



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

25 Sigourney Street Ste 2
Hartford CT 06106-5032

SN 2011(20)

SPECIAL NOTICE

2011 Legislation Limiting the Application of Credits Against the Health Care Center Tax

Purpose: This Special Notice describes the provisions of 2011 Conn. Pub. Acts 6, §75, 2011 Conn. Pub. Acts 61, §48, and 2011 Conn. Pub. Acts 1, §54 (October Spec. Sess.) which establish the limits for the application of credits against the health care center tax for calendar years 2011 and 2012.

Effective Date: Effective and applicable to calendar years 2011 and 2012 only.

Statutory Authority: Conn. Gen. Stat. §12-211a, as amended by 2011 Conn. Pub. Acts 6, §75, 2011 Conn. Pub. Acts 61, §48, and 2011 Conn. Pub. Acts 1, §54 (October Spec. Sess.).

Definitions: As used in this Special Notice:

General business tax credits mean the:

- Housing program contribution credit under Conn. Gen. Stat. §8-395;
- Computer donation credit under Conn. Gen. Stat. §10-228b;
- Historic homes rehabilitation credit under Conn. Gen. Stat. §10-416;
- Historic structures rehabilitation credit under Conn. Gen. Stat. §10-416a;
- Historic preservation credit under Conn. Gen. Stat. §10-416b;
- Electronic data processing equipment property tax credit under Conn. Gen. Stat. §12-217t;
- Film production credit under Conn. Gen. Stat. §12-217jj;

- Film production infrastructure credit under Conn. Gen. Stat. §12-217kk;
- Digital animation credit under Conn. Gen. Stat. §12-217ll;
- Qualified small business job creation credit under Conn. Gen. Stat. §12-217nn;
- Vocational rehabilitation job creation credit under Conn. Gen. Stat. §12-217oo;
- Neighborhood assistance act credit under Conn. Gen. Stat. §12-631 et seq.;
- Urban and industrial site reinvestment credit under Conn. Gen. Stat. §32-9t;
- Insurance reinvestment fund credit under Conn. Gen. Stat. §38a-88a; and
- New insurance reinvestment fund credit under Conn. Gen. Stat. §38a-88a, as amended by 2010 Conn. Pub. Acts 75, §14.

Type 1 tax credit means the film production credit under Conn. Gen. Stat. §12-217jj, the film production infrastructure credit under Conn. Gen. Stat. §12-217kk, and the digital animation credit under Conn. Gen. Stat. §12-217ll.

Type 2 tax credit means the insurance reinvestment fund credit under Conn. Gen. Stat. §38a-88a or the new insurance reinvestment fund credit under Conn. Gen. Stat. §38a-88a, as amended by 2010 Conn. Pub. Acts 75, §14.

Type 3 tax credit means any general business tax credits, other than a Type 1 tax credit or a Type 2 tax credit.

Thirty percent (30%) threshold means the amount equal to 30% of the health care center tax due (not 30% of the health care center tax reported to be due)

for the calendar year prior to the application of the credit or credits.

Fifty-five percent (55%) threshold means the amount equal to 55% of the health care center tax due (not 55% of the health care center tax reported to be due) for the calendar year prior to the application of the credit or credits.

Seventy percent (70%) threshold means the amount equal to 70% of the health care center tax due (not 70% of the health care center tax reported to be due) for the calendar year prior to the application of the credit or credits.

Average Monthly Net Employment Gain is computed as follows: For each month in the calendar year, the taxpayer shall subtract from the number of its employees in this state on the last day of such month the number of its employees in this state on the first day of the calendar year. The taxpayer shall total the differences for the 12 months in the calendar year, and, when divided by 12, the total shall be the taxpayer's average monthly net employee gain for the calendar year. For purposes of this computation, only employees who are required to work at least 35 hours per week and only employees who were not employed in this state by a related person, as defined in section 12-217ii, within the 12 months prior to the first day of the calendar year may be taken into account in computing the number of employees.

New Form Required for Tax Credit Claimants: For calendar year 2011 and thereafter, a health care center claiming a tax credit or credits against its health care center tax liability must complete **Form CT-207K, Insurance/Health Care Tax Credit Schedule**, and attach the form to its **Form 207 HCC, Health Care Center Tax Return**.

Tax Credit Cap, In General: For calendar years 2011 and 2012 only, the amount of tax credit or credits otherwise allowable against the insurance premiums tax for any calendar year may generally not exceed the 30% threshold. For purposes of the tax credit cap, general business tax credit or credits do not mean or include the guaranty association assessment offsets (as defined above).

Exceptions to this tax credit cap involving Type 1 tax credits and Type 2 tax credits are explained below (see *Tax Credit Cap Exception* and *Tax Cap Expander*).

Tax Credit Cap Exception: The tax credit cap exception applies only if the tax credit or credits being claimed **include** either Type 1 tax credits, Type 2 tax credits, or both.

As stated above, if the only tax credit or credits being claimed are Type 3 tax credits, the amount of tax credits otherwise allowable against the health care center tax for calendar year 2011 or 2012 may not exceed the 30% threshold.

If the tax credit or credits being claimed include either Type 1 tax credits, Type 2 tax credits, or both, the following rules apply:

- Type 3 tax credits, if any, are to be claimed first. Type 3 tax credits are entered in Part 1-A of Form CT-207K. The Type 3 tax credits being claimed may not exceed the 30% threshold.
- Type 1 tax credits, if any, are to be claimed next. Type 1 tax credits are entered in Part 2-A of Form CT-207K. The sum of the Type 3 credits and the Type 1 tax credits being claimed may not exceed the 55% threshold.
- Type 2 tax credits, if any, are to be claimed last. Type 2 tax credits are entered in Part 3-A of Form CT-207K. The sum of the Type 3 tax credits, the Type 1 tax credits, and the Type 2 tax credits being claimed may not exceed the 70% threshold.

Tax Cap Expander: If the tax credit or credits eligible to be claimed by the health care center exceed the 30%, 55%, or 70% threshold, whichever is applicable, and the health care center has an average monthly net employment gain greater than zero, as computed on **Form CT-1120 TCE, Tax Cap Expander**, the health care center will be eligible to claim tax credit or credits in excess of the threshold amount on Part 1, Line 2 of Form CT-207K.

Revised Instructions for Estimated Health Care Center Tax Payment Coupons: To account for the tax credit cap, the Department of Revenue Services (DRS) has revised Schedule 1 on the back of the 2011 **Forms 207 HCC ESC** and **207 HCC ESD**. The revised forms are posted on the DRS website.

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 the DRS.

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: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

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

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Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at 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 and select *e-alerts* from the left navigation bar.