



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

Purpose: To explain the two methods for calculating installments of estimated Connecticut corporation business tax.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-242d.

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

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

2. What is the corporation's required annual payment? The corporation's required annual payment is the lesser of:

- 90% of the tax shown on the Connecticut corporation business tax return for the current income year, or if no return is filed, 90% of the tax for the year; **or**
- 100% of the tax shown on the Connecticut corporation business tax return for the previous income year without regard to tax credits, if the previous income year was an income year of 12 months and if the corporation filed a return for the previous income year showing a liability for tax.

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

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

5. How does the corporation calculate the amount of each installment? Under the regular installment method, complete **Forms CT-1120 ESA, ESB, ESC, and ESD**, *Estimated Corporation Business Tax*.

If a corporation establishes that it can use the annualized installment method, it must use *Worksheet CT-1120AE* to determine the amount of estimated tax due with each installment. Enter the amount from Line 19 of the appropriate column of the worksheet on Line 5 of Forms CT-1120 ESA, ESB, ESC, and ESD.

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

7. How does the corporation pay its estimated corporation business tax? The DRS website at www.ct.gov/DRS allows the corporation to use the **Taxpayer Service Center (TSC)** to file Forms CT-1120 ESA, ESB, ESC, and ESD and pay the tax due. Visit the DRS website and select the *File/Register OnLine* option.



DRS requires corporations that paid tax in excess of \$10,000 in the prior year pay the current year liability electronically.

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

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

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

10. Are organizations that are exempt from tax under Internal Revenue Code section 501 but that are subject to tax on unrelated business income required to make estimated tax payments?

Generally, the same rules for calculating installments of estimated tax apply to such organizations. Organizations that are exempt from tax under Internal Revenue Code section 501 and that are subject to tax on unrelated business income attributable to this state must complete **Forms CT-990T ESA, ESB, ESC, and ESD, *Estimated Unrelated Business Income Tax***, and pay the tax due.

Effect on Other Documents: This **Informational Publication 2008(15)** supersedes **Informational Publication 2007(18)** which may no longer be relied upon on or after the issuance date of this publication.

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

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

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

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

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).

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

- **For business returns, tax payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file a variety of tax returns and extensions, as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and click on the *TSC* logo or on *File/Register OnLine* for a complete list of taxes that can be electronically filed and paid.
- **For income tax returns, extensions, estimated payments, and electronic bill payments:** Use the **Taxpayer Service Center (TSC)** to file personal income tax returns and extension, or to make estimated payments and electronic bill payments over the Internet. Visit the DRS website at www.ct.gov/DRS and choose the *TSC* logo or *File/Register OnLine*.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit www.ct.gov/DRS and follow the directions. Subscription services are available for employer’s withholding tax, *TSC-BUS* Online Filing Alerts, News - Press Releases, and Top 100 Delinquency List.

Worksheet CT-1120AE

Connecticut Corporation Business Tax

Annualized Estimated Worksheet

(Keep for your records)

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

Part II – Computation of Required Annual Payment (Line 12)

20. Current year Connecticut corporation business tax due, after credits: See instructions.	20.	
21. Multiply Line 20 by 90% (.90).	21.	
22. Prior year Connecticut corporation business tax, before credits: See instructions.	22.	
23. Multiply Line 22 by 100% (1.00).	23.	
24. Required annual payment: Enter the lesser of Line 21 or Line 23.	24.	
25. Required annual payment for the first 2 months: Multiply Line 24 by 30% (.30). Enter here and on Line 12, Column A.	25.	
26. Required annual payment for the first 5 months: Multiply Line 24 by 40% (.40). Enter here and on Line 12, Column B.	26.	
27. Required annual payment for the first 8 months: Multiply Line 24 by 10% (.10). Enter here and on Line 12, Column C.	27.	
28. Required annual payment for the first 11 months: Multiply Line 24 by 20% (.20). Enter here and on Line 12, Column D.	28.	

Worksheet CT-1120AE Instructions

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

Part I - Estimated Payment Calculation

- Line 1** - Enter the company's Connecticut business income for the period.
- Line 3** - Multiply Line 1 by Line 2.
- Line 4** - The Connecticut corporation business tax rate is 7.5%. Multiply Line 3 by 7.5%.
- Line 5** - *Reserved for future use*
- Line 6** - Enter the company's estimated allowable Connecticut corporation business tax credits for the year. The credits are based on the annualized income for the period.
- Line 10** - Do not enter anything in Column A. Enter in Column B the amount from Line 16, Column A. Enter in Column C the sum of Line 16, Column A, plus Line 16, Column B. Enter in Column D the sum of Line 16, Column A, plus Line 16, Column B, plus Line 16, Column C.
- Line 12** - Enter the appropriate amount of the required annual payment as calculated in Part II of this worksheet.
- Line 18** - Include all estimated tax payments through the payment due date for the period. Include overpayments of the prior year tax applied to the current year. In determining the payment amount, the company may apply an overpayment from the previous income year, but only if the tax return (**Form CT-1120, Corporation Business Tax Return; Form CT-1120U, Unitary Corporation Business Tax Return; Form CT-1120CR, Combined Corporation Business Tax Return; or Form CT-990T, Connecticut Unrelated Business Income Tax Return**) for the previous income year was filed prior to the due date of the estimated installment payment.
- Line 19** - Subtract Line 18 from Line 17. Enter the result (but not less than "0") here and on Line 5 of either Form CT-1120 ESA, ESB, ESC, and ESD or Form CT-990T ESA, ESB, ESC, and ESD.

Part II - Computation of Required Annual Payment

- Line 20** - Calculate the current year corporation business tax due after the application of credits and without regard to any recapture amount.
- Line 21** - Multiply the amount on Line 20 by 90%.
- Line 22** - Enter the prior year corporation business tax before credits from the prior year **Form CT-1120, Schedule C, Line 1, minus Schedule C, Line 1c; the prior year Form CT-1120U, Schedule C, Line 1, minus Schedule C, Line 1c; the prior year Form CT-1120CR, Part IV, Line 7, minus Part IV, Line 4; or the prior year Form CT-990T, Computation of Amount Payable, Line 3.**
- Line 23** - Multiply the amount on Line 22 by 100%.
- Line 24** - Enter the lesser of Line 21 or Line 23.
- Line 25** - Multiply the amount on Line 24 by 30%. Enter the result on Line 12, Column A.
- Line 26** - Multiply the amount on Line 24 by 40%. Enter the result on Line 12, Column B.
- Line 27** - Multiply the amount on Line 24 by 10%. Enter the result on Line 12, Column C.
- Line 28** - Multiply the amount on Line 24 by 20%. Enter the result on Line 12, Column D.