

# Connecticut Department of Revenue Services



## STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

450 Columbus Blvd  
Hartford CT 06103

### SN 93(15)

## 1993 Legislative Changes Affecting the Corporation Business Tax

**PURPOSE:** This Special Notice describes changes affecting the Corporation Business Tax Act made by 1993 Conn. Pub. Acts 74, §§5 through 10, inclusive, 50, and 59 through 62, inclusive; 1993 Conn. Pub. Acts 199, §§2 and 4; 1993 Conn. Pub. Acts 311, 6; 1993 Conn. Pub. Acts 382, §42; and 1993 Conn. Pub. Acts 403, §§1 and 2.

**EFFECTIVE DATE:** Effective upon issuance and applicable to income years commencing during 1993 and thereafter, except as otherwise indicated.

**STATUTORY AUTHORITY:** Conn. Gen. Stat. §§12-214, 12-217, 12-217e, 12-217i, 12-217j, 12-217k, 12-218, 12-219, 12-225, 12-226, 12-229, 12-235 and 12-242d, as amended.

### TAX RATE DECREASES:

For Income Years Commencing:	Tax Rate Is:
Prior to January 1, 1995	11.5%
On or after January 1, 1995 but before January 1, 1996	11.25%
On or after January 1, 1996 but before January 1, 1997	11.0%
On or after January 1, 1997 but before January 1, 1998	10.5%
On or after January 1, 1998	10.0%

**INTEREST RATE DECREASE ON TAX UNDERPAYMENTS:** The interest rate on any underpayment of corporation business tax that is due and payable on and after January 1, 1994 is reduced from 1 2/3 % to 1 1/4 % per month or fraction thereof.

**EXEMPTION FROM THE ADDITIONAL TAX OF REAL ESTATE INVESTMENT TRUSTS AND REGULATED INVESTMENT COMPANIES:** For income years commencing during 1993 and thereafter, real estate investment trusts and regulated investment companies shall be exempt from the additional tax that is imposed by Conn. Gen. Stat. §12-219.

**NEW CREDIT AGAINST CORPORATION BUSINESS TAX FOR PAYMENT MADE INTO REVOLVING LOAN FUND:** A credit against the taxes imposed by chapters 207, 208, 209, 210, 211 and 212 of the general statutes is allowed for payments made by a business firm to a revolving loan fund, administered by the

Connecticut Housing Finance Authority, that is established to make loans for housing located in Connecticut to low and moderate income employees of the business firm or any subsidiary thereof. From the business firms applying for the credit, the Connecticut Housing Finance Authority will randomly select those firms that will be allowed the credit for the succeeding income year as long as payments are made to the revolving fund in the succeeding income year by those firms. No firm will be allowed a credit in excess of \$100,000 in an income year. Any tax credit that is not used by a business firm during the income year in which the firm made the payment may be carried forward or backward for the five immediately succeeding or preceding income years until the full credit has been allowed.

**CLEAN ALTERNATIVE FUEL-POWERED VEHICLE CREDIT EXPANDED:** The credit allowed under Conn. Gen. Stat. §12-217i, in the amount of 10% of the expenditures paid or incurred during the income year for equipment incorporated into or used in a compressed natural gas filling station for vehicles powered by natural gas, is expanded to include equipment incorporated into or used in a electric recharging station for vehicles powered by electricity.

**RESEARCH AND EXPERIMENTAL EXPENDITURE CREDIT RESTRICTED TO RESEARCH AND EXPERIMENTATION CONDUCTED IN CONNECTICUT:** The credit allowed under Conn. Gen. Stat. §12-217j, in the amount of 10% of the incremental increase in research and experimental expenditures deductible under 26 U.S.C. §174 and paid or incurred during the income year commencing in 1993 over such expenditures paid or incurred during the preceding income year, will be available only with respect to research and experimentation conducted in Connecticut. For income years commencing in 1994 or thereafter, 20% of the incremental increase in such research and experimental expenditures over such expenditures during the preceding income year will be creditable.

**EMPLOYEE TRAINING CREDIT TO BE AVAILABLE ONE YEAR EARLIER:** The credit allowed under Conn. Gen. Stat. §12-217k for incremental increases in amounts spent in Connecticut on the training of employees employed in Connecticut will be available one year earlier as follows:

Excess of Qualifying Amounts Spent In Income Year Commencing On or After	Over Qualifying Amounts Spent in Income Year Commencing On or After	% of Excess Available for Credit
January 1, 1994 but before January 1, 1995	January 1, 1993 but before January 1, 1994	5%
January 1, 1995 but before January 1, 1996	January 1, 1994 but before January 1, 1995	10%
January 1, 1996 but before January 1, 1997	January 1, 1995 but before January 1, 1996	15%
January 1, 1997 but before January 1, 1998	January 1, 1996 but before January 1, 1997	20%
January 1, 1998	January 1, 1997	25%

**RECEIPTS FACTOR THE SAME FOR TAXPAYERS USING ONE-FACTOR APPORTIONMENT AND TAXPAYERS USING THREE-FACTOR APPORTIONMENT:** The components of a company's receipts factor will be determined in the same manner whether its net income is derived from (1) business other than the manufacture, sale or use of tangible personal or real property (in which event, the company uses only its gross receipts to apportion its net income under Conn. Gen. Stat. §12-218(b)) or (2) the manufacture, sale or use of tangible personal or real property (in which event the company uses its gross receipts, its property and its payroll to apportion its net income under Conn. Gen. Stat. §12-218(c)).

**EXEMPTION FOR CERTAIN COMPANIES ENGAGED IN MANUFACTURE OR SALE OF MOTOR VEHICLES POWERED BY NATURAL GAS OR ELECTRICITY:** Any company which is not owned or controlled, directly or indirectly by another company and which has gross annual revenues during the preceding income year not in excess of \$100 million, at least 75% of which was derived from research, design, manufacture, sale or installation of motor vehicles (including parts and components) that are powered, in whole or in part, by electricity, natural gas or solar energy, will be exempt from corporation business tax. Such a company will be required to claim the exemption by filing a Form CT-1120 or CT-1120S, as the case may be.

**MANUFACTURING FACILITY CREDIT EXPANDED:** The credit allowed under Conn. Gen. Stat. §12-217e in the amount equal to 50% of that portion of the corporation business tax allocable to certain manufacturing facilities that are located in an enterprise zone is expanded to include certain manufacturing facilities that are located in a Connecticut municipality with an entertainment district designated under 1993 Conn. Pub. Acts 311, §1. The definition of "manufacturing facility", as the term is used in Conn. Gen. Stat. §12-217e, is expanded to include any plant or building that is located in a Connecticut municipality with an entertainment district designated under 1993 Conn. Pub. Acts 311, §1 and that is to be used in the production of entertainment products or as part of the airing, display or provision of live entertainment for stage or broadcast, including support services such as set manufacturers, scenery makers, sound and video equipment providers and manufacturers; stage and screen writers; providers of capital for the entertainment industry; and agents for talent, writers, producers and music properties.

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**NEW CREDIT AGAINST CORPORATION BUSINESS TAX FOR EXPENDITURES ON MACHINERY AND EQUIPMENT:** For income years commencing in 1995 or thereafter, a credit is allowed under 1993 Conn. Pub. Acts 382, §42 against the corporation business tax in the amount of:

- 5% of the incremental increase in expenditures paid or incurred during the income year for machinery and equipment, of whatever type, over such expenditures paid or incurred during the preceding income year, for companies with, at all times during the income year, more than 250 but not more than 500 full-time, permanent employees, wherever employed.
  - 10% of the incremental increase in expenditures paid or incurred during the income year for machinery and equipment, of whatever type, over such expenditures paid or incurred during the preceding income year, for companies with, at all times during the income year, not more than 250 full-time, permanent employees, wherever employed.
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**EFFECT OF THIS DOCUMENT:** A Special Notice is a document that 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 the Department's informal interpretation of Connecticut tax law and may be referred to for general guidance by taxpayers or tax practitioners.

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**EFFECT ON OTHER DOCUMENTS:** None affected.

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**PLEASE NOTE THE FOLLOWING NEW INFORMATION ABOUT DRS.**

**FOR FURTHER INFORMATION:** To order forms and publications or for further information, call the Department of Revenue Services at 860-297-5962 (Hartford area or out-of-state) or 1-800-382-9463 (in-state). Forms and publications may be ordered through voice-mail 24-hours a day by choosing Option 3 on your touch tone telephone.

**Electronic Delivery Options:** You can also obtain tax forms and publications 24-hours a day from our Web home page at <https://www.ct.gov/drs>. Telecommunications Device for the Deaf (TDD/TT) users only call 860-297-4911 during business hours.

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SN 93(15)  
Corporation business tax  
Issued: 7/16/93