

Connecticut Tax News quarterly

Volume 14, Issue 4
September 2002

A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From the Commissioner Gene Gavin

2002 Connecticut Tax Amnesty: Either Way, You Will Pay

From September 1 through November 30, the Department of Revenue Services (DRS) will conduct the 2002 Connecticut Tax Amnesty Program. Amnesty represents an extremely beneficial opportunity for businesses and individuals –



residents and nonresidents – to pay back taxes and reduced interest owed to the State of Connecticut.

The 2002 program will be Connecticut's third amnesty, and my second as Commissioner. Similar to previous amnesty programs, taxpayers with state tax delinquencies for any period ending on or before March 31, 2002, will be able to pay their tax debt without fear of penalty or criminal prosecution during the three-month program. Taxpayers may also be eligible for a 25 percent reduction in the interest they owe.

Even in these tough economic times, individuals and businesses are still responsible for paying their fair share of

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Tax Amnesty Program Announced

Commissioner Gene Gavin used the last week of summer to introduce the 2002 Connecticut Tax Amnesty Program. Commissioner Gavin held a kick-off press conference where he explained the program. "We are providing an extremely beneficial opportunity for individuals, businesses, and fiduciaries to come forward and pay their fair share of taxes. We hope that this kick-off will alert the people of Connecticut



Commissioner Gavin addresses reporters at the CT Tax Amnesty press conference.

that this program is out there and that it's a good program." He extended an invitation to taxpayers to come forward this fall and pay their past due tax liabilities; in return, they will avoid penalties and criminal prosecution, and may be eligible for a reduction in interest rates.

Commissioner Gavin confidently predicted, "The General Assembly has set a goal of \$24 million for the program. I believe DRS will meet this goal."

Gavin concluded by saying, "We

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So You Want to Hear About Tax Amnesty

In an effort to promote the 2002 Connecticut Tax Amnesty Program, DRS representatives will be making the rounds at upcoming speaking engagements and the Agency, in partnership with Cronin and Company, Inc., will launch a determined media campaign.

DRS Amnesty representatives will be appearing at the **DRS/IPT - 2002 Leader of the Pack Seminar** on September 17, 2002 (see **DRS/IPT 5th Annual One-Day Connecticut Tax Seminar** on Page 18); and at the CSCPA's **State Tax Forum** on October 22, 2002.

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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.

Commissioner
from Page 1

taxes to the State of Connecticut. We don't want to penalize or prosecute people, who – for whatever reason – have not met their state tax obligations. We hope that delinquent taxpayers will take advantage of this amnesty to pay their debt to the state before we take action.

The 2002 Connecticut Tax Amnesty Program applies to virtually all state taxes administered by DRS, including income tax, corporation business tax, and sales and use taxes. It is available to anyone who owes back taxes, whether they intentionally or unintentionally failed to pay their taxes. For those who were unaware of their tax liabilities, Amnesty will provide information to correct past delinquencies and avoid

future filing problems. For those who intentionally avoided taxes, Amnesty offers a last chance to come forward and clean the slate.

The General Assembly has charged DRS with collecting \$24 million in previously unpaid tax revenues. This is money that will be used to fund essential state programs and may prevent the need to possibly increase taxes on everyone. We are counting on your help to inform your clients about the advantages of amnesty.

Once amnesty is complete, DRS will undertake a very aggressive enforcement of the tax laws to collect the money owed to Connecticut. We will mobilize our experienced and extensive team of auditors who are now armed with the latest computer technologies and techniques to

locate tax delinquents and determine how much they owe.

We urge anyone who owes Connecticut taxes for taxable periods ending on or before March 31, 2002, to apply for the Connecticut Tax Amnesty Program between September 1 and November 30, 2002. Our Amnesty slogan sums up the seriousness of our commitment to collecting back taxes owed to the state: **Either Way, You Will Pay!**

For further information on 2002 Connecticut Tax Amnesty see Page 3; call 860-297-5962; or visit the DRS amnesty web site at: www.ct.gov/taxamnesty

As always, I welcome your comments and suggestions on tax policy and issues. Please feel free to contact me at any time.

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2002 University of Connecticut Income Tax School

The 2002 University of Connecticut Income Tax School is being held November 12 and 13 at the Ramada Inn, Meriden, Connecticut. The School is a two-day program on Federal and State taxes. It is designed to bring participants up-to-date on the latest tax law information for the coming tax preparation season. The program is designed for tax practitioners, consultants, accountants, and others who professionally prepare tax returns. Last year, over 39,000 tax practitioners in 39 states attended similar Tax Schools.

Instructors for the program are employees from the Internal Revenue Service, DRS, and accountants and attorneys in private practice. Those who attend the entire session will be awarded 16 hours of Continuing Professional Education (CPE) credit.

The registration fee is \$225.00 with an early registration fee of \$210.00 for those who register before October 11.

For further information about the UCONN Income Tax School, contact:

Linda K. Lee, Tax School Coordinator
Dept. of Agricultural and Resource Economics
University of Connecticut
1376 Storrs Road, Unit 4021
Storrs CT 06269-4021
Phone: 860-486-1929 Fax: 860-486-1932
E-mail: karen.nye@uconn.edu

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5th Annual DRS/IPT Connecticut Tax Seminar

Commissioner Gene Gavin invites taxpayers and tax practitioners to attend the DRS/IPT seminar and learn about important changes to Connecticut tax laws. DRS and the Institute of Professionals in Taxation (IPT) will present "2002 Leader of the Pack" on September 17, 2002, at the Radisson Hotel and Conference Center in Cromwell, CT.

A highlighting of the program is "Cigarette Tax, Internet Sales and the Jenkins Act", with a distinguished panel of experts including Attorney General Richard Blumenthal, Commissioner Gene Gavin, and speakers from the U.S. General Accounting Office and Bureau of Alcohol, Tobacco, and Firearms of the U.S. Treasury Department. In addition, the seminar will include timely information on the Connecticut Tax Amnesty Program, the latest legislative tax changes; sales, property, and other tax topics; plus a *Fast-File* presentation and demonstration.

For additional information or to download the registration form, visit the DRS Web site: www.drs.state.ct.us or call IPT at: 404-240-2300.

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★ CT TAX ★
AMNESTY

Benefits of CT Tax Amnesty

If taxpayers come forward before November 30, 2002, and complete the terms set forth under the 2002 Connecticut Tax Amnesty program, they will be offered the opportunity to receive the following benefits:

- Resolve past tax liabilities;
- Obtain good standing with DRS;
- Eliminate penalty on the amount due; and
- Avoid criminal prosecution.

In addition, for those individuals or businesses that:

- Failed to file a return that was required by law or underreported tax on a previously filed return, Tax Amnesty offers a reduced interest rate. Interest will be computed at .75% (.0075) per month or fraction of a month instead of the statutory 1% (.01) rate if DRS has not contacted the taxpayer about these taxes.
- Have an unpaid bill from DRS and pay the bill in full during the amnesty period, DRS will reduce the amount of interest due by 25% when amnesty is granted. (There is no adjustment for previously paid interest.)

The 2002 Connecticut Tax Amnesty information included in this publication is also available in **Informational Publication 2002(12), Q & A on the Connecticut Tax Amnesty Program.**

Connecticut Tax Amnesty begins September 1, 2002 and ends November 30, 2002.

This program extends to any taxable periods ending on or before March 31, 2002.

To Qualify for Tax Amnesty

A taxpayer must be an individual, business, or a fiduciary of an estate or trust that:

1. Failed to file a return for any taxable period ending on or before March 31, 2002;
2. Underreported tax on a return filed for any taxable period ending on or before March 31, 2002; or
3. Has an unpaid bill from DRS for taxable periods ending on or before March 31, 2002.

Who Does Not Qualify for Tax Amnesty

A taxpayer does not qualify for Tax Amnesty if they:

- Are currently under audit by DRS;
- Are under criminal investigation by DRS;
- Are involved in any pending civil or criminal litigation with DRS;
- Are a party to a closing agreement with DRS;
- Have made an offer of compromise that has been accepted by DRS; or
- Have entered into a managed audit agreement with DRS.

How to Apply

Applicants must complete **Form OP-305, Application for Tax Amnesty**. Payment of tax and interest for the period(s) for which you are requesting amnesty must accompany the application. (DRS may authorize installment payment plans.)

Your application will be timely if DRS receives the application on or before November 30, 2002, or if the date shown by the U.S. Post Office cancellation mark is on or before November 30, 2002. Extensions will not be granted.

Status of Amnesty Application

All Tax Amnesty applicants will be advised whether they have been accepted or denied amnesty within approximately 30 days after DRS receives **Form OP-305**. Telephone tracking information is available through CONN-TAX. Call CONN-TAX at 1-800-382-9463 (in-state) or 1-860-297-5962 (from anywhere), Option 7 then press 6.

Tax Amnesty applications are treated like tax returns, amnesty applications are confidential.

Filing Returns for Tax Amnesty is Simplified

The completed **Form OP-305** is considered your tax return. However, if you are requesting amnesty for corporation business tax, income tax, or withholding tax, we strongly recommend that you complete a Connecticut tax return or an amended return for each period. These returns should be attached to your amnesty application. By completing a return (or returns), you increase the accuracy of your tax calculation and ensure that you take advantage of any available credits. Filing a return (or returns) is also necessary if you intend to claim credit on another state's return for taxes paid to Connecticut.

Don't Know How Much You Owe

DRS will provide assistance for you to calculate the amount. If you have not filed a return or have underreported tax on a return, you can calculate your tax and interest using **Forms OP-305 IT or OP-305R**, *Amnesty Tax Rate and Interest Rate Information*. Once you know your tax amount, use the interest calculator on the Connecticut Tax Amnesty Program Web site (www.ct.gov/taxamnesty) to calculate your interest.

The screenshot shows a web browser window titled "DRS Intranet - Department of Revenue Services". The browser's address bar shows "http://www.ct.gov/taxamnesty/". The page has a navigation menu with links: "Amnesty Overview", "Amnesty FAQ", "Applying for Amnesty", "Amnesty Forms", "Contact Us", and "Press Releases". The main content area features the "Department of Revenue Services" logo and the slogan "Service Excellence is Our Goal". Below this is the "Amnesty 2002 Interest Calculator" form, which includes the following fields and instructions:

- Choose a tax type from the list provided.** A dropdown menu is set to "Sales and Use Tax". Below it, a note states: "If you are claiming amnesty for a tax type not listed here, call the Department of Revenue Services at 1-800-382-9463 (in state) or 860-297-5962 (from anywhere) for help."
- Choose the month and year of the taxable period.** Two dropdown menus are set to "January" and "2002". Below them, a note states: "Choose the ending date for the period for which you want to calculate interest, not the due date of the return. If you are claiming amnesty for a taxable period before July 1995, call the Department of Revenue Services at 1-800-382-9463 (in state) or 860-297-5962 (from anywhere) for help."
- Enter the unreported tax due for the period.** A text input field contains "0". Below it, a note states: "Do not enter dollar sign (\$) or commas."
- Choose the month in which you will be making a payment.** A dropdown menu is set to "September 2002".

At the bottom of the form is a "Calculate Interest" button and a field for "Interest due for the period:". The browser's taskbar at the bottom shows the time as 9:55 AM.

If you have an existing bill from DRS, call the DRS Taxpayer Services Division at: **1-800-382-9463** (in-state) or **860-297-5962** (from anywhere) during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m. and select **Option 7** for assistance.

If you Don't Qualify

If a taxpayer is liable for more than one tax, but is currently under audit, criminal investigation, or party to criminal or civil litigation for one tax type, they may still request amnesty for any other taxes they are liable for.

Cases in the DRS Appellate Process

Cases in the DRS appellate process are eligible for amnesty. In an appeal situation, because there is an existing bill with DRS, if you are granted amnesty for that period, you will be eligible for a cancellation of penalty and a 25% reduction of the amount of interest due as long as you pay the bill during the amnesty period.

Note: You waive your right to future appeal or to claim a refund for those issues for which you request and are granted amnesty. If you have any questions, contact the Appellate Division by calling **860-297-4775**.

Affect of Amnesty on DRS Audit Selection

By applying for the Connecticut Tax Amnesty program a taxpayer will not increase their chances of being audited. **Form OP-305**, like any other return filed with DRS, is subject to verification as provided by law.

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AMNESTY

More Information About Tax Amnesty

If you need more information about Tax Amnesty, call:

1-860-297-5962 or

1-800-382-9463 (in-state)

24 hours a day. By selecting **Option 7** on your touch-tone

phone, you can listen to recorded Connecticut Tax Amnesty information or choose from several options. You may also speak with a Taxpayer Services Representative, Monday through Friday, 8:00 a.m. to 5:00 p.m., by selecting **Option 0** on your touch-tone phone.

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

CT Tax Amnesty Applications

Connecticut Tax Amnesty applications are available from the following sources:

Internet: Information and applications are available on the Internet at:

www.ct.gov/taxamnesty

Phone: Call the DRS Forms Unit at **860-297-5962** or

1-800-382-9463 (in-state)

24 hours a day. Select **Option 2** on your touch-tone phone.

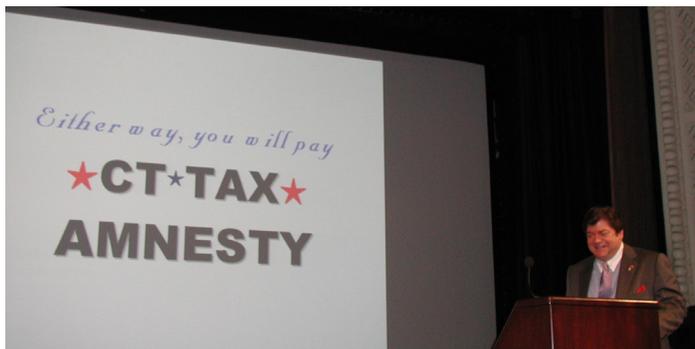
Fax: Call the DRS Tax-Fax system to order an application 24 hours a day. Call **860-297-5698** from the handset attached to your fax machine, and follow the voice prompts to request Document 3.

In Person: Applications for Connecticut Tax Amnesty are available in town halls, post offices, and libraries throughout Connecticut and in all DRS offices during business hours.

CT Tax Amnesty
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urge you [delinquent taxpayers] to come forward and do what's right. If you don't come forward during Amnesty; we're going to find you. There's no doubt about it. Like the program slogan says, 'Either way, you will pay'."

The Amnesty program was also the focus of an Agency rally to explain the program to DRS staff and to invigorate them for the work to administer the program.

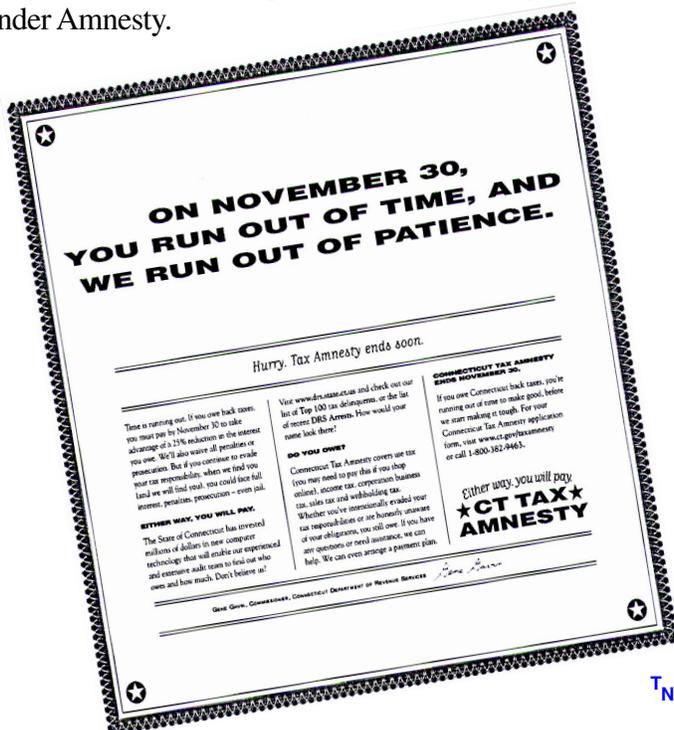


Commissioner Gavin entertains the DRS staff at the CT Tax Amnesty Agency Rally.

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Either Way, You Will Pay
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The media campaign will include, use of frequent radio spots and a three-phase print media advertisement. The media campaign is designed to initially inform and educate potential participants about the program. In the closing days, print ads (see sample below) will warn potential participants of the impending end of the program and the consequences of not coming forward under Amnesty.



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AMNESTY

Payment Plans Under CT Tax Amnesty

If you wish to apply for Tax Amnesty but cannot meet the payment obligation to qualify, DRS will entertain requests for payment plans on a case-by-case basis.

Return Not Filed or Taxes Underreported:

If you apply for Tax Amnesty because you failed to file or underreported a tax liability and you demonstrate financial hardship, DRS may authorize and arrange for an installment method of payment. If your Tax Amnesty application is approved, you could receive a cancellation of any penalty imposed and a reduced interest rate of .75% (.0075) a month or fraction of a month for the amnesty period. We recommend that you pay as much as you can with your Tax Amnesty application because interest continues to accrue on the unpaid balance until payment is made in full. Any unpaid balance on or after December 1, 2002, will accrue interest at the rate of 1% per month or fraction of a month from that date forward.

Note: If you do not honor the payment agreement, amnesty will be revoked. To request a payment plan, submit a letter of request with your completed **Form OP-305** stating why full payment of tax and interest would present a financial hardship. The request letter should include a statement of your income and expenses. DRS personnel will contact you about your request.

Taxes Billed But Not Paid: If you apply for Tax Amnesty because you have received a bill and you demonstrate financial hardship; DRS may authorize and arrange for an installment method of payment. However, you will not receive the 25% reduction in the amount of interest due when amnesty is granted unless you pay the full amount due on or before November 30, 2002.

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NEW Legislative Changes Enacted

On August 12, 2002, the Connecticut General Assembly passed the budget implementation package (2002 Conn. Pub. Acts 4 (May 9 Spec. Sess.)), and Governor John G. Rowland soon after signed it into law. That package included amendments to legislative changes that were reported in the July/August DRS Tax News-Special Legislative Issue.

The following summaries identify the additional changes:

Sales and Use Taxes

Storage Space

The effective date of the tax on the furnishing of space for storage of personal property by persons engaged in the business of furnishing such space has been changed from July 1, 2002 to October 1, 2002. Any sales and use taxes collected on these services that were rendered before October 1, 2002, must be refunded to the customers.

2002 Conn. Pub. Acts 1, §§66, 68 (May 9 Spec. Sess.), as amended by 2002 Conn. Pub. Acts 4, §§13-15 (May 9 Spec. Sess.)

Effective: Services rendered on or after October 1, 2002.

Exemptions Extended

The following exemptions from sales and use taxes have been extended to July 1, 2004:

- New motor vehicles powered by clean alternative fuel;
- Conversion equipment for converting vehicles to clean alternative fuel; and
- Equipment in compressed natural gas filling or electric recharging station for vehicles powered by clean alternative fuel.

Conn. Gen. Stat. §12-412(67), (68), and (69)
2002 Conn. Pub. Acts 4, §10 (May 9 Spec. Sess.)

Effective: For customer bills issued after August 1, 2002 (the first day of the month beginning more than 2 years after the July 28, 2000 enactment of the federal law).

Business Entity Tax

Business Entity Tax

An annual tax of \$250 is imposed on each S corporation, limited liability company that is treated as a partnership if it has two or more members or disregarded as an entity separate from its owner if it has a single member, limited liability partnership, and limited partnership, where the entity is required to file an annual report with the Connecticut Secretary of the State.

The tax is required to be paid to DRS by an entity on or before the fifteenth day of the fourth month following the close of each taxable year of the entity. An entity's taxable year is its taxable year for federal income tax purposes.

Failure to pay the tax when due subjects an entity to penalty and interest.

2002 Conn. Pub. Acts 1, §55 (May 9 Spec. Sess.),
as amended by 2002 Conn. Pub. Acts 4, §1
(May 9 Spec. Sess.)

Effective: July 1, 2002 and applicable to taxable years commencing on or after January 1, 2002.

Corporation Business Tax

Limitations on Refunds of Research and Development Credit

Any taxpayer that is entitled to a research and development tax credit refund will be entitled to receive a maximum of \$1 million dollars in any one state fiscal year. For research and development tax credit refund claims filed for income years commencing on or after January 1, 2002, no taxpayer may receive a tax credit refund of more than \$1.5 million in any one income year.

Additionally, the law was amended to clarify that the application for credit refund must be made on or before the due date or extended due date of the tax return. In determining eligibility for a credit refund, payment of the minimum tax of \$250 under Conn. Gen. Stat. §12-219 or §12-223c, shall not be considered a tax liability.

2002 Conn. Pub. Acts 1, §60 (May 9 Spec. Sess.),
as amended by 2002 Conn. Pub. Acts 4, §19
(May 9 Spec. Sess.)

Effective: July 1, 2002.

2002 Legislative Changes
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Motor Carrier/Motor Vehicle Fuels Taxes

The Exemption for Alternative Fuels Extended to July 1, 2004

The exemption from the motor vehicles fuels tax for sales of compressed natural gas, liquefied petroleum gas (propane), and liquefied natural gas has been extended to July 1, 2004.

2002 Conn. Pub. Acts 4, §12 (May 9 Spec. Sess.)

Effective: July 1, 2002.

Gift Tax

Phaseout of Gift Tax Delayed

The gift tax rate will change for calendar years 2002, 2003, 2004, 2005, 2006 and 2007. The gift tax rate for calendar year 2001 will remain in effect for calendar years 2002 and 2003. The previously scheduled reduction of the gift tax rate for each of the other calendar years will be delayed by two years.

2002 Conn. Pub. Acts 1, §76 (May 9 Spec. Sess.)

Effective: For calendar years commencing on or after January 1, 2002.

For more information on the 2002 Legislative Changes see:

Special Notice 2002(8.1), *2002 Sales and Use Tax and Motor Vehicle Rental Surcharge Legislation.*

Special Notice 2002(6.1), *Motor Vehicle Fuels Tax Changes as of July 1, 2002 and August 1, 2002.*

Special Notice 2002(5), *2002 Legislation Affecting the Connecticut Gift Tax*, will be issued to reflect this change, including updated Gift Tax Rate Schedules for calendar years 2001 through 2007.

Special Notice 2002(9.1), *Sales and Use Taxes on the Furnishing of Space for Storage*, will be issued to reflect this change. (For related information, see also **Policy Statement 98(5)**, *Sales and Use Tax Refund Policy.*)

Details about the corporation business tax changes are scheduled for release in September.

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Farmer Tax Exemption Permit Renewals Due

Farmers with a current Connecticut Farmer Tax Exemption Permit must renew their exemption permit in 2002. Under the current two-year cycle (permits are now required to be renewed every two years.), permits will expire September 30, 2002. New permits issued in 2002 are valid from October 1 (or the date it is issued, whichever is later) until September 30, 2004.

Renewal packages were mailed in the middle of August to all farmers currently holding a valid Farmer Tax Exemption Permit. Farmers are urged to return the applications and required attachments as soon as possible to ensure that they have a new permit by October 1. Farmers are reminded that they cannot make exempt purchases with the current permit after September 30, 2002.

To avoid delay in the processing of the application, applicants must submit all required documents. The following is a list of required documents:

1. **Form REG-8**, *Application for Farmer Tax Exemption Permit*;
2. A signed copy of the specified pages of their 2001 federal income tax return (see Form REG-8 for complete information); and
3. A copy of Schedule F or Schedule C of their federal return on which their farm income is reported

NOTE: If the farmer submits Schedule C, the farmer must submit a list of products sold and expenses related to the raising of the farm products.

For more information about the Connecticut Farmer Tax Exemption permits see **Informational Publication 2002(10)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax.* **IP 2002(10)** and **Form REG-8** are available on the DRS Web site and from the Forms Unit. T_N

RULINGS OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

The following ruling has been released by the DRS Legal Division.

RULING NO. 2002-4 Sales And Use Taxes BUSINESS MANAGEMENT SERVICES

Facts:

The service provider (the "Company") is entering into a contract to provide meals in an assisted living facility for elderly persons. The Company will supply food, dietary supplies, linens, uniforms, labor, and management services and will cover associated personnel fringe benefit costs to prepare three meals a day at the assisted living facility. The assisted living facility is not a nonprofit hospital, nursing home, rest home or residential care home. The assisted living facility is a for-profit entity.

Does the contract between the Company and the assisted living facility qualify for exemption under Conn. Gen. Stat. §12-412(9) as sales of food products, meals, candy, confectionery and beverages to patients, residents, or care recipients of an assisted living facility?

Ruling:

The services rendered by the Company to the assisted living facility in connection with preparing meals for the residents of such facility are subject to tax under Conn. Gen. Stat. §12-407(2)(i)(J) as business management services.

Sales by the Company to the assisted living facility are not exempt under Conn. Gen. Stat. §12-412 (35) as sales of services or tangible personal property to a center of service for elderly persons.

Issues:

Will the Company render taxable business management services under Conn. Gen. Stat. §12-407(2)(i)(J) to the assisted living facility when it manages the food service operation at the assisted living facility?

Does the exemption under Conn. Gen. Stat. §12-412(35) for sales of services and tangible personal property to a center of service for elderly persons apply to the sales of meals and services under the contract with the assisted living facility?

Any charges for sales of food products, meals, candy, confectionery, and beverages directly to patients, residents and care recipients of the assisted living facility are exempt from tax under Conn. Gen. Stat. §12-412 (9).

LEGAL DIVISION

July 29, 2002

To obtain a complete text of the ruling listed above or any ruling issued by the DRS, visit the DRS Web site (www.drs.state.ct.us), or send your name, mailing address, and the number of the ruling or rulings to: **DRS, Forms Unit, 25 Sigourney Street, Hartford CT 06106-5032**

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Don't Miss the Chance to Reduce Your State Business Taxes!

The Connecticut Employer Assisted Housing Tax Credit (EAHTC) Program offers a way for Connecticut businesses to reduce their Connecticut corporation business taxes, while helping their employees. In exchange for providing low-cost housing loans to their qualified employees, the EAHTC Program offers eligible business firms up to \$100,000 in credits against the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207);
- Corporation business tax (Chapter 208);
- Air carriers tax (Chapter 209);
- Railroad companies tax (Chapter 210);
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211); or
- Utility companies tax (Chapter 212).

Business firms that set up a revolving loan fund, from which eligible employees can borrow to meet their housing needs, earn a dollar-for-dollar reduction in tax liability for their investment. A total of \$1 million in credits will be allocated to employers who apply for the credits by November 1, 2002.

The minimum term of the program is five years, after which participating firms can reclaim their initial capital investment. Any credit amount not used in the first year can be carried forward or backward for up to five years.

The deadline for applications is November 1, 2002. To take advantage of this tax-saving opportunity, contact the Connecticut Housing Finance Authority for more information or to request an application at 860-571-4362.

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FROM THE COURTS



Connecticut Supreme Court

In **Vincenzo Verna et al. v. Commissioner of Revenue Services**, 261 Conn. 102 (July 2002), the Connecticut Supreme Court construed the term “unimproved land” for purposes of applying the real estate conveyance tax. The court concluded that a blockhouse that remained on the plaintiff’s property at the time of its conveyance constituted an improvement to the property. Therefore, because of the presence of the blockhouse, the court held that the plaintiff’s property was not unimproved land for purposes of the real estate conveyance tax. Consequently, the court affirmed the trial court’s decision, although on alternative grounds.

Connecticut Superior Court (Tax Session)

In **Christopher J. Saunders v. Gene Gavin, et al.**, No. CV 01 0809185 (July 3, 2002), the Superior Court granted the Department’s motion to dismiss, finding that the plaintiff’s claims were barred by the doctrine of sovereign immunity. Because the plaintiff failed to allege sufficient facts to establish that any of the named defendants either acted pursuant to an unconstitutional statute or in excess of statutory authority, the court held that it lacked subject matter jurisdiction to decide the case. The plaintiff filed a motion to reargue, which was denied by the court on August 6, 2002.

In **Pratt & Whitney Division of United Technologies Corporation v. Commissioner of Revenue Services**, No. CV 01 0509576S (July 3, 2002) and **Hamilton Standard Division of United Technologies Corporation v. Commissioner of Revenue Services**, No. CV 01 0509577S (July 3, 2002) the Superior Court ruled in favor of the plaintiffs. The court found that the materials, tools, machinery and equipment at issue in this case qualified for exemption from sales and use taxes under Conn. Gen. Stat. §12-412(78). Consequently, the court granted the plaintiffs’ motions for partial summary judgment. The Department has filed Requests for Admissions and Discovery.

In **John W. Barnett, Executor Estate of Lauren E. Meyers, Jr. v. Commissioner of Revenue Services**, No. CV 01 0511923S (August 14, 2002), the Superior Court ruled in favor of the Department. The sole issue on appeal was whether Conn. Gen. Stat. §12-391(a) allows a credit for the succession tax against the estate tax when the succession tax liability has been satisfied by a gift tax credit, and not by the actual payment of the tax. According to the court, the credit of the gift tax against the payment of the succession tax results in only one credit, and therefore cannot be used as a second credit against the estate tax because the gift tax credit cannot be considered to have been actually paid. Because the gift tax credit was used to satisfy the plaintiff’s succession tax liability, the court found that the succession tax was not “actually paid” as required by Conn. Gen. Stat. §12-391(a). Consequently, the court granted the Department’s motion for summary judgment. The plaintiff has until September 3, 2002, to file an appeal.

Connecticut Tax Calendar

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

SEPTEMBER

- 1 Corporation Business Tax for year ending May 2002
- 15 Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Installment Payment
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending June 2003
 - Form CT-1120 ESB for year ending March 2003
 - Form CT-1120 ESC for year ending December 2002
 - Form CT-1120 ESD for year ending September 2002
 - Estimated Group Income Tax Installment Payment
 - Estimated Health Care Centers Tax Payment, 3rd Installment 2002
 - Estimated Insurance Companies Tax Payment, 3rd Installment 2002
 - Estimated Income Tax Payment for Individuals, Trusts, and Estates, 3rd Installment
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending May 2002
 - Group Income Tax for year ending May 2002
 - Partnership Income Tax for year ending May 2002
 - S Corporation Information and Composite Income Tax for year ending May 2002
 - Unrelated Business Income Tax
- 25 Motor Vehicle Fuels Tax
 - Tobacco Products Tax
- 30 Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

OCTOBER

- 1 Corporation Business Tax for year ending June 2002
- 15 Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Installment Payment
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending July 2003
 - Form CT-1120 ESB for year ending April 2003
 - Form CT-1120 ESC for year ending January 2003
 - Form CT-1120 ESD for year ending October 2002
 - Estimated Group Income Tax Installment Payment
 - Fiduciary Income Tax for year ending June 2002
 - Group Income Tax for year ending June 2002
 - Individual Income Tax on Extension for year ending December 2001
 - Partnership Income Tax for year ending June 2002
 - S Corporation Information and Composite Income Tax for year ending June 2002
 - Unrelated Business Income Tax
- 25 Motor Vehicle Fuels Tax
 - Tobacco Products Tax
- 31 Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Monthly and Quarterly Tax Filers
 - Sales and Use Taxes, Monthly and Quarterly Filers
 - Tourism and Rental Surcharge, Monthly and Quarterly Filers
 - Quarterly Reconciliation of Withholding
 - Dry Cleaning Surcharge

- Motor Carrier Road Tax
- Petroleum Companies Gross Earnings Tax
- Solid Waste Tax
- Gas, Electric, and Steam Companies Gross Earnings Tax
- Seed Oyster Tax

NOVEMBER

- 1 Corporation Business Tax for year ending July 2002
- 15 Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Installment Payment
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending August 2003
 - Form CT-1120 ESB for year ending May 2003
 - Form CT-1120 ESC for year ending February 2003
 - Form CT-1120 ESD for year ending November 2002
 - Estimated Group Income Tax Installment Payment
 - Fiduciary Income Tax for year ending July 2002
 - Group Income Tax for year ending July 2002
 - Partnership Income Tax for year ending July 2002
 - S Corporation Information and Composite Income Tax for year ending July 2002
 - Unrelated Business Income Tax
- 25 Motor Vehicle Fuels Tax
 - Tobacco Products
- 30 Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

DECEMBER

- 1 Corporation Business Tax for year ending August 2002
- 15 Cigarette Vending Machine Tax
 - Estimated Composite Income Tax Installment Payment
 - Estimated Corporation Business Tax Payment
 - Form CT-1120 ESA for year ending September 2003
 - Form CT-1120 ESB for year ending June 2003
 - Form CT-1120 ESC for year ending March 2003
 - Form CT-1120 ESD for year ending December 2002
 - Estimated Group Income Tax Installment Payment
 - Estimated Health Care Centers Tax Payment, 4th Installment 2002
 - Estimated Insurance Companies Tax Payment, 4th Installment 2002
 - Estimated Unrelated Business Income Tax
 - Fiduciary Income Tax for year ending August 2002
 - Group Income Tax for year ending August 2002
 - Partnership Income Tax for year ending August 2002
 - S Corporation Information and Composite Income Tax for year ending August 2002
 - Unrelated Business Income Tax
- 25 Motor Vehicle Fuels Tax
 - Tobacco Products
- 31 Admissions and Dues Tax, Monthly Filers
 - Beverage Tax
 - Room Occupancy Tax, Monthly Filers
 - Sales and Use Taxes, Monthly Filers
 - Tourism and Rental Surcharge, Monthly Filers

DRS Tax Product Update

DRS recently issued the following tax products. DRS forms and publications are available 24 hours a day, 7 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** (in-state) and select **Option 2**, or **860-297-4753** (from anywhere) 24 hours a day, to order forms and publications.

Announcements

AN 2002(1.2), Quarterly List of Distribution for Motor Vehicle Fuels Tax Purposes

AN 2002(2.1), List of Registered Natural Gas Providers

AN 2002(6), Identification of Recent Amendments to the International Fuel Tax Agreement Approved by the Department of Revenue Services

Informational Publications

IP 2002(2.2), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2002(3.2), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2002(4.2), Numerical Index to Rulings and Administrative Pronouncements as Affected if at all by Later-Issued Rulings and Pronouncements

IP 2002(5.2), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2002(6.2), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2002(10), Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax

IP 2002(12), Q & A on the Connecticut Tax Amnesty Program

IP 2002(14), Connecticut Income Tax Withholding Tables for Single Filers Effective July 1, 2002

Policy Statements

none

Special Notices

SN 2002(6), Motor Vehicle Fuels Tax Changes as of July 1, 2002 and August 1, 2002

SN 2002(7.1), Motor Vehicle Fuels Tax on Diesel Fuel Inventory as of July 31, 2002 (**This version replaces SN 2002(7) released 7/16/02.**)

SN 2002(8.1), 2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation (**This version replaces SN 2002(8) released 7/22/02.**)

SN 2002(9), Sales and Use Taxes on the Furnishing of Space for Storage

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DRS Electronic Filing Open House

DRS is offering a special opportunity for you to meet and speak with the Connecticut Commissioner Gene Gavin and IRS District Director Sheldon Schwartz on October 25th, 2002.

Immediately following the Open House Walter Karrenberg, IRS e-file coordinator, and Jason Purslow, DRS e-file coordinator, will offer a free seminar regarding the many benefits of the Federal/State Electronic Filing Program (*e-file*).

Beginners and experienced practitioner alike are encouraged to attend this seminar as we explore what's new in electronic filing and review your role and requirements to electronically file your clients Income tax returns.

IRS/DRS e-file open House

Friday, October 25, 2002 at 10:00 a.m.

Department of Revenue Services

25 Sigourney Street

Hartford, CT 06106

For more information or to register for this open house, please call 860-756-4617



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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 (in-state)** 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

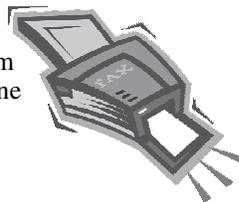


Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



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
203-805-6789



CONNECTICUT Tax News, from the Connecticut Department of Revenue Services, is published five times a year.

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 informational publications.

Gene Gavin, Commissioner

CONTRIBUTORS:

Sarah Kaufman
David P. Barry
Louis P. Bucari
Mary Chamberland
Lisa Civitillo
Anna Crawford
Melvin Jones
Elaine Leon
Peter Malinowski
Jason Purslow
Joan Testori
Joe Thomas

Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032

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