

## Calculating Annualized Estimated Corporation Business Tax Installments for S Corporations and Worksheet CT-1120S AE

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**PURPOSE:** To explain an alternate method of calculating installments of estimated Connecticut corporation business tax for S corporations that do not receive income evenly throughout the year (because of a seasonal business or for any other reason). Under the annualized estimated corporation business tax installment method, the required installment for one or more periods may be less than the amount of the installment calculated using the regular installment method.

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**EFFECTIVE DATE:** For income years beginning on or after January 1, 1999.

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**STATUTORY AUTHORITY:** Conn. Gen. Stat. §§12-242d and 12-217 (as amended by 1999 Conn. Pub. Acts 83, §1).

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### WHO SHOULD PAY ESTIMATED CORPORATION BUSINESS TAX?

Every S corporation carrying on business or having the right to carry on business in Connecticut, whose current year's tax liability exceeds \$1,000 after applying corporation business tax credits, must pay estimated tax in four installments, or be subject to interest on the underpayment of estimated tax.

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### WHAT IS MY REQUIRED ANNUAL PAYMENT?

Your required annual payment is the lesser of:

- 90% of the tax (after credits) shown on the Connecticut corporation business tax return for the current taxable year, or if no return is filed, 90% of the tax for such year; or
  - 100% of the tax shown on the Connecticut corporation business tax return for the next preceding income year without regard to credits, if the preceding income year was an income year of twelve months and if the company filed a return for the preceding income year showing a liability for tax.
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### WHEN SHOULD I FILE?

For calendar year filers, the estimated corporation business tax installments are due March 15, June 15, September 15, and December 15. Fiscal year filers should file estimated payments on or before the fifteenth day of the third, sixth, ninth, and twelfth months of the income year. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

**HOW MUCH IS DUE WITH EACH INSTALLMENT?** Generally, an S corporation must pay the required annual payment in four installments as computed on **Forms CT-1120 ESA, ESB, ESC, and ESD**. However, an S corporation that does not receive income evenly throughout the year, because of a seasonal business or for any other reason, may benefit from using the annualized income installment method. The amount due with each payment may vary depending upon the amount of income earned during the period preceding the due date of each installment. One or more payments may be reduced or eliminated for periods in which an S corporation's income is low and larger payments may be required during the remaining periods when its income is higher.

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### HOW DO I CALCULATE THE AMOUNT OF EACH INSTALLMENT USING THE ANNUALIZED ESTIMATED CORPORATION BUSINESS TAX INSTALLMENT METHOD?

To calculate the amount of each installment due using the annualized method, first complete the appropriate column on *Worksheet CT-1120S AE* found on Page 3 of this publication. You must complete one entire column before continuing to the next column. Enter the amount from Line 22 of the appropriate column of the worksheet on Line 5 of **Forms ESA, ESB, ESC, and ESD**.

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### HOW DO I PAY MY ESTIMATED CORPORATION BUSINESS TAX?

Each payment of estimated tax must be accompanied by the appropriate corporation estimated payment coupon, **Form CT-1120 ESA, ESB, ESC, or ESD**. Four preprinted estimated tax payment coupons with instructions will be mailed to S corporations that paid an estimated tax or whose Connecticut corporation business tax liability exceeded \$1,000 in the prior income year. To ensure that the S corporation's payments are properly credited, be sure to use the preprinted coupons. S Corporations that do not receive preprinted estimated coupons should use the estimated coupons included in the Connecticut S corporation business tax instruction book.

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### WHAT HAPPENS IF I UNDERESTIMATE MY CORPORATION BUSINESS TAX?

If the current year's tax is more than \$1,000 and the S corporation does not make timely installments of its required annual payment, it will be charged interest on the underpayment. Interest will accrue on the amount of the underpayment until the earlier of the fifteenth day of the fourth month following the end of the income year, or the date on which the underpayment is paid.

**WILL INTEREST APPLY IF I USE THE ANNUALIZED ESTIMATED CORPORATION BUSINESS TAX METHOD?**

Interest will not apply if the required installments are calculated correctly. Complete *Worksheet CT-1120S AE*, and make the required installment payments (using **Form CT-1120 ESA, ESB, ESC, or ESD**) on or before the due date.

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**MAY I APPLY OVERPAYMENTS IN THE PRIOR YEAR TO THE NEXT YEAR’S ESTIMATED CORPORATION BUSINESS TAX?**

When the corporation’s current year’s return is filed, the S corporation may apply overpayments of Connecticut corporation business tax to the estimated tax for the next succeeding taxable year. The request to apply overpayments to the next year's estimated tax is irrevocable, and the credit is established as of the date of the U.S. Postal Service cancellation mark on the completed return.

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**SPECIAL RULES FOR S CORPORATIONS:** Conn. Gen. Stat. §12-217(c)(2) provides for the phaseout of the S corporation business tax by reducing the percentage of net income subject to the tax.

**Net Income**

To calculate the estimated Connecticut corporation business tax for taxable years beginning in 2000, S corporations should multiply their net income by 30%. For taxable years beginning in 2001, S corporation income is not subject to the Connecticut corporation business tax.

**Credits**

S corporations are eligible for corporation business tax credits to the extent and in the same percentage that net income of the S corporation is subject to the corporation business tax. For the 2000 income year, 30% of the S corporation’s net income is subject to the corporation business tax. Thus, the corporation may claim 30% of the 2000 credits earned (including carryforwards). The remaining 70% may be carried forward or back, if the credit has a carryforward or carryback provision. However, a special rule applies to S corporations claiming a credit under the Neighborhood Assistance Act. Any S corporation with an income year beginning on or after January 1, 1999, but before December 31, 2000, shall be eligible to claim the entire credit available under the Act.

**EFFECT ON OTHER DOCUMENTS:** **Informational Publication 99(13.1)** supersedes **Informational publication 99(13)** which should not be relied upon for income years beginning on or after January 1, 2000.

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**EFFECT OF THIS DOCUMENT:** An Informational Publication is a document that addresses frequently asked questions about a current Department position, policy or practice.

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**RELATED FORMS AND PUBLICATIONS:**

Request the most recent edition of the following forms: **Form CT-1120 ESA, ESB, ESC, and ESD**, *Estimated Corporation Business Tax*.

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**FOR FURTHER INFORMATION:** Please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free from within Connecticut), or
  - **860-297-5962** (from anywhere).
  - **TTY, TDD, and Text Telephone users** only may transmit inquiries 24 hours a day by calling 860-297-4911.
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**FORMS AND PUBLICATIONS:** Forms and publications are available 24 hours a day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS Web site: **www.dr.state.ct.us**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone:** Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2** from a touch-tone phone, or **860-297-4753** (from anywhere).

**Worksheet CT-1120S AE**

**Connecticut S Corporation Business Tax Annualized Estimated Worksheet**

(Keep for your records)

| <b>PART I – ESTIMATED PAYMENT CALCULATION</b> |   | <b>A</b> | <b>First 2 months</b> | <b>B</b> | <b>First 5 months</b> | <b>C</b> | <b>First 8 months</b> | <b>D</b> | <b>First 11 months</b> |
|---|---|----------|-----------------------|----------|-----------------------|----------|-----------------------|----------|------------------------|
| 1   | Enter the Connecticut S corporation net income subject to tax, for each period. (See instructions)                                    |          |                       |          |                       |          |                       |          |                        |
| 2   | Annualization factor.   |          | 6                     |          | 2.4                   |          | 1.5                   |          | 1.09091                |
| 3   | Annualized Connecticut corporation business income. Multiply Line 1 by Line 2.  |          |                       |          |                       |          |                       |          |                        |
| 4   | Phaseout percentage.  |          | .30                   |          | .30                   |          | .30                   |          | .30                    |
| 5   | Multiply Line 3 by Line 4.  |          |                       |          |                       |          |                       |          |                        |
| 6   | Multiply Line 5 by 7.5% (.075).   |          |                       |          |                       |          |                       |          |                        |
| 7   | Corporation business tax credits. (See instructions)  |          |                       |          |                       |          |                       |          |                        |
| 8   | Phaseout percentage.  |          | .30                   |          | .30                   |          | .30                   |          | .30                    |
| 9   | Multiply Line 7 by Line 8. (See instructions)   |          |                       |          |                       |          |                       |          |                        |
| 10  | Total annualized corporation business tax. Subtract Line 9 from Line 6.   |          |                       |          |                       |          |                       |          |                        |
| 11  | Applicable percentages  |          | .27                   |          | .63                   |          | .72                   |          | .90                    |
| 12  | Multiply Line 11 by Line 10.  |          |                       |          |                       |          |                       |          |                        |
| 13  | Add the amounts in all preceding columns of Line 19. (See instructions)   |          |                       |          |                       |          |                       |          |                        |
| 14  | Annualized income installment using net income. Subtract Line 13 from Line 12. (If zero or less, enter 0)                             |          |                       |          |                       |          |                       |          |                        |
| 15  | Enter your required annual payment for the period. (See Part II)  |          |                       |          |                       |          |                       |          |                        |
| 16  | Enter the amount from Line 18 of the preceding column of this Worksheet.  |          |                       |          |                       |          |                       |          |                        |
| 17  | Add Line 15 and Line 16 and enter here.   |          |                       |          |                       |          |                       |          |                        |
| 18  | If Line 17 is more than Line 14, subtract Line 14 from Line 17 (otherwise enter 0).   |          |                       |          |                       |          |                       |          |                        |
| 19  | Enter the lesser of Line 14 or Line 17.   |          |                       |          |                       |          |                       |          |                        |
| 20  | Total required installment for the period. Add Line 13 and Line 19.   |          |                       |          |                       |          |                       |          |                        |
| 21  | Estimated tax payments made through the due date for the period.  |          |                       |          |                       |          |                       |          |                        |
| 22  | <b>Estimated tax payment required by the next due date.</b> Subtract Line 21 from Line 20 and enter the result (but not less than 0). |          |                       |          |                       |          |                       |          |                        |

**PART II – COMPUTATION OF REQUIRED ANNUAL PAYMENT (Line 15)**

|    |  |    |  |
|----|--|----|--|
| 23 | Current year's Connecticut corporation business tax due, after credits. (See instructions)                                 | 23 |  |
| 24 | Multiply Line 23 by 90% (.90).   | 24 |  |
| 25 | Prior year's Connecticut corporation business tax, before credits. (See instructions)                                      | 25 |  |
| 26 | Multiply Line 25 by 100% (1.00).   | 26 |  |
| 27 | Required annual payment. (Enter the lesser of Line 24 or Line 26)  | 27 |  |
| 28 | <b>Required annual payment for the first 2 months.</b> Multiply Line 27 by 30% (.30) enter here and on Line 15, Column A.  | 28 |  |
| 29 | <b>Required annual payment for the first 5 months.</b> Multiply Line 27 by 40% (.40) enter here and on Line 15, Column B.  | 29 |  |
| 30 | <b>Required annual payment for the first 8 months.</b> Multiply Line 27 by 10% (.10) enter here and on Line 15, Column C.  | 30 |  |
| 31 | <b>Required annual payment for the first 11 months.</b> Multiply Line 27 by 20% (.20) enter here and on Line 15, Column D. | 31 |  |

# Instructions for Worksheet CT-1120S AE

(Worksheet is located on Page 3)

Before you begin, be sure you have a copy of **Form CT-1120 ESA, ESB, ESC, and ESD**, *Estimated Corporation Business Tax*. All estimated corporation business tax installment payments must be made using these estimated payment coupons.

At the end of each payment period, complete the column on *Worksheet CT-1120S AE* for the period from the beginning of the taxable year through the end of that payment period to calculate how much estimated tax to pay by the payment due date.

## PART I - Estimated Payment Calculation

- Line 1** - Enter the S corporation's Connecticut business income for the period.
- Line 4** - Phaseout percentage. Conn. Gen. Stat. §12-217(c)(2) provides for the phaseout of the S corporation business tax by reducing the percentage of net income subject to the tax.
- Line 6** - The Connecticut corporation business tax rate for 2000 is 7.5% (.075).
- Line 7** - Enter the corporation's estimated allowable Connecticut corporation business tax credits for the year. The credits are based on the annualized income for the period, except for Neighborhood Assistance Tax Credits.
- Line 8** - Phaseout percentage. Conn. Gen. Stat. §12-217(c)(2) provides for the phaseout of the S corporation business tax by reducing the percentage of net income subject to the tax. S corporations are eligible for corporation business tax credits to the extent and in the same percentage that net income of the S corporation is subject to the corporation business tax.
- NOTE:** A special rule applies to S corporations claiming credits under the Neighborhood Assistance Act. Any S corporation with an income year beginning on or after January 1, 1999, but before December 31, 2000, shall be eligible to claim the entire credit available under the Act.
- Line 9** - Multiply the amount on Line 7 by the percentage on Line 8. Add to the sum any available Neighborhood Assistance Act tax credit.
- Line 13** - Do not enter anything in Column A. Enter in Column B the amount from Line 19, Column A. Enter in Column C, the sum of Line 19, Column A, plus Line 19, Column B. Enter in Column D the sum of Line 19, Column A, plus Line 19, Column B, plus Line 19, Column C.
- Line 15** - Enter the appropriate amount of your required annual payment as calculated on Part II of this worksheet.
- Line 16** - Do not enter anything in Column A. Enter in Column B, the amount from Line 18, Column A. Enter in Column C, the amount from Line 18, Column B. Enter in Column D, the amount from Line 18, Column C.
- Line 21** - Include all estimated tax payments through the payment due date for the period. Include overpayments of the prior year's tax applied to the current year. In determining your payment amount, the corporation may apply an overpayment from the preceding income year, but only if the tax return (**Form CT-1120S**) for such preceding income year was filed prior to the due date of the estimated installment payment.
- Line 22** - Subtract Line 21 from Line 20. Enter the result here (but not less than 0) and on **Form CT-1120 ESA, ESB, ESC, or ESD**, Line 5.

## PART II - Computation of Required Annual Payment

- Line 23** - Calculate the current year's S corporation business tax, less credits and without regard to any recapture amount.
- Line 25** - Enter the prior year's S corporation business tax before credits from **Form CT-1120S**, *Schedule C*, Line 3, minus *Schedule C*, Line 1b.
- Line 27** - Enter the lesser of Line 24 or Line 26.
- Line 28** - Multiply the amount on Line 27 by 30% (.30) and enter the result on Line 15, Column A.
- Line 29** - Multiply the amount on Line 27 by 40% (.40) and enter the result on Line 15, Column B.
- Line 30** - Multiply the amount on Line 27 by 10% (.10) and enter the result on Line 15, Column C.
- Line 31** - Multiply the amount on Line 27 by 20% (.20) and enter the result on Line 15, Column D.