

Connecticut Tax News

quarterly

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A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From the Commissioner *Gene Gavin*

The Future is Here!

As we say good-bye to a year of successes, we at DRS are looking forward to taking yet more giant steps toward easing the burden of state tax reporting for our customers. Streamlining our tax processes has been a continuing priority throughout my six year tenure. Telefiling and personal computer e-filing have made this a



reality for Connecticut individual income taxpayers. In the 2001 filing season, more taxpayers than ever before will be able to

take advantage of these fast, easy, and accurate filing methods because we are providing personal identification numbers (PINs) to all who filed in 1999. Direct deposit of refunds has shortened the payment of refund checks even beyond Connecticut's record four-day turnaround. The introduction of direct payment of taxes this year adds yet another payment choice for the one out of three taxpayers who do have an amount due at filing time. (Read about our expanded options in articles throughout this issue.)



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Changes to the 2000 Connecticut Tax Booklets

The 2000 Connecticut tax booklets will soon be mailed to taxpayers and made available on the DRS Web site (www.drs.state.ct.us), at DRS's walk-in offices, in post offices, at Connecticut town halls, and at many banks.

The CT-1040EZ booklet was not issued for 2000. It is replaced by the **2000 Telefile/CT-1040EZ Tax Booklet**, that allows taxpayers to file by phone or paper. (See *Telefile 2000*, on Page 2.)

Important changes are identified in the front pages of each tax booklet. Summaries of some of these begin on Page 4. ►

DRS Expects New Options to Increase the Use of Electronic Filing Program

Did you know that DRS accepted over 208,000 returns electronically through the Federal/State Electronic Filing (*e-file*) program? This was a 42% increase over the prior year!

e-file is a "one-stop filing" program between the Internal Revenue Service (IRS) and the State of Connecticut. *e-file* enables taxpayers to electronically file both federal and Connecticut income tax returns in a single transmission. This is accomplished through an electronic return originator (ERO), or by the taxpayer, using a personal computer and approved software. Both returns are transmitted to the IRS at the same time, which in turn acknowledges acceptance of the federal return and receipt of the Connecticut data. The IRS then makes the Connecticut return data available for retrieval by authorized DRS personnel who acknowledge the acceptance of the Connecticut tax return.

e-file is not only fast and easy, it is convenient and virtually error free. The tax returns are electronically transmitted so it eliminates the chance of the

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The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

For a long time, we have been aware that filers have felt the onerous burden of completing these tax returns and filing the payments. For our part, these returns account for a large number of filing and math errors, consuming hours of our time to correct.

The good news is that streamlined tax filing will soon be available for sales and business use tax, withholding tax, and room occupancy tax. A target date of May 2001 has been set to launch our first wave of Internet filing and telefiling for taxpayers paying monthly or quarterly sales and use tax, business use tax, quarterly withholding taxes and room occupancy tax. The taxpayer will only have to boot up his or her PC, or pick up a touch-tone telephone to file and remit taxes. Tax returns

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will be streamlined, and remittance of tax amounts will be through electronic funds transfer, which many business taxpayers are already using.

We anticipate that taxpayers will appreciate these new streamlined tax reporting and payment opportunities. In our experience, the error rate of electronic transactions is less than two percent, as compared to reported rates of ten, fifteen, or even higher percents when manual processing takes place. Each error accounts for much time and frustration expended by the taxpayer and by our staff. As the saying goes, "Time is money!" Both are especially precious to a business

owner, and certainly raise the cost of government.

Approximately 20,000 taxpayers will be invited to participate in the 2001 pilot program, although we will be providing full information about the program to almost 165,000 taxpayers registered for these taxes. We want to keep all taxpayers posted on the coming changes in store, so they will be prepared to come on board when these new filing opportunities are available to them. DRS expects to expand Internet filing and telefiling to more taxes as soon as possible.

The DRS goal is to make it easy to voluntarily comply with the tax laws. With these new filing procedures, we are also doing our part to make it less burdensome to be in business in Connecticut.

Connecticut Telefile 2000: Fast, Easy and More Convenient Than Ever

Now Available to More Taxpayers

Telefiling is fast and simple, and tax refunds are issued within four days. No calculations are required. The call takes only minutes to complete. Telefiling is completely confidential.

Refunds may be directly deposited into a taxpayer's savings or checking account. If the taxpayer has a balance due, two payment options are now available. For the first time, DRS is offering the option of direct payment of tax due – which the taxpayer authorizes to be deducted from a savings or checking account. (See details at right.) Also available is payment by credit card.

This year, *all* resident taxpayers have been assigned a Personal Identification Number (PIN), located on the label on the back cover of the booklet. If a PIN is lost, one can also be obtained by calling the Telefile system or contacting DRS. We hope you will encourage your clients to take advantage of this fast and easy way to file their returns. Telefile booklets can be obtained at local post offices, libraries, or by contacting the DRS.

Last year, over 148,000 taxpayers Telefiled – a 50% increase over the previous year. We expect even more significant growth this year.

The Telefiling system is active 24 hours a day, 7 days a week during the filing season (starting January 16, 2001, and ending April 17, 2001). This system has also proved to be cost effective as it eliminates the expense of manually processing paper returns. ^{T_N}

New Direct Payment Option

Beginning with the 2001 filing season, taxpayers who Telefile can elect to pay any balance due directly through a checking or savings account by completing Items 10A, 10B, 10C, and 10D of the Connecticut Telefile Tax Return.

It's easy! A taxpayer just needs to enter the nine-digit routing number and the bank number of their account. The bank routing number is the first nine-digit bracketed number shown on the check or savings withdrawal slip. The bank account number generally follows the bank

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

routing number. Remind your clients not to include the check number as part of the account number. Bank account numbers can be up to 17 digits and must be numeric.

The taxpayer chooses the date to have the amount due withdrawn (but no later than April 17, 2001). Advise your clients to check with their financial institution to be sure that an automatic withdrawal is allowed and to verify the correct routing and account numbers before calling Telefile. ^{T_N}

Connecticut Magnetic Media Filing Requirements Updated

In September, DRS released two new informational publications on magnetic media filing requirements.

Informational Publication

2000(16), *2000 Connecticut*

Magnetic Media Filing

Requirements for Federal Form

W-2, and **Informational**

Publication 2000(17), *2000*

Connecticut Magnetic Media

Filing Requirements for Federal

Forms 1098, 1099-MISC,

1099-R, 1099-S and W-2G.

These explain DRS's magnetic media filing requirements. Both publications are available from the DRS Forms Unit or on the DRS Web site: www.drs.state.ct.us

An employer or payer who is required by the IRS to file copies of federal Forms W-2, W-2G, 1098, 1099-MISC, 1099-R or 1099-S on magnetic media must file these forms on magnetic media with DRS. However, an employer or payer who files 24 or fewer Forms W-2, W-2G, 1098 or 1099 with DRS is excused from the magnetic media filing for that particular type of information return without obtaining a waiver.

There are no technical changes to the magnetic media specifications for record layouts used to report annual wage information or annual informational returns for calendar year 2000.

DRS no longer requires transmitters of magnetic media to submit **Form CT-1096**, *Connecticut Annual Summary and Transmittal of Informational Returns*. However, the transmitter **must** complete **Form CT-4804**, *Transmittal of Informational Returns Reported Magnetically*, and provide all of the information requested.

For nonpayroll informational returns, federal Forms 1099-MISC

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Forms and Package X May be Ordered by Practitioners

The *Practitioner Order Form* for the 2000 filing season, including the order form for the **2000 Connecticut Package X**, is being mailed to those who used this form in prior years. If you are not on our mailing list, contact the Forms Unit at 860-297-4753 to request a *Practitioner Order Form*. Please use this paper form as it has a peel-off label.

DRS does not charge for its forms. As we did last year, we will mail **limited quantities** of forms without charge. Larger orders will be shipped at the practitioner's expense using a prepaid mailing service, or may be picked up (without charge) at our Hartford office. Each practitioner or firm is limited to one bulk order of forms.

2000 Connecticut Package X contains approximately 500 pages, including a complete selection of forms for individual income tax, estates and trusts, partnership income tax, S corporation information and composite income tax, group income tax, withholding tax, gift tax, corporation business tax, sales and use taxes. It also includes all required certificates for making tax exempt purchases. The cost is **\$13.00** (Connecticut sales tax and postage included). *2000 Connecticut Package X* will be available for purchase at 25 Sigourney Street in January for \$8.00 (Connecticut sales tax included). Call DRS to verify availability. ^{T_N}

Attorney Occupational Tax Due January 15, 2001

Any person who has been admitted as an attorney by the judges of the Connecticut Superior Court must annually file **Form 472**, *Attorney Occupational Tax Return*. The return for 2000 is due on or before January 15, 2001, and must be filed regardless of whether the tax is owed. This filing requirement also applies to attorneys who have been admitted on motion and are temporarily permitted to practice law in Connecticut.

The amount of the tax is \$450 for each calendar year. No proration of the tax is allowed, even if the attorney was admitted to practice for less than the entire calendar year or was exempt from the tax for part of the year.

Form 472 is being mailed to all attorneys listed on the roll of attorneys maintained by the Superior Court. If you are an attorney required to file and you do not receive a return before January 1, 2001, contact the DRS Forms Unit at 860-297-4753 (Hartford area or out-of-state), or 1-800-382-9463 (in-state) 24 hours a day and choose **Option 2**. The form may also be downloaded from the DRS Web site at: www.drs.state.ct.us

Failure to receive a return will not excuse an attorney from filing **Form 472** on time. For further information, see **IP 2000(28)**, *Attorney Occupational Tax and Client Security Fund Fee*. ^{T_N}

Extended Telephone Hours for the 2001 Filing Season (Option "0"):

Monday,	January 29	(until 7 p.m.)
Wednesday,	January 31	(until 7 p.m.)
Monday,	February 5	(until 7 p.m.)
Wednesday,	February 7	(until 7 p.m.)

2001 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

Saturday,	April 14	(8:30 a.m. - 12:00 p.m.)
Monday,	April 16	(until 8 p.m.)
Tuesday,	April 17	(until 8 p.m.)

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Form CT-1040, Form CT-1040EZ/Telefile, and Form CT-1040NR/PY**Social Security Number(s) Provided by Taxpayers**

To protect taxpayer confidentiality, the Social Security Number is not preprinted on the label on the back cover of the Connecticut income tax return booklets. Make sure you or your clients clearly print the Social Security Number(s) in the spaces provided next to the name(s) on the Connecticut income tax return.

Limited Power of Attorney

For taxable years beginning on or after January 1, 2000, taxpayers may check a box on their Connecticut income tax return to authorize the DRS to contact the paid preparer who signed the return to correct return processing problems.

If the taxpayer checks the "Yes" box, the taxpayer, and his or her spouse, if filing a joint return, are authorizing DRS to call the paid preparer to answer any questions that may arise during the processing of the return. Once DRS completes processing the return, the authorization ends.

Tax Rate for Single Filers

For taxable years beginning on or after January 1, 2000, the exemptions and credits used in calculating the tax for single filers are being increased over an eight year period.

Definition of a Resident Individual

For taxable years beginning on or after January 1, 2000, the definition of a *resident individual* excludes any individual who was present in a foreign country for at least 450 days during any period of 548 consecutive days and meets certain other requirements during the 548-day period.

Income Taxes Imposed by a Canadian Province

For taxable years beginning on or after January 1, 2000, the subtraction modification for any refund or credit for overpayment of income taxes imposed by a Canadian province, to the extent included in federal adjusted gross income, is repealed.

Due Date to Claim a Refund

Individuals who receive an extension of time to file their Connecticut income tax return for taxable years beginning on or after January 1, 2000, and who later file **Form CT-1040X** to claim a refund, must do so no later than three years after the date on which the Connecticut income tax return is filed, or three years after the extended due date of the Connecticut income tax return, whichever is **earlier**.

Claim of Right Credit

Individuals may claim a credit for income tax paid on income that was included in Connecticut adjusted gross income for an earlier taxable year, and that was repaid during a taxable year beginning on or after January 1, 1999, if the amount of income repaid was greater than \$3,000. See the new **Schedule CT-1040CRC**, *Claim of Right Credit*.

Form CT-1040 and Form CT-1040EZ/Telefile**Property Tax Credit Increased**

The maximum property tax credit is increased to \$500.

Property Tax Credit - Income Tax Threshold Increased for Single Individuals

For taxable years beginning on or after January 1, 2000, the Connecticut adjusted gross income thresholds used to calculate the property tax credit limitations are increasing for single individuals.

Form CT-1040 and Form CT-1040NR/PY**Phaseout of Corporation Business Tax on S Corporations**

For taxable years beginning on or after January 1, 2000, and prior to January 1, 2001, each individual who is a shareholder of an S corporation subject to the Connecticut corporation business tax must include 30% of his or her pro rata share of the S corporation's nonseparately computed income or loss, multiplied by the S corporation's corporation business tax apportionment percentage, in computing *Schedule 1 - Modifications to Federal Adjusted Gross Income* of **Form CT-1040** or **Form CT-1040NR/PY**.

Repeal of Alternative Minimum Tax Credit for Tax Paid to a Canadian Province

The credit for alternative minimum tax imposed by and paid to a Canadian province is repealed for taxable years beginning on or after January 1, 2000.

Holocaust Victim Settlement Payment

For taxable years beginning on or after January 1, 2000, any Holocaust victim settlement payment received by a Holocaust victim, to the extent included in federal adjusted gross income, will be subtracted in computing Connecticut adjusted gross income.

Connecticut Individual Development Account

For taxable years beginning on or after January 1, 2001, any interest earned on funds deposited in a Connecticut individual development account, to the extent included in federal adjusted gross income, shall be subtracted in computing Connecticut adjusted gross income. The funds must be used to pay for the costs of education or job training; the purchase of a new

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home as a primary residence; the participation in or development of a new or existing entrepreneurial activity; the purchase of an automobile for the purpose of obtaining or maintaining employment; or the making of a lease deposit on a primary residence. For more information about the Connecticut Individual Development Account contact the Connecticut Department of Labor at 860-263-6794.

Form CT-1041

New Check Box for "Quick-File"

Form CT-1041 has a new check box for resident estates and full-year resident trusts that meet the requirements to "Quick-File" **Form CT-1041**. The Quick-File option means that the fiduciary is not required to complete *Schedules A, B, C, and FA*.

The fiduciary of a resident estate or full-year resident trust may Quick-File **Form CT-1041** if the trust or estate has **no**:

1. Nonresident beneficiaries;
2. *Schedule A* Connecticut fiduciary adjustments;
3. Connecticut alternative minimum tax; or
4. Adjusted net Connecticut minimum tax credit.

Form CT-1120 and Form CT-1120 S

Tax Rate Decreases

The tax rate continues to be reduced for Connecticut corporation business tax. The Income years and corresponding rates are:

1/1/1999	1/1/2000	8.50%
1/1/2000	-	7.50%

Phaseout of S Corporation Business Tax

Since January 1, 1997, the S corporation business tax has been phased out by reducing the percentage of net income subject to corporation business tax for successive income years. For income years beginning on or after January 1, 2001, S corporations will no longer be subject to the corporation business tax.

S corporation shareholders pay personal income tax on their pro-rata share of Connecticut sourced separately stated income as well as their pro-rata share of nonseparately stated income that is not subject to the corporation business tax when filing **Form CT-1040**, **Form CT-1040NR/PY**, **Form CT-1120SI**, or **Form CT-G**. Income years, corresponding rates, and the percentage of the Connecticut sourced nonseparately computed net income or loss that is subject to the corporation business tax are:

1/1/1999	1/1/2000	55%
1/1/2000	1/1/2001	30%
1/1/2001	-	0%

S Corporations Eligible to Claim Corporation Business Tax Credits

S corporation may be eligible to claim 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 income year credits (including carryforwards). The remaining 70% may be carried backward if the credit so allows.

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 available credit.

An S corporation is also eligible to claim the entire Housing Program Contribution Credit available under Conn. Gen. Stat. §8-395.

Net Operating Loss Carryforward Increased

Net operating losses incurred prior to an income year beginning January 1, 2000, may be carried forward for five successive income years. Net operating losses incurred for income years beginning on or after January 1, 2000, may be carried forward for twenty successive income years.

Single Factor Apportionment Available to "Manufacturers"

For income years beginning on or after January 1, 2001, manufacturers may use a new single factor apportionment formula to apportion their net income to Connecticut based on a ratio of the manufacturer's gross receipts assignable to Connecticut, over total gross receipts whether or not assignable to Connecticut.

Single Factor Apportionment Available to "Broadcasters"

For income years beginning on or after October 1, 2001, broadcasters are allowed to apportion their net income to Connecticut using a single factor formula that apportions net income based on a ratio of the broadcaster's gross receipts from sources assigned to Connecticut, over total gross receipts whether or not assignable to Connecticut.

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CORPORATION BUSINESS TAX CREDITS**1999 and 2000 Changes to Corporation Business Tax Credits**

During the 1999 and 2000 sessions of the Connecticut General Assembly, three new Connecticut business tax credits were created and changes were made to certain existing credits.

New credits that are now available, include:

Historic Homes Rehabilitation

A credit voucher system will be administered by the Connecticut Historical Commission for rehabilitating historic homes or making contributions to qualified rehabilitation projects.

Computer Donation Credit

A credit for the donation of new or used computers, not more than two years old at the time of donation, to a local or regional board of education or a public school.

Urban or Industrial Site Investment Credit

A credit for moneys invested in an "eligible urban reinvestment project" or an "eligible industrial site investment project."

The following credits were modified in 1999 or 2000:

- Donation of Open Space Land*
- Credit for Fixed Capital Investment*
- Credit for Human Capital Investment*
- Neighborhood Assistance Act Tax Credit*
- Housing Program Contribution*
- Research and Experimental Expenditures Credit*
- Research and Development Expenditures Credit*
- Exchange of Research and Development Tax Credits*
- Insurance Reinvestment Fund Credit*
- Hiring Incentive Tax Credit (formerly Opportunity Certificate Credit)*

All new corporation business tax credits and changes to existing corporation business tax credits enacted during 1999 and 2000 sessions of the Connecticut General Assembly are described in **Special Notice 2000(15), Connecticut Corporation Business Tax Credits, 1999-2000 Update**. All other current credits are described in **Informational Publication 95(2.1), Guide to Connecticut Corporation Business Tax Credits**. ^{T_N}

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return being lost or delayed in the mail. Most refunds are issued within four days of acknowledgment and direct deposit of a refund is available.

DRS has eliminated the need for the ERO to submit a separate application to participate in this year's *e-file* program. Therefore, once the IRS accepts the ERO, the DRS also accepts the ERO.

For taxable year 2000, DRS has instituted a major change in the signature process.

If the taxpayer elects to use the IRS's self-selected PIN for *e-file*, and the IRS accepts it, DRS will also accept it as the Connecticut signature. By adopting this PIN alternative, DRS has



effectively removed the need for the **Form CT-8453, Income Tax Declaration for Electronic Filing by Individuals**. Electronic Return Originators (EROs) will be required to retain all the attachments, including W-2 and 1099 forms with Connecticut tax withheld. However, if the taxpayer elects **not** to use the IRS's self-select PIN option, Form CT-8453 will be required. EROs are no longer required to mail Form CT-8453 to DRS, but must retain the completed Form CT-8453 with all attachments for a period of three years.

If you need additional information regarding the State's *e-file* program, including the 2000 Connecticut Handbook, visit our web site at: www.drs.state.ct.us ^{T_N}

DRS Recognizes H&R Block as Outstanding ERO

On October 27, 2000, DRS hosted practitioners who participate in the Electronic Filing Program. H&R Block was recognized as the outstanding Electronic Return Originator (ERO) for tax year 1999. H&R Block has been *e-filing* Connecticut returns for its clients since the programs inception in 1994 and in 1999 filed over 100,000 Connecticut returns.



Pictured l to r are: Steve Mosier, H&R Block Franchise Director; Doug Leblanc, H&R Block Hartford District Manager; Tina Lawson, DRS Chief of Staff; Jason Purslow, DRS e-file Coordinator; Judy Van Blarcom, H&R Block Southington District Manager; Mark Jurgot, H&R Block Stratford District Manager; Jack Hubert, H&R Block Danbury District Manager; Michael Kinsley, IRS e-file Coordinator; Laura Gilmore, H&R Block New Haven District Manager

New Withholding Tax Tables for Single Individuals Out Soon

For taxable years beginning on or after January 1, 2000, the Connecticut income tax rates imposed on the income of individuals who checked category "F" on **Form CT-W4** and who will file Connecticut income tax returns as single individuals are being reduced over an eight-year period.

This month (December, 2000), DRS will be issuing an informational publication that will include the 2001 withholding tax tables and the personal exemptions and credits effective January 1, 2001, for individuals who checked category "F" on **Form CT-W4**.

When calculating the withholding tax for single individuals for taxable years beginning on or after January 1, 2001, employers should not rely on the withholding tables (including the exemption and credit tables) found in **IP 2000(11)**, *Connecticut Circular CT – Employers' Tax Guide*. Instead, employers should refer to Column F in the 2001 withholding tax tables, or calculate the tax manually by using Tables A and C (shown below), in conjunction with the withholding calculation rules provided in **IP 2000(11)**.

The withholding tables for individuals who checked Category A, B, C, or D on **Form CT-W4** (revised July, 2000) are unchanged, but will be provided in the informational publication for new employers, or employers who otherwise do not have a copy of **IP 2000 (11)**.

Visit the DRS Website (www.drs.state.ct.us) in mid-December for a copy of the publication mentioned in this article.

SINGLE FILERS ONLY - TABLE A PERSONAL EXEMPTIONS FOR 2001 TAXABLE YEAR			SINGLE FILERS ONLY - TABLE B PERSONAL TAX CREDITS FOR 2001 TAXABLE YEAR					
CONNECTICUT AGI		EXEMPTION	CONNECTICUT AGI		DECIMAL AMOUNT	CONNECTICUT AGI		DECIMAL AMOUNT
More Than	Less Than Or Equal To		More Than	Less Than Or Equal To		More Than	Less Than Or Equal To	
\$ 0	\$25,000	\$ 12,500	\$12,500	\$15,600	.75	\$26,500	\$27,000	.13
\$25,000	\$26,000	\$ 11,500	\$15,600	\$16,100	.70	\$27,000	\$27,500	.12
\$26,000	\$27,000	\$ 10,500	\$16,100	\$16,600	.65	\$27,500	\$28,000	.11
\$27,000	\$28,000	\$ 9,500	\$16,600	\$17,100	.60	\$28,000	\$50,000	.10
\$28,000	\$29,000	\$ 8,500	\$17,100	\$17,600	.55	\$50,000	\$50,500	.09
\$29,000	\$30,000	\$ 7,500	\$17,600	\$18,100	.50	\$50,500	\$51,000	.08
\$30,000	\$31,000	\$ 6,500	\$18,100	\$18,600	.45	\$51,000	\$51,500	.07
\$31,000	\$32,000	\$ 5,500	\$18,600	\$19,100	.40	\$51,500	\$52,000	.06
\$32,000	\$33,000	\$ 4,500	\$19,100	\$20,800	.35	\$52,000	\$52,500	.05
\$33,000	\$34,000	\$ 3,500	\$20,800	\$21,300	.30	\$52,500	\$53,000	.04
\$34,000	\$35,000	\$ 2,500	\$21,300	\$21,800	.25	\$53,000	\$53,500	.03
\$35,000	\$36,000	\$ 1,500	\$21,800	\$22,300	.20	\$53,500	\$54,000	.02
\$36,000	\$37,000	\$ 500	\$22,300	\$26,000	.15	\$54,000	\$54,500	.01
\$37,000	and up	\$ 0	\$26,000	\$26,500	.14	\$54,500	and up	.00

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and W-2G must be filed with DRS, regardless of whether Connecticut income tax was withheld. Federal Forms 1099-S that pertain to Connecticut real estate transactions and federal Forms 1098 for property taxes paid on real estate located in Connecticut and owned by an individual must also be filed with DRS.

Although DRS has been unable to participate in the Fed/State Combined Filing Program in the past, we are currently looking into the possibility of participating in the program for 2001. ^{T_N}

New Forms In 2000 Corporation Business Tax Booklets

Form CT-8822C, *Corporation Business Tax Change of Address*, is used to notify DRS of a change of business address.

Form CT-NAICS is used to determine the six-digit business activity code that best describes the principal business activity of the corporation, in accordance with the *North American Industrial Classification System (NAICS)*, United States Office of Management and Budget, 1997 edition.

Form CT-1120 HIC, *Hiring Incentive Tax Credit*, replaces **Form CT-1120 OC**.

Internet Purchases Subject to Sales and Use Taxes

DRS reminds businesses selling or purchasing taxable goods via the Internet that Connecticut sales and use taxes apply to these transactions. Existing Connecticut laws cover all remote sales transactions, including mail order, TV shopping channels, phone shopping, etc.

Anyone who purchases taxable goods or services for use in Connecticut and does not pay Connecticut sales tax **must** pay the use tax. When a purchase is made and Connecticut sales or use tax is not paid to the retailer, the purchaser must pay use tax directly to DRS. Use tax applies to any purchase of taxable goods or services for use in this state. A business may only use a resale certificate to purchase goods or services that are intended for resale in the regular course of business.

Use tax applies to the purchase or lease of assets such as furniture, equipment, machines, instruments, and computers. It also applies to the purchase of goods such as office supplies, paper, stationery items, certain publications,

packaged software, and books that are used by the business. Goods and services that are used in carrying on a business are being consumed by the business, and the business must report and pay tax on them.

If purchases are made in connection with carrying on a trade, occupation, business or profession and tax is not collected by the seller, the purchaser must register with DRS for business use tax and must report taxable purchases on **Form OS-114, Sales and Use Tax Return**, for the period in which the taxable purchase was made, and pay any tax that is due.

If a business purchases taxable goods for its own use from an Internet company or an out-of-state mail-order company and the retailer does not charge Connecticut tax, the business **must report** the purchase. (In general, the use tax rate for purchases of taxable goods or services is 6% although the tax on computer services, including Internet access services, is being phased out.)



DRS identifies use tax liabilities through periodic audits of businesses registered with Connecticut. In addition, Connecticut also has reciprocal agreements with numerous states. These agreements enable Connecticut and other states to share information on purchases subject to use tax.

The penalty for late payment or underpayment of use tax is 10% of the tax due or \$50, whichever is greater. Interest is charged at the rate of 1% per month or fraction of a month from the due date of the tax return. There are also criminal sanctions for willful failure to file a tax return. ^{T_N}

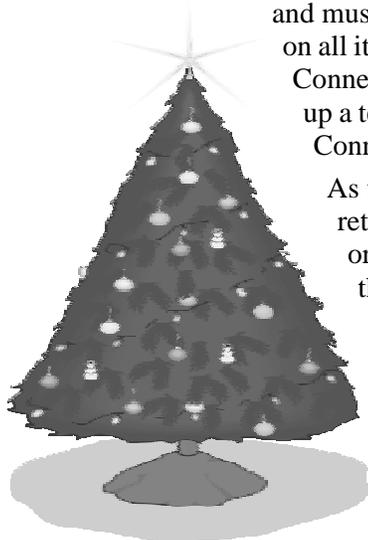
Holiday Items are Taxable

Vendors doing business in Connecticut are reminded that all sellers, including nonresidents, must register for a Connecticut *Sales and Use Tax Permit* and must collect and remit the 6% Connecticut sales tax on all items sold. This includes vendors that come into Connecticut to participate in a craft show or who set up a temporary booth at a shopping mall in Connecticut for the holiday season.

As the holiday season approaches, DRS reminds retailers of Christmas trees (live or cut), wreaths, ornaments, and other similar holiday items that these items are taxable.

This season, as in years past, DRS field agents will be inspecting sites at which sales are made by holiday vendors to ensure compliance. Inspections include, but are not limited to, shopping malls, craft shows, and Christmas tree lots.

Sellers are also reminded that Connecticut law requires all vendors to display the *Sales and Use Tax Permit* prominently at any location where sales are made. ^{T_N}



When Connecticut Income Tax Returns are Due

Connecticut income tax returns are due on or before April 17, 2001. This is unique in 2001 because April 15 is a Sunday and April 16 is observed as the Patriots Day holiday in Massachusetts where the IRS Service Center is located. For fiscal year filers, returns are due on or before the fifteenth day of the fourth month following the close of the taxable year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

Returns 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), is on or before the due date. Not all services provided by these designated PDSs qualify. Only those specific services listed below qualify at this time.

Airborne Express (Airborne):

- Overnight Air Express Service
- Next Afternoon Service
- Second Day Service

DHL Worldwide Express (DHL):

- DHL "Same Day" Service
- DHL USA Overnight

Federal Express (FedEx):

- FedEx Priority Overnight
- FedEx Standard Overnight
- FedEx 2Day

United Parcel Service (UPS):

- UPS Next Day Air
- UPS Next Day Air Saver
- UPS 2nd Day Air
- UPS 2nd Day Air A.M.

This list is subject to change. To verify the names of designated PDSs and qualifying types of service, check the DRS Web site or call DRS. See **Special Notice 99(14), Designated Private Delivery Services**, for more information, including special rules for determining date recorded or marked by a designated PDS. ^{T_N}

DRS Customer Service Award Winners

Beth Geiger and Gary Pescosolido were recently recognized for their outstanding service by Connecticut taxpayers and DRS Commissioner Gene Gavin. They are the most recent recipients of the DRS Customer Service Award. Governor John G. Rowland acknowledged their outstanding ability and dedication to their work at the semi-annual statewide Customer Service Recognition Ceremony held in October.

Ms. Geiger received the award for the quarter ending March 31, 2000. She is a Tax Corrections Examiner from the Operations Division. Mr. Pescosolido received the award for the quarter ending June 30, 2000. He is a Revenue Examiner in the Income Tax Compliance Unit.

During a season that included thousands of phone calls from taxpayers regarding income tax refunds and Rebate '99 checks, Beth continually received letters complementing her efficiency and professionalism. In Governor Rowland's letter, he quoted a taxpayer who wrote of Beth's assistance, "It is people like her that dispel the negative stereotypes many people have of government employees and organizations."

A taxpayer wrote of Mr. Pescosolido that he was pleased with the "customer oriented" approach that was afforded him. Two others noted what a positive experience it was dealing with DRS.

Commissioner Gene Gavin, commented on the Customer Service Award recipients, "Our entire department strives to continually provide excellent customer service. Please join me in congratulating Beth and Gary for their ongoing dedication to the taxpayers of our state." ^{T_N}



Pictured at the semi-annual statewide Customer Service Recognition Ceremony held in October, 2000 are, (l to r) Governor John G. Rowland; Gary Pescosolido; Beth Geiger; and Hans Spalter, Revenue Services Bureau Chief.

Connecticut Tax Calendar

If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

DECEMBER

- 1** Corporation Business Tax for year ending August 2000
S Corporation Business Tax for year ending August 2000
- 15** Unrelated Business Income Tax (Foreign Trusts)
Group Income Tax for year ending August 2000
Fiduciary Income Tax for year ending August 2000
Individual Income Tax for year ending August 2000
S Corporation Information and Composite Income Tax for year ending August 2000
Partnership Income Tax for year ending August 2000
Estimated Corporation Business Tax Payments
Form CT-1120 ESA for year ending September 2001
Form CT-1120 ESB for year ending June 2001
Form CT-1120 ESC for year ending March 2001
Form CT-1120 ESD for year ending December 2000
Estimated Unrelated Business Income Tax
Estimated Insurance Companies Tax Payment, 4th Installment 2000
Estimated Health Care Centers Tax Payment, 4th Installment 2000
Cigarette Vending Machine Tax
- 25** Motor Vehicle Fuels Tax
- 31** Sales and Use Taxes, Monthly Filers
Room Occupancy Tax, Monthly Filers
Admissions and Dues Tax, Monthly Filers
Tourism and Rental Surcharge, Monthly Filers

JANUARY

- 1** Corporation Business Tax for year ending September 2000
S Corporation Business Tax for year ending September 2000
- 15** Unrelated Business Income Tax (Foreign Trusts)
Group Income Tax for year ending September 2000
Fiduciary Income Tax for year ending September 2000
Individual Income Tax for year ending September 2000
S Corporation Information and Composite Income Tax for year ending September 2000
Partnership Income Tax for year ending September 2000
Estimated S Corporation Information and Composite Income Tax Payment 4th Installment 2000
Estimated Connecticut Fiduciary Income Tax Payment, 4th Installment 2000
Estimated Connecticut Group Income Tax Payment, 4th Installment 2000

January 15 (continued)

- Estimated Connecticut Individual Income Tax Payment, 4th Installment 2000
- Estimated Corporation Business Tax Payments
Form CT-1120 ESA for year ending October 2001
Form CT-1120 ESB for year ending July 2001
Form CT-1120 ESC for year ending April 2001
Form CT-1120 ESD for year ending January 2001
- Estimated Unrelated Business Income Tax Payment
- Cigarette Vending Machine Tax
Attorney's Occupational Tax
- 25** Motor Vehicle Fuels Tax Return
Tobacco Products
- 31** Connecticut Quarterly Reconciliation of Withholding, 4th Quarter 2000
Dry Cleaning Surcharge Return
Motor Carrier Road Tax Return
Petroleum Companies Gross Earnings Tax Return
Sales and Use Taxes, Monthly and Quarterly Filers
Room Occupancy Tax, Monthly and Quarterly Filers
Admissions and Dues Tax, Monthly and Quarterly Filers
Tourism and Rental Surcharge, Monthly and Quarterly Filers
Solid Waste Tax
Gas, Electric & Steam Companies Gross Earnings Tax
Seed Oyster Tax

FEBRUARY

- 1** Corporation Business Tax for year ending October 2000
S Corporation Business Tax for year ending October 2000
- 15** Unrelated Business Income Tax (Foreign Trusts)
Group Income Tax for year ending October 2000
Fiduciary Income Tax for year ending October 2000
Individual Income Tax for year ending October 2000
S Corporation Information and Composite Income Tax for year ending October 2000
Partnership Income Tax for year ending October 2000
Estimated Corporation Business Tax Payments
Form CT-1120 ESA for year ending November 2001
Form CT-1120 ESB for year ending August 2001
Form CT-1120 ESC for year ending May 2001
Form CT-1120 ESD for year ending February 2000
Estimated Unrelated Business Income Tax Payment
Cigarette Vending Machine Tax

DRS Tax Product Update

DRS recently issued the following tax products. DRS forms and publications are available any hour of the day, seven days a week, by visiting the **DRS Web site** at **www.drs.state.ct.us** or by calling **DRS TaxFax** at **860-297-5698** from the handset attached to your fax machine.

Forms and publications can be ordered by **e-mail** at **ctforms.drs@po.state.ct.us**, or by calling **CONN-TAX**, the DRS information line. Call **1-800-382-9463** (toll-free from within Connecticut) and select **Option 2**, or **860-297-4753** (from anywhere) 24 hours a day, to order forms and publications.

ANNOUNCEMENTS

AN 2000(7), Form OP-161 Revised September 2000

AN 2000(5), List of Registered Gas Marketers

AN 2000(2.3), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes

INFORMATIONAL PUBLICATIONS

IP 2000(28), Attorney Occupational Tax and Client Security Fund Fee

IP 2000(25), Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax

IP 2000(24), Q&A on Sales and Use Taxes for a New Business

IP 2000(20), Connecticut Tax Tips for Senior Citizens

IP 2000(6.3), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2000(5.3), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2000(4.3), Numerical Index to Rulings and Administrative Pronouncements as Affected, if at all, by Later-Issued Rulings and Pronouncements

IP 2000(3.3), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2000(2.3), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

SPECIAL NOTICES

SN 2000(16), Special Reporting Requirement for Cigarette Stammers and Tobacco Products Distributors

February (continued)

- 25 Motor Vehicle Fuels Tax
- 28 Sales and Use Taxes, Monthly Filers
 - Room Occupancy Tax, Monthly Filers
 - Admissions and Dues Tax, Monthly Filers
 - Tourism and Rental Surcharge, Monthly and Quarterly Filers
 - Annual Reconciliation of Withholding
 - Annual Summary and Transmittal of U.S. Informational Returns

MARCH

- 1 Corporation Business Tax for year ending November 2000
 - S Corporation Business Tax for year ending November 2000
- 15 Unrelated Business Income Tax (Foreign Trusts)
 - Group Income Tax for year ending November 2000
 - Fiduciary Income Tax for year ending November 2000
 - Individual Income Tax for year ending November 2000
 - S Corporation Information and Composite Income Tax for year ending November 2000
 - Partnership Income Tax for year ending November 2000

- Estimated Corporation Business Tax Payments
 - Form CT-1120 ESA for year ending December 2001
 - Form CT-1120 ESB for year ending September 2001
 - Form CT-1120 ESC for year ending June 2001
 - Form CT-1120 ESD for year ending March 2000
- Estimated Unrelated Business Income Tax
- Cigarette Vending Machine Tax
- Estimated Insurance Companies Tax Payment, 1st Installment 2001
- Estimated Health Care Centers Tax Payment, 1st Installment 2001

- 25 Motor Vehicle Fuels Tax
- 31 Sales and Use Taxes, Monthly Filers
 - Room Occupancy Tax, Monthly Filers
 - Admissions and Dues Tax, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

4th Quarter 2000 Estimated Payment Due Date Extended Because of Holiday

The due date for the 4th quarter 2000 Estimated Payment is **January 16, 2001**. The January 15th due date is extended because January 15th falls on Martin Luther King, Jr. Day. ^T_N

For Tax Forms, Publications or Personal Assistance

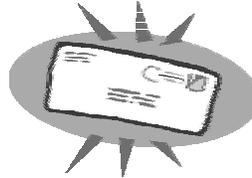
- Visit the **DRS Web site**: www.drs.state.ct.us



- Call **CONN-TAX** at 1-800-382-9463 (toll-free from within Connecticut) or 1-860-297-5962 (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

- **Write to:** Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

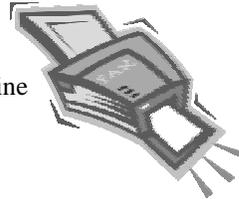


Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



Internet: Preview and download forms from the DRS Web site at www.drs.state.ct.us

DRS TaxFax: Call 860-297-5698 from the handset attached to your fax machine



E-mail: E-mail your request for forms to:
ctforms.drs@po.state.ct.us

Telephone: From a touch-tone phone 24 hours a day call 1-800-382-9463 (toll-free from within Connecticut) and select Option 2 or 860-297-4753 (from anywhere).



For free assistance on forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices, call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle St.
203-579-6251

HAMDEN

3074 Whitney Ave., Bldg 2
203-287-8243

HARTFORD

25 Sigourney St.
860-297-5962

NORWICH

2 Cliff St.
860-889-2669

WATERBURY

55 West Main St.
Suite 100
203-596-4310



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This newsletter is designed to provide general information to taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy affecting the liability of taxpayers. Nothing in this publication supersedes, alters, or otherwise changes the provisions of the Connecticut General Statutes, regulations, Department rulings or tax information publications.

Gene Gavin, Commissioner

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