

Governor's Business Tax Policy Review Task Force

Business Taxes

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Overview of Topics

- ❖ Corporation Business Tax
- ❖ Pass-through Entities for Income Tax
- ❖ Business Entity Tax

Today's Goal: Provide general background and identify (and discuss) issues related to each of these taxes

Corporation Business Tax

BACKGROUND

- Computed on the greater of Net Income, Capital or the \$250 minimum
- Rate is 7.5% of net income, 3.1 mills per dollar
- Surtax imposed on companies whose gross income is \$100M or more
- File annually with four estimated installments
- FY 2010-11 collections: \$752.3M

Corporation Business Tax (cont.)

ISSUES

- Separate Entity v. Combined Reporting
- Preference Tax
 - 2009 \$32.6M remitted
- Apportionment
 - Traditional three factor: property, payroll. Sales
 - Single factor (sales only) for certain sectors: financial services, manufacturing, broadcasters

Corporation Business Tax (cont.)

ISSUES

- Corporation tax credits – need to determine overall effectiveness
- Others?

Pass-through Entities / Income Tax

BACKGROUND

- Pass-through entities (PEs) - S Corps, LLCs and LLPs
- Tax passed through by PE to its members or shareholders who pay at individual level
- Preferred business structure over corporate – 96,834 LLCs v. 8,884 corps. were formed in Connecticut from 2004-2007

Pass-through Entities / Income Tax

ISSUES

- Conforming apportionment provisions for PE's with those of Corporation Business Tax
- Availability of tax credits against personal income tax (need to consider tax rate v. corporate tax rate)
- Others?

Business Entity Tax

- Applies to S Corps, limited liability companies, limited liability partnerships and limited partnerships
- \$250 fee (Effective 2013, to be paid biennially)
- Issues?