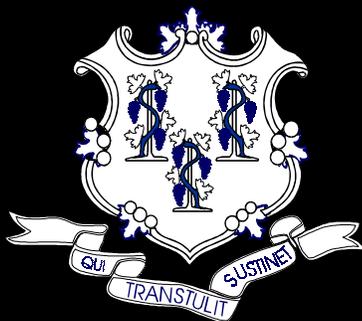


1999 FORM CT-1065

Connecticut Partnership Income Tax Return and Instructions

This booklet
contains:

- Form CT-1065
- Form CT-1065 EXT



Dear Customer:

Over the past five years, the State of Connecticut has cut taxes by \$1.6 billion — directly benefiting those who carry on business in the State. Connecticut recognizes the importance of the contributions of companies of all sizes to the economic success of our State. We want you to continue to thrive and grow.

If you have questions about Connecticut taxes or need assistance in completing this return, our Taxpayer Services personnel are ready to help you by phone, e-mail or in writing. Use the information on the back cover of this booklet to reach them. Our Web site shown below is a valuable resource and is available 24 hours a day, seven days a week. Use it to download forms and other information that you may need.

At the Department of Revenue Services we are proud of the positive relationships we have created with Connecticut businesses. Our efforts continue to be recognized regionally and nationally for their innovation and user-friendly approach to tax administration. If you have comments about our service, or ideas on how we can make improvements, please write or e-mail me through our Web site, or phone. I look forward to hearing from you.

Sincerely,

Gene Gavin
Commissioner of Revenue Services

Taxpayer information is available on our Web site:
www.state.ct.us/drs

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (toll-free from within Connecticut) or **860-297-5962** (from anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number next to the topic of your choice shown below, or follow the prerecorded instructions.

GENERAL INCOME TAX INFORMATION

- | | | | |
|-----|---------------------------------------|-----|---|
| 101 | Important income tax changes for 1999 | 107 | Amending a Connecticut return |
| 102 | How to choose the correct form | 108 | Getting a copy of a previously filed return |
| 103 | Where to get forms and assistance | 109 | Offsets of state income tax refunds |
| 104 | Requesting a filing extension | 110 | Deducting Connecticut income tax when completing your federal income tax return |
| 105 | Filing a decedent's return | | |
| 106 | Filing an error-free return | | |

INCOME TAX FILING REQUIREMENTS, RESIDENCY, AND FILING STATUS

- | | | | |
|-----|---|-----|--|
| 201 | Who must file a Connecticut return? | 205 | Members of the armed forces |
| 202 | What is gross income? | 206 | Student's filing requirements |
| 203 | Who is a resident, nonresident or part-year resident? | 207 | Dependent children's filing requirements |
| 204 | What is Connecticut source income of a nonresident? | 208 | What is your filing status? |
| | | 209 | Title 19 recipients |

CONNECTICUT USE TAX, GIFT TAX, AND OTHER INCOME TAX RETURNS

- | | | | |
|-----|---|-----|--|
| 301 | Individual use tax | 305 | Partnership income tax return |
| 302 | Gift tax | 306 | Group return for shareholders, partners, and beneficiaries |
| 303 | Income tax on trusts and estates | | |
| 304 | S corporation information and composite income tax return | | |

FORM CT-1040 OR FORM CT-1040NR/PY

- | | | | |
|-----|---|-----|--|
| 401 | Tax status of United States government obligations | 406 | Modifications to federal adjusted gross income |
| 402 | Tax status of state or local obligations | 407 | Connecticut alternative minimum tax |
| 403 | Residents and part-year residents who paid income tax to another jurisdiction | 408 | Property tax credit |
| 404 | Deferred compensation | 409 | Questions about a state tax refund or a Connecticut tax rebate |
| 405 | Pension income, Social Security benefits, and Individual Retirement Accounts | | |

ESTIMATED TAX INFORMATION

- | | | | |
|-----|---|-----|---------------------------|
| 501 | Who must estimate? | 505 | Annualization of income |
| 502 | Withholding instead of making estimates | 506 | Interest on underpayments |
| 503 | Estimated income tax form | 507 | Farmers and fishermen |
| 504 | When to file and how much to pay | | |

TELEFILE INFORMATION

- | | | | |
|-----|--|-----|--|
| 601 | Who is eligible to Telefile? | 604 | Tips for successful Telefiling |
| 602 | What do I need to do before making the call? | 605 | What if I make a mistake while Telefiling? |
| 603 | Completing the Telefile Tax Return | | |

Extended Telephone Hours for the 2000 Filing Season (Option "0"):

- | | | | |
|-----------------------------|----------------|---------------------------|--------------------------|
| Tuesday, January 25 | (until 7 p.m.) | Thursday, April 6 | (until 7 p.m.) |
| Thursday, January 27 | (until 7 p.m.) | Saturday, April 8 | (8:30 a.m. - 12:00 p.m.) |
| Tuesday, February 1 | (until 7 p.m.) | Thursday, April 13 | (until 7 p.m.) |
| Thursday, February 3 | (until 7 p.m.) | | |

2000 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

- | | |
|---------------------------|--------------------------|
| Saturday, April 15 | (8:30 a.m. - 12:00 p.m.) |
| Monday, April 17 | (until 8 p.m.) |
| Tuesday, April 18 | (until 8 p.m.) |

TABLE OF CONTENTS

GENERAL INFORMATION	4
Where to Get Help	4
Where to Get Additional Forms and Publications	4
Who Must File Form CT-1065	4
When to File Form CT-1065	4
How do Partners Report Their Income	5
Where to File	6
Accounting Period and Method of Accounting	6
What Information Must be Provided to Partners	6
How to Request an Extension	6
Filing an Amended Return	7
Internal Revenue Service Exchange Program	7
Penalty for Late Filing	7
Waiver of Penalty	7
Rounding Off to Whole Numbers	7
Group Returns for Nonresident Individual Partners	7
Recordkeeping	8
Copies of Returns	8
FORM CT-1065 INSTRUCTIONS	8
General Instructions	8
Questions A Through I	8
Schedule A - Business Information	9
Schedule B - Income Apportionment	9
Schedule C - Partner Information	11
Schedule D - Partners' Share of Connecticut Modifications	11
Schedule E - Computation of Connecticut Sourced Income of Nonresident Partners and Resident Partners Other Than Individuals	13
CONNECTICUT TAX ASSISTANCE	Back Cover

OTHER TAXES FOR WHICH THE PARTNERSHIP MAY BE LIABLE

The information that follows is intended to be a general description of certain Connecticut taxes for which a partnership may be liable. Failure to pay these or any other taxes may subject the partnership and its partners to civil and criminal penalties.

To register for sales and use taxes and Connecticut income tax withholding as well as most other Connecticut taxes administered by the Department of Revenue Services, the partnership must complete **REG-1, Application for Tax Registration Number**. If the partnership already has a Connecticut Tax Registration Number, the partnership may register for any additional taxes for which it is liable by contacting the Department's Registration Unit at 860-297-4885.

Sales and Use Taxes

A partnership may be responsible for the filing of sales and use tax returns. Sales tax is due if the company makes sales of taxable goods or services. Use tax is due on the purchase of taxable goods or services, generally from out-of-state retailers or Connecticut retailers who have failed to collect the sales tax. Both taxes are reported on **Form OS-114, Sales and Use Tax Return**.

Connecticut Income Tax Withholding

Anyone who maintains an office or transacts business in Connecticut and who is considered an employer for federal income tax withholding purposes must withhold Connecticut income tax from wages and certain other payments to employees whether or not the payroll department is located in Connecticut.

Controlling Interest Transfer Tax

A partnership or its individual partners may be liable for controlling interest transfer tax if it transfers a controlling interest in an entity that owns Connecticut real property. Partners may be liable if they transfer a controlling interest in a partnership that owns Connecticut real property. This tax is reported on **Form AU-330, Controlling Interest Transfer Tax Return**.

Real Estate Conveyance Taxes

A partner may be liable for state and municipal real estate conveyance taxes if the partner conveys, as a contribution of partnership assets, Connecticut real property to the partnership. The partnership may be liable if it conveys Connecticut real property to a partner in consideration for the partner's withdrawal or if there is a termination of the partnership. The state tax is reported on **Form OP-236, Real Estate Conveyance Tax Return**.

GENERAL INFORMATION

Where to Get Help

Assistance is available from 8:00 a.m. to 5:00 p.m., Monday through Friday, by visiting any of the Department's offices listed on the back cover of this booklet. If you visit, be sure to bring your **COMPLETED** federal Form 1065.

Where to Get Additional Forms and Publications

Connecticut tax forms and publications may be obtained from any of the resources listed on the front and back covers of this booklet. However, copies of Connecticut partnership income tax forms are also available at most public libraries by photocopying them from the 1999 *Connecticut Package X* on file at the libraries. Forms may also be obtained by writing to:

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

or by calling **1-800-382-9463** (toll-free from within Connecticut) and selecting **Option 2**; or **860-297-4753** (from anywhere). Both numbers are available 24 hours a day.

Who Must File Form CT-1065

A partnership (including a limited liability partnership and a limited liability company treated as a partnership for federal purposes) must file **Form CT-1065**, *Connecticut Partnership Income Tax Return*, if it:

1. Is required to file a federal Form 1065, *U.S. Partnership Return of Income*, and
2. Has any income, gain, loss or deduction derived from or connected with Connecticut sources.

Partnerships do not have to file a **Form CT-1065** merely because they have a partner or partners who are residents of Connecticut.

For more information on how LLCs are taxed in Connecticut, see **Special Notice 99(3)**, *Effect of Federal Tax Law Changes on the Taxation of Limited Liability Companies and S Corporations and Their Shareholders*.

Income derived from or connected with Connecticut sources includes income, gain, loss, or deduction attributable to:

- The ownership of any interest in real property or tangible personal property located in Connecticut;
- The ownership of any intangible personal property to the extent it is used in a business, trade, profession or occupation carried on in Connecticut; and
- A business, trade, profession, or occupation carried on in Connecticut.

A partnership has income, gain, loss, or deduction from sources in Connecticut if it is a partner in a partnership which itself has income, gain, loss, or deduction derived from Connecticut sources. This flow through of income, gain, loss, or deduction extends through all layers of partnerships.

A partnership carries on a business, trade, profession, or occupation within Connecticut if:

- It maintains or operates desk space, an office, shop, store, warehouse, factory, agency, or other place **in Connecticut** where its affairs are systematically and regularly carried on; or
- Activities in connection with the business are conducted **in Connecticut** with a fair measure of permanency and continuity for livelihood or profit, as distinguished from isolated or incidental transactions.

When to File Form CT-1065

A partnership must file **Form CT-1065** by the 15th day of the fourth month following the close of its taxable year. The return will be timely filed if the date shown by the U.S. Postal Service cancellation mark is on or before the due date of the return. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date. (Due to the Patriots' Day

holiday, this return will be timely filed if received or if the date shown by the U.S. Postal Service cancellation mark is on or before April 18, 2000.) If a partnership is terminated, completely liquidated or has changed its accounting method during its normal taxable year, resulting in an accounting period of less than 12 months for federal income tax purposes, the return is due on the 15th day of the fourth month after the end of the accounting period.

NOTE: On or after October 1, 1999, taxpayers can use certain private delivery services, in addition to the U.S. Postal Service, for delivering returns, claims, statements or other documents, or payments, and meet the timely mailing as timely filing/payment rules. DRS has accepted the list of private delivery services that is currently published by the Internal Revenue Service. The following are on the list of designated private delivery services: Airborne Express (Airborne), DHL Worldwide Express (DHL), Federal Express (FedEx), and United Parcel Service (UPS). This list is subject to change. For more information see **Special Notice 99(14), Designated Private Delivery Services.**

Form CT-1065 is an informational return for calendar year 1999 or for the taxable year beginning in 1999 and ending in 1999 or 2000. If the return is not for a calendar year, fill in the “**other taxable year**” space at the top of the form.

How do Partners Report Their Income

Resident individual partners must include their distributive share of partnership income on **Form CT-1040, Connecticut Resident Income Tax Return.** The partnership must provide each resident partner with a schedule of the amounts of Connecticut modifications that each partner must include on *Schedule 1* of his or her **Form CT-1040.** A Connecticut resident is an individual whose domicile is in this state or an individual whose domicile is not in this state but who maintained a permanent place of abode in Connecticut **and** spent more than 183 days in the state during the taxable year.

Nonresident individual partners must include their distributive share of partnership items on **Form CT-1040NR/PY, Connecticut Nonresident or Part-Year Resident Income Tax Return.** The partnership must provide each nonresident partner with a schedule of his or her distributive share of partnership income (loss) derived from or connected with sources within Connecticut for inclusion on *Schedule CT-SI* of each nonresident partner's **Form CT-1040NR/PY.** Additionally, each nonresident partner must be provided with a schedule of his or her distributive share of Connecticut modifications for inclusion on *Schedule 1* of his or her **Form CT-1040NR/PY,** and a schedule of the amounts of such modifications that

Example:

X, a partnership having items of income, gain, loss, or deduction derived from Connecticut sources, has 3 partners: Q, a resident individual; R, a nonresident individual; and S, a partnership.

Partner S has two resident individual partners, T and U, and one nonresident individual partner, V.

X must do the following for Connecticut income tax purposes:

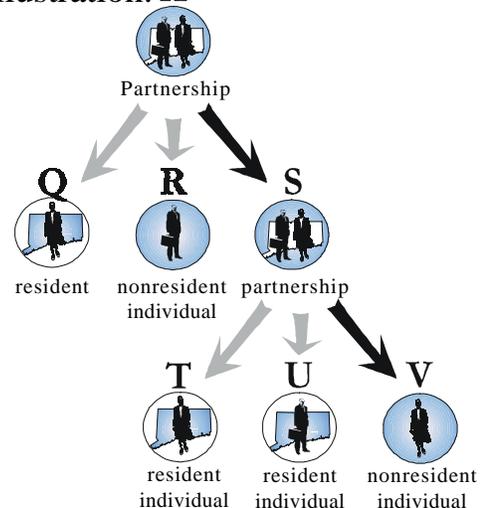
- File a **Form CT-1065.**
- Provide **all** partners with a **Form CT-1065, Schedule D.**
- Provide partner R with a **Form CT-1065, Schedule E.**
- Provide partner S, a pass-through entity with a nonresident partner, with a **Form CT-1065, Schedule E.**

Partner S has no income other than its distributive share of X's income, gain, loss or deduction.

S must do the following for Connecticut income tax purposes:

- File a **Form CT-1065.**
- Provide **all** partners with a schedule of their distributive shares of S's Connecticut modifications from the **Form CT-1065, Schedule D,** provided to S by Partnership X.
- Provide its nonresident partner, V, with a schedule of V's distributive share of S's income, gain, loss or deduction from Connecticut sources from the **Form CT-1065, Schedule E** provided to S by Partnership X.

Illustration: X



This partner needs to know what the Connecticut sourced income was from X.

relate to the distributive share of income (loss) derived from or connected with sources within Connecticut, for inclusion on *Schedule CT-SI* of each nonresident partner's **Form CT-1040NR/PY**.

A partner that is a corporation may be required to file **Form CT-1120**, *Corporation Business Tax Return* or **Form CT-1120S**, *Connecticut S Corporation Business Tax Return*.

A group return, **Form CT-G**, *Connecticut Group Income Tax Return*, may be filed by a partnership with ten or more qualified electing nonresident partners. See *Group Returns for Nonresident Individual Partners*, on Page 7.

Where to File

Use the pre-addressed envelope enclosed with your return or mail to:

State of Connecticut
Department of Revenue Services
PO Box 2935
Hartford CT 06104-2935

Accounting Period and Method of Accounting

A partnership's accounting period and method of accounting for Connecticut income tax purposes must be the same as the partnership's accounting period and method of accounting for federal income tax purposes.

If a partnership's accounting period or method of accounting is changed for federal income tax purposes, the accounting period and method of accounting must be similarly changed for Connecticut income tax purposes.

What Information Must be Provided to Partners

On or before the date **Form CT-1065** is filed, the partnership must provide each partner with information concerning the amount of that partner's distributive share of:

- Income, gain, loss, and deduction derived from or connected with sources within Connecticut, and derived from or connected with sources outside Connecticut, and

- Any Connecticut modifications that relate to partnership items of income, gain, loss or deduction derived from or connected with sources within Connecticut, and derived from or connected with sources outside Connecticut.

This information may be provided in the form of a statement attached to each partner's federal K-1. If all the items of income, gain, loss or deduction are derived from or connected with sources within Connecticut, it should be so stated.

Partners that are S corporations, partnerships, trusts or estates must be provided with a schedule of the partnership's income, gain, loss or deduction derived from or connected with sources within Connecticut so that they may properly inform their own shareholders, partners, or beneficiaries who may be nonresidents of Connecticut of any amounts taxable to them for Connecticut income tax purposes. For example, a resident partner that is a partnership may have one or more nonresident partners who need to know about their distributive share of any income, gain loss or deduction derived from or connected with sources within Connecticut.

How to Request an Extension

To get an extension of time to file the annual return, the partnership must file **Form CT-1065 EXT**, *Application for Extension of Time to File Connecticut Partnership Income Tax Return*, not later than the 15th day of the fourth month following the close of the taxable period. The timely filing of this form will automatically extend the due date for six months only if federal Form 8736, *Application for Automatic Extension of Time to File U.S. Return for a Partnership, REMIC or for Certain Trusts*, has been filed with the Internal Revenue Service. If federal Form 8736 was not filed, the partnership can apply for a six-month extension to file **Form CT-1065** provided there is reasonable cause for the request.

If a general partner is unable, by reason of illness, absence, or other good cause, to request an extension, any person standing in a close personal or business relationship to the general partner (including an attorney, accountant, or enrolled agent) may sign the request on his or her behalf. This person shall be considered as a duly authorized agent for this purpose, provided the

request sets forth the reasons for a signature other than that of the general partner, and states the relationship existing between the general partner and the signer.

Filing an Amended Return

If, after the partnership files its return, changes or corrections to income or deductions are made, the partnership must file an amended **Form CT-1065**. Check the *Amended Return* box on Question A on the front of **Form CT-1065**.

If the partnership files an amended federal return, the partnership must file an amended Connecticut return within 90 days after filing the amended federal return if the amendment affects the Connecticut income tax liability of its partners. Check the *Amended Return* box on Question A on the front of **Form CT-1065**.

If the partnership's federal return is changed or corrected by the Internal Revenue Service, the partnership must file an amended **Form CT-1065** within 90 days after the final determination of such change or correction if the change or correction affects the Connecticut income tax liability of its partners. Check the *Amended Return* box on Question A on the front of **Form CT-1065**. The penalty for failure to report any change or correction within the 90-day period is \$50.

Internal Revenue Service Exchange Program

The Department of Revenue Services and the Internal Revenue Service maintain an extensive exchange program, routinely sharing computer tapes and audit results. Discrepancies between income and deductions reported on federal returns and on this return, except those allowed under Connecticut law, are identified and may result in an audit or further investigation.

Penalty for Late Filing

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

Waiver of Penalty

A partnership may be entitled to a waiver of penalty if the failure to file or pay tax on time was due to reasonable cause. Before a penalty waiver can be granted, a taxpayer must pay all tax and interest due. Interest on underpayments or late payments of tax cannot be waived. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include the Connecticut Tax Registration Number, taxable filing period, and the name of the original form filed, or billing notice received. Attach the request to the **front** of the **Form CT-1065**, or mail separately to:

**Department of Revenue Services
Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089**

Rounding Off to Whole Numbers

Generally, you may round off cents to the nearest whole dollar on your return and schedules. However, if you need to add two or more amounts to compute the amount to enter on a line, you must include cents and round off only the total. Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents.

<p>Example: \$1.29 becomes \$1.00 and \$3.50 becomes \$4.00. If you elect to round off, do so for all amounts.</p>

Group Returns for Nonresident Individual Partners

A group return may be filed on **Form CT-G** and taxes paid on behalf of electing partners **only** by partnerships with ten or more qualified electing nonresident individual partners in a taxable year. All qualified electing nonresident individual partners must have the same taxable year. A *qualified electing nonresident partner* is one who meets **all** of the following conditions:

1. The partner was a nonresident individual for the **entire** taxable year;
2. The partner did not maintain a permanent place of abode in Connecticut at any time during the taxable year;

3. The partner (or his or her spouse if a joint federal income tax return is or will be filed) did not have income derived from or connected with sources within Connecticut other than the partner's distributive share of partnership income derived from or connected with sources within Connecticut;
4. The partner waives the right to claim any Connecticut personal exemption and any Connecticut personal credit;
5. The partner does not have a Connecticut alternative minimum tax liability for the taxable year; and
6. The partner elects to be included in **Form CT-G** by completing and delivering to the partnership **Form CT-2NA, Connecticut Nonresident Income Tax Agreement/Election to be Included in a Group Return**, prior to the filing of the **Form CT-G** by the partnership. By making the election, the partner expressly consents to personal jurisdiction in Connecticut for Connecticut income tax purposes and waives his or her right to request, on his or her own behalf or with others making such election, an extension of time to pay Connecticut income tax.

Form CT-G is available from the Department. (See *Forms and Publications* on back cover.)

Nonresident partners with Connecticut source income who do not qualify or who do not elect to be included on a group return must file **Form CT-1040NR/PY**.

Recordkeeping

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed. This information may be needed to prepare future returns or amend filed returns.

Copies of Returns

You may request a copy of a previously filed Connecticut tax return from the Department by completing **Form LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

FORM CT-1065 INSTRUCTIONS

Attach a complete copy of your federal Form 1065 (excluding K-1s).

General Instructions

Enter the complete partnership name, address, Federal Employer Identification Number, and Connecticut Tax Registration Number. A Connecticut Tax Registration Number is only necessary if the partnership is required to be registered for other taxes with the Department.

Questions A Through I

Question A - Check the appropriate boxes if filing an amended return, final return (out of business in Connecticut), or both.

Question B - Enter the total number of resident partners and nonresident partners during the taxable year. The status of each partner is determined as of the end of the partnership year or at the date the partner leaves the partnership.

Question C - Enter the amount from federal Form 1065, Schedule K, Line 1, ordinary income (loss) from trade or business activities.

Question D - Enter the date the partnership began operating. Enter the date business began in Connecticut.

Question E - Check the box if any partners are corporate entities.

Question F - Indicate whether the partnership has an interest in any real property located in the state.

Question G - If this question is answered “Yes,” the partnership may be liable for the controlling interest transfer tax. Enter the name of the entity in which a controlling interest was transferred and its Federal Employer Identification Number in the applicable spaces.

Question H - If this question is answered “Yes,” and the partnership owned Connecticut real property, the transferor(s) is liable for the controlling interest transfer tax. Enter the name and the Social Security Number or Federal Employer Identification Number of the transferor(s).

For information on the controlling interest transfer tax, see *Other Taxes for Which the Partnership May Be Liable* on Page 3.

Question I - Under I.R.C. §754, a partnership may elect to adjust the basis of partnership property when property is distributed or when a partnership interest is transferred. Attach any information included with federal Form 1065, *U.S. Partnership Return of Income*, relating to an I.R.C. §754 election.

Schedule A - Business Information

Complete *Schedule A* only if the partnership carries on business both within and outside of Connecticut. Enter the exact location of each place where the partnership carries on business, briefly describe each place of business (for example, sales office, agency, factory, warehouse), and state whether it is rented or owned by the partnership. Briefly describe the activity at the location shown (for example, storage, administration, manufacturing, wholesale sales, retail sales, commercial rental property).

Schedule B - Income Apportionment

Complete *Schedule B* only if **all** of the following apply:

1. There are one or more nonresident partners; and
2. The partnership carries on business both within and outside of Connecticut; and
3. The partnership does not maintain books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources.

Schedule B must be completed even if an authorized alternate allocation method is used. A detailed explanation of the authorized alternate method used to determine the Connecticut income must be attached, together with full details of any adjustments increasing or decreasing the amount of Connecticut income computed by the authorized alternate method.

Use the apportionment fraction on Line 8 to complete *Schedule D* and *Schedule E*.

The apportionment fraction calculated on Line 8 of this schedule is not to be used by partners that are C corporations. (*Schedule B* need **not** be completed when all the partners are C corporations).

If the partnership does maintain books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, use those amounts to complete *Schedule E*.

Line 1 - Real Property Owned

Enter in Column A the average value of all real property owned by the business, wherever located. Enter in Column B the average value of real property owned by the business and located in Connecticut.

The average value of property is determined by adding its fair market value at the beginning and the end of the taxable year and dividing by two.

Line 2 - Real Property Rented from Others

Enter in Column A the average value of all real property rented from others, wherever located. Enter in Column B the average value of real property rented from others and located in Connecticut.

The average value of real property rented by the business from others and to be included on Line 2 is eight times the gross rent payable during the taxable year for which the return is filed. Gross rent includes:

- Any amount payable for the use or possession of real property, or any part of it, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise;
- Any amount payable as additional rent or in lieu of rent such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other agreement;
- The proportion of the cost of any improvement to real property made by or on behalf of the business which reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

Line 3 - Tangible Personal Property Owned or Rented from Others

Enter in Column A the average value of all tangible personal property that is owned or rented from others by the business, wherever located. Enter in Column B the average value of tangible personal property owned or rented from others by the business and located in Connecticut. Determine the average value of tangible personal property that is owned by adding its book value at the beginning and end of the taxable year and dividing by two.

Determine the average value of tangible personal property rented from others by multiplying by eight the gross rents payable during the taxable year for which the return is filed.

Line 4 - Property Owned or Rented

Add Lines 1, 2, and 3 in Column A and Column B and enter the result on Line 4. On Line 4, divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter on Line 4, Column C.

Line 5 - Employee Wages and Salaries

Enter in Column A the total compensation paid to employees during the taxable year in connection with business operations carried on everywhere. Enter in Column B the total compensation paid to employees

during the taxable year in connection with business operations carried on in Connecticut. Only enter wages, salaries, and other personal service compensation paid to **employees** of the business. Do not include payments to partners, independent contractors, independent sales agents, etc. The compensation paid for services is in connection with operations carried on in Connecticut if the employee works in or travels out of an office or other place of business located in Connecticut.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter on Line 5, Column C.

Line 6 - Gross Income from Sales and Services

Enter in Column A the total gross sales made, or charges for services performed, by the partnership or by employees, agents, agencies or independent contractors of the business everywhere. Enter in Column B the portion of total gross sales or charges which represents sales made, or services performed, by the partnership or by employees, agents, agencies or independent contractors of the business in Connecticut. This includes sales made or services performed by employees, agents, agencies or independent contractors situated at, connected with, or sent out from offices (or its agencies) located in Connecticut.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter on Line 6, Column C.

Example: If a salesperson working out of a Connecticut office covers Connecticut, Massachusetts and Rhode Island, all sales made by such salesperson are to be allocated to Connecticut and included in Line 6, Column B.

Line 7 - Total

Add Lines 4, 5, and 6 in Column C and enter the total on Line 7, Column C.

Line 8 - Business Apportionment Fraction

Divide the amount on Line 7 by three (or by the actual number of fractions if fewer than three). Carry the result to four decimal places and enter the result on Line 8, Column C.

Sign Here: Form CT-1065 must be signed by a general partner and a phone number must be provided.

Paid Preparer Signature: Anyone you pay to prepare the return must sign and date it. A preparer who signs your return must sign it by hand in the space provided; signature stamps are not acceptable. The preparer's Federal Employer Identification Number, firm name, and firm address must also be entered in the space provided.

Mailing your Return: Retain a copy of this return for the partnership records. Attach copies of any required schedules and forms to this return. **Attach the entire federal Form 1065. Do not include Schedules K-1.**

Schedule C - Partner Information

Complete this part for all persons who were partners of the partnership for any part of the taxable year. **Identification Number** means either Federal Employer Identification Number or Social Security Number, whichever is applicable. In the *profit %* column, enter each partner's profit percentage from federal Form 1065, Schedule K-1. Indicate whether the partner is a resident or nonresident. The status of each partner is determined at the end of the partnership's taxable year or at the date the partner leaves the partnership.

- List all nonresident partners first, resident partners next, and corporate or other partners last. Number each partner sequentially.
- The number preceding the name and address of each partner shall be used to identify such partner in *Schedule D* and *Schedule E*.
- If there are more than three partners, attach additional sheets in the same format as *Schedules C, D, and E* of this return.

Schedule D - Partners' Share of Connecticut Modifications

If the partnership had Connecticut modifications to federal income, complete *Schedule D* for all persons who were partners (other than partners that are C corporations) during any part of the taxable year.

Amounts reported on Line 1 through Line 8 for nonresident partners are calculated by multiplying the amount of each nonresident partner's distributive share of each modification by the apportionment fraction on **Form CT-1065, Schedule B, Line 8.**

ADDITIONS

Enter the amount of each partner's distributive share as a positive number.

Line 1 - Interest on State and Local Government Obligations Other Than Connecticut

Enter the amount of each partner's distributive share of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa, and U.S. Virgin Islands.

Line 2 - Exempt-Interest Dividends Received from a Mutual Fund Derived from State or Municipal Government Obligations other than Connecticut

Enter the amount of each partner's distributive share of exempt-interest dividends received from a mutual fund that are derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut and other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa, and U.S. Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on this line.

Line 3 - Certain Deductions Relating to Income Exempt from Connecticut Income Tax

Enter the amount of each partner's distributive share of the amount deducted for federal income tax purposes for interest expense on loans used to buy bonds and securities whose interest income is exempt from Connecticut income tax, expenses related to income exempt from Connecticut income tax, and the amortizable bond premium on any bond, the interest from which is exempt from Connecticut income tax.

Line 4 - Other

Use Line 4 to report the amount of each partner's distributive share of modifications to income which are not listed on Lines 1, 2, and 3. For example, include the amount of each partner's distributive share of:

- Any loss recognized on the sale or exchange of bonds or other obligations of the State of Connecticut or its municipalities;
- The partnership's share of any positive fiduciary adjustment received from a trust or estate of which the partnership is a beneficiary;
- Any interest or dividend income on federal obligations or securities the federal government does not prohibit the states from taxing;
- Income taxes paid to Connecticut, to the extent deductible in determining federal adjusted gross income;
- To the extent deductible in determining federal adjusted gross income, expenses paid for the production or collection of Connecticut tax exempt income, or paid for the management, conservation or maintenance of property held for the production of such income; and
- Amortizable bond premium for the taxable year on any bond, the interest on which is exempt from Connecticut income tax.

SUBTRACTIONS

Enter the amount of each partner's distributive share as a positive number.

Line 5 - Interest on United States Government Obligations

Enter the amount of each partner's distributive share of interest income derived from U.S. government obligations (to the extent included in income on federal Form 1065) that federal law prohibits states from taxing. For example, U.S. government bond interest such as Savings Bonds Series EE and Series HH, and U.S. Treasury bills and notes.

Do not enter the amount of income derived from Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations and this income is taxed by Connecticut.

Line 6 - Exempt Dividends from Certain Qualifying Mutual Funds Derived from United States Government Obligations

Enter the amount of each partner's distributive share of exempt dividends that are received from a qualifying mutual fund and that are derived from U.S. government obligations. A mutual fund is a qualifying mutual fund if, **at the close of each quarter of its taxable year**, at least 50% of the value of its assets consists of U.S. government obligations. The percentage of dividends that are exempt dividends should be reported to the partnership by the mutual fund.

Do not enter the amount of income derived from Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations and this income is taxed by Connecticut.

For more information including lists of exempt and taxable obligations, see **Policy Statement 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*.

Line 7 - Certain Expenses Relating to Income Exempt from Federal Income Tax

Enter the amount of each partner's distributive share of interest expense on money borrowed to purchase or carry bonds or securities whose interest income is subject to Connecticut income tax but exempt from federal income tax, provided this interest was a business expense for the taxable year and was not deducted in determining partnership income on federal Form 1065.

Line 8 - Other

Use Line 8 to report the amount of each partner's distributive share of modifications to income which are not listed on Lines 5, 6, or 7. For example, include the amount of each partner's distributive share of:

- Any gain recognized on the sale or exchange of bonds or other obligations issued by the State of Connecticut or its municipalities;
- Interest income from federally taxable Connecticut bonds;
- The partnership's share of any negative Connecticut fiduciary adjustment received from a trust or estate of which the partnership is a beneficiary;

- Any refund or credit for overpayment of income taxes imposed by any state, municipality, or province of Canada, to the extent such amount was included in federal gross income;
- Business expenses incurred in connection with the income, or property held to produce income, that is subject to Connecticut income tax but exempt from federal income tax (provided these expenses were not deducted in determining partnership income); and
- Amortization of bond premium on any bond, the interest from which is subject to Connecticut income tax but exempt from federal income tax (provided this amortization was a business expense for the taxable year and was not deducted in determining partnership income).

The partnership must provide each partner (including a partner other than an individual) with a schedule of amounts of modifications to include on the appropriate forms.

Schedule E - Computation of Connecticut Sourced Income of Nonresident Partners and Resident Partners Other Than Individuals

Complete *Schedule E* for any partners of the partnership that are nonresident individuals, nonresident trusts or nonresident estates, or partners that are partnerships or S corporations.

A partnership that maintains books and records that satisfactorily disclose the portion of its income, gain, loss, or deduction derived from or connected with Connecticut sources **must** enter the amount of each nonresident partner's distributive share of partnership items derived from or connected with Connecticut sources as determined from those books and records. The portion of the partnership's income, gain, loss or deduction that is derived from or connected with Connecticut sources (as determined from the partnership's books and records) will be multiplied by the partner's distributive share (%) of that income, gain, loss or deduction.

A partnership that does not maintain books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with

Connecticut sources **must** use the apportionment fraction computed on *Schedule B*, Line 8, or an authorized alternate method, to determine the portion of each nonresident partner's distributive share of any item that is derived from or connected with Connecticut sources. This is accomplished by multiplying federal Form 1065, Schedule K-1 distributive share amounts for each partner by the apportionment fraction as reported on *Schedule B*, Line 8, and entering the result on *Schedule E*.

The amounts included on *Schedule E* should include Connecticut apportioned modifications.

Special limitations on partnership agreements: If a partnership agreement provides for a special allocation among the partners of any item of partnership income, gain, loss or deduction, federal income tax law requires that such a provision be disregarded for federal income tax purposes, where its principal purpose is the avoidance or evasion of federal income tax. In such a case, each partner's distributive share of that item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership as described in I.R.C. §702(a)(8). This treatment and distribution of the item is reflected in each partner's federal adjusted gross income and therefore, in each partner's Connecticut adjusted gross income, even though in a particular case no Connecticut income tax avoidance or evasion may be involved.

In certain cases, however, a provision for special allocation does not have as its principal purpose the avoidance or evasion of federal income tax, but has as its principal purpose the avoidance or evasion of Connecticut income tax. In such an instance, such special allocations are subject to review by the Commissioner of Revenue Services.

The character of the income (loss) for Connecticut purposes must mirror the character of such income (loss) on the federal return.

Clearly indicate a loss by using parentheses ().

Line 1 - Ordinary Income (Loss) from Trade or Business Activities

Enter the Connecticut portion of the amount of each partner's distributive share of the ordinary income (loss) from the trade or business activities of the partnership. Unless the partnership maintains books and records that satisfactorily disclose the portion of income, gain, loss

or deduction derived from or connected with Connecticut sources, this amount is calculated by multiplying the partner's ordinary income (loss) from the trade or business from the partner's federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

Lines 2 and 3 - Net Income (Loss)

Enter the Connecticut portion of the amount of each partner's distributive share attributable to rental activities. Amounts attributable to real property located in Connecticut are 100% taxable to a nonresident partner for Connecticut income tax purposes. Amounts attributable to real property located outside Connecticut are not taxable to a nonresident partner for Connecticut income tax purposes.

Line 4 - Portfolio Income (Loss)

Enter the Connecticut portion of the amount of each partner's distributive share of portfolio income (loss). Items of income, gain, loss, and deduction derived from or connected with Connecticut sources **do not include** such items attributable to intangible personal property except to the extent such intangible property is employed in a business, trade, profession or occupation carried on in Connecticut. For example, dividends from stock used as collateral to secure a business loan for a Connecticut business would be income from intangible property employed in a Connecticut trade or business and therefore would be taxable for Connecticut income tax purposes to a nonresident partner.

Line 5 - Guaranteed Payments to Partners

Enter the Connecticut portion of the amount of each partner's distributive share of guaranteed payments made to the partner. Unless the partnership maintained books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, this is calculated by multiplying the amount of the partner's distributive share of guaranteed payments from federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

Line 6 - Net Gain (Loss) Under I.R.C. §1231

Enter the Connecticut portion of the amount of each partner's distributive share of gain (loss) under I.R.C. §1231.

If the amount relates to rental (real) property located in Connecticut, the gain (loss) is 100% sourced to Connecticut.

If the amount relates to a trade or business activity, unless the partnership maintains books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, such gain (loss) is calculated by multiplying the amount of the partner's distributive share of such gain (loss) under I.R.C. §1231, from federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

If the amount relates to a trade or business activity and the individual is a limited partner, the gain (loss) under I.R.C. §1231 is a passive activity amount.

Line 7 - Other Income (Loss)

Enter the Connecticut portion of the amount of a partner's distributive share of other items of income, gain or loss that are not included on Lines 1 through 6.

Unless the partnership maintains books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, the amount to be entered is calculated by multiplying the amount of partner's distributive share of such items from federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

Line 8 - Expense Deduction for Property Under I.R.C. §179

Enter the Connecticut portion of the amount of each partner's distributive share allowed as a deduction for federal purposes under I.R.C. §179.

Unless the partnership maintains books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, the amount of the I.R.C. §179 deduction to be entered is calculated by multiplying the amount of the partner's share of such deduction from federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

Line 9 - Other Deductions

Enter the Connecticut portion of the amount of each partner's distributive share of other deductions that are not deducted in arriving at ordinary income (loss) from trade or business activities and that are separately stated on the federal Schedule K-1.

Unless the partnership maintains books and records that satisfactorily disclose the portion of income, gain, loss or deduction derived from or connected with Connecticut sources, the amount to be entered is calculated by multiplying the amount of the partner's distributive share of such items from federal Form 1065, Schedule K-1, by the apportionment fraction on *Schedule B*, Line 8.

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Web site at:
www.state.ct.us/drs
- Call **CONN-TAX**:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-5962 (from anywhere)

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

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours will be offered January through April. Call Conn-Tax or visit our Web site for details.

- 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 and publications from the DRS Web site at: www.state.ct.us/drs
- **DRS TaxFax**
Call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone**
From a touch-tone phone call:
1-800-382-9463 (toll-free from within Connecticut) and select **Option "2"**, or
1-860-297-4753 (from anywhere).

WALK-IN OFFICES

For free assistance or 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 Street
203-579-6251

HAMDEN
3074 Whitney Avenue, Bldg. #2
203-287-8243

HARTFORD
25 Sigourney Street
860-297-5962

NORWICH
2 Cliff Street
860-889-2669

WATERBURY *
91 Schraffts Drive
203-596-4310

* This office will be moving in 2000. To verify the address, please call before you visit.

STATEWIDE SERVICES

For information on statewide services and programs, visit the ConneCT Web site at www.state.ct.us

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

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.

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

FORM CT-1065 EXT

Application for Extension of Time to File Connecticut Partnership Income Tax Return

CT-1065 EXT 1999

IMPORTANT! Please read instructions on reverse before completing this application.

TAXPAYER <small>(Please Type or Print)</small>	Name of Partnership		▶	Federal Employer ID Number
	Physical Address	Number and Street	PO Box	Date Received (FOR DEPARTMENT USE ONLY)
	City or Town	State	ZIP Code	Connecticut Tax Registration Number

An extension granted by the Internal Revenue Service does not automatically extend the Connecticut filing date. (See instructions)
You will be notified only if this extension request is denied.

I request a six-month extension of time to October 15, 2000, to file a Connecticut Partnership Income Tax Return for calendar year 1999, or until _____ for fiscal year ending ▶ _____.

A federal extension has been requested on federal Form 8736, *Application for Automatic Extension of Time to File U.S. Return for a Partnership, REMIC, or for Certain Trusts*, for calendar year 1999, or fiscal year beginning _____, 1999, and ending _____.

YES NO

If **NO**, the reason for the Connecticut extension is:

.....

.....

.....

Mail to: Department of Revenue Services
PO Box 2935
Hartford CT 06104-2935

DECLARATION: I declare under penalty of false statement that I have examined this application and, to the best of my knowledge and belief, it is true, complete and correct. (The penalty for false statement is imprisonment not to exceed one year or a fine not to exceed two thousand dollars, or both.) Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

SIGN HERE <small>Keep a copy of this return for your records</small>	Signature of General Partner	Title	Date	Telephone Number ()
	Paid Preparer's Signature		Date	Federal Employer ID Number
	Firm Name and Address			

FORM CT-1065 EXT

Instructions

Purpose

Use **Form CT-1065 EXT** to request a six-month extension to file a **Form CT-1065**, *Connecticut Partnership Income Tax Return*.

How to Get an Extension

To obtain a Connecticut filing extension the partnership **MUST** complete **Form CT-1065 EXT** in its entirety, **and** file it by the due date of the return.

It will not be necessary to include a reason for the Connecticut extension request if you have already filed an extension on federal Form 8736 with the Internal Revenue Service.

If federal Form 8736 was not filed, the partnership can apply for a six-month extension to file a Connecticut Partnership Income Tax Return, provided there is reasonable cause for the request.

You will be notified only if the extension request is denied.

When to File Form CT-1065 EXT

If you are filing a calendar year Connecticut Partnership Income Tax Return, file **Form CT-1065 EXT** by April 15, 2000. If you are filing a fiscal year Connecticut Partnership Income Tax Return, file **Form CT-1065 EXT** by the 15th day of the fourth month following the close of the fiscal year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. (Due to the Patriot's Day holiday, this return will be timely filed, if received or if the date shown by the U.S. Postal Service cancellation mark is on or before April 18, 2000.)

How to Complete Form CT-1065 EXT

Name, Address and Tax Registration Numbers - Enter name of partnership, address, Federal Employer Identification Number and Connecticut Tax Registration Number (if applicable).

Signature - This form must be signed by a general partner, or, for a limited liability company, by anyone with authority to sign the return for the LLC.

Others Who Can Sign - Anyone with a signed Power of Attorney on file may sign on behalf of the partnership or limited liability company.

If a general partner is unable, by reason of illness, absence or other good cause, to sign a request for an extension, any person standing in a close personal or business relationship to the general partner (including an attorney, accountant, or enrolled agent) may sign the request on the general partner's behalf and shall be considered as a duly authorized agent for this purpose, provided the request sets forth the reasons for a signature other than by the general partner and the relationship existing between the general partner and the signer.

Where To File

Mail to: Department of Revenue Services
PO Box 2935
Hartford CT 06104-2935