



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2004(9)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

2004 Legislation Affecting Connecticut Income Tax Withholding by Employers on Wages Paid on or After January 1, 2005

Purpose: This Special Notice describes 2004 legislation affecting the Connecticut income tax withholding requirements imposed on employers.

Effective Date: Effective for wages paid by employers to employees on or after January 1, 2005.

Statutory Authority: Conn. Gen. Stat. §12-707, as amended by 2004 Conn. Pub. Acts 201, §5.

Definitions: As used in this Special Notice:

- **Twelve-month look-back period** means the twelve-month period that ended on June 30th of the calendar year preceding the calendar year for which an employer's classification as either a weekly remitter, monthly remitter, or quarterly remitter is being made;
- **Reported liability** means the amount of the total liability for Connecticut income tax withholding shown on an employer's **Form CT-941, Connecticut Quarterly Reconciliation of Withholding**, for each of the four quarterly periods in the twelve-month look-back period;
- **Seasonal employer** means an employer that regularly in the same one or more quarterly periods of each calendar year pays no wages to employees;
- **Agricultural employer** means a person who is treated as an agricultural employer for federal income tax withholding purposes;
- **Household employer** means a person who is an employer of a household employee and who is treated as a household employer for federal income tax withholding purposes; **and**
- **Household employee** means an employee whose services of a household nature in or about a private home of an employer constitute domestic service in a private home of the employer, as the phrase is used in Section 3121(a)(7) of the Internal Revenue Code.

Dates on Which Employers are Required to Pay Over Connecticut Income Tax Withholding Have Changed: Each employer is required to withhold Connecticut income tax from employee wages at the time wages are paid and is required to pay over such Connecticut income tax withholding to DRS on or before the due dates described below. Formerly, employers were required to pay over Connecticut income tax withholding to DRS at the same time that they made a deposit of federal income tax withholding. 2004 Conn. Pub. Acts 201, §5 establishes new due dates for employers to pay over Connecticut income tax withholding to DRS.

Each calendar year an employer will be classified by DRS either as a **weekly remitter**, **monthly remitter**, or **quarterly remitter**. An employer's classification has nothing to do with how often the employer pays its employees or how often the employer is required to pay over Connecticut income tax withholding to DRS. The classification relates to how much time an employer has to pay over Connecticut income tax withholding to DRS **after** wages are paid to employees and Connecticut income tax is deducted and withheld from those wages. An employer's classification is based on the employer's reported liability for Connecticut income tax withholding during the twelve-month look-back period. (The twelve-month look-back period for calendar year 2005 is the twelve-month period that ended on June 30, 2004.)

Table 1: Reported liability for Connecticut income tax withholding during the 12-month look-back period

More than	But not more than	Remitter Classification
\$0	\$2,000	Quarterly
\$2,000	10,000	Monthly
\$10,000	-----	Weekly

Example 1: X, Y, and Z are employers whose reported liability for Connecticut income tax withholding during the twelve-month look-back period for calendar year 2005 was as follows:

Form CT-941 for quarterly period ending	X	Y	Z
9-30-2003	\$3,585	\$1,531	\$421
12-31-2003	4,207	2,198	545
3-31-2004	3,718	1,745	496
6-30-2004	3,693	1,696	475
Total reported liability during look-back period	\$15,203	\$7,170	\$1,937
Remitter classification	Weekly	Monthly	Quarterly

For calendar year 2005, X is a weekly remitter because X's reported liability for Connecticut income tax withholding during the twelve-month look-back period was more than \$10,000. For calendar year 2005, Y is a monthly remitter because Y's reported liability for Connecticut income tax withholding during the twelve-month look-back period was more than \$2,000 but not more than \$10,000. For calendar year 2005, Z is a quarterly remitter because Z's reported liability for Connecticut income tax withholding during the twelve-month look-back period was \$2,000 or less.

DRS will notify most employers of their classification before mailing them their 2005 *Employer's Withholding Remittance Coupon Book*.

Weekly Remitter: The term *weekly remitter* does not refer to how often an employer pays its employees or how often an employer is required to pay over Connecticut income tax withholding to DRS. A weekly remitter is an employer whose reported liability for Connecticut income tax withholding during the twelve-month look-back period was more than \$10,000. A weekly remitter is required to pay over Connecticut income tax withholding on or before the Wednesday following the weekly period during which the wages were paid. (*Weekly period* is the seven-day period beginning on a Saturday and ending on the following Friday.)

Table 2: Schedule for Weekly Remitters

If the payday falls on a Saturday, Sunday, Monday, or Tuesday	Pay over Connecticut income tax withholding on or before the second Wednesday following the payday
If the payday falls on a Wednesday, Thursday, or Friday	Pay over Connecticut income tax withholding on or before the Wednesday following the payday

Example 2: Employer W is a weekly remitter and pays wages once each month on the last day of the month. Although W is a weekly remitter, W will pay over Connecticut income tax withholding to DRS just once a month because W pays wages (and withholds Connecticut income tax from those wages) only once a month. W's Connecticut income tax withholding

liability for the March 31, 2005 (Thursday) payday must be paid over to DRS on or before April 6, 2005 (Wednesday). (See Table 2)

Example 3: Employer V is a weekly remitter and pays wages every other Friday. Although V is a weekly remitter, V will pay over Connecticut income tax withholding to DRS every two weeks because V pays wages (and withholds Connecticut income tax from those wages) every other Friday. V's Connecticut income tax withholding liability for the March 11, 2005 (Friday) payday must be paid over to DRS on or before March 16, 2005 (Wednesday). V's Connecticut income tax withholding liability for the March 25, 2005 (Friday) payday must be paid over to DRS on or before March 30, 2005 (Wednesday). (See Table 2)

Weekly Period Spanning Two Quarterly Periods: If a weekly remitter has two or more paydays during a weekly period, the weekly remitter is generally required to make only one payment for the weekly period to DRS and should enter the date of the last payday when making the payment. However, if the paydays fall in different quarterly periods, the weekly remitter must make separate payments for the separate Connecticut income tax withholding liabilities.

Example 4: Employer R is a weekly remitter. R has a payday on Monday, March 28, 2005 (first quarterly period), and another payday on Friday, April 1, 2005 (second quarterly period). R is required to make two separate payments even though the paydays fall within the same weekly period (Saturday, March 26, 2005 to Friday, April 1, 2005). R must enter the date of the payday in the first quarterly period (March 28, 2005) when making the separate payment for the payday in the first quarterly period, and must enter the date of the payday in the second quarterly period (April 1, 2005) when making the separate payment for the payday in the second quarterly period. The Connecticut income tax withholding liabilities for both paydays must be paid over to DRS on or before Wednesday, April 6, 2005.

DRS may require weekly remitters to pay over Connecticut income tax withholding by electronic funds transfer *instead of* by mailing a check, and to file electronically *instead of* by filing a paper **Form CT-WH**, *Connecticut Withholding Tax Payment Form*, and a paper **Form CT-941**, *Connecticut Quarterly Reconciliation of Withholding*. However, no weekly remitter will be required to pay over Connecticut income tax withholding by electronic funds transfer and to file electronically before being notified in writing by DRS to do so. Instructions will accompany such notification.

Monthly Remitter: The term *monthly remitter* does not refer to how often an employer pays its

employees or how often an employer is required to pay over Connecticut income tax withholding to DRS. A monthly remitter is an employer whose reported liability for Connecticut income tax withholding during the twelve-month look-back period was more than \$2,000 but not more than \$10,000. A monthly remitter is required to pay over Connecticut income tax withholding with **Form CT-WH** on or before the fifteenth day of the month following the month during which the wages were paid.

Example 5: Employer *T* is a monthly remitter and pays wages every Friday. As a monthly remitter, *T* will pay over Connecticut income tax withholding to DRS every month even though *T* pays wages (and withholds Connecticut income tax from those wages) every Friday. *T*'s Connecticut income tax withholding liability for the March 4, March 11, March 18, and March 25, 2005 paydays must be paid over to DRS on or before April 15, 2005.

Quarterly Remitter: The term *quarterly remitter* does not refer to how often an employer pays its employees or how often an employer is required to pay over Connecticut income tax withholding to DRS. A quarterly remitter is an employer whose reported liability for Connecticut income tax withholding during the twelve-month look-back period was \$2,000 or less. A quarterly remitter is required to pay over Connecticut income tax withholding with **Form CT-941** on or before the last day of the month following the quarterly period during which the wages were paid. (*Quarterly period* means a period of three calendar months that ends on the last day of March, June, September, or December.)

Example 6: Employer *U* is a quarterly remitter and pays wages once each month on the first day of the month. As a quarterly remitter, *U* will pay over Connecticut income tax withholding to DRS just once each quarterly period even though *U* pays wages (and withholds Connecticut income tax from those wages) once each month. *U*'s Connecticut income tax withholding liability for the January 1, February 1, and March 1, 2005 paydays must be paid over to DRS on or before May 2, 2005 (April 30, 2005 is a Saturday).

New Employer: Most new employers will be classified by DRS as monthly remitters. An employer is a *new employer* for the calendar year during which the employer is first registered with DRS for Connecticut income tax withholding purposes. For the following calendar year, a new employer will either (1) retain its remitter classification (if it is first registered on or after July 1 of the preceding calendar year) or (2) be classified either as a weekly remitter, monthly remitter, or

quarterly remitter, based on the employer's annualized reported liability for Connecticut income tax withholding during the twelve-month look-back period.

Example 7: Employer *P* is first registered with DRS for Connecticut income tax withholding purposes during November 2005. For calendar year 2005, *P* will be classified as a monthly remitter. For calendar year 2006, *P* will retain its classification as a monthly remitter. For calendar year 2007, *P* will be classified either as a weekly remitter, monthly remitter, or quarterly remitter, based on *P*'s annualized reported liability for Connecticut income tax withholding during the twelve-month look-back period ended on June 30, 2006. If *P* had first been registered with DRS for Connecticut income tax withholding purposes during February 2005, *P* would have been classified, for calendar year 2006, either as a weekly remitter, monthly remitter, or quarterly remitter, based on *P*'s annualized reported liability for Connecticut income tax withholding during the twelve-month look-back period ended on June 30, 2005.

Seasonal Employer: A seasonal employer will be classified either as a weekly remitter, monthly remitter, or quarterly remitter, based on the employer's annualized reported liability for Connecticut income tax withholding during the twelve-month look-back period. A seasonal employer (including an agricultural employer, if seasonal) should see **Informational Publication 2005(7)**, *Connecticut Circular CT, Employer's Tax Guide*, for detailed information on how to request to be classified by DRS as a seasonal employer. (**Informational Publication 2005(7)** will be issued and posted on the DRS Web site on or before February 1, 2005.)

Example 8: Employer *S* is a seasonal employer and a monthly remitter. *S* pays wages every Monday. As a monthly remitter, *S* will pay over Connecticut income tax withholding to DRS just once each month even though *S* pays wages (and withholds Connecticut income tax from those wages) every Monday. *S* paid wages during January and February 2005. *S*'s Connecticut income tax withholding liability for the January 3, January 10, January 17, January 24, and January 31, 2005 paydays must be paid over to DRS on or before February 15, 2005. *S*'s Connecticut income tax withholding liability for the February 7, February 14, February 21, and February 28, 2005 paydays must be paid over to DRS on or before March 15, 2005. However, *S* did not pay any wages during March 2005. *S* had no Connecticut income tax withholding liability for March 2005 and, therefore, is not required to pay over any Connecticut income tax withholding on April 15, 2005.

Household Employer: If a household employer chooses to register for Connecticut income tax withholding purposes, the employer may request to be classified by DRS as an **annual remitter**. (A household employer is not required to register for Connecticut income tax withholding purposes, but may choose to do so if a household employee wishes to have Connecticut income tax withheld from his or her wages.) An annual remitter is required to pay over Connecticut income tax withholding with **Form CT-941** on or before the fifteenth day of the April following the calendar year during which the wages were paid. A household employer should see **Informational Publication 2005(7)**, *Connecticut Circular CT, Employer's Tax Guide*, for detailed information on how to request to be classified by DRS as an annual remitter. (**Informational Publication 2005(7)** will be issued and posted on the DRS Web site on or before February 1, 2005.) Once classified as an annual remitter by DRS, a household employer will be mailed appropriate forms by DRS. **Note:** Every household employer, whether or not registered with DRS for Connecticut income tax withholding purposes and whether or not having withheld Connecticut income tax from the wages of household employees, is required to file **Form CT-W3**, *Connecticut Annual Reconciliation of Withholding*. **Form CT-W3** is due on or before the last day of the February following the calendar year during which Connecticut wages were paid to household employees. The employer is required to attach to **Form CT-W3** every "state copy" of federal Form W-2 reporting Connecticut wages paid during the calendar year.

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

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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

- **1-800-382-9463** (in-state), 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:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing 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, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
- **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**.

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