



Guide to Calculating Annualized Estimated Corporation Business Tax Installments and Worksheet CT-1120AE

Purpose: To explain an alternate method for calculating installments of estimated Connecticut corporation business tax for corporations that do not receive income evenly throughout the year. Under the annualized estimated corporation business tax installment method, the required installment for one or more periods may be less than the amount of the installment calculated using the regular installment method.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-242d.

1. Who should pay estimated corporation business tax? Every corporation carrying on business or having the right to carry on business in Connecticut, whose current year tax exceeds \$1,000 after applying corporation business tax credits, must pay estimated tax in four installments, or be subject to interest on the underpayment of estimated tax.

A corporation that made an estimated tax payment in the prior income year or whose corporation business tax liability exceeded \$1,000 for the prior income year will receive four preprinted estimated tax payment coupons with instructions from the Department of Revenue Services (DRS).

2. What is the corporation's required annual payment? The corporation's required annual payment is the lesser of:

- 90% of the tax (including surtax) shown on the Connecticut corporation business tax return for the current income year, or if no return is filed, 90% of the tax for the year; **or**

- 100% of the tax shown on the Connecticut corporation business tax return for the previous income year without regard to tax credits, if the previous income year was an income year of 12 months and if the company filed a return for the previous income year showing a liability for tax.

3. When should the corporation file? For calendar year filers, the estimated corporation business tax installments are due March 15, June 15, September 15, and December 15. Fiscal year filers should file estimated payments on or before the fifteenth day of the third, sixth, ninth, and twelfth months of the income year. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

4. How much is due with each installment?

Generally, a company must pay the required annual payment in four installments as computed on **Forms CT-1120 ESA, ESB, ESC, and ESD, *Estimated Corporation Business Tax***, or **Forms CT-990T ESA, ESB, ESC, and ESD, *Estimated Unrelated Business Income Tax***. However, a company that does not receive income evenly throughout the year, because more income was earned later in the year than in the early part of the year, or for any other reason, may benefit from using the annualized income installment method. The amount due with each payment may vary depending upon the amount of income earned during the period preceding the due date of each installment. One or more payments may be reduced or eliminated for periods in which a company's income is low and larger payments may be required during the remaining periods when its income is higher.

5. How does the corporation calculate the amount of each installment using the annualized estimated corporation business tax installment method?

Complete *Worksheet CT-1120AE* on Page 4 of this publication. The corporation must complete one entire column before continuing to the next column. Enter the amount from Line 19 of the appropriate column of the worksheet on Line 5 of Forms CT-1120 ESA, ESB, ESC, and ESD or Forms CT-990T ESA, ESB, ESC, and ESD.

6. How does the corporation pay its estimated corporation business tax? The Connecticut Taxpayer Service Center (*TSC*) is a new, interactive tax organization tool that allows taxpayers to file, pay, and manage their state tax responsibilities electronically. The DRS Web site at www.ct.gov/DRS allows the corporation to *Fast-File* Forms CT-1120 ESA, ESB, ESC, and ESD and pay the tax due. Visit the DRS Web site and select the **File/Register OnLine** option.

A corporation that does not otherwise choose to use *Fast-File* must use the preprinted coupons received from DRS. A corporation that does not receive preprinted estimated coupons should use the estimated coupons available on the DRS Web site.

DRS requires those taxpayers who paid tax in excess of \$10,000 the prior year to pay the current year liability electronically. Visit the DRS Web site at www.ct.gov/DRS for more information on making electronic payments, select the **FAQ's - Taxpayer Answer Center** option, and search "Electronic Funds Transfer."

7. What happens if the corporation underestimates its corporation business tax?

If the current year tax is more than \$1,000 and the corporation does not make timely installments of its required annual payment, it will be charged interest on the underpayment. Interest will accrue on the amount of the underpayment until the earlier of the first day of the fourth month following the end of the income year, or the date on which the underpayment is paid.

8. Will interest apply if the corporation uses the annualized estimated corporation business tax method? Interest will not apply if the required installments are calculated correctly. Complete *Worksheet CT-1120AE*, and make the required installment payments (using Forms CT-1120 ESA, ESB, ESC, and ESD or Forms CT-990T ESA, ESB, ESC, and ESD) on or before the due dates.

9. May the corporation apply overpayments in the current year to the next year's estimated corporation business tax? When the corporation's current year return is filed, the corporation may apply overpayments of Connecticut corporation business tax to the estimated tax for the following income year. The request to apply overpayments to the next year's estimated tax is irrevocable, and the credit is established as of the date of the U.S. Postal Service cancellation mark on the completed return.

Effect on Other Documents: This **Informational Publication 2006(19)** supersedes **Informational Publication 2005(14)** which may no longer be relied upon on or after the issuance date of this publication.

Effect of This Document: An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only), or
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at www.ct.gov/DRS to download and print Connecticut tax forms; or
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at www.ct.gov/DRS and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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(Rev. 12/06)

Worksheet CT-1120AE

Connecticut Corporation Business Tax Annualized Estimated Worksheet

(Keep for your records)

Part I – Estimated Payment Calculation	A	First 2 months	B	First 5 months	C	First 8 months	D	First 11 months
1. Enter your Connecticut corporation business income for each period. (See instructions.)								
2. Annualization factor		6		2.4		1.5		1.09091
3. Annualized Connecticut corporation business income (Multiply Line 1 by Line 2.)								
4. Multiply Line 3 by 7.5% (.075).								
5. Multiply Line 4 by 120% (1.20).								
6. Corporation business tax credits (See instructions.)								
7. Total annualized corporation business tax (Subtract Line 6 from Line 5.)								
8. Applicable percentages		.27		.63		.72		.90
9. Multiply Line 8 by Line 7.								
10. Add the amounts in all preceding columns of Line 16. (See instructions.)								
11. Annualized income installment using net income (Subtract Line 10 from Line 9. If zero or less, enter "0.")								
12. Enter your required annual payment for the period. (See Part II below.)								
13. Enter the amount from Line 15 of the preceding column of this Worksheet.								
14. Add Line 12 and Line 13.								
15. If Line 14 is more than Line 11, subtract Line 11 from Line 14, otherwise enter "0."								
16. Enter the lesser of Line 11 or Line 14.								
17. Total required installment for the period (Add Line 10 and Line 16.)								
18. Estimated tax payments made through the due date for the period.								
19. Estimated tax payment required by the next due date. Subtract Line 18 from Line 17 and enter the result, but not less than "0."								

Part II – Computation of Required Annual Payment (Line 12)

20. Current year Connecticut corporation business tax due, after credits. (See instructions.)	20.	
21. Multiply Line 20 by 90% (.90).	21.	
22. Prior year Connecticut corporation business tax, before credits. (See instructions.)	22.	
23. Multiply Line 22 by 100% (1.00).	23.	
24. Required annual payment (Enter the lesser of Line 21 or Line 23.)	24.	
25. Required annual payment for the first 2 months (Multiply Line 24 by 30% (.30)). Enter here and on Line 12, Column A.	25.	
26. Required annual payment for the first 5 months (Multiply Line 24 by 40% (.40)). Enter here and on Line 12, Column B.	26.	
27. Required annual payment for the first 8 months (Multiply Line 24 by 10% (.10)). Enter here and on Line 12, Column C.	27.	
28. Required annual payment for the first 11 months (Multiply Line 24 by 20% (.20)). Enter here and on Line 12, Column D.	28.	

Instructions for Worksheet CT-1120AE

(Worksheet is on Page 4)

Before beginning, be sure to have a copy of **Forms CT-1120 ESA, ESB, ESC, and ESD, Estimated Corporation Business Tax** or **Forms CT-990T ESA, ESB, ESC, and ESD, Estimated Unrelated Business Income Tax**. All estimated Connecticut corporation business tax installment payments must be made using these estimated payment coupons.

At the end of each payment period, complete the column on *Worksheet CT-1120AE* for the period from the beginning of the income year through the end of that payment period to calculate how much estimated tax to pay by the payment due date.

Part I - Estimated Payment Calculation

- Line 1** - Enter the company's Connecticut business income for the period.
- Line 3** - Multiply Line 1 by Line 2 and enter the result.
- Line 4** - The Connecticut corporation business tax rate for 2006 is 7.5%. Multiply Line 3 by 7.5% (.075).
- Line 5** - The surtax amount for 2006 is 20%. Multiply Line 4 by 120% (1.20).
- Line 6** - Enter the company's estimated allowable Connecticut corporation business tax credits for the year. The credits are based on the annualized income for the period.
- Line 10** - Do not enter anything in Column A. Enter in Column B the amount from Line 16, Column A. Enter in Column C the sum of Line 16, Column A, plus Line 16, Column B. Enter in Column D the sum of Line 16, Column A, plus Line 16, Column B, plus Line 16, Column C.
- Line 12** - Enter the appropriate amount of the required annual payment as calculated in Part II of this worksheet.
- Line 18** - Include all estimated tax payments through the payment due date for the period. Include overpayments of the prior year tax applied to the current year. In determining the payment amount, the company may apply an overpayment from the previous income year, but only if the tax return (**Form CT-1120, Corporation Business Tax Return; Form CT-1120U, Unitary Corporation Business Tax Return; Form CT-1120CR, Combined Corporation Business Tax Return; or Form CT-990T, Connecticut Unrelated Business Income Tax Return**) for such previous income year was filed prior to the due date of the estimated installment payment.
- Line 19** - Subtract Line 18 from Line 17. Enter the result (but not less than "0") here and on Form CT-1120 ESA, ESB, ESC, and ESD or Form CT-990T ESA, ESB, ESC, and ESD, Line 5.

Part II- Computation of Required Annual Payment

- Line 20** - Calculate the current year corporation business tax after credits, and without regard to any recapture amount.
- Line 21** - Multiply the amount on Line 20 by 90% (.90) and enter the result.
- Line 22** - Enter the prior year corporation business tax before credits from **2005 Form CT-1120, Schedule C, Line 1, minus Schedule C, Line 1c; 2005 Form CT-1120U, Schedule C, Line 1, minus Schedule C, Line 1c; or 2005 Form CT-1120CR, Part IV, Line 5, minus Part IV, Line 4; or 2005 Form CT-990T, Computation of Amount Payable, Line 3.**
- Line 23** - Multiply the amount on Line 22 by 100% (1.0) and enter the result.
- Line 24** - Enter the lesser of Line 21 or Line 23.
- Line 25** - Multiply the amount on Line 24 by 30% (.30). Enter the result on Line 12, Column A.
- Line 26** - Multiply the amount on Line 24 by 40% (.40). Enter the result on Line 12, Column B.
- Line 27** - Multiply the amount on Line 24 by 10% (.10). Enter the result on Line 12, Column C.
- Line 28** - Multiply the amount on Line 24 by 20% (.20). Enter the result on Line 12, Column D.