

FORM CT-1120CR

Combined Corporation Business Tax Return Instructions

CORPORATIONS THAT QUALIFY FOR COMBINED REPORTING

- A. Any taxpayer included in a consolidated return for federal income tax purposes may elect to file a combined return together with all other companies that are subject to the tax imposed under Conn. Gen. Stat. Chapter 208 or 209 and are included in the federal consolidated corporation income tax return.
- B. Any taxpayer not included in a federal consolidated return but which owns or controls, either directly or indirectly, substantially all the capital stock of one or more corporations may, at the discretion of the Commissioner of Revenue Service, be required or permitted by written approval to make a return on a combined basis covering such other corporations.

CONSENT AND NOTICE OF ELECTION

Each corporation that consents to be included in a Combined Corporation Business Tax Return must submit a **Form CT-1120CC**, *Combined Return Consent*, for the initial income year for which the election is being made. The election to file a combined return must be made by the electing corporations not later than the due date or the extended due date of the returns for which such election is made. The election to file a combined return must be in effect for at least five income years, and will continue in effect until such time as it is revoked.

CHANGE OF ELECTION

- A. Any corporation that has elected to file a combined return may subsequently revoke its election even though it continues to be included in a federal consolidated corporation income tax return with other corporations that are subject to the Connecticut corporation business tax. The revocation will not be effective before the fifth income year immediately following the initial income year in which the corporation elected to file a combined return. The election to file separate returns must be submitted in writing on **Form CT-1120CC** by each corporation that was included in such combined return. The election to file separate returns must be made by the electing corporations by the due date or the extended due date of the separate returns for the initial income year for which such election is made. The election to file separate returns shall be irrevocable for five successive income years. After five income years, the corporations may elect to file a Combined Corporation Business Tax Return.
- B. In the case of a corporation not included in a federal consolidated return, permission to file a combined return will be withdrawn if ownership and control is extended to other corporations or a substantial change is made in the nature or locations of the operations of the corporations.

ATTACHMENTS REQUIRED

Attach to **Form CT-1120CR** a complete copy of the federal consolidated return, including income statements and balance sheets, federal M-1 adjustments, and a schedule of intercompany eliminations as filed with the Internal Revenue Service.

FORM CT-1120 REQUIRED

Form CT-1120 must be completed and attached to the combined corporation business tax return for each corporation included.

AMENDED RETURN

Any company that fails to include items of income or deduction or makes any other error on a return, must file an amended return using **Form CT-1120X**, *Amended Connecticut Corporation Business Tax Return*. A copy of federal Form 1120X must be attached to substantiate any changes to federal net income.

SPECIFIC INSTRUCTIONS

PART I - SEPARATE TAXES OF CORPORATIONS INCLUDED IN THE COMBINED RETURN

Each corporation included in **Form CT-1120CR**, *Connecticut Combined Corporation Business Tax Return*, is required to calculate its tax as if it were not included in a combined return. Complete Part I and attach a separate **Form CT-1120**, *Corporation Business Tax Return*, including all appropriate schedules such as **Form CT-1120/CT-1120S ATT**, **Form CT-1120A**, **Form CT-1120K**, and any letters of approval or eligibility received from the Agency administering the credit, for each corporation included.

In the spaces provided, enter the name, Connecticut Tax Registration Number, and Federal Employer ID Number of each affiliate added to, or deleted from, the group since the filing of the prior year's Connecticut Corporation Business Return.

PART II - COMPUTATION OF COMBINED NET INCOME

The combined net income is the sum of the separate net income or loss of each corporation included in the return, but only to the extent that it is separately apportioned to Connecticut in accordance with the provisions of Conn. Gen. Stat. §§12-218, 12-218a, 12-218b, or 12-244, whichever is applicable.

Do not include intercompany rents in the computation of the property factor of the apportionment fraction if the lessor and lessee are included in the combined return.

Do not include receipts of a corporation from any other corporation included in the combined return in the computation of the receipts factor of the apportionment fraction of the corporation. See Conn. Gen. Stat. §12-223b.

OPERATING LOSS CARRYOVERS

The provisions of Conn. Gen. Stat. §12-217 pertaining to operating loss carryovers apply to companies filing separate returns. There are different rules for the application of operating loss carryovers for companies filing a combined return. See Conn. Agencies Regs. §12-223a-2, Combined Operating Loss, for further information.

Lines 1 through 3 - Complete as indicated.

Line 4 - Enter otherwise deductible interest expenses and costs and intangible expenses and costs directly or indirectly paid, accrued or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related members. **Interest expenses and costs** means amounts directly or indirectly allowed as deductions under I.R.C. §163 for purposes of determining taxable income under the Internal Revenue Code to the extent such expenses and costs are directly or indirectly for, related to, or in connection with the direct or indirect acquisition, maintenance, management, ownership, sale, exchange or disposition of intangible property.

Intangible expenses and costs include:

- (a) Expenses, losses and costs for, related to, or in connection directly or indirectly with the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property to the extent such amounts are allowed as deductions or costs in determining taxable income before operating loss deduction and special deductions for the taxable year under the Internal Revenue Code;
- (b) Losses related to or incurred in connection directly or indirectly with factoring transactions or discounting transactions;
- (c) Royalty, patent, technical, and copyright fees;
- (d) Licensing fees; and
- (e) Other similar expenses and costs.

Intangible property means patents, patent applications, trade names, trademarks, service marks, copyrights, and similar types of intangible assets. **Related member** means a person that, with respect to the taxpayer during all or any portion of the taxable year, is a related entity, a component member as defined in I.R.C. §1563(b), or is a person to or from whom there is attribution of stock ownership in accordance with I.R.C. §1563(e). **Related entity** - see definition in Conn. Gen. Stat. §12-218c(6).

Lines 5 through 7 - Complete as indicated.

Line 8 - Enter the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any non-profit land conservation organization where such land is to be permanently preserved as protected open space or to a water company (as defined in Conn. Gen. Stat. §25-32a), where such land is to be permanently preserved as protected open space or as Class I or Class II water company land.

Line 9 - Enter the amount received from a related member attributable to intangible expenses and costs or to interest expenses and costs, provided:

- Such income was included on Line 1 of this form;
- Such income was received from a related member who filed a Connecticut corporation business tax return for the same income year; and
- Such income was required to be added back by the related member under Conn. Gen. Stat. §12-218c.

For definitions of **interest expenses and costs**, **intangible property**, and **related member**, see Line 4 instructions above. For definition of **related entity** - see definition in Conn. Gen. Stat. §12-218c(6).

Line 10 - Complete as indicated.

PART III - COMPUTATION OF COMBINED MINIMUM TAX BASE

The combined minimum tax base is the sum of the separate minimum tax base of each corporation included, but only to the extent that the base is separately apportioned to Connecticut in accordance with the provisions of Conn. Gen. Stat. §§12-219a or 12-244. This part does not apply to financial service companies.

PART IV - COMPUTATION OF AMOUNT PAYABLE

Line 1 - Enter the total of all separate taxes as reported on Part I, Line 8.

Line 2a - Enter the total tax on Combined Net Income as reported on Part II, Line 16, *Combined Total* Column.

Line 2b - Enter the total tax on Combined Minimum Tax Base as reported on Part III, Line 7, *Combined Total* Column.

Line 2c - Enter the largest of Line 2a, Line 2b, or \$250 (minimum tax).

Line 2d - Multiply the number of companies included in this combined return (other than financial service companies), less one (the parent or designated parent), by \$250. Each affiliate included in the combined return must pay the minimum tax of \$250, except for financial service companies, which are exempt from the minimum tax.

Line 2 - To compute the combined tax, add the amounts on Line 2c and Line 2d.

Line 3 - To compute the preference tax, subtract Line 2, the combined tax, from Line 1. If the amount is negative, enter zero. If the amount is greater than zero, enter the amount up to a maximum of \$25,000.

Line 4a - To compute the total tax, add Line 2, the combined tax, to Line 3, the preference tax.

Line 4b - If a corporation has received a notice from Connecticut Housing Finance Authority (CHFA) indicating that 60% or more of a revolving loan fund has not been properly loaned on or before the date that is three years after the date that a revolving loan fund is established by such corporation, the credit amount specified in the notice must be recaptured. This amount should be reported on the first Connecticut corporation business tax return required to be filed on or after the date of notice. If any amount of the

recaptured credit has not been paid to the Commissioner of Revenue Services on or before the due date of such return, the amount shall accrue interest at the rate of 1% (.01) per month or fraction thereof, from the due date to the date of payment.

Line 4 - To compute the tax, add the amounts on Lines 4a and 4b.

Lines 5 through 11 - Complete as indicated.

SCHEDULE KC - COMBINED TAX CREDITS

Schedule KC, Combined Tax Credits, must be attached to **Form CT-1120CR**. *Schedule KC* contains the combined total of the tax credits which are claimed on **Form CT-1120K, Business Tax Credit Summary**, by the parent corporation and each affiliate in the group. Attach **Form CT-1120K** to *Schedule KC* for each corporation in the combined group claiming a business tax credit. See **Informational Publication 95(2.1), A Guide to Connecticut Corporation Business Tax Credits**, for additional information on Connecticut tax credits. To order this publication send a 9" x 12" self-addressed envelope with \$1.43 postage affixed to:

DRS Mail Unit, Corporation Credit Guide
25 Sigourney Street
Hartford CT 06106-5032

PART I - TAX CREDITS FROM 1999 INCOME YEAR

Part I-A - Financial Institutions Tax Credit

Line 1 - Enter on *Schedule KC*, Part I-A, Line 1, Column A, the combined total tax credit being applied from **Form CT-1120K**, Part I-A, Line 1, Column B, for financial institutions constructing new facilities in Connecticut. Enter on *Schedule KC*, Part I-A, Line 1, Column B, the name of each affiliate or parent included in the combined return claiming the tax credit. The initial eligibility certificate issued by the Department of Economic and Community Development (DECD) must be attached to the tax return.

Part I-B - Tax Credits with Carryback Provisions

Enter on *Schedule KC*, Part I-B, Lines 2 through 4, Column A, the amounts from **Form CT-1120K**, Part I-B, Lines 2 through 4, Column B. This is the combined total of all credits actually applied to the corporation business tax in 1999 that have a carryback provision. The credits indicated here are applied to the current year's tax first. Any remaining balance may be claimed against a preceding year's tax by filing **Form CT-1120X** or the appropriate amended tax returns.

Enter on *Schedule KC*, Part I-B, Lines 2 through 4, Column B, the combined totals of all credit amounts from **Form CT-1120K**, Part I-B, Lines 2 through 4, Column D. This is the combined total of all tax credits which are being carried back to a preceding tax year. For credits that also have a carryforward provision, complete *Schedule KC*, Part I-D.

Enter on *Schedule KC*, Part I-B, Lines 2 through 4, Column C, the name of each affiliate or parent included in the combined return claiming the tax credit.

Line 2 - Enter in Column A the amount from **Form CT-1120K**, Part I-B, Line 2, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-B, Line 2, Column D. A copy of the Neighborhood Assistance Act (NAA) tax credit approval letter issued by the Department of Revenue Services must be attached to the tax return.

Line 3 - Enter in Column A the amount from **Form CT-1120K**, Part I-B, Line 3, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-B, Line 3, Column D. A copy of the tax credit voucher issued by the Connecticut Housing Finance Authority (CHFA) must be attached to the tax return.

Line 4 - Enter in Column A the amount from **Form CT-1120K**, Part I-B, Line 4, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-B, Line 4, Column D. A copy of the Certificate of Compliance issued by CHFA must be attached to the tax return.

Line 5 - Add Lines 2 through 4 in Column A and Column B, and enter the totals in the spaces provided.

Part I-C - Tax Credits without Carryback or Carryforward Provisions

Enter on *Schedule KC*, Part I-C, Lines 6 through 13, Column A, the combined total of all credits applied to the current year's corporation business tax from **Form CT-1120K**, Part I-C, Column B, Lines 6 through 13. Enter on *Schedule KC*, Part I-C, Lines 6 through 13, Column B, the name of each affiliate or parent included in the combined return claiming the tax credit.

Line 6 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 6, Column B. Eligibility certificate Form AT-45, issued by the Department of Labor, must be attached to the tax return.

Line 7 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 7, Column B.

Line 8 - For corporations other than biotechnology companies, enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 8, Column B.

Line 9 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 9, Column B.

Line 10 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 10, Column B.

Line 11 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 11, Column B. The Certificate of Eligibility issued by the Department of Transportation must be attached to the tax return.

Line 12 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 12, Column B.

Line 13 - Enter in Column A the amount from **Form CT-1120K**, Part I-C, Line 13, Column B.

Line 14 - Add Lines 6 through 13 in Column A, and enter the totals in the spaces provided.

Part I-D - Tax Credits with Carryforward Provisions

Enter on *Schedule KC*, Part I-D, Lines 17 through 24, Column A, the combined total of all tax credits earned in 1999 and actually applied to the corporation business tax from **Form CT-1120K**, Part I-D, Lines 17 through 24, Column B. Enter on *Schedule KC*, Part I-D, Lines 15 through 24, Column B, the totals from **Form CT-1120K**, Part I-D, Lines 15 through 24, Column D. Enter on *Schedule KC*, Part I-D, Lines 15 through 24, Column C, the name of each affiliate or parent included in the combined return claiming the tax credit.

Line 15 - If you are claiming the Housing Program Contribution Credit complete *Schedule KC*, Part I-B, Line 3. Enter in Column B, the amount from **Form CT-1120K**, Part I-D, Line 15, Column D. This is your carryforward amount for the Housing Program Contribution Credit. A copy of the tax credit voucher issued by CHFA must be attached to the tax return.

Line 16 - If you are claiming the Employer-Assisted Housing Credit, complete *Schedule KC*, Part I-B, Line 4. Enter in Column B, the amount from **Form CT-1120K**, Part I-D, Line 6, Column D. This is your carryforward amount for the Employer-Assisted Housing Credit. A copy of the Certificate of Compliance approval letter issued by CHFA must be attached to the tax return.

Line 17 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 17, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 17, Column D. A copy of the tax credit approval letter issued must be attached to the tax return.

Line 18 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 18, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 18, Column D. Tax credits claimed under Conn. Gen. Stat. §12-217i must be supported by schedules reflecting the details of any computations, including the dates on which expenses were paid or incurred.

Line 19 - For biotechnology companies only, enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 19, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 19, Column D.

Line 20 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 20, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 20, Column D.

Line 21 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 21, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 21, Column D.

Line 22 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 22, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 22, Column D.

Line 23 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 23, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 23, Column D.

Line 24 - Enter in Column A the amount from **Form CT-1120K**, Part I-D, Line 24, Column B. Enter in Column B the amount from **Form CT-1120K**, Part I-D, Line 24, Column D.

Line 25 - Add Lines 15 through 25 in Column A and Column B, and enter the totals in the spaces provided.

Part I-E - Electronic Data Processing Equipment Property Tax Credit

Line 26 - Enter on *Schedule KC*, Part I-E, Line 26, Column A, the total of the allowable Electronic Data Processing Equipment Property Tax credits as computed on **Form CT-1120K**, Part I-E, Line 26, Column B. Enter on *Schedule KC*, Part I-E, Line 26, Column B, the amount from **Form CT-1120K**, Part I-E, Line 26, Column D. The credit is allowed on a combined basis against the combined tax liability of the corporations included in this return, and is allowed only after all other tax credits have first been applied. Enter on *Schedule KC*, Part I-E, Line 26, Column C, the name of each affiliate or parent included in the combined return claiming the tax credit.

PART II - CARRYFORWARD CREDITS FROM 1998 INCOME YEAR

This part enables a corporation to account for any credits that were earned in a preceding income year that were not applied to, or were in excess of, the 1998 Connecticut corporation business tax. These credits are applied to the 1999 corporation business tax after first being applied to the credits calculated in Part I-A, Part I-B, and Part I-C. This part only lists credits which have a carryforward provision.

Enter on *Schedule KC*, Part II, Lines 1 through 13, Column A, the total combined amount of carryforward credits from 1998 as computed on the 1999 **Form CT-1120K**, Part II, Lines 1 through 13, Column B. Enter on Lines 1 through 13, Column B, the name of each affiliate or parent included in the combined return claiming the tax credit in the space provided.

Line 1 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 1, Column B. Credits may be carried forward for nine successive income years. A copy of the approval letter issued by the Department of Environmental Protection (DEP) or a copy of **CERT-117**, *Certificate for Purchases of Tangible Personal Property Incorporated into or Consumed in Air Pollution Control Facilities*, or both, must be attached to the tax return.

Line 2 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 2, Column B. Credits may be carried forward for four successive income years. A copy of the approval letter issued by the DEP or a copy of **CERT-124**, *Certificate for Purchases in Connection with Water Pollution Control Facilities*, or both, must be attached to the tax return.

Line 3 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 3, Column B. Tax credits earned during income year 1994 must first be carried back to the five preceding income years, and then carried forward to the five succeeding income years. Carryforward provisions are not available for NAA tax credits issued after January 1, 1995. Beginning with the 1995 income year, NAA tax credits may only be carried back to the two preceding income years.

Line 4 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 4, Column B. Credits may only be carried forward to the five succeeding income years.

Line 5 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 5, Column B. Credits must first be carried back to the five preceding income years, and then be carried forward to the five succeeding income years.

Line 6 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 6, Column B. Credits may be carried forward for three succeeding income years.

Line 7 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 7, Column B. Credits must first be carried back to the five preceding income years and then be carried forward to the five succeeding income years.

Line 8 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 8, Column B. Credits may be carried forward for five succeeding income years.

Line 9 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 9, Column B. All allowable credits from prior years must be carried forward and applied before the current year's credit may be taken. Any balance may be carried forward to each successive income year until the credit is fully taken.

Line 10 - For biotechnology companies only, enter in Column A the amount from **Form CT-1120K**, Part II, Line 10, Column B. Any unused credit balance can be carried forward and applied to each successive income year until the credit is fully taken. The maximum carryforward period is 15 years.

Line 11 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 11, Column B. Any unused credit balance may be carried forward to each successive income year for five years, until the credit is fully taken.

Line 12 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 12, Column B. Any unused credit balance may be carried forward to the next five successive income years until the credit is fully taken.

Line 13 - Enter in Column A the amount from **Form CT-1120K**, Part II, Line 13, Column B. Any unused credit balance may be carried forward to the next five successive income years until the credit is fully taken.

Line 14 - Add Lines 1 through 13 in Column A, and enter here. Line 14, Column A, is the corporation's credit carryforward balance from 1998 for all above credits.

PART III - TOTAL TAX CREDITS

Line 15 - TOTAL TAX CREDITS - Add Part I, Lines 1, 5, 14, 25, 26 and Part II, Line 14. This is your total tax credit available for 1999 to be applied against the 1999 Connecticut corporation business tax. Enter this amount in the space provided and on **Form CT-1120CR**, Page 1, Part IV, Line 5. Any unused credit that has a carryback provision may be claimed by filing **Form CT-1120X**.