be fined up to \$1,000 or imprisoned up to one year, or both, in addition to any other penalty.

### **Penalty for 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.

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### **Income Tax Refund**

A member's Connecticut income tax overpayment will be refunded only to the PE.

### **Direct Deposit**

Get the refund faster by filing electronically and choosing **direct deposit**. Complete Lines 8a, 8b, and 8c to have the refund directly deposited into a checking or savings account.

If any of the bank information supplied for direct deposit does not match or the applicable bank account is closed prior to the deposit of the refund, the refund will automatically be mailed.

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### **Offset Against Debts**

If the PE is due a refund, all or part of the overpayment may be used to pay outstanding debts or taxes. The overpayment will be applied in the following order: penalty and interest owed, other taxes owed DRS, or debts to other Connecticut state agencies. Any remaining balance will be refunded to the PE. If the refund is reduced, DRS will mail an explanation for the reduction.

### **Waiver of Penalty**

To make a penalty waiver request, taxpayers must complete and submit **Form DRS-PW, Request for Waiver of Civil Penalty**, to the DRS, Penalty Waiver Unit. Taxpayers may mail Form DRS-PW to the address listed below or fax it to the Penalty Waiver Unit at **860-297-4797**.

Department of Revenue Services  
Penalty Waiver Unit  
PO Box 5089  
Hartford CT 06102-5089

DRS will not consider a penalty waiver request unless it is accompanied by a fully completed and properly executed Form DRS-PW. For detailed information about the penalty waiver process, see **Policy Statement 2010(1), Requests for Waiver of Civil Penalties**.

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### **Recordkeeping**

Keep a copy of the tax return, worksheets used, 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, whichever is later. This information may be needed to prepare future returns or to file amended returns.

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### **Copies of Returns**

A PE can request copies of previously-filed Connecticut tax returns from DRS by completing **LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. Requests are normally processed in three weeks.

## Amended Returns

Check the Amended Return box on the front of Form CT-1065/CT-1120SI to amend a previously-filed Form CT-1065/CT-1120SI. If an amended return is filed to have an overpayment of Connecticut income tax refunded, the overpayment will be refunded to the PE. However, the amended Form CT-1065/CT-1120SI must be filed before the Connecticut statute of limitations expires. Generally, the statute of limitations for refunding any Connecticut income tax overpayment expires three years after the due date of the return, but if a timely request for an extension of time to file a return was filed, the statute of limitations expires three years after the extended due date of the return or three years after the date of filing the return, whichever is earlier. If an amended return is filed to report an underpayment of Connecticut income tax, interest will apply and, if the amended return is not timely filed, a penalty may be imposed. See *Interest and Penalties* on Page 13. An amended Form CT-1065/CT-1120SI must be filed under the following circumstances

<b>1. The IRS or federal courts change or correct the PE's federal income tax return and the change or correction results in the Connecticut income tax being overpaid or underpaid.</b>	File no later than 90 days after the final determination by the IRS or federal courts.
<b>2. The PE files a timely amended federal income tax return and the amendment results in the Connecticut income tax being overpaid or underpaid.</b>	File no later than 90 days after the final determination by the IRS.
<b>3. If neither of the circumstances above apply, but the PE made a mistake or omission on its Form CT-1065/CT-1120SI and the mistake or omission results in the Connecticut income tax being overpaid or underpaid.</b>	File no later than three years after the due date of the return or, if a timely request for an extension of time to file the return was filed, three years after the extended due date of the return or three years after the date of filing the return, whichever is earlier.

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# Form CT-1065/CT-1120SI Instructions

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## Order in Which to Complete Schedules

Complete the schedules for **Form CT-1065/CT-1120SI**, *Connecticut Composite Income Tax Return* in the following order:

- Pass-Through Entity (PE) Information;
- Part I *Schedule C* – Federal Schedule K Information;
- Part I *Schedule D* – Connecticut-Sourced Income From Subsidiary PE(s) if applicable;
- Part II – Allocation and Apportionment of Income if applicable;
- Part III – Place(s) of Business if applicable;
- Part IV – Member Information;
- Part V – Member's Share of Connecticut Modifications;
- Part VI – Connecticut-Sourced Portion of Items From Federal Schedule K-1;
- Part VII – Connecticut Income Tax Credit Summary;
- Part I *Schedule B* – PE Member Composite Return;
- **Schedule CT K-1**, *Member Share of Certain Connecticut Items*;
- Part I *Schedule A* – PE Computation of Composite Tax Due; **and**
- **Form CT K-1T**, *Transmittal of Schedule CT K-1, Member's Share of Certain Connecticut Items*.

Attach a completed copy of federal Form 1065 or federal Form 1120S.

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## Pass-Through Entity Information

Enter the PE's name, address, Federal Identification Number (FEIN), and Connecticut Tax Registration Number.

**Type of PE:** Check the box to indicate type of PE: Electing large partnership (ELP), General partnership (GP), S corporation, Limited liability partnership (LLP), Limited partnership (LP), or Partnership.

**Item A:** Check the appropriate box(es) for an amended return, final return, or short period return. Provide an explanation for each checked box.

**Item B:** Check the change of address box and complete **Form CT-8822**, *Change of Address*, to indicate a change in the PE's physical or mailing address. If the change of address box is checked, you **must** attach a completed Form CT-8822 to Form CT-1065/CT-1120SI.

**Item C:** Enter the total number of resident noncorporate members as of the close of the PE's taxable year. Enter the total number of nonresident noncorporate members as of the close of the PE's taxable year. Include PEs and part-year noncorporate members as nonresidents.

**Item D:** Enter the Business Code Number as reported on federal Form 1065 or the Business Activity Code Number on federal Form 1120S.

**Item E:** Enter the date the PE first began business and the date the PE first began business in Connecticut.

**Item F:** Indicate whether the PE owns, directly or indirectly, an interest in Connecticut real property.

Additionally, if the answer to *Item G* or *Item H* is **Yes**, attach a statement listing all Connecticut real properties owned, including addresses.

**Item G:** Indicate if a controlling interest in the PE was transferred. If the answer is **Yes** and the PE owned, directly or indirectly, Connecticut real property, the transferor(s) is liable for the controlling interest transfer tax. Enter the name and Social Security Number (SSN) or FEIN of the transferor(s), the name of the transferee, and the date of transfer.

**Item H:** Indicate if the PE transferred a controlling interest. If the answer is **Yes**, the PE is liable for the controlling interest transfer tax. Enter the name of the entity in which a controlling interest was transferred and its FEIN, the name of the transferee, and the date of transfer.

See *Controlling Interest Transfer Taxes* on Page 6.

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## Rounding Off to Whole Dollars

You must round off cents to the nearest whole dollar on your return and schedules. If you do not round, DRS will disregard the cents.

Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents and round off **only** the total.

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**Example:** Add two amounts (\$1.29 + \$3.21) to compute the total (\$4.50) to enter on a line. \$4.50 is rounded to \$5.00 and entered on the line.

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## Part I Schedule A – PE Computation of Composite Tax Due

Do not complete Part I, *Schedule A* and *Schedule B*, for members who are:

- Resident noncorporate members; **or**
- Corporate members.

All other members, including members that are PEs, must be included in Part I, *Schedule A* and *Schedule B*. If a subsidiary PE is not making complete Connecticut income tax payments on behalf of a parent PE because one or more members of the parent PE are corporate members or resident noncorporate members, the subsidiary PE must attach a statement listing the parent PE's corporate and resident noncorporate members. The statement must include each member's name, SSN or FEIN, ownership percentage, and share of income.

### Line 1: Total Connecticut-Sourced income included in composite return

Enter the amount from Part I, *Schedule B*, Line 10, Column C.

### Line 2

Multiply Line 1 by 6.7%. The amount computed should equal the amount entered on Part I, *Schedule B*, Line 11, Column D.

### Line 3: Members' credit

Enter the amount from Part I, *Schedule B*, Line 12, Column E.

### Line 4: Tax liability

Subtract Line 3 from Line 2 and enter the result. The amount computed should equal the amount entered on Part I, *Schedule B*, Line 13, Column F.

### Line 5: Payment made with Form CT-1065/CT-1120SI EXT

If **Form CT-1065/CT-1120SI EXT**, *Application for Extension of Time to File Connecticut Composite Income Tax Return*, was filed, enter the amount of tax paid with Form CT-1065/CT-1120SI EXT.

### Line 6: Parent PE only

Enter the amount from Part I, *Schedule D*, Line 10, Column C.

Do **not** enter on Line 5 or Line 6 any amount of Connecticut income tax withholding reported to the PE by a designated withholding agent from:

- **Form CT-592**, *Athlete or Entertainer Withholding Tax Statement*, Part 5, Line 2; **or**

- Federal Form 1099-MISC, Miscellaneous Income, Box 16.

Athlete and entertainer withholding tax cannot be applied to the Connecticut composite income tax return on Form CT-1065/CT-1120SI. Performing entities receiving federal Form 1099-MISC must determine how much of the aggregate income and Connecticut income tax withholding reported on federal Form 1099-MISC is attributable to each member or participant and prepare Form CT-592 for each member or participant accordingly. The individual receiving Form CT-592 must report the income and claim the withholding as it appears on Form CT-592 on his or her Connecticut income tax return. See **Policy Statement 2011(2)**, *Income Tax Withholding for Athletes or Entertainers*.

### Line 7

Add Line 5 and Line 6 and enter the total.

### Line 8: Amount to be Refunded to PE

If Line 7 is more than Line 4, subtract Line 4 from Line 7 and enter the result.

Get the refund faster by choosing direct deposit. Complete lines 8a, 8b, and 8c to have the refund directly deposited into a checking or savings account.

Name of Depositor	Date	No. 101
Street Address		
City, State, Zip Code		
Pay to the Order of	\$	
Name of your Bank		
Street Address		
City, State, Zip Code		
092125789	091 025 025413	0101
↑	↑	
Routing Number	Account Number	

Enter the nine-digit bank routing number and the bank account number in Lines 8b and 8c. The bank routing number is normally the first nine-digit number printed on the check or savings withdrawal slip. The bank account number generally follows the bank routing number. Do not include the check number as part of the account number. Bank account numbers can be up to 17 characters.

If any of the bank information supplied for direct deposit does not match, or the applicable bank account is closed prior to the deposit of the refund, the refund will automatically be mailed.

Federal banking rules require DRS to request information about foreign bank accounts (Line 8d) when the taxpayer requests the direct deposit of a refund into a bank account.

If the refund is to be deposited into a bank outside of the United States, DRS will mail the refund.

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**Income Tax Refund:** A member's Connecticut income tax overpayment will be refunded only to the PE.

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**Line 9: Amount of tax owed**

If Line 4 is more than Line 7, subtract Line 7 from Line 4 and enter the result.

**Line 10: Late payment or late filing penalty**

The penalty for late payment of the tax due is 10% of the amount due. 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 required by law to be filed. However, if a request for extension of time to file a tax return has been granted, no late payment penalty will be imposed if:

- The amount of tax shown to be due on the return, minus the amount of tax paid on or before the due date of the return, equals an amount not greater than 10% of the amount of the tax shown to be due on the return; **and**
- The balance due is remitted with the return on or before the extended due date of the return.

**Line 11: Late payment interest**

If the tax is not paid by the due date, interest is charged at the rate of 1% per month or fraction of a month from the due date until the tax is paid in full.

**Line 12: Balance due with this return**

Add Lines 9 through 11 and enter the total. Pay the balance due with this return. See *Payment Options*, on Page 13.

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**Part I Schedule B – PE Member Composite Return**

See *Composite Payment of Tax* on Page 10.

Do not complete Part I, *Schedule A* and *Schedule B*, for members who are:

- Resident noncorporate members; **or**
- Corporate members.

All other members, including members that are PEs, must be included in Part I, *Schedule A* and *Schedule B*. If the PE filing the return has a member that is a

PE (parent PE) which in turn has exempt members, such as corporate members or resident noncorporate members, and is not making Connecticut income tax payments on all of the parent PE's members' share of total Connecticut-sourced income, then the PE filing the return must attach a statement listing each member's name, SSN or FEIN, ownership percentage, and share of income. If there are more than eight members entered in Part I, *Schedule B*, use **Form CT-1065/CT-1120SI Supplemental Attachment** (included in this booklet) and enter the subtotal on Line 9, Columns C through F.

**Column A: Member Number**

Enter the assigned member number of each nonresident noncorporate member or PE in Part IV.

**Column B: Identification Number**

Enter the FEIN or SSN of members who are nonresident noncorporate members or PEs.

**Column C: Connecticut-Sourced Income**

Enter the member's Connecticut-sourced income. This amount is the total of the amounts entered for the member on Form CT-1065/CT-1120SI, Part VI, Lines 1 through 13. **Federal rules apply** for restrictions in netting only similar characters of income. If a member's Connecticut-sourced income is less than \$1,000, enter "0" for the member. Enter the total for all members on Line 10, Column C, and Part I, *Schedule A*, Line 1.

For nonresident individual and PE members only, deductions that are deemed to be itemized deductions for federal income tax purposes should not be included as part of other deductions in determining Connecticut-sourced income.

**Column D**

Multiply Column C by 6.7% and enter the total for all members on Line 11, Column D.

**Column E: Members' Credit**

Enter the member's amount of credit allowed on the member's behalf. This amount is entered for the member on Schedule CT K-1, Part IV, Line 5, Column B. Enter the total for all members on Line 12, Column E.

**Column F: Tax Liability**

Subtract Column E from Column D and enter the amount for each member. Enter the total for all members on Line 13, Column F.



## Part I Schedule C – Federal Schedule K Information

All PEs must complete this schedule.

Refer to Schedule K of federal Form 1065 or federal Form 1120S for the amounts to enter on Line 1 through Line 13.

### Column A

Enter the amounts from federal Form 1065, Schedule K, or federal Form 1120S, Schedule K.

### Column B

If you are a parent PE, refer to the federal Schedule K-1 issued to you by a subsidiary PE or PEs. Enter in Column B the portion of Column A attributable to the subsidiary PE or PEs. If none of the income (loss) in Column A is from a subsidiary PE or PEs, enter “0.” If reporting amounts from more than one subsidiary PE, attach a statement indicating the income or loss from each PE and enter the sum.

### Column C

Subtract the amount in Column B from the amount in Column A. If the amount in Column B is a loss, add the amount in Column B to the amount in Column A.

If the PE carries on business in Connecticut only, the amounts in Column C represent Connecticut-sourced income (loss) and must be used in Part VI to determine each member’s Connecticut-sourced income (loss).

If the PE carries on business both within and outside Connecticut **and** it maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, those amounts, as disclosed in the books and records, must be used in Part VI to determine each member’s Connecticut-sourced income (loss).

If the PE carries on business both within and outside Connecticut **and** it **does not** maintain books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, the amounts in Column C are multiplied by the apportionment fraction computed in Part II. The apportioned amounts are used in Part VI to determine each member’s Connecticut-sourced income (loss).

### Line 1: Ordinary business income (loss)

**Column A** - Enter the amount of ordinary business income or loss derived from the PE’s trade or business

activities. This is the amount reported on federal Form 1065 or federal Form 1120S, Schedule K, Line 1.

**Column B** - Enter the portion of the Column A amount that is from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is “0,” enter the amount from Column A.

### Line 2: Net rental real estate income (loss)

**Column A** - Enter the net income or loss from rental real estate activities from federal Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation. This is the amount reported on federal Form 1065 or federal Form 1120S, or Schedule K, Line 2.

Attach a statement indicating the kind and location of each property reported on Form 8825.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is “0,” enter the amount from Column A.

### Line 3: Other net rental income (loss)

**Column A** - Enter the net income or loss from rental activities other than those reported on federal Form 8825. This is the amount reported on federal Form 1065 or federal Form 1120S, Schedule K, Line 3. Attach a statement indicating the exact location of each rental activity.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is “0,” enter the amount from Column A.

### Line 4: Guaranteed payments

**Column A** - Enter the amount of guaranteed payments reported on federal Form 1065, Schedule K, Line 4.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is “0,” enter the amount from Column A.

### Line 5: Interest income

**Column A** - Enter the amount of taxable interest income reported on federal Form 1065, Schedule K, Line 5, or federal Form 1120S, Schedule K, Line 4.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 6a: Ordinary dividends**

**Column A** - Enter the amount of taxable ordinary dividends reported on federal Form 1065, Schedule K, Line 6a, or federal Form 1120S, Schedule K, Line 5a.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 6b: Qualified dividends**

**Column A** - Enter the amount of qualified dividends reported on federal Form 1065, Schedule K, Line 6b, or federal Form 1120S, Schedule K, Line 5b.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 7: Royalties**

**Column A** - Enter the amount of royalty income reported on federal Form 1065, Schedule K, Line 7, or federal Form 1120S, Schedule K, Line 6.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 8: Net short-term capital gain (loss)**

**Column A** - Enter the amount of short-term capital gain or loss reported on federal Form 1065, Schedule K, Line 8, or federal Form 1120S, Schedule K, Line 7.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 9a: Net long-term capital gain (loss)**

**Column A** - Enter the amount of long-term capital gain or loss reported on federal Form 1065, Schedule K, Line 9a, or federal Form 1120S, Schedule K, Line 8a.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 9b: Collectibles (28%) gain (loss)**

**Column A** - Enter the amount of collectibles gain or loss reported on federal Form 1065, Schedule K, Line 9b, or federal Form 1120S, Schedule K, Line 8b.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 9c: Unrecaptured section 1250 gain**

**Column A** - Enter the amount of unrecaptured section 1250 gain reported on federal Form 1065, Schedule K, Line 9c, or federal Form 1120S, Schedule K, Line 8c.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 10: Net section 1231 gain (loss)**

**Column A** - Enter the amount of net section 1231 gain or loss reported on federal Form 1065, Schedule K, Line 10, or federal Form 1120S, Schedule K, Line 9.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 11: Other income (loss)**

**Column A** - Enter the amount of other income or loss (not included on Lines 1 through 10 above) reported on federal Form 1065, Schedule K, Line 11, or federal Form 1120S, Schedule K, Line 10. Attach a statement that separately identifies the type and amount of income or loss.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 12: Section 179 deduction**

**Column A** - Enter the amount of section 179 deduction reported on federal Form 1065, Schedule K, Line 12, or federal Form 1120S, Schedule K, Line 11.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

**Line 13: Other deductions**

**Column A** - Enter the other deductions reported on federal Form 1065, Schedule K, Line 13, or federal Form 1120S, Schedule K, Line 12. Attach a statement that separately identifies the type and amount of each deduction.

**Column B** - Enter the portion of the Column A amount from a subsidiary PE(s).

**Column C** - Subtract the amount reported in Column B from the amount reported in Column A. If Column B is "0," enter the amount from Column A.

For nonresident individual and PE members only, deductions that are deemed to be itemized deductions for federal income tax purposes should not be included as part of other deductions in determining Connecticut-sourced income.

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**Part I Schedule D – Connecticut-Sourced Income From Subsidiary PE(s)**

Only parent PEs must complete this schedule.

Refer to the federal Schedule K-1, Shareholder's Share of Income, Deductions, Credits, etc., issued to you by the subsidiary PE for the amount to enter in Column A of this schedule.

Refer to the **Schedule CT K-1, Member's Share of Certain Connecticut Items**, issued to you by the subsidiary PE for the amounts to enter in Column B and Column C of this schedule. The amounts reported in Column B are subject to the passive activity limitations, at-risk limitations, and federal capital loss limitations.

If there are more than eight PEs entered in Part I, *Schedule D*, use Form CT-1065/CT-1120SI Supplemental Attachment, (included in this booklet) and enter the subtotal(s) on Line 9, Columns A, B, and C.

**Name of Subsidiary PE**

Enter the name and the Federal Employer Identification Number (FEIN) of the subsidiary PE.

**Column A: Amount Reported on Federal K-1**

Refer to the federal Schedule K-1 issued to you by the subsidiary PE and enter the sum of the amounts reported on the schedule and included in Part I, *Schedule C*, Column B, for this PE.

**Column B: Amount From Connecticut Sources**

Refer to Part II of the Schedule CT K-1 issued to you by the subsidiary PE and enter the Connecticut-sourced income from the subsidiary PE. Take into account passive activity limitations, at-risk limitations, and federal capital loss limitations. The amount reported in this column represents Connecticut-sourced income.

**Connecticut-sourced income should not be allocated or apportioned using the Form CT-1065/CT-1120SI, Part II, apportionment fraction.** It should be used to complete Part VI to determine each member's Connecticut-sourced income (loss).

**Column C: Connecticut Tax Liability**

Refer to Part III of the Schedule CT K-1 issued to you by the subsidiary PE and enter the Connecticut tax liability as reported by the subsidiary PE on Schedule CT K-1, Part III, Line 1. Add Lines 1 through 9 and enter the total on Line 10, Column C, and on Part I, *Schedule A*, Line 6.

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**Part II – Allocation and Apportionment of Income**

Complete Part II only if **all** of the following apply:

- The PE has at least one member who is a nonresident noncorporate member or a PE;
- The PE carries on business both within and outside Connecticut; **and**
- The PE does not maintain books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources.

The apportionment fraction calculated on Line 8 is used to complete Part VI.

If the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources then those amounts must be used to complete Part VI.

In addition, do not include in Part II any factors that are associated with the rental of real property or gain or loss from the sale, exchange, or other disposition of real property under Conn. Agencies Regs. §12-711(b)-8. Any such income, gain, loss, and deduction derived from or connected with Connecticut sources must be used to complete Part VI.

The apportionment fraction is calculated using only those factors directly related to the PE filing the return. Factors from subsidiary PEs should not be used.

Part II must be completed even if an approved alternative apportionment method under Conn. Agencies Regs. §§12-711(b)-15 and 12-712(d)-1 is used. Attach a detailed explanation of the approved alternative apportionment method used to determine the Connecticut income.

#### **Line 1: Real property owned**

Enter in Column A the average value of all real property, wherever located, owned by the PE. Do not include in Column A the average value of real property rented to others or sold, exchanged, or otherwise disposed of during taxable year. Enter in Column B the average value of real property owned by the PE and located in Connecticut. Do not include in Column B the average value of Connecticut real property rented to others or sold, exchanged, or otherwise disposed of during the taxable year.

To determine the average value of real property owned by the PE, add its fair market value at the beginning and the end of the taxable year and divide the sum by two.

#### **Line 2: Real property rented from others**

Enter in Column A the value of all real property rented from others by the PE, wherever located. Enter in Column B the value of Connecticut real property rented from others by the PE.

The value of real property rented by the PE from others and included on Line 2 is eight times the gross rent payable during the taxable year for which the return is filed.

Gross rent includes:

- Any amount payable for the use or possession of real property, or any part of it, whether designated as a fixed sum of money or as a percentage of sales, profits, or otherwise;
- Any amount payable as additional rent or in lieu of rent such as interest, taxes, insurance, repairs,

or any other amount required to be paid by the terms of a lease or other agreement; **and**

- The yearly amortization applicable to any improvement to real property made by or on behalf of the PE which reverts to the owner or lessor upon termination of a lease or other arrangement.

However, if a building is erected on leased land by or on behalf of the PE, the value of the building is determined in the same manner as if it were owned by the PE.

#### **Line 3: Tangible personal property owned or rented from others**

Enter in Column A the average value of all tangible personal property, wherever located and owned by the PE, and the value of all tangible personal property, wherever located and rented from others by the PE.

Enter in Column B the average value of tangible personal property owned by the PE and located in Connecticut and the value of tangible personal property rented from others by the PE and located in Connecticut.

To determine the average value of tangible personal property owned by the PE, add its book value at the beginning and at the end of the taxable year and divide the sum by two.

To determine the value of tangible personal property rented from others, multiply by eight the gross rents payable during the taxable year for which the return is filed.

#### **Line 4: Property owned or rented from others**

Add Lines 1, 2, and 3 in Column A and Column B. Enter the result on Line 4 in Column A and Column B. On Line 4, divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter on Line 4 in Column C.

If zeros are entered on Line 4 in both Column A and Column B, do not enter any amount in Column C.

#### **Line 5: Employee wages and salaries**

Enter in Column A the total compensation paid to employees during the taxable year in connection with business operations carried on everywhere. Enter in Column B the total compensation paid to employees during the taxable year in connection with business operations carried on in Connecticut. Only enter wages, salaries, and other personal service compensation paid to employees of the PE. Do not include payments to independent contractors,



independent sales agents, etc. The compensation paid for services is in connection with operations carried on in Connecticut if the employee works in or travels out of an office or other place of business located in Connecticut.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter in Column C.

If zeros are entered on Line 5 in both Column A and Column B, do not enter any amount in Column C.

**Line 6: Gross income from sales and services**

Enter in Column A total gross sales made and charges for services performed by the PE or by its employees, agents, agencies, or independent contractors of the PE everywhere. Enter in Column B the portion of total gross sales or charges that represents the sales made or services performed by the PE or by its employees, agents, agencies, or independent contractors of the PE in Connecticut. This includes sales made or services performed by employees, agents, agencies, or independent contractors situated at, connected with, or sent out from offices of the PE (or its agencies) located in Connecticut.

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**Example:** If the sales territory of a salesperson working out of the Connecticut office of the business covers Connecticut, Massachusetts, and Rhode Island, all sales made by the salesperson are allocated to Connecticut and included on Line 6, Column B.

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Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter in Column C.

If zeros are entered on Line 6 in both Column A and Column B, do not enter any amount in Column C.

**Line 7: Total (of percentages)**

Add Lines 4, 5, and 6 in Column C and enter the total on Line 7, Column C.

**Line 8: Apportionment fraction**

Divide Line 7 by three or by the actual number of fractions if less than three. Carry the result to four decimal places and enter on Line 8, Column C. The actual number of fractions is less than 3 if zero was entered on Lines 4, 5, or 6 in both Column A and Column B.

**Part III – Place(s) of Business**

Complete Part III only if the PE carries on business both within and outside Connecticut. List the exact location of each place where the PE carries on business. Briefly describe each place, such as sales office, agency, or factory, and indicate whether the location is rented by the PE or owned by the PE. Briefly describe the activity at the location shown such as storage, administration, manufacturing, etc.

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**Part IV – Member Information**

Complete Part IV for all members.

Assign each member a number and a member type code and list in sequential order. **Each member must be assigned the same “Member #” for Part I, Schedule B, and Parts IV, V, VI, and VII.** Assign numbers to each member in the following order:

	Member Type Code
1. Nonresident or part-year resident individual	NI
2. Nonresident or part-year resident trust	NT
3. Nonresident estate	NE
4. Pass-through entity	PE
5. Resident individual	RI
6. Resident trust	RT
7. Resident estate	RE
8. Corporate member	CM

Use corporate member code for each member which is a: C corporation for federal income tax purposes, LLC which has elected to be taxed as a C corporation for federal income tax purposes, real estate investment trust, real estate mortgage investment conduit, regulated investment company, individual retirement account described in 26 U.S.C. §408(a), trust described in 26 U.S.C. §401(a), or organization exempt from federal income tax (including organizations described in 26 U.S.C. §501(c) or (d).

Enter each member’s name and address, Member Type Code, FEIN or SSN (whichever is applicable), and percentages of profit sharing, loss sharing, and capital ownership. Enter as a decimal and carry to four places.

The PE must use the same member number assigned to a member in Part IV when providing information for that member in other Parts of Form CT-1065/CT-1120SI. The residency status of the member will determine which Part(s) of Form CT-1065/CT-1120SI must be completed for that member.



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**Example 1:** Mary Smith is a resident individual and is identified as Member #15 in Part IV. Mary must also be identified as Member #15 in Part V. However, because Mary is a resident individual, there is no entry in Part I and Part VI for Member #15.

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**Example 2:** X Inc. is a corporate member and is identified as Member #49 in Part IV. Because X Inc. is a C corporation, there is no entry in Part I and Part V for Member #49.

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If there are more than four members, use Form CT-1065/CT-1120SI Supplemental Attachment. The supplemental attachment is included in this booklet.

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### Part V – Member’s Share of Connecticut Modifications

Complete Part V for all noncorporate members or PEs. **Assign each member the same number** for Part I, *Schedule B*, and Parts IV, V, VI, and VII.

Enter each member’s share of Lines 1 through 10.

If there are more than three members, use Form CT-1065/CT-1120SI Supplemental Attachment. Regardless of whether Form CT-1065/CT-1120SI Supplemental Attachment is used, add and enter the totals for all members on Form CT-1065/CT-1120SI, Part V, *Totals for All Members* column.

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#### Additions

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Enter the amount of each member’s share as a positive number.

#### Line 1: Interest on state and local government obligations other than Connecticut

Enter the amount of each member’s share of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which interest income is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

#### Line 2: Mutual fund exempt-interest dividends from non-Connecticut state or municipal government obligations

Enter the amount of each member’s share of exempt-interest dividends received from a mutual fund derived from state and municipal government obligations other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends

are derived from obligations of Connecticut and other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

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**Example:** A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% is added back on this line.

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#### Line 3: Certain deductions relating to income exempt from Connecticut income tax

Enter the amount of each member’s share of the amount deducted for federal income tax purposes for:

- Interest expense on loans used to buy bonds and securities whose interest is exempt from Connecticut income tax;
- Expenses related to income exempt from Connecticut income tax; **and**
- Amortizable bond premium on any bond, the interest from which is exempt from Connecticut income tax.

#### Line 5: Other

Use Line 5 to report the amount of each member’s share of additions to income not listed on Lines 1 through 4. For example, include the amount of each member’s share of:

- Any loss recognized on the sale or exchange of bonds or other obligations of the State of Connecticut or its municipalities;
- The PE’s share of any positive Connecticut fiduciary adjustment received from a trust or estate of which the PE is a beneficiary;
- Any interest or dividend income on federal obligations or securities exempt from federal income tax and which federal law does not exempt from state income taxes;
- Income taxes imposed under Chapter 229 of the Connecticut General Statutes and paid to Connecticut by the PE with a composite return on behalf of nonresident members to the extent deductible by the nonresident members in determining their federal adjusted gross income;
- To the extent deductible in determining federal adjusted gross income, expenses paid for the production or collection of Connecticut tax-exempt income or paid for the management,

conservation, or maintenance of property held for the production of the income; **and**

- Add back the following distributions from an MRA established pursuant to Conn. Gen. Stat. §32-9zz:
  - 50% of any distribution from such MRA used to purchase machinery or equipment for use in Connecticut or manufacturing facilities, as defined in Conn. Gen. Stat. §12-81(72), or for workforce training, development or expansion in Connecticut;
  - 100% of any distribution from such MRA not used to purchase machinery or equipment for use in Connecticut or manufacturing facilities, as defined in Conn. Gen. Stat. §12-81(72), or for workforce training, development or expansion in Connecticut; **and**
  - 100% of any return of money remaining in the MRA at the end of the five-year period after such account's creation or organization, including any interest earned.

See **Special Notice 2012(6)**, *2012 Legislative Changes Affecting the Income Tax*.

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### Subtractions

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Enter the amount of each member's share as a positive number.

#### **Line 6: Interest on U.S. government obligations**

Enter the amount of each member's share of interest income derived from U.S. government obligations, to the extent included in federal adjusted gross income, that federal law prohibits states from taxing, for example, all U.S. government bond interest such as Savings Bonds Series EE and Series HH or U.S. Treasury bills and notes.

Do not enter the amount of interest earned on Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations and this interest is taxed by Connecticut. See **Policy Statement 2005(2)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments, or Municipalities*.

#### **Line 7: Exempt dividends from certain qualifying mutual funds derived from U.S. government obligations**

Enter the amount of each member's share of exempt dividends received from a qualifying mutual fund and derived from U.S. government obligations. A mutual fund is a qualifying fund if, **at the close of each quarter of its taxable year**, at least 50% of the value of its assets consists of U.S. government obligations. The percentage of dividends that are exempt dividends should be reported to the PE by the mutual fund.

Do not enter the amount of income derived from Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations and this income is taxable for Connecticut income tax purposes.

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**Example:** A qualifying mutual fund pays a dividend of \$100. Of the \$100 distribution, 55% is attributable to U.S. Treasury bills and 45% to other investments. The amount reported on Line 7 is \$55.

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#### **Line 8: Certain expenses related to income exempt from federal income tax but subject to Connecticut tax**

Enter the amount of each member's share of interest expense on money borrowed to purchase or carry bonds or securities, whose interest income is subject to Connecticut income tax but exempt from federal income tax, provided this interest was a business expense for the federal taxable year and was not deducted in determining the PE's income.

#### **Line 10: Other**

Report the amount of each member's share of subtractions not listed on Lines 6 through 8. For example, include the amount of each member's share of:

- Any gain recognized on the sale or exchange of bonds or other obligations issued by the State of Connecticut or its municipalities;
- Interest income from federally taxable Connecticut bonds include any Build America Bond tax credit amount if the Build America Bond, as described in section 1531 of the American Recovery and Reinvestment Act of 2009, was issued by the State of Connecticut or a Connecticut political

subdivision, and only to the extent the credit amount is treated as interest includible in gross income for federal income tax purposes.

- The PE's share of any negative Connecticut fiduciary adjustment received from a trust or estate of which the PE is a beneficiary;
- Any refund or credit for the overpayment of income taxes imposed by any state of the United States, a political subdivision of the United States, or the District of Columbia to the extent the amount was included in federal adjusted gross income;
- Business expenses incurred in connection with the income or property held to produce income subject to Connecticut income tax but exempt from federal income tax provided these expenses were not deducted in determining PE income;
- Amortization of bond premium on any bond that provides interest income taxable in Connecticut but exempt from federal income tax provided this amortization was business expense for the taxable year and was not deductible in determining PE income; **and**
- Subtract contributions made to an MRA established pursuant to Conn. Gen. Stat. §32-9zz.

See **Special Notice 2012(6)**, *2012 Legislative Changes Affecting the Income Tax*.

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## **Part VI – Connecticut-Sourced Portion of Items From Federal Schedule K-1, Form 1065, or Form 1120S**

Complete Part VI for all nonresident noncorporate members, and each member that is a PE. Assign each member the same number for Part I, *Schedule B*, and Parts IV, V, VI, and VII.

If there are more than three members, use Form CT-1065/CT-1120SI Supplemental Attachment. Regardless of whether Form CT-1065/CT-1120SI Supplemental Attachment is used, add and enter the totals for all members on Form CT-1065/CT-1120SI Part VI, *Total for All Members* column.

Any PE carrying on business in Connecticut only must combine the amounts reported in Part I, *Schedule C*, Column C, with the income from subsidiary PEs (Part I, *Schedule D*, Column B), if any, to calculate the amount of each member's Connecticut-sourced income (loss) to be reported in Part VI.

Any PE carrying on business both within and outside Connecticut must apportion the amounts reported in Part I, *Schedule C*, Column C, and then combine the apportioned amounts with the income from subsidiary PEs (Part I, *Schedule D*, Column B), if any, to calculate the amount of each member's Connecticut-sourced income (loss) to be reported in Part VI.

If the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, combine the amount disclosed in the books and records with the income from subsidiary PEs (Part I, *Schedule D*, Column B) to calculate the amount of each member's Connecticut-sourced income (loss) reported in Part VI.

The character of the income (loss) for Connecticut income tax purposes must mirror the character of the income (loss) for federal income tax purposes.

The amounts entered on Lines 1 through 13 should also reflect the amount of the member's share of Connecticut modifications as reported on Part V, Lines 1 through 10, to the extent the modifications are derived from or connected with Connecticut sources.

### **Line 1: Ordinary business income (loss)**

Enter the Connecticut portion of each member's share of nonseparately stated income or loss.

A PE that maintains books and records that satisfactorily disclose the portion of its nonseparately stated income or loss derived from or connected with Connecticut sources must enter on Line 1 in the appropriate column the amount of each member's share of that nonseparately stated income or that nonseparately stated loss as determined from those books and records. The portion of the PE's nonseparately stated income or loss derived from or connected with Connecticut sources, as determined from the PE's books and records, is multiplied by the member's share (%) of that income or loss.

A PE that does not maintain books and records that satisfactorily disclose the portion of its nonseparately stated income or loss derived from or connected with Connecticut sources must use the apportionment fraction computed on Part II, Line 8, or an authorized alternative apportionment method to determine the portion of any item derived from or connected with Connecticut sources. Multiply the amount of each member's share of nonseparately stated income or

nonseparately stated loss by the PE's apportionment fraction as reported on Part II, Line 8, and enter the result on Part VI.

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**Example 1:** Assume that a PE, whose nonseparately stated income is entirely derived from its retail business, maintains books and records that satisfactorily disclose the portion of the income derived from or connected with each of its retail stores (including its stores in Connecticut). Assume the PE has nonseparately stated income of \$500,000. Member #1's share of the PE's nonseparately stated income is 10% and the PE's books and records disclose that the portion of its nonseparately stated income derived from or connected with Connecticut sources is \$150,000. The PE must enter \$15,000 ( $\$150,000 \times .10$ ) on Line 1 as the amount of Member #1's share of the PE's nonseparately stated income derived from or connected with Connecticut Sources.

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**Example 2:** The facts are the same as in Example 1 except that the PE does not maintain books and records that satisfactorily disclose the portion of its nonseparately stated income derived from or connected with each of its retail stores. Assume that the PE's apportionment fraction as reported on Part II, Line 8, is 40%. The PE must enter \$20,000 ( $(\$500,000 \times .10) \times .40 = \$20,000$ ) on Line 1 as the amount of Member #1's share of the PE's nonseparately stated income derived from or connected with Connecticut sources.

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**Line 2: Net rental real estate income (loss)**

Enter the Connecticut portion of the amount of the member's share attributable to rental activities (gain or loss). The Connecticut portion of amounts attributable to real property located in Connecticut is 100%. The Connecticut portion of amounts attributable to real property located outside Connecticut is 0%.

**Line 3: Other net rental income (loss)**

Enter the Connecticut portion of the amount of the member's share attributable to rental activities (gain or loss). Unless the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, the Connecticut portion is calculated by multiplying the amount of the member's share of the amount from federal Schedule K-1 by the apportionment fraction on Part II, Line 8.

**Line 4: Guaranteed payments (partnerships and LLCs treated as partnerships only)**

Enter the Connecticut portion of the amount of each member's share of guaranteed payments made to the member. Unless the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, the Connecticut portion

is calculated by multiplying the amount of the member's distributive share of guaranteed payments from federal Form 1065, Schedule K-1, by the apportionment fraction on Part II, Line 8.

**Line 5: Interest income**

Enter the Connecticut portion of the member's share of interest income. Items of income, gain, loss, and deduction derived from or connected with sources within Connecticut do not include items attributable to intangible personal property except to the extent the intangible personal property is employed in a business, trade, profession, or occupation carried on in Connecticut. Unless the PE maintains books and records that satisfactorily disclose the portion of the interest income derived from or connected with Connecticut sources, the Connecticut portion is calculated by multiplying the amount of the member's share of the income from federal Schedule K-1 by the apportionment fraction entered on Part II, Line 8.

**Line 6a: Ordinary dividends**

Enter the Connecticut portion of the member's share of dividend income. Items of income, gain, loss, and deduction derived from or connected with sources within Connecticut do not include items attributable to intangible personal property except to the extent the intangible personal property is employed in a business, trade, profession, or occupation carried on in Connecticut. For example, dividends from stock used as collateral to secure a business loan (for a Connecticut business) would be income from intangible personal property employed in a Connecticut trade or business and therefore would be subject to Connecticut income tax. Unless the PE maintains books and records that satisfactorily disclose the portion of the dividend income derived from or connected with Connecticut sources, calculate the Connecticut portion by multiplying the amount of the member's share of the income from federal Schedule K-1 by the apportionment fraction entered on Part II, Line 8.

**Line 6b: Qualified dividends**

Enter the Connecticut portion of the member's share of qualified dividends from Line 6a above.

**Line 7: Royalties**

Enter the Connecticut portion of the member's share of royalty income. Items of income, gain, loss, and deduction derived from or connected with sources within Connecticut do not include items attributable to intangible personal property except to the extent



the intangible personal property is employed in a business, trade, profession, or occupation carried on in Connecticut. Unless the PE maintains books and records that satisfactorily disclose the portion of the royalties income derived from or connected with Connecticut sources, calculate the Connecticut portion by multiplying the amount of the member's share of the income from federal Schedule K-1 by the apportionment fraction entered on Part II, Line 8.

**Line 8: Net short-term capital gain (loss)**

Enter the Connecticut portion of the member's share of net short-term capital gain (loss). If the amount relates to the sale of rental property located in Connecticut, the capital gain (loss) is 100% sourced to Connecticut. Items of capital gain (loss) attributable to intangible personal property (such as the sale of stock) are not sourced to Connecticut except to the extent the intangible personal property is employed in a business, trade, profession, or occupation carried on in Connecticut.

**Line 9a: Net long-term capital gain (loss)**

Enter the Connecticut portion of the member's share of net long-term capital gain (loss). If the amount relates to the sale of rental property located in Connecticut, the capital gain (loss) is 100% sourced to Connecticut. Items of capital gain (loss) attributable to intangible personal property, such as the sale of stock, are not sourced to Connecticut except to the extent the intangible personal property is employed in a business, trade, profession, or occupation carried on in Connecticut.

**Line 9b: Collectibles (28%) gain (loss)**

Enter the Connecticut portion of the member's share of collectibles gain (loss).

**Line 9c: Unrecaptured section 1250 gain**

Enter the Connecticut portion of the member's share of IRC §1250 gain.

**Line 10: Net section 1231 gain (loss)**

Enter the Connecticut portion of the member's share of gain (loss) under IRC §1231.

The Connecticut portion of amounts attributable to real property located in Connecticut is 100%. The Connecticut portion of amounts attributable to real property located outside Connecticut is 0%.

If the gain (loss) is not attributable to a real property and the PE maintains books and records that

satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, then the Connecticut portion of the member's share of the gain (loss) is calculated by multiplying the amount of the member's share of gain (loss) under IRC §1231 from federal Schedule K-1 by the apportionment fraction on Part II, Line 8.

**Line 11: Other income (loss)**

Enter the Connecticut portion of the member's share of other items of income, gain, loss, or deduction not included on Lines 1 through 10 above. Attach a statement that separately identifies the type and amount of income or loss.

**Line 12: Section 179 deduction**

Enter the Connecticut portion of the member's share of the deduction allowed under IRC §179.

Unless the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, the Connecticut portion is calculated by multiplying the amount of the member's share of the deduction from federal Schedule K-1 by the apportionment fraction on Part II, Line 8.

**Line 13: Other deductions**

Enter the Connecticut portion of the member's share of other deductions not deducted in arriving at ordinary income (loss) from trade or business activities and separately stated on the federal Schedule K-1. For nonresident individual and PE members only, deductions that are deemed to be itemized deductions for federal income tax purposes should not be included as part of other deductions in determining Connecticut-sourced income.

Domestic production activities information, qualified production activity income (QPAI) and W-2 wages amounts reported to a member on federal Schedule K-1 under IRC §199, domestic production activity deduction, should **not** be included on this line.

Unless the PE maintains books and records that satisfactorily disclose the portion of income, gain, loss, or deduction derived from or connected with Connecticut sources, the Connecticut portion is calculated by multiplying the amount of the member's share of the deduction from federal Schedule K-1 by the apportionment fraction on Part II, Line 8.

Attach a statement that separately identifies the type and amount of each deduction.



## Part VII – Connecticut Income Tax Credit Summary

Before completing Part VII, if the PE received a certification letter from the Department of Economic and Community Development (DECD) indicating that the qualified small business job creation tax credit or the job expansion tax credit is available to be claimed, the PE must complete **Form CT-1120 SBJ**, *Small Business Job Creation Tax Credit*, or **Form CT-1120 JET**, *Job Expansion Tax Credit*, or both, to determine the amount of allowable credit.

Include Form CT-1120 SBJ, and Form CT-1120 JET with Form CT-1065/ CT-1120SI, if filing by paper. If filing electronically, keep Form CT-1120 SBJ, and Form CT-1120 JET for your records and send it to DRS upon request.

Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Form CT-1120 SBJ and Form CT-1120 JET.

Complete Part VII for all members. Include the amounts reported on Schedule CT K-1, Part IV, Lines 1 through 4, Column A, issued by a subsidiary PE. Assign each member the same number for Part I, *Schedule B*, and Parts IV, V, VI, and VII.

### Line 1: Qualified small business tax credit

Enter the gross amount of each member's share of the qualified small business tax credit for the current year.

### Line 2: Job expansion tax credit

Enter the gross amount of each member's share of the job expansion tax credit for the current year.

### Line 3: Angel investor tax credit

Enter the gross amount of each member's share of the angel investor tax credit for the current year.

### Line 4: Insurance reinvestment fund tax credit

Enter the gross amount of each member's share of the insurance reinvestment fund tax credit for the current year.

### Line 5: Total credits

Enter the total amount of each member's share of the income tax credits.

## Schedule CT K-1 Instructions

Complete Schedule CT K-1 for each member listed on **Form CT-1065/CT-1120SI**, *Connecticut Composite Income Tax Return*, Part IV, as follows:

If Member Type Code is:	Complete Schedule CT K-1 Parts:
NI	I, II, III, and IV
NT	I, II, III, and IV
NE	I, II, III, and IV
PE	I, II, III, and IV
RI	I, IV
RT	I, IV
RE	I, IV
CM	IV

### Part I – Connecticut Modifications

Transfer entries for that member from Form CT-1065/CT-1120SI, Part V, Lines 1 through 10.

### Part II – Connecticut-Sourced Portion of Items From Federal Schedule K-1 of Form 1065 or Form 1120S

Transfer the amounts attributable to that member from federal Form 1065, Schedule K-1, Lines 1 through 13 or federal Form 1120S, Schedule K-1, Lines 1 through 12 to Column A. Transfer the amounts attributable to that member from Form CT-1065/CT-1120SI, Part VI, Lines 1 through 13 to Column B.

### Part III – Connecticut Income Tax Information

**Line 1:** Transfer the amount of Connecticut income tax liability as reported by the PE for that member on Form CT-1065/CT-1120SI, Part I, *Schedule B*, Column F.

### Part IV – Connecticut Income Tax Credit Summary

Transfer entries for that member from Form CT-1065/CT-1120SI, Part VII, Lines 1 through 5 to Column A. After completing the Income Tax Credit Worksheet, transfer the amount reported for each credit on Column C of the Income Tax Credit Worksheet to Column B.

### Income Tax Credit Worksheet

Transfer the amount of income tax liability as reported by the PE for that member on Form CT-1065/CT-1120SI, Part I, *Schedule B*, Column D to Line 1, Column A.

## Signature

Form CT-1065/CT-1120SI must be signed by a general partner or corporate officer. Provide a telephone number.

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## Paid Preparer Signature

A paid preparer must sign and date Form CT-1065/CT-1120SI. Paid preparers must also enter their Social Security Number (SSN) or Personal Taxpayer Identification Number (PTIN), their firm's Federal Employer Identification Number (FEIN), and their firm's address and telephone number in the spaces provided.

See *Alternative Signature Methods*, on Page 4.

---

## Paid Preparer Authorization

If the PE wishes to authorize DRS to contact the paid preparer who signed the 2012 tax return to discuss it, check the **Yes** box in the signature area of the return. This authorization applies only to the individual whose signature appears in the paid preparer's signature section of the return. It does not apply to the firm, if any, shown in that section.

If the **Yes** box is checked, the PE authorizes DRS to call the paid preparer to answer questions that may arise during the processing of the 2012 Form CT-1065/CT-1120SI. The PE also authorizes the paid preparer to:

- Give DRS any information missing from the return;
- Call DRS for information about processing the PE's return or the status of the PE's refund or payment; **and**
- Respond to certain DRS notices the PE may have shared with the preparer regarding math errors, offsets, and return preparation. The notices will not be sent to the preparer.

The PE is not authorizing the paid preparer to receive any refund check, bind the PE to anything (including additional tax liability), or otherwise represent the PE before DRS. The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (without regard to extensions) for filing the 2013 Connecticut Composite Income Tax Return. This is on or before the fifteenth day of the fourth month following the close of the taxable period.

Keep a copy of this return for the PE's record.



Department of Revenue Services  
 State of Connecticut  
 25 Sigourney Street Ste 2  
 Hartford CT 06106-5032



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Internet	<p align="center"><b>Tax Information</b></p> <p>The <i>TSC</i> includes a comprehensive <i>FAQ</i> database with more than 600 searchable answers. Search by category, tax type, keyword, or phrase.</p>	<p align="center"><b>Forms and Publications</b></p> <p>Connecticut forms and publications may be viewed, downloaded, or printed by visiting <a href="http://www.ct.gov/DRS">www.ct.gov/DRS</a> the DRS website.</p>	Internet								
Phone	<p>For telephone assistance, call our Taxpayer Services Division at <b>800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only); or <b>860-297-5962</b> (from anywhere).</p>	<p><b>800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only) and select <b>Option 2</b>; or <b>860-297-4753</b> (from anywhere).</p>	Phone								
E-Mail	<p>Send routine tax questions to <a href="mailto:drs@po.state.ct.us">drs@po.state.ct.us</a> (do not send account related inquiries). For account-related questions, including bill and refund inquiries, use the <b>Secure Mailbox</b> feature by logging into the DRS electronic <i>TSC</i>.</p>	<p>Email requests, including your name, address (street, city, state, and ZIP code), and the name or number of the tax product to <a href="mailto:ctforms.drs@po.state.ct.us">ctforms.drs@po.state.ct.us</a></p>	E-Mail								
Walk-In	<p>Free personal taxpayer assistance and forms are available by visiting our offices. Walk-in assistance at all DRS locations is available Monday through Friday, 8:30 a.m. to 4:30 p.m.(arrive by 4:00 p.m.). Directions to DRS offices are available using the DRS phone menu or by visiting the DRS website. If you require special accommodations, please advise the DRS representative.</p> <table border="0" style="width:100%; text-align:center;"> <tr> <td><b>Bridgeport</b></td> <td><b>Hartford</b></td> <td><b>Norwich</b></td> <td><b>Waterbury</b></td> </tr> <tr> <td>10 Middle St</td> <td>25 Sigourney St</td> <td>401 West Thames St Building #700</td> <td>55 West Main St Suite 100</td> </tr> </table> <p>All calls are answered at our Customer Service Center in Hartford, not at the local offices.</p>		<b>Bridgeport</b>	<b>Hartford</b>	<b>Norwich</b>	<b>Waterbury</b>	10 Middle St	25 Sigourney St	401 West Thames St Building #700	55 West Main St Suite 100	Walk-In
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10 Middle St	25 Sigourney St	401 West Thames St Building #700	55 West Main St Suite 100								
<p align="center"><b>Federal Tax Information</b></p> <p>For questions about <b>federal taxes</b>, visit <a href="http://www.irs.gov">www.irs.gov</a> or call the Internal Revenue Service (IRS) at 800-829-1040.        To order <b>federal tax forms</b>, call 800-829-3676.</p>		<p align="center"><b>Statewide Services</b></p> <p>Visit the <i>ConneCT</i> website at <a href="http://www.ct.gov">www.ct.gov</a> for information on statewide services and programs.</p>									