

Connecticut Tax News

quarterly

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From the Commissioner Gene Gavin

2002 Connecticut Tax Amnesty Program a Whopping Success

At the Department of Revenue Services, we are always trying to do things bigger and better. We are never satisfied with the status quo and the 2002 Connecticut Tax Amnesty Program was no exception.



As you may have heard, the Tax Amnesty Program was a whopping success. Preliminary numbers after the

program ended on December 2 put collections at \$95 million and counting. This was \$71 million more than the \$24 million statutory goal set by the General Assembly, and it makes the 2002 program, by far, the most successful tax amnesty the State of Connecticut has ever had.

In 1991, when Connecticut had its first amnesty, the statutory goal was \$10 million, but DRS collected \$54 million. The goal of the 1995 amnesty was to collect \$31 million, but again, DRS exceeded expectations

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2002 Connecticut Tax Amnesty

The 2002 Connecticut Tax Amnesty Program is officially over, but for DRS the work of collecting delinquent taxes continues, as always. Before the Amnesty program can completely come to an end, the Agency will spend the next few months processing the remainder of Amnesty applications and following-up to collect the revenue from taxpayers on payment plans. In addition, DRS will switch its focus from welcoming voluntary compliance of delinquent taxpayers to the task of

► [Amnesty, Page 3](#)

Business Entity Tax

For taxable years beginning on or after January 1, 2002, there is an annual tax of \$250 on each:

- S Corporation;
- Limited Liability Company, which is, for federal income tax purposes, either 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; **or**
- Limited Partnership;

that is required to file an annual report with the Connecticut Secretary of the State. See **Special**

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2002 Tax Booklet Changes

The following changes are included in the 2002 Connecticut tax booklets.

Form CT-1040, Form CT-1040EZ/Telefile, and Form CT-1040NR/PY

The annual increase to the **personal exemptions and credits** used in calculating the tax for individuals whose filing status is Single (scheduled to take place over an eight-year period beginning with the 2000 taxable year) has been delayed by two years. The personal exemptions and credits for the 2001 taxable year will remain in effect for the 2002 and 2003 taxable years. The scheduled increases will resume beginning with the 2004 taxable year.

The annual increase to the **property tax credit limitation** thresholds for individuals whose

► [Tax Book Changes, Page 4](#)

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
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and collected \$46 million. So it was no surprise in 2002 when DRS again was able to collect more than was expected, but I don't think anyone knew just how tremendous this program would be.

Besides being the State's most profitable amnesty, the 2002 Tax Amnesty set a number of precedents for both Connecticut and other states. Historically, the bulk of amnesty money comes in during the last two weeks of the program, but this year, we collected \$8.5 million by the end of the first month. This is compared to \$384,000 collected during the first month of Amnesty in 1995.

By the end of October 2002, Amnesty had not only reached the statutory goal of \$24 million, but collections exceeded the goal by \$17 million. A DRS press release on October 31 stated that the 2002 Tax Amnesty had collected \$41 million, compared to only \$4 million collected during the second month of 1995.

At DRS, we believe the reason this Amnesty was so successful so early is because it was the

most generous program Connecticut ever offered. Not only did taxpayers who took advantage of amnesty receive the benefit of no penalties and no criminal prosecution, as in previous programs, but also in 2002, taxpayers were eligible to receive 25 percent off the interest they owed. As you can imagine, for some applicants this was a substantial amount of debt.

But I am also proud to say that, unlike some other states that conducted amnesties this year, Connecticut did not "give away the store." We did not eliminate all interest. The 2002 Connecticut Tax Amnesty was fair to the "good guys" and to the "bad guys."

Now that Amnesty has ended, the task of enforcement begins. The state has invested millions of dollars to develop the Integrated Tax Administration System (ITAS). When complete, ITAS will streamline our processes and information, and will make it easier for DRS to find those who do not pay their fair share of taxes. We are also continuing to work with state and federal agencies to share information that will help us

track down tax evaders. Believe me, time is on our side.

In the mean time, as Amnesty collections get closer to the \$100 million mark, which I believe we will surpass, this money will help all Connecticut taxpayers. Governor John Rowland has said he believes this money will make a fair sized dent in a state budget deficit that has been predicted to be as high as \$500 million.

Unfortunately, it cannot eliminate the entire budget shortfall.

While I am sure many of you were hoping I would disclose what new tax proposals will be introduced in the upcoming legislative session, that is something no one really knows at this time. I can, however, assure you that whatever new tax proposals are made, DRS will be there to try to ensure that any new tax laws are as fair as possible.

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

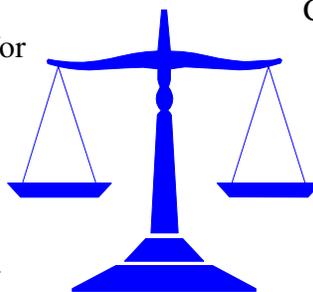
Happy holidays.

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Attorney Occupational Tax Due January 15, 2002

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 2002 is due on or before January 15, 2003, 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.



Attorney Occupational Tax

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, 2002, contact the DRS Forms Unit at 860-297-4753 (from anywhere), 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*.

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Amnesty
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tracking down those who owe back taxes and did not come forward during Amnesty.

Commissioner Gavin recently touted the success of the 2002 Connecticut Tax Amnesty Program with the announcement that (as of December 3) Amnesty collected \$92 million, far outdistancing the \$24 million goal set by the General Assembly. The \$24 million mark was surpassed

on October 31, and the current figures alone again make this year's Amnesty

the most successful of the three programs. The 1990 Amnesty collected \$54 million. The 1995 Amnesty collected \$46 million. Amnesty applied to virtually all Connecticut taxes owed for periods ending on or before March 31, 2002. As of December 3, more than 37,610 hits were made on the special Tax Amnesty Web site. DRS accepted all applications post marked on or before midnight December 2. The amnesty period was extended to the December 2 deadline because the original November 30 due date fell on a weekend.

Final figures for the 2002 Connecticut Amnesty will not be known until all applications have been processed.

Joseph Thomas, Amnesty Co-Chairperson, estimates, "My best guess, going by statistics from other Amnesties where a large portion of the total money collected came in

during the last days of the program, is that once all requests have been processed there will be over 12,000 applications and nearly \$100 million collected."

Applications processed to date have included: 70% Personal income tax; 15% sales and use taxes; and 7% corporation tax.

The \$92 million in additional revenue collected during amnesty is only a start in what will be a heightened resolve by Agency Auditors and Collections personnel to identify delinquent taxpayers

and collect what is owed. The Amnesty program has helped DRS gather important

information to identify delinquency trends for certain taxes or industries, while holding to our Amnesty pledge of not using newly discovered information against individuals. This information combined with the new ITAS computer capabilities (the *Integrated Tax Administration System* will combine all DRS taxpayer information into a single computer system) will make DRS a formidable foe to those who are not paying their fair share of Connecticut taxes.

Commissioner Gavin warns those who still owe taxes, "With Amnesty, we offered delinquent taxpayers a very generous opportunity to come forward voluntarily. Now we will use all of our resources, including new selection information collected during Amnesty and our new ITAS technology, to locate and collect all monies, including full interest and penalties, that taxpayers owe to the State of Connecticut." He added, "Now, it truly is time for tax cheats in Connecticut to *Face Your Fate!*" ^{T_N}



Business
from Page 1

Notice 2002(11), Business Entity Tax. An entity that has a Connecticut tax registration number issued by DRS will automatically be registered for the Business Entity Tax and be mailed **Form OP-424**. If an entity does not have a Connecticut number, one can be obtained by completing **Form REG-1, Business Taxes Registration Application**. DRS will mail preprinted forms OP-424 in January and February of 2003. The failure to receive **Form OP-424** will not excuse any entity from the obligation to file it and to pay the Business Entity Tax. ^{T_N}

Understanding Connecticut Taxes Clearly

DRS is pleased to offer *Understanding Connecticut Taxes Clearly*, a free program designed to provide a broad overview of Connecticut tax requirements for owners and operators of new and existing small businesses.

Space is still available. Programs are held from 6:30 p.m. to 9:00 p.m. Call Melvin Jones at 860-297-4935 to register.

Winter/Spring 2003

- HARTFORD** January 9
- STAMFORD** January 23
- NEW HAVEN** February 6
- DANBURY** February 20
- NORWICH** March 6
- WATERBURY** March 20
- ENFIELD** May 1
- NORWALK** May 8

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Tax Book Changes

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filing status is Single (scheduled to take place over an eight-year period beginning with the 2000 taxable year) has been delayed by two years. The property tax credit limitation amounts in effect for the 2001 taxable year will remain in effect for the 2002 and 2003 taxable years. The scheduled increases will resume beginning with the 2004 taxable year.

Form CT-1040 and Form CT-1040EZ/Telefile

The federal Job Creation and Worker Assistance Act of 2002 created a **special 30% depreciation allowance** for certain property acquired after September 10, 2001, and before September 11, 2004. The provision allows taxpayers to claim an additional first-year special depreciation allowance on new MACRS property where the recovery period is 20 years or less. The Connecticut General Assembly enacted legislation to require individuals for taxable years beginning on or after January 1, 2002, to add the additional first-year special depreciation allowance to their federal adjusted gross income. Therefore, when computing Connecticut adjusted gross income for taxable years beginning on or after

January 1, 2002, individuals are required to add the additional first-year special depreciation allowance to their federal adjusted gross income in computing their Connecticut adjusted gross income. See **Special Notice 2002(12)**, *2002 Legislation Affecting the Connecticut Income Tax*, and the instructions to **Form CT-1040**, *Schedule 1, Modifications to Federal Adjusted Gross Income*, Line 32, or **Form CT-1040NR/PY**, *Schedule 1, Modifications to Federal Adjusted Gross Income*, Line 34.

For taxable years beginning on or after January 1, 2002, a resident individual who has reportable state **lottery winnings** from a wager placed in a lottery conducted by a qualifying jurisdiction and who is required to file an income tax return and to pay income tax to the qualifying jurisdiction on those lottery winnings, may claim a credit against his or her Connecticut income tax for income tax paid to the qualifying jurisdiction. Prior law allowed a credit against an individual's Connecticut income tax for income tax paid to a qualifying jurisdiction on state lottery winnings only if the proceeds from the wager exceeded \$5,000. See **Informational Publication 2002(18)**, *Connecticut Income Treatment of State Lottery*

Winnings Received by Residents and Nonresidents of Connecticut.

Form CT-1040 and Form CT-1040NR/PY

Interest on the underpayment of estimated tax will not apply to any underpayment of estimated tax payment to the extent such underpayment was created or increased by any provision of Public Act 2002-1 of the May 9, 2002 Special Session of the Connecticut General Assembly and to the extent any estimated tax payment was required to be made on or before July 15, 2002. See **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates*, for more information.

Form CT-1040NR/PY

Nonresidents are subject to Connecticut income tax on their **lottery winnings** from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds are required to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service (reportable Connecticut Lottery winnings). Prior law subjected nonresidents to Connecticut income tax on their Connecticut Lottery winnings only if the proceeds from the wager exceeded \$5,000. See **Informational Publication 2002(18)**, *Connecticut Income Treatment of State Lottery Winnings Received by Residents and Nonresidents of Connecticut.*

Form CT-1065 and Form CT-1120SI**Form CT-2NA**

A qualified nonresident partner electing to be included in a group return, must file **Form CT-2NA**, *Connecticut Nonresident Income Tax Agreement/Election to be Included in a Group Return.*

▶ [2002 Booklet Changes, Page 5](#)

• 2002 INCOME TAX HINTS •

Form CT-1040, Form CT-1040EZ/Telefile, and Form CT-1040NR/PY

- Beginning with income tax returns filed for the 2002 taxable year, taxpayers may elect to have their refunds **directly deposited** into a checking or savings account. Remember to file early and choose direct deposit to get your refund as soon as possible.
- Every year, DRS receives thousands of Connecticut income tax returns from individuals who are **not required to file**. Even if you are required to file a federal income tax return, you may not be required to file a Connecticut income tax return. If you determine that you are required to file, consider using one of the electronic options on Page 8. By filing electronically, you will get your refund sooner. You will also help DRS reduce processing and mailing costs associated with handling paper returns.

2002 Book Changes
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Form CT-2NA is modified to provide that, for taxable years beginning on or after January 1, 2002, a **Form CT-2NA** that is filed with the partnership or S corporation will be effective for that taxable year and for all succeeding taxable years, unless the qualified nonresident partner or nonresident shareholder revokes the agreement by providing written notice of the revocation to the partnership or S corporation.

Form CT-2NA is not required to be attached to **Form CT-1065**, *Connecticut Partnership Income*

Tax Return. However, the partnership is required to keep and maintain **Form CT-2NA** in its permanent records, and make it available to DRS upon request.

Special Depreciation Allowance

The federal Job Creation and Worker Assistance Act of 2002 created a special 30% depreciation allowance for certain property acquired after September 10, 2001, and before September 11, 2004. The provision allows taxpayers to claim an additional first-year special depreciation allowance on new MACRS property where the recovery period is 20 years or less. For taxable years beginning on or after

January 1, 2002, the additional first-year special depreciation allowance (to the extent deductible in determining an individual's federal adjusted gross income) should be added to the individual's federal adjusted gross income in computing his or her Connecticut adjusted gross income. See **Special Notice 2002(12)**, *2002 Legislation Affecting the Connecticut Income Tax*, for more information on how partnerships that own property for which the special 30% depreciation allowance is deducted for federal income tax purposes are affected.

2002 Conn. Pub. Acts 1, §77 (May 9 Spec. Sess.)

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LEGISLATIVE CHANGES AFFECTING CONNECTICUT CORPORATION BUSINESS TAX

Form CT-1120

Bonus Depreciation Deduction Not Permitted

Effective for certain assets placed in service after September 10, 2001, and before September 11, 2004, the bonus depreciation allowed under Internal Revenue Code §168(k) is not deductible for corporation business tax purposes. This provision requires corporations that have filed federal tax returns for the 2000 or 2001 income years deducting the bonus depreciation to amend their Connecticut corporation business tax return. See **Special Notice 2002(10)**, *Bonus Depreciation for Connecticut Corporation Business Tax Purposes*.

Conn. Gen. Stat. §12-217(b), as amended by 2002 Conn. Pub. Acts 1, §56 (May 9 Spec. Sess.)

Minimum Tax Changes

Effective for income years beginning on or after January 1, 2002, no tax credit allowed against the corporation business tax shall reduce a company's tax calculated

under Conn. Gen. Stat. §12-219 to an amount less than \$250. In addition, financial service companies are now subject to the tax calculated under Conn. Gen. Stat. §12-219 and may not apply any tax credits to reduce the tax below \$250.

Conn. Gen. Stat. §12-219, as amended by 2002 Conn. Pub. Acts 1, §57 (May 9 Spec. Sess.)

Effective for income years beginning on or after January 1, 2002, each corporation included in a combined return shall pay the minimum tax, and no tax credit allowed against the tax shall reduce an included corporation's tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250.

Conn. Gen. Stat. §12-223c, as amended by 2002 Conn. Pub. Acts 1, §58 (May 9 Spec. Sess.)

Tax Credits May Not Reduce Tax by More Than 70%

Effective for income years beginning on or after January 1, 2002, the amount of tax credit or credits otherwise allowable

against the corporation business tax for any income year shall not exceed 70% of the amount of tax due from such taxpayer under the corporation business tax prior to the application of the tax credits.

2002 Conn. Pub. Acts 1, §59 (May 9 Spec. Sess.)

Amendments to the Commissioner's Discretionary Authority

Effective for income years beginning on or after January 1, 2002, the Commissioner may exercise his authority to make adjustments in cases where an arrangement between related entities results in an inaccurate reflection of income as long as his discretion is not arbitrarily, capriciously, or unreasonably exercised. In addition, the General Assembly effectively overruled the Connecticut Supreme Court's decision in *Carpenter Technology Corp. v. Commissioner*, 256 Conn. 455 (2001), by specifically affirming that the facts, circumstances, and transactions at issue in the Carpenter case

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Legislative Changes

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amply satisfy the improper or inaccurate reflection of net income standard stated in Conn. Gen. Stat. §12-226a.

Conn. Gen. Stat. §12-226a, as amended by 2002 Conn. Pub. Acts 1, §§61 and 62 (May 9 Spec. Sess.)

Payment of Interest on Corporation Business Tax Overpayments

No interest shall be paid on the overpayment for any month or fraction of a month before the 91st day after the day prescribed for filing the tax return, determined without regard to any extension of time for filing. In the case of a late-filed return, interest will begin to accrue from the 91st day after the return was filed.

In the case of an overpayment reported on an amended tax return, no interest shall be paid for any month or fraction of a month before the 91st day after the date the amended tax return was filed. Any amended return filed before the last day prescribed for filing the tax return for such year, determined without regard to any extension of time for filing, shall be

considered as filed on the last day prescribed for filing the return.

A tax return or amended tax return shall not be treated as filed until it is filed in a "processable form." **Processible form** is defined as a return that is filed on a permitted form containing the taxpayer's name, address, identifying number, required signatures, and sufficient required information to permit the mathematical verification of the tax liability shown on the return.

Conn. Gen. Stat. §12-227, as amended by 2002 Conn. Pub. Acts 1, §§63 and 64 (May 9 Spec. Sess.)

No Addition to Tax for Underpayment As a Result of Legislative Changes

Effective August 15, 2002, no addition to tax shall be made under Conn. Gen. Stat. §12-242d in the case of any underpayment of estimated tax by any company to the extent that the underpayment was created or increased by any provision of 2002 Conn. Pub. Acts 1 (May 9 Spec. Sess.) and to the extent that any estimated tax payment was required to be made on or before July 15, 2002.

Conn. Gen. Stat. §12-242d, as amended by 2002 Conn. Pub. Acts 4, §2 (May 9 Spec. Sess.)

No Penalties and Interest for Underpayment As a Result of Legislative Changes

Effective August 15, 2002, Conn. Gen. Stat. §§12-225, 12-226, and 12-229 shall not apply with respect to the imposition of penalties or accrual of interest in the case of any underpayment of tax by any company to the extent the underpayment was created or increased by any provision of 2002 Conn. Pub. Acts 1 (May 9 Spec. Sess.) and to the extent the payment was required to be made on or before August 1, 2002.

Conn. Gen. Stat. §§12-225, 12-226, and 12-229, as amended by 2002 Conn. Pub. Acts 4, §4 (May 9 Spec. Sess.)

Apportionment Election Eliminated for Companies Operating in a Distressed Municipality With Income From Credit Card Activities

For income years beginning on or after January 1, 2002, companies operating in a distressed municipality with income from credit card activities must apportion their net income using a single factor apportionment formula.

Conn. Gen. Stat. §12-218j, as amended by 1996 Conn. Pub. Acts 1, §18

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CHANGES AFFECTING CONNECTICUT CORPORATION BUSINESS TAX CREDITS

Tax Credits May Not Reduce Tax by More Than 70%

Effective for income years beginning on or after January 1, 2002, the amount of tax credit or credits otherwise allowable against the corporation business tax for any income year shall not exceed 70% of the amount of tax due from such taxpayer under the corporation business tax prior to the application of the tax credits.

2002 Conn. Pub. Acts 1, §59 (May 9 Spec. Sess.)

Minimum Tax Changes

Effective for income years beginning on or after January 1, 2002, no tax credit allowed against the corporation business tax shall reduce a company's tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250. In addition, financial service companies are now subject to the tax calculated under Conn. Gen. Stat. §12-219 and may not apply any tax credits to reduce the tax below \$250.

Conn. Gen. Stat. §12-219, as amended by 2002 Conn. Pub. Acts 1, §57 (May 9 Spec. Sess.)

Effective for income years beginning on or after January 1, 2002, each corporation included in a combined return shall pay the minimum tax, and no tax credit allowed against the tax shall reduce an included corporation's tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250.

Conn. Gen. Stat. §12-223c, as amended by 2002 Conn. Pub. Acts 1, §58 (May 9 Spec. Sess.)

► Corporation Credits, Page 7

Corporation Credits
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Clean Alternative Fuel Tax Credit Extension

Effective for income years beginning on or after January 1, 2002, Conn. Gen. Stat. §12-217i is amended to extend the clean alternative fuel tax credit to any income year beginning prior to January 1, 2004.

Conn. Gen. Stat. §12-217i, as amended by 2002 Conn. Pub. Acts 4, §11 (May 9 Spec. Sess.)

Limitations on Refund of Research and Development Tax Credit

Effective July 1, 2002, any taxpayer entitled to a research and

development tax credit refund of more than \$1 million for income years 2000 or 2001 that did not receive its payment before July 1, 2002, will only be entitled to receive \$1 million in any one state fiscal year with any remaining credit refund due paid equally over the next two state fiscal years. For research and development tax credit refund claims filed for income years beginning 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.

Conn. Gen. Stat. §12-217ee, as amended by 2001 Conn. Pub. Acts 6, §11 (June Spec. Sess.) and 2002 Conn. Pub. Acts 1, §60 (May 9 Spec. Sess.)

Conn. Gen. Stat. §12-217ee, as amended by 2001 Conn. Pub. Acts 6, §11 and 2002 Conn. Pub. Acts 1, §60, is further amended to provide that for the purposes of determining whether the taxpayer qualifies to claim a refund of research and development tax credits, payment of the minimum tax of \$250 under Conn. Gen. Stat. §§12-219 or 12-223c, as amended by 2002 Conn. Pub. Acts 1, §§57 and 58, shall not be considered a tax liability that would preclude the taxpayer from qualifying for the credit refund.

2002 Conn. Pub. Acts 4, §19 (May 9 Spec. Sess.)

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Connecticut Gift Tax Rate Schedule

Form CT-709

The Connecticut gift tax will be reduced in increments, starting with gifts made during 2004. The tax will ultimately be repealed

after 2007 except for those donors who make Connecticut taxable gifts exceeding \$1 million during a calendar year.

If the amount of your Connecticut taxable gifts is \$25,000 or less for

calendar year 2002, you do not owe Connecticut gift tax; file **Form CT-709, Connecticut Gift Tax Return**, only if you made a gift of farmland and valued it based upon its use as farmland.

Calendar Year	Amount of Taxable Gifts, for Connecticut Gift Tax Purposes	Tax
2001	\$25,000 or less	No Gift Tax Due
	over \$25,000 but not over \$50,000	\$250 plus 2% of the excess over \$25,000
2002	over \$50,000 but not over \$75,000	\$750 plus 3% of the excess over \$50,000
	over \$75,000 but not over \$100,000	\$1,500 plus 4% of the excess over \$75,000
2003	over \$100,000 but not over \$675,000	\$2,500 plus 5% of the excess over \$100,000
	over \$675,000	\$31,250 plus 6% of the excess over \$675,000

Purchases Over the Internet Subject to Taxes

During this holiday retail season, several local news stories relating to purchases made over the Internet have stated that there is no sales tax on those purchases. These stories are not entirely accurate as they fail to mention the application of Connecticut's use tax.

The use tax is complimentary to the sales tax. It generally applies to taxable tangible personal property or services on which a seller did not impose Connecticut sales tax. Together, the sales and use taxes act to tax Connecticut

purchasers equally, whether they purchase goods or services within or outside of Connecticut.

Therefore, while there is no sales tax on purchases made outside of Connecticut, purchasers of taxable goods and services that are used in Connecticut must pay the Connecticut use tax on such goods and services.

The use tax must be paid directly to DRS. Individuals can report the use tax on their Connecticut Income Tax returns or on **Form OP-186, Individual Use Tax Return**.

To assist taxpayers in calculating their use tax liabilities, the DRS has created an excel-based Use Tax Tracker that enables users to log in their purchases during the year. The Tracker performs the calculations and provides a total that can be entered on the Use Tax line on their Connecticut income tax return.

In addition, a fillable **OP-186** is available on the DRS Web site. Visit the DRS Web site at: www.ct.gov/drs in January to download the Use Tax Tracker or use the fillable **OP-186**.

Connecticut Tax Calendar

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

DECEMBER

- 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

JANUARY

- 1** Corporation Business Tax for year ending September 2002
- 15** Cigarette Vending Machine Tax
 Estimated Corporation Business Tax Payment
 Form CT-1120 ESA for year ending October 2003
 Form CT-1120 ESB for year ending July 2003
 Form CT-1120 ESC for year ending April 2003
 Form CT-1120 ESD for year ending January 2003
 Estimated Group Income Tax Installment Payment
 Estimated Health Care Centers Tax Payment,
 4th Installment 2002
 Estimated Insurance Companies Tax Payment,
 4th Installment 2002
 Estimated Income Tax Payment for Individuals, Trusts,
 and Estates, 4th Installment 2002
 Estimated Unrelated Business Income Tax
 Fiduciary Income Tax for year ending September 2002
 Group Income Tax for year ending September 2002
 Partnership Income Tax for year ending September 2002
 S Corporation Information and Composite Income Tax
 for year ending September 2002
 Unrelated Business Income Tax
- 25** Motor Vehicle Fuels Tax
 Tobacco Products Tax
- 31** Admissions and Dues Tax, Monthly Filers
 Beverage Tax
 Dry Cleaning Surcharge
 Quarterly Reconciliation of Withholding
 Motor Carrier Road Tax
 Petroleum Companies Gross Earnings Tax
 Quarterly Reconciliation of Withholding
 Solid Waste Tax

- Gas, Electric, and Steam Companies Gross Earnings Tax
 Seed Oyster Tax
 Room Occupancy Tax, Monthly, Quarterly, and Annual
 Filers
 Sales and Use Taxes, Monthly, Quarterly, and Annual
 Filers
 Tourism and Rental Surcharge, Monthly, Quarterly, and
 Annual Filers

FEBRUARY

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

MARCH

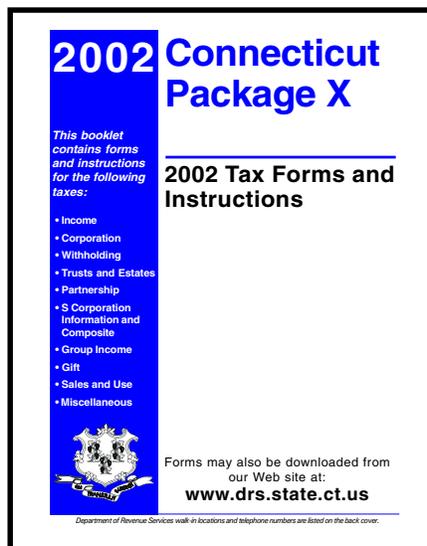
- 1** Corporation Business Tax for year ending November
 2002
- 15** Cigarette Vending Machine Tax
 Estimated Composite Income Tax Installment Payment
 Estimated Corporation Business Tax Payment
 Form CT-1120 ESA for year ending December 2003
 Form CT-1120 ESB for year ending September 2003
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 Form CT-1120 ESD for year ending March 2003
 Estimated Group Income Tax Installment Payment
 Fiduciary Income Tax for year ending November 2002
 Group Income Tax for year ending November 2002
 Partnership Income Tax for year ending November 2002
 S Corporation Information and Composite Income Tax
 for year ending November 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

How to Get 2002 Connecticut Tax Forms and Package X

DRS provides most tax filing materials by Internet on the DRS Web site, by fax using TaxFax, or in the **2002 Connecticut Package X**. These options offer tax preparers the fastest and most efficient methods of obtaining forms and instructions. Therefore, the DRS has eliminated the service of providing bulk orders of Connecticut tax forms for the filing season.

The **2002 Connecticut Package X**, which is the most comprehensive forms booklet that we have ever assembled, is available beginning in January and includes official copies of nearly every form that DRS makes available for the 2003 filing season. All forms may be reproduced without obtaining any other permission. The **2002 Connecticut Package X** contains over 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. To order the **2002 Connecticut Package X**, complete form OP-253X or contacting the DRS Forms Unit. The cost is **\$13.50** (Connecticut sales tax and postage included). You also may purchase copies at 25 Sigourney Street at a cost of \$8.00 (Connecticut sales tax included).



Call DRS to verify availability. Should you need a hard copy of any tax document, the DRS

Forms Unit will send two copies. DRS Regional offices (see Page 12) will also have tax materials available on a limited basis.

To electronically obtain tax forms and instructions, use the following:

- DRS Web site (www.drs.state.ct.us) – Most forms are available for free downloading and printing
- Facsimile (TaxFax – Call 860-297-5698 from the handset attached to your fax machine and select from the menu.)

Another important tool for tax preparers is the *DRS E-News*. Important tax information, new releases of forms, updates, and alerts are sent to your e-mail address as soon as they are released. You also are given a direct link to the document to preview it or print it. To subscribe to the free *DRS E-News* service visit our Web site, or contact the Taxpayer Services Division at: 1-800-382-9463 (in-state) or 860-297-5962 (from any where). ^{TN}

ELECTRONIC FILING OPTIONS

File Your Tax Return Electronically!

- Refunds Issued in 4 days • Easy to use • Immediate Proof of Filing •
- Safe and Secure • Paperless • Available 24 Hours a Day, 7 Days a Week! •

To **WebFile** or **Telefile** your Connecticut return you must meet all of the following conditions:

- You were a Connecticut resident for the entire year;
- You filed a 2001 Connecticut income tax return; and
- Your filing status is the same filing status as last year.

WebFile – File over the Internet using *WebFile*. Visit: www.drs.state.ct.us to learn more.

Telefile – File your return using a touch-tone telephone by calling: **860-692-9787**.

e-file – File your Federal and State returns together using *e-file*!! Have your tax preparer electronically file your tax return. Visit: www.irs.gov/efile

File your returns from home using a DRS-approved commercial tax filing Web site or software product. Visit: www.drs.state.ct.us for a complete list!

FAST-FILE IN FIVE



ELECTRONICALLY FILE YOUR SALES AND USE TAX RETURN IN FIVE FAST AND EASY STEPS

Log In • Key In • Pay • Sign • Confirm

Step 1: Log In

The first time you use the *Fast-File* system, your PIN is the 5-digit ZIP code for your mailing address. You will be asked to enter a new 5 to 8-digit PIN. Please keep a record of your new PIN.

Step 2: Key In

Before accessing *Fast-File*, you may want to use your Sales and Use Tax Return as a worksheet. Key in whole dollar amounts, **NO** cents or decimal points. *Fast-File* will calculate the tax due for you.

Step 3: Pay

If you owe tax, you must pay electronically (direct payment or EFT). The first time you *Fast-File*, you will be asked to provide the bank routing transit number and your bank account number (sample check as shown at right), and indicate the type of account.

You may elect to have the amount due withdrawn from your bank account at a future date (no later than the due date of the return). You will be prompted to enter the date you want to transfer the payment from your account to DRS.

Step 4: Sign

Fast-File will prompt you to “sign” your return by entering your PIN. This becomes the legal signature for your return.

Step 5: Confirm

Fast-File provides you with a 9-digit confirmation number. Once you receive this number, your return is filed.

If you *Fast-File* on-line, you will be given the option to print a copy of your return, which includes your confirmation number.

If you *Fast-File* by phone, write down your confirmation number for your records. Keep your completed Connecticut sales and use tax return, and any worksheets or other documentation with your records. **Do not mail the return.**

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

For additional tax assistance, call DRS at 800-382-9463 (in-state) or 860-297-5962 (from anywhere).

Access *Fast-File* by: Internet at: **www.drs.state.ct.us** and click on the *Fast-File* button, or telephone by calling: **860-947-1988**.

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(1.3), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes

AN 2002(3.1), Obtaining Connecticut Publications In Booklet Form

AN 2002(5), Nonresident Individuals Now Subject to CT Income

AN 2002(7), 2002 Legislation Renumbers CONN. GEN. STAT. 12-407

Certificates

CERT-113, Purchases of Tangible Personal Property and Services by a Nonprofit Charitable Hospital, Nonprofit Nursing Home, Nonprofit Rest Home, or Nonprofit Residential Care Home

CERT-116, Exempt Petroleum Products Certificate

CERT-136, Purchases of Items by Eleemosynary Organizations and Schools That Will be Resold Tax-Exempt

CERT-137, Sales and Use Tax Certificate for Sale and Leaseback Arrangements

Informational Publications

IP 2002(2.3), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax

IP 2002(3.3), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax

IP 2002(4.3), Numerical Index to Rulings and Administrative

Pronouncements as Affected, If At All, By Later-Issued Rulings and Pronouncements

IP 2002(5.3), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes

IP 2002(6.3), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics

IP 2002(11), Nonprofit Hospitals, Nonprofit Nursing Homes, etc.

IP 2002(13), Federal/State Electronic Filing Handbook

IP 2002(15), Status Letters

IP 2002(16), Successor Liability for Sales and Use Taxes and Admissions and Dues Tax

IP 2002(17), Paying CT Taxes by Electronic Funds Transfer

IP 2002(18), CT Income Tax Treatment of Lottery Winnings

IP 2002(19), 2002 Connecticut Magnetic Media Filing Requirements for Federal Form W-2

IP 2002(20), 2002 Connecticut Magnetic Media Filing Requirements for Federal Forms 1098, 1099-MISC, 1099-R, 1099-S, and W-2G

IP 2002(21), Q & A Connecticut Individual Use Tax

IP 2002(22), Connecticut Income Tax Information for Armed Forces Personnel and Veterans

IP 2002(24), Connecticut Tax Tips for Senior Citizens

IP 2002(25), Q & A on the Connecticut Use Tax for Businesses and Professions

Policy Statements

PS 2002(3), Sales and Use Tax Exemptions for Sales by Eleemosynary Organizations Etc

PS 2000(5), Motor Vehicle Rental Surcharge and the Tourism Account Surcharge

Special Notices

SN 2002(5), 2002 Legislation Affecting CT Gift Tax

SN 2002(6.1), Motor Vehicle Fuels Tax Changes as of August 1, 2002 and Continuation of Exemption for Alternative Fuels

SN 2002(8.1), 2002 Sales and Use Taxes and Motor Vehicle Rental Surcharge Legislation

SN 2002(9.1), Sales and Use Taxes on the Furnishing of Space for Storage^{T_N}

SN 2002(12), 2002 Legislative Changes for Income Tax

SN 2002(13), Petroleum Products Gross Earnings Tax Changes Effective July 1, 2002

SN 2002(14), Legislative Changes Affecting the Corporation Business Tax

Internet Purchases

from Page 6

The use tax also applies to Connecticut businesses. In addition to applying to the purchase or lease of assets such as furniture, equipment, machines, instruments, and computers, the use tax also applies to the purchase of goods such as office supplies, paper, stationery items, certain publications, packaged software, and books that are used by businesses. Because these goods and services are used and

consumed by businesses in Connecticut, businesses must report and pay use tax on such goods and services.

If purchases are made in connection with carrying on a trade, occupation, business, or profession, the business that made such purchases must register with DRS for business use tax and must report and pay tax on such purchases on **Form OS-114, Sales and Use Tax Return**. Businesses can use **Form REG-1** to register for business use tax. Therefore, like individuals, if a

business purchases taxable goods or services for use in Connecticut from an Internet company or an out-of-state mail-order company and is not charged Connecticut sales, the business must report the purchase and remit the proper amount of use tax on its **Form OS-114**.

Note to businesses: A resale certificate may only be used to purchase goods or services that are intended for resale in the regular course of business.

For Tax Forms, Publications or Personal Assistance

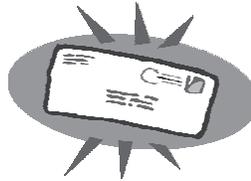
- Visit the **DRS Web site**: www.drs.state.ct.us



- 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

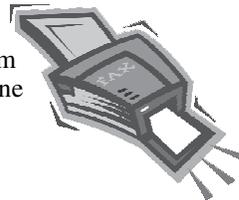


Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



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.

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Commissioner**

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