



---

## Connecticut Earned Income Tax Credit Recordkeeping Suggestions for Self-employed Persons

---

**Purpose:** The Department of Revenue Services (DRS), through its review of the Connecticut Earned Income Tax Credit (CT EITC), has determined that many self-employed persons are not maintaining the proper books and records to support their business income. This Informational Publication clarifies the recordkeeping requirements for self-employed persons to assist them in applying for the CT EITC in future years.

---

**Effective Date:** Upon issuance.

---

**Statutory Authority:** Conn. Gen. Stat. §12-740 and Conn. Agencies Regs. §12-740(c)-1.

---

If you claimed the CT EITC on **Form CT-1040**, *Connecticut Resident Income Tax Return*, or **Form CT-1040X**, *Amended Connecticut Income Tax Return for Individuals*, and you are self-employed, the DRS may ask you to provide business records to prove the amount of income and expenses claimed on your Connecticut income tax return. DRS will use the information to confirm that you are entitled to the CT EITC.

If you do not keep records, or if your records do not support what you reported, your CT EITC claim may be denied. Therefore, it is important that you maintain good business records.

### Are you Self-employed?

You are self-employed if you:

- Carry on a trade or business as a sole proprietor;
- Are an independent contractor;
- Are a member of a partnership; **or**
- Are in business for yourself in any other way.

Self-employment can include work in addition to your regular full-time business activities, such as certain part-time work you do at home or in addition to your regular job.

### How to Keep Good Records

As a general rule, you should maintain records of your business transactions – payments, purchases, etc.

### Maintain a Daily Log

Keep daily records of all your business transactions.

- Provide detailed information about each transaction; **and**
- Update your records every time you make a purchase, pay an expense, make a sale, or receive a payment.

You may keep a log book or computer log. For examples of a daily log, see *Sample Logbook Entries* on Page 2.

### Keep Receipts and Other Documents

Keep all documentation that supports each entry in your log, such as:

- Copies of checks or money orders that you received as payments, or used to pay expenses;
- Receipts and invoices for payments you made; **and**
- Credit card statements and receipts.

### Use a Bank Account

Having a bank account can help establish your income, particularly if you receive payments by check. Keep copies of deposit slips, cashed checks, and bank statements.

### Keep Records for at Least Three Years

DRS may request your business records for up to three years after you file your return.

## Review Process

Receiving a notice or letter from DRS asking for additional information means that DRS wants to confirm the amounts reported on your tax return. Do not ignore the notices or letters. If you do not respond, your claim for the CT EITC will be denied.

DRS will review the information you provide and use it to confirm that your return is accurate. Therefore, make sure the information you submit is accurate and supports what you claimed on your return. If your information is not consistent with what you reported, you will not receive your CT EITC.

Some examples of inconsistent information that may cause DRS to disallow a CT EITC claim are:

- Taxpayer claimed that he or she was a book seller, but receipts for expenses were unrelated to book selling.
- Taxpayer stated that he or she received approximately \$200 per week in cash as a housekeeper but provided no supporting documentation.
- Taxpayer submitted a sworn statement that he or she provided child care services, but did not submit any other documentation.

An example of supporting information that would result in DRS approving a CT EITC claim is:

- A taxpayer submits a list of clients and a logbook of earnings supported by receipts, canceled checks, and bank statements to support a claim of receiving income from providing child care services.

**If Your Claim for a Credit is Denied:** If, after reviewing the information you submitted, DRS denies your claim, you may file an appeal within 60 days of the notice of determination with the DRS Appellate Division by completing Form APL-002. For more information about Form APL-002, visit the DRS website at [www.ct.gov/APPEAL](http://www.ct.gov/APPEAL).

---

## Sample Logbook Entries

### Income:

Date	Received From	Amount Received	How	Explanation
1/1/12	Ms. Jones, 123 Main Street, 860-000-0000	\$75.00 (check copy attached)	Check	Cleaning
1/1/12	Jane Doe, 22 Avenue B, 860-000-0000	\$25.00	Cash	Babysitting (two hours 10pm-midnight at standard \$10.00 rate, plus \$5.00 tip)

### Expenses:

Date	Purchased From	Amount Paid	How	Explanation
1/1/12	Carlos Smith	\$5.00 (receipt attached)	Cash	Cleaning supplies (sponges and cleaners)
1/1/12	Taxi	\$6.25	Cash	Cab from 20 West St to home
1/3/12	Playateria	\$7.25 (receipt attached)	Cash	Coloring book/crayons

---

**To Learn More:**

- If you receive a notice denying you the credit, refer to the instructions on it;
  - Visit our website: [www.ct.gov/drs/eitc](http://www.ct.gov/drs/eitc); or
  - Contact DRS at **860-541-4200**.
- 

**Effect on Other Documents:** None.

---

**Effect of This Document:** An Informational Publication issued by the Department of Revenue Services (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:

- **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:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

---

IP 2012(9.1)  
Income Tax  
Issued: 12/2012

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

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

---

**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) and select *How Do I?* from the upper navigation bar.