



# Senate

General Assembly

**File No. 608**

February Session, 2010

Substitute Senate Bill No. 485

*Senate, April 21, 2010*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING TAX FAIRNESS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage and applicable to income years*  
2 *commencing on or after January 1, 2010*) (a) For purposes of this section,  
3 the combined group's net income shall be the aggregate net income or  
4 loss of every taxable member and nontaxable member of the combined  
5 group derived from a unitary business, which shall be determined as  
6 follows:

7 (1) For any member incorporated in the United States, included in a  
8 consolidated federal corporate income tax return, or filing a federal  
9 corporate income tax return, the income to be included in calculating  
10 the combined group's net income shall be such member's gross  
11 income, less the deductions provided under section 12-217 of the  
12 general statutes, as amended by this act, as if the member were not  
13 consolidated for federal tax purposes.

14 (2) For any member not included in a consolidated federal corporate  
15 income tax return but required to file its own federal corporate income

16 tax return, the income to be included in calculating the combined  
17 group's net income shall be such member's gross income, less the  
18 deductions provided under section 12-217 of the general statutes, as  
19 amended by this act.

20 (3) For any member not incorporated in the United States, not  
21 included in a consolidated federal corporate income tax return, and not  
22 required to file its own federal corporate income tax return, the income  
23 to be included in the combined group's net income shall be determined  
24 from a profit and loss statement that shall be prepared for each foreign  
25 branch or corporation in the currency in which the books of account of  
26 the branch or corporation are regularly maintained, adjusted to  
27 conform it to the accounting principles generally accepted in the  
28 United States for the presentation of such statements and further  
29 adjusted to take into account any book-tax differences required by  
30 federal or Connecticut law. The profit and loss statement of each such  
31 member of the combined group and the apportionment factors related  
32 thereto, whether United States or foreign, shall be translated into or  
33 from the currency in which the parent company maintains its books  
34 and records on any reasonable basis consistently applied on a year-to-  
35 year or entity-by-entity basis. Income shall be expressed in United  
36 States dollars. In lieu of these procedures and subject to the  
37 determination of the commissioner that the income to be reported  
38 reasonably approximates income as determined under chapter 208 of  
39 the general statutes, income may be determined on any reasonable  
40 basis consistently applied on a year-to-year or entity-by-entity basis.

41 (4) If the unitary business has income from an entity that is treated  
42 as a pass-through entity, the combined group's net income shall  
43 include its member's direct and indirect distributive share of the pass-  
44 through entity's unitary business income.

45 (5) All dividends paid by one member to another member of the  
46 combined group shall, to the extent those dividends are paid out of the  
47 earnings and profits of the unitary business, in the current or an earlier  
48 year, be eliminated from the income of the recipient. This provision

49 shall not apply to dividends received from business entities in the  
50 unitary business that are not a part of the combined group.

51 (6) Except as otherwise provided by regulation, business income  
52 from an intercompany transaction between members of the same  
53 combined group shall be deferred in a manner similar to the deferral  
54 under 26 CFR 11.1502-13. Upon the occurrence of any of the following  
55 events, deferred business income resulting from an intercompany  
56 transaction between members of a combined group shall be restored to  
57 the income of the seller and shall be included in the combined group's  
58 net income as if the seller had earned the income immediately before  
59 the event:

60 (A) The object of a deferred intercompany transaction is: (i) Resold  
61 by the buyer to an entity that is not a member of the combined group,  
62 (ii) resold by the buyer to an entity that is a member of the combined  
63 group for use outside the unitary business in which the buyer and  
64 seller are engaged, or (iii) converted by the buyer to a use outside the  
65 unitary business in which the buyer and seller are engaged.

66 (B) The buyer and seller are no longer members of the same  
67 combined group, regardless of whether the members remain unitary.

68 (7) A charitable expense incurred by a member of a combined group  
69 shall, to the extent allowable as a deduction pursuant to Section 170 of  
70 the Internal Revenue Code, be subtracted first from the combined  
71 group's net income, subject to the income limitations of that section  
72 applied to the entire business income of the group. Any charitable  
73 deduction disallowed under the foregoing rule, but allowed as a  
74 carryover deduction in a subsequent year, shall be treated as originally  
75 incurred in the subsequent year by the same member and the rules of  
76 this section shall apply in the subsequent year in determining the  
77 allowable deduction for that year.

78 (8) Gain or loss from the sale or exchange of capital assets, property  
79 described by Section 1231(a)(3) of the Internal Revenue Code and  
80 property subject to an involuntary conversion shall be removed from

81 the net income of each member of a combined group and shall be  
82 included in the combined group's net income as follows:

83 (A) For each class of gain or loss, whether short-term capital, long-  
84 term capital, Section 1231 of the Internal Revenue Code gain or loss,  
85 and gain or loss from involuntary conversions, all member's business  
86 gain and loss for the class shall be combined, without netting between  
87 such classes, and each class of net business gain or loss shall be  
88 apportioned to each member under subsection (b) of this section.

89 (B) Any resulting income or loss apportioned to this state, as long as  
90 the loss is not subject to the limitations of Section 1211 of the Internal  
91 Revenue Code, of a taxable member produced by the application of  
92 subparagraph (A) of this subdivision shall then be applied to all other  
93 income or loss of that member apportioned to this state. Any resulting  
94 loss of a member apportioned to this state that is subject to the  
95 limitations of said Section 1211 shall be carried forward by that  
96 member and shall be treated as short-term capital loss apportioned to  
97 this state and incurred by that member for the year for which the  
98 carryover applies.

99 (9) Any expense of any member of the combined group that is  
100 directly or indirectly attributable to the income of any member of the  
101 combined group, which income this state is prohibited from taxing  
102 pursuant to the laws or Constitution of the United States, shall be  
103 disallowed as a deduction for purposes of determining the combined  
104 group's net income.

105 (b) A taxable member of a combined group shall determine its  
106 apportionment percentage as follows:

107 (1) Each taxable member shall determine its apportionment  
108 percentage based on the otherwise applicable apportionment formula  
109 provided in chapter 208 of the general statutes. In computing its  
110 denominators for all factors, the taxable member shall use the  
111 combined group's denominator for that factor, as provided in  
112 subdivision (2) of this subsection. In computing the numerator of its

113 receipts factor, each taxable member shall add to such numerator its  
114 share of receipts of nontaxable members assignable to this state, as  
115 provided in subdivision (3) of this subsection.

116 (2) The combined group shall determine its property and payroll  
117 factor denominators using the factors from all members, whether or  
118 not a member would otherwise apportion its income using such  
119 property and payroll factors.

120 (3) Receipts assignable to this state of each nontaxable member shall  
121 be determined based upon the apportionment formula that would be  
122 applicable to such member if it were a taxable member and shall be  
123 aggregated. Each taxable member of the combined group shall include  
124 in the numerator of its receipts factor a portion of the aggregate  
125 receipts assignable to this state of nontaxable members based on a  
126 ratio, the numerator of which is such taxable member's receipts  
127 assignable to this state, without regard to this subsection, and the  
128 denominator of which is the aggregate receipts assignable to this state  
129 of all the taxable members of the combined group, without regard to  
130 this subsection.

131 (4) In determining the numerator and denominator of the  
132 apportionment factors of taxable members, transactions between or  
133 among members of such combined group shall be eliminated.

134 (5) If any member of a combined group required to file a combined  
135 unitary tax return pursuant to section 12-222 of the general statutes, as  
136 amended by this act, is taxable both within and without this state,  
137 every taxable member shall be entitled to apportion its net income in  
138 accordance with this section.

139 (c) To calculate each taxable member's net income or loss  
140 apportioned to this state, each taxable member shall apply its  
141 apportionment percentage, as determined pursuant to subsection (b) of  
142 this section, to the combined group's net income.

143 (d) After calculating its net income or loss apportioned to this state,

144 pursuant to subsection (c) of this section, each taxable member of a  
145 combined group required to file a combined unitary tax return  
146 pursuant to section 12-222 of the general statutes, as amended by this  
147 act, may deduct a net operating loss from its net income apportioned  
148 to this state as follows:

149 (1) For income years beginning on or after January 1, 2010, if the  
150 computation of a combined group's net income results in a net  
151 operating loss, a taxable member of such group may carry over its net  
152 income apportioned to this state, as calculated under subsection (c) of  
153 this section, derived from the unitary business in a future income year  
154 to the extent that the carryover and deduction is otherwise consistent  
155 with subparagraph (A) of subdivision (4) of subsection (a) of section  
156 12-217 of the general statutes, as amended by this act. Any taxable  
157 member that has more than one operating loss carryover shall apply  
158 the carryovers in the order that the operating loss was incurred, with  
159 the oldest carryover to be deducted first.

160 (2) Where a taxable member of a combined group has an operating  
161 loss carryover derived from a loss incurred by a combined group in an  
162 income year beginning on or after January 1, 2010, then the taxable  
163 member may share the operating loss carryover with other taxable  
164 members of the combined group if such other taxable members were  
165 taxable members of the combined group in the income year that the  
166 loss was incurred. Any amount of operating loss carryover that is  
167 deducted by another taxable member of the combined group shall  
168 reduce the amount of operating loss carryover that may be carried  
169 over by the taxable member that originally incurred the loss.

170 (3) Where a taxable member of a combined group has an operating  
171 loss carryover derived from a loss incurred in an income year  
172 beginning prior to January 1, 2010, or derived from an income year  
173 during which the taxable member was not a member of such combined  
174 group, the carryover shall remain available to be deducted by that  
175 taxable member. Such carryover shall be deductible only by the taxable  
176 member that incurred the loss and shall not be deductible by any other

177 members of the combined group.

178 (e) Each taxable member shall multiply its income or loss  
179 apportioned to this state, as calculated under subsection (c) of this  
180 section and as further modified by subsection (d) of this section, by the  
181 tax rate set forth in section 12-214 of the general statutes, as amended  
182 by this act.

183 (f) The additional tax base of taxable and nontaxable members of a  
184 combined group required to file a combined unitary tax return  
185 pursuant to section 12-222 of the general statutes, as amended by this  
186 act, shall be calculated as follows:

187 (1) Except as otherwise provided in subdivision (2) of this  
188 subsection, members of the combined group shall calculate the  
189 combined group's additional tax base by aggregating their separate  
190 additional tax bases under subsection (a) of section 12-219 of the  
191 general statutes, as amended by this act, provided intercorporate  
192 stockholdings in the combined group shall be eliminated and provided  
193 no deduction shall be allowed under subparagraph (B)(ii) of  
194 subdivision (1) of subsection (a) of section 12-219 of the general  
195 statutes, as amended by this act, for such intercorporate stockholdings.  
196 In calculating the combined group's additional tax base, the separate  
197 additional tax bases of nontaxable members shall be included, as if  
198 those nontaxable members were taxable members. The amount  
199 calculated under this subdivision shall be apportioned to those  
200 members pursuant to subdivision (1) of subsection (g) of this section.

201 (2) Members of the combined group that are financial service  
202 companies, as defined in section 12-218b of the general statutes, as  
203 amended by this act, shall calculate their additional tax liability under  
204 subsection (d) of section 12-219 of the general statutes, as amended by  
205 this act, and not pursuant to subdivision (1) of this subsection.

206 (g) A taxable member of a combined group required to file a  
207 combined unitary tax return pursuant to section 12-222 of the general  
208 statutes, as amended by this act, shall determine its apportionment

209 percentage under section 12-219a of the general statutes, as amended  
210 by this act, as follows:

211 (1) A taxable member whose separate additional tax base is  
212 included in the calculation of the combined group's additional tax base  
213 under subdivision (1) of subsection (f) of this section shall apportion  
214 the combined group's additional tax base using the otherwise  
215 applicable apportionment formula provided in section 12-219a of the  
216 general statutes, as amended by this act. However, the denominator of  
217 such apportionment fraction shall be the sum of subdivisions (1) and  
218 (2) of subsection (a) of said section 12-219a for all taxable members  
219 whose separate additional tax bases are included in the calculation of  
220 the combined group's additional tax base under subdivision (1) of  
221 subsection (f) of this section. The numerator of such apportionment  
222 fraction shall be the sum of subparagraph (A) of subdivision (1) of  
223 subsection (a) of said section 12-219a and subparagraph (A) of  
224 subdivision (2) of subsection (a) of said section 12-219a for such taxable  
225 member.

226 (2) Members of the combined group that are financial service  
227 companies, as defined in section 12-218b of the general statutes, as  
228 amended by this act, shall each have an additional tax liability as  
229 described in subdivision (2) of subsection (h) of this section.

230 (h) (1) A taxable member whose separate additional tax base is  
231 included in the calculation of the combined group's additional tax base  
232 under subdivision (1) of subsection (f) of this section shall multiply the  
233 combined group's additional tax base, as calculated under subdivision  
234 (1) of subsection (f) of this section, by such member's apportionment  
235 fraction determined in subdivision (1) of subsection (g) of this section,  
236 by the tax rate set forth in subsection (a) of section 12-219 of the  
237 general statutes, as amended by this act. In no event shall a tax credit  
238 allowed against the tax imposed by chapter 208 of the general statutes  
239 reduce a taxable member's tax calculated under this subsection to an  
240 amount less than two hundred fifty dollars.

241 (2) Members of the combined group that are financial service

242 companies, as defined in section 12-218b of the general statutes, as  
243 amended by this act, shall each have an additional tax liability of two  
244 hundred fifty dollars. In no event shall a tax credit allowed against the  
245 tax imposed by chapter 208 of the general statutes reduce a financial  
246 service company's tax calculated under this subsection to an amount  
247 less than two hundred fifty dollars.

248 (i) Each taxable member of a combined group required to file a  
249 combined unitary tax return pursuant to section 12-222 of the general  
250 statutes, as amended by this act, shall separately apply the provisions  
251 of sections 12-217ee and 12-217zz of the general statutes in  
252 determining the amount of tax credit available to such member.

253 Sec. 2. (NEW) (*Effective from passage and applicable to income years*  
254 *commencing on or after January 1, 2010*) (a) Upon election by the  
255 designated taxable member of a combined group, the combined  
256 group's net income, additional tax base and the apportionment factors  
257 of each taxable member shall be determined on a world-wide basis. If  
258 no such election is made, the combined group's net income, additional  
259 tax base and the apportionment factors of each taxable member shall  
260 be determined on a water's-edge basis, whereby a nontaxable  
261 member's income, additional tax base and attributes that affect each  
262 taxable member's apportionment factors shall be included only if the  
263 nontaxable member is described in any one or more of the following  
264 categories:

265 (1) Any member incorporated in the United States, or formed under  
266 the laws of the United States, any state, the District of Columbia, or  
267 any territory or possession of the United States; or

268 (2) Any member that earns more than twenty per cent of its income,  
269 directly or indirectly, from intangible property or service-related  
270 activities, the costs of which generally are deductible for federal  
271 income tax purposes, whether currently or over a period of time,  
272 against the income of other members of the group, but only to the  
273 extent of that income and the apportionment factors related thereto.

274 (b) A world-wide election is effective only if made on a timely-filed,  
275 original return for an income year by the designated taxable member  
276 of the combined group. Such election is binding for, and applicable to,  
277 the income year for which it is made and for the ten immediately  
278 succeeding income years.

279 Sec. 3. Subsection (a) of section 12-213 of the general statutes is  
280 repealed and the following is substituted in lieu thereof (*Effective from*  
281 *passage and applicable to income years commencing on or after January 1,*  
282 *2010*):

283 (a) When used in this [part] chapter and in sections 1 and 2 of this  
284 act, unless the context otherwise requires:

285 (1) "Taxpayer" and "company" mean any corporation, foreign  
286 municipal electric utility, as defined in section 12-59, electric  
287 distribution company, as defined in section 16-1, electric supplier, as  
288 defined in section 16-1, generation entity or affiliate, as defined in  
289 section 16-1, joint stock company or association or any fiduciary  
290 thereof and any dissolved corporation which continues to conduct  
291 business but does not include a passive investment company or  
292 municipal utility, as defined in section 12-265;

293 (2) "Dissolved corporation" means any company which has  
294 terminated its corporate existence by resolution, expiration, decree or  
295 forfeiture;

296 (3) "Commissioner of Revenue Services" or "commissioner" means  
297 the Commissioner of Revenue Services;

298 (4) "Tax year" means the calendar year in which the tax is payable;

299 (5) "Income year" means the calendar year upon the basis of which  
300 net income is computed under this part, unless a fiscal year other than  
301 the calendar year has been established for federal income tax purposes,  
302 in which case it means the fiscal year so established or a period of less  
303 than twelve months ending as of the date on which liability under this  
304 chapter ceases to accrue by reason of dissolution, forfeiture,

305 withdrawal, merger or consolidation;

306 (6) "Fiscal year" means the income year ending on the last day of  
307 any month other than December or an annual period which varies  
308 from fifty-two to fifty-three weeks elected by the taxpayer in  
309 accordance with the provisions of the Internal Revenue Code;

310 (7) "Paid" means "paid or accrued" or "paid or incurred", construed  
311 according to the method of accounting upon the basis of which net  
312 income is computed under this part;

313 (8) "Received" means "received" or "accrued", construed according  
314 to the method of accounting upon the basis of which net income is  
315 computed under this part;

316 (9) (A) "Gross income" means gross income, as defined in the  
317 Internal Revenue Code, and, in addition, means any interest or exempt  
318 interest dividends, as defined in Section 852(b)(5) of the Internal  
319 Revenue Code, received by the taxpayer or losses of other calendar or  
320 fiscal years, retroactive to include all calendar or fiscal years beginning  
321 after January 1, 1935, incurred by the taxpayer which are excluded  
322 from gross income for purposes of assessing the federal corporation  
323 net income tax, and in addition, notwithstanding any other provision  
324 of law, means interest or exempt interest dividends, as defined in said  
325 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the  
326 application date, as defined in section 12-242ff, with respect to any  
327 obligation issued by or on behalf of the state, its agencies, authorities,  
328 commissions and other instrumentalities, or by or on behalf of its  
329 political subdivisions and their agencies, authorities, commissions and  
330 other instrumentalities;

331 (B) "Gross income" shall not include the amount which for federal  
332 income tax purposes is treated as a dividend received by a domestic  
333 United States corporation from a foreign corporation on account of  
334 foreign taxes deemed paid by such domestic corporation, when such  
335 domestic corporation elects the foreign tax credit for federal income  
336 tax purposes;

337 (C) "Gross income" shall not include any amount which for federal  
338 income tax purposes is treated as a dividend received directly or  
339 indirectly by a taxpayer from a passive investment company;

340 (10) "Net income" means net earnings received during the income  
341 year and available for contributors of capital, whether they are  
342 creditors or stockholders, computed by subtracting from gross income  
343 the deductions allowed by the terms of section 12-217, as amended by  
344 this act, except that in the case of a domestic insurance company which  
345 is a life insurance company "net income" means life insurance  
346 company taxable income (A) increased by any amount or amounts  
347 which have been deducted in the computation of gain or loss from  
348 operations in respect of (i) the life insurance company's share of tax-  
349 exempt interest, (ii) operations loss carry-backs and capital loss carry-  
350 backs and (iii) operations loss carry-overs and capital loss carry-overs  
351 arising in any taxable year commencing prior to January 1, 1973, and  
352 (B) reduced by any amount or amounts which have been deducted as  
353 operations loss carry-backs or capital loss carry-backs in the  
354 computation of gain or loss from operations for any taxable year  
355 commencing on or after January 1, 1973, but only to the extent that  
356 such amount or amounts, would, for federal tax purposes, have been  
357 deductible in the taxable year as operations loss carry-overs or capital  
358 loss carry-overs if they had not been deducted in a previous taxable  
359 year as carry-backs and provided no expense related to income, the  
360 taxation of which by the state of Connecticut is prohibited by the law  
361 or Constitution of the United States, as applied, or by the law or  
362 Constitution of this state, as applied, shall be deducted under this  
363 chapter and provided further no item may, directly or indirectly be  
364 excluded or deducted more than once;

365 (11) "Life insurance company" has the same meaning as it has under  
366 the Internal Revenue Code;

367 (12) "Life insurance company taxable income" has the same meaning  
368 as it has under the Internal Revenue Code;

369 (13) "Life insurance company's share" has the same meaning as it

370 has under the Internal Revenue Code;

371 (14) "Operations loss carry-over", with respect to a life insurance  
372 company, has the same meaning as it has under the Internal Revenue  
373 Code;

374 (15) "Operations loss carry-back", with respect to a life insurance  
375 company, has the same meaning as it has under the Internal Revenue  
376 Code;

377 (16) "Capital loss carry-over", with respect to a life insurance  
378 company, has the same meaning as it has under the Internal Revenue  
379 Code;

380 (17) "Capital loss carry-back", with respect to a life insurance  
381 company, has the same meaning as it has under the Internal Revenue  
382 Code;

383 (18) "Gain or loss from operations", with respect to a life insurance  
384 company, has the same meaning as it has under the Internal Revenue  
385 Code;

386 (19) "Fiduciary" means any receiver, liquidator, referee, trustee,  
387 assignee or other fiduciary or officer or agent appointed by any court  
388 or by any other authority, except the Banking Commissioner acting as  
389 receiver or liquidator under the authority of the provisions of sections  
390 36a-210 and 36a-218 to 36a-239, inclusive;

391 (20) (A) "Carrying on or doing business" means and includes each  
392 and every act, power or privilege exercised or enjoyed in this state, as  
393 an incident to, or by virtue of, the powers and privileges acquired by  
394 the nature of any organization whether the form of existence is  
395 corporate, associate, joint stock company or fiduciary, and includes the  
396 direct or indirect engaging in, transacting or conducting of activity in  
397 this state by an electric supplier, as defined in section 16-1, or  
398 generation entity or affiliate, as defined in section 16-1, for the purpose  
399 of establishing or maintaining a market for the sale of electricity or of  
400 electric generation services, as defined in section 16-1, to end use

401 customers located in this state through the use of the transmission or  
402 distribution facilities of an electric distribution company, as defined in  
403 section 16-1, or, until unbundled in accordance with section 16-244e,  
404 electric company, as defined in section 16-1;

405 (B) A company that has contracted with a commercial printer for  
406 printing and distribution of printed material shall not be deemed to be  
407 carrying on or doing business in this state because of (i) the ownership  
408 or leasing by that company of tangible or intangible personal property  
409 located at the premises of the commercial printer in this state, (ii) the  
410 sale by that company of property of any kind produced or processed at  
411 and shipped or distributed from the premises of the commercial  
412 printer in this state, (iii) the activities of that company's employees or  
413 agents at the premises of the commercial printer in this state, which  
414 activities relate to quality control, distribution or printing services  
415 performed by the printer, or (iv) the activities of any kind performed  
416 by the commercial printer in this state for or on behalf of that  
417 company;

418 (C) A company that participates in a trade show or shows at the  
419 convention center, as defined in subdivision (3) of section 32-600, shall  
420 not be deemed to be carrying on or doing business in this state,  
421 regardless of whether the company has employees or other staff  
422 present at such trade shows, provided such company's activity at such  
423 trade shows is limited to displaying goods or promoting services, no  
424 sales are made, any orders received are sent outside this state for  
425 acceptance or rejection and are filled from outside this state, and  
426 provided further that such participation is not more than fourteen  
427 days, or part thereof, in the aggregate during the company's income  
428 year for federal income tax purposes;

429 (21) "Alternative energy system" means design systems, equipment  
430 or materials which utilize as their energy source solar, wind, water or  
431 biomass energy in providing space heating or cooling, water heating or  
432 generation of electricity, but shall not include wood-burning stoves;

433 (22) "S corporation" means any corporation which is an S

434 corporation for federal income tax purposes and includes any  
435 subsidiary of such S corporation that is a qualified subchapter S  
436 subsidiary, as defined in Section 1361(b)(3)(B) of the Internal Revenue  
437 Code, all of whose assets, liabilities and items of income, deduction  
438 and credit are treated under the Internal Revenue Code, and shall be  
439 treated under this chapter, as assets, liabilities and such items, as the  
440 case may be, of such S corporation;

441 (23) "Internal Revenue Code" means the Internal Revenue Code of  
442 1986, or any subsequent internal revenue code of the United States, as  
443 from time to time amended, effective and in force on the last day of the  
444 income year;

445 (24) "Partnership" means a partnership, as defined in the Internal  
446 Revenue Code, and includes a limited liability company that is treated  
447 as a partnership for federal income tax purposes;

448 (25) "Partner" means a partner, as defined in the Internal Revenue  
449 Code, and includes a member of a limited liability company that is  
450 treated as a partnership for federal income tax purposes;

451 (26) "Investment partnership" means a limited partnership that  
452 meets the gross income requirement of Section 851(b)(2) of the Internal  
453 Revenue Code, except that income and gains from commodities that  
454 are not described in Section 1221(1) of the Internal Revenue Code or  
455 from futures, forwards and options with respect to such commodities  
456 shall be included in income which qualifies to meet such gross income  
457 requirement, provided such commodities are of a kind customarily  
458 dealt with in an organized commodity exchange and the transaction is  
459 of a kind customarily consummated at such place, as required by  
460 Section 864(b)(2)(B)(iii) of the Internal Revenue Code. To the extent  
461 that such a partnership has income and gains from commodities that  
462 are not described in Section 1221(1) of the Internal Revenue Code or  
463 from futures, forwards and options with respect to such commodities,  
464 such income and gains must be derived by a partnership which is not a  
465 dealer in commodities and is trading for its own account as described  
466 in Section 864(b)(2)(B)(ii) of the Internal Revenue Code. The term

467 "investment partnership" does not include a dealer, within the  
468 meaning of Section 1236 of the Internal Revenue Code, in stocks or  
469 securities;

470 (27) "Passive investment company" means any corporation which is  
471 a related person to a financial service company, as defined in section  
472 12-218b, as amended by this act, or to an insurance company, as  
473 defined in section 12-218b, as amended by this act, and (A) employs  
474 not less than five full-time equivalent employees in the state; (B)  
475 maintains an office in the state; and (C) confines its activities to the  
476 purchase, receipt, maintenance, management and sale of its intangible  
477 investments, and the collection and distribution of the income from  
478 such investments, including, but not limited to, interest and gains from  
479 the sale, transfer or assignment of such investments or from the  
480 foreclosure upon or sale, transfer or assignment of the collateral  
481 securing such investments. For purposes of this subdivision,  
482 "intangible investments" shall be limited to loans secured by real  
483 property, as defined in section 12-218b, as amended by this act,  
484 including a line of credit which is a loan secured by real property and  
485 which permits future advances by the passive investment company;  
486 the collateral or an interest in the collateral that secured such loans if  
487 the sale of such collateral or interest is actively marketed by or on  
488 behalf of the passive investment company; and any short-term  
489 investment of cash held by the passive investment company which  
490 cash is reasonably necessary for the operations of such passive  
491 investment company; [.]

492 (28) "Combined group" means the group of all persons that have  
493 common ownership and are engaged in a unitary business, where at  
494 least one person is subject to tax under this chapter;

495 (29) "Combined group's net income" means the amount calculated  
496 under subsection (a) of section 1 of this act;

497 (30) "Common ownership" means that not less than fifty per cent of  
498 the voting control of each member of a combined group is directly or  
499 indirectly owned by a common owner or owners, either corporate or

500 noncorporate, whether or not the owner or owners are members of the  
501 combined group. Whether voting control is indirectly owned shall be  
502 determined in accordance with Section 318 of the Internal Revenue  
503 Code;

504 (31) "Unitary business" means a single economic enterprise that is  
505 made up either of separate parts of a single business entity or of a  
506 group of business entities under common ownership, which enterprise  
507 is sufficiently interdependent, integrated or interrelated through its  
508 activities so as to provide mutual benefit and produce a significant  
509 sharing or exchange of value among such entities, or a significant flow  
510 of value among the separate parts. For purposes of this chapter, (A)  
511 any business conducted by a pass-through entity shall be treated as  
512 conducted by its members, whether directly held or indirectly held  
513 through a series of pass-through entities, to the extent of the member's  
514 distributive share of the pass-through entity's income, regardless of the  
515 percentage of the member's ownership interest or its distributive or  
516 any other share of pass-through entity income, and (B) a business  
517 conducted directly or indirectly by one corporation is unitary with that  
518 portion of a business conducted by another corporation through its  
519 direct or indirect interest in a pass-through entity if there is a mutual  
520 benefit and a significant sharing of exchange or flow of value between  
521 the two parts of the business and the two corporations are members of  
522 the same group of business entities under common ownership;

523 (32) "Designated taxable member" means, if the combined group has  
524 a common parent corporation and that common parent corporation is  
525 a taxable member, the common parent corporation and, in all other  
526 cases, the taxable member of the combined group that such group  
527 selects, in the manner prescribed by section 12-222, as amended by this  
528 act, as its designated taxable member or, in the discretion of the  
529 commissioner or upon the failure of such group to select its designated  
530 taxable member in the manner prescribed by section 12-222, as  
531 amended by this act, the taxable member of the combined group  
532 selected by the commissioner as the designated taxable member;

533 (33) "Group income year" means, if two or more members in the  
534 combined group file in the same federal consolidated tax return, the  
535 same income year as that used on the federal consolidated tax return  
536 and, in all other cases, the income year of the designated taxable  
537 member;

538 (34) "Nontaxable member" means a combined group member that is  
539 not a taxable member;

540 (35) "Person" means person, as defined in section 12-1;

541 (36) "Taxable member" means a combined group member that is  
542 subject to tax pursuant to this chapter;

543 (37) "Pass-through entity" means a partnership or an S corporation.

544 Sec. 4. Section 12-214 of the 2010 supplement to the general statutes  
545 is amended by adding subsection (c) as follows (*Effective from passage*  
546 *and applicable to income years commencing on or after January 1, 2010*):

547 (NEW) (c) Each taxable member of a combined group required to  
548 file a combined unitary tax return pursuant to section 12-222, as  
549 amended by this act, shall calculate such member's tax under  
550 subsection (a) of this section, by multiplying such member's net  
551 income apportioned to this state, as provided in subsection (c) of  
552 section 1 of this act, by the tax rate set forth in this section.

553 Sec. 5. Section 12-217 of the 2010 supplement to the general statutes  
554 is amended by adding subsections (e) and (f) as follows (*Effective from*  
555 *passage and applicable to income years commencing on or after January 1,*  
556 *2010*):

557 (NEW) (e) Where a combined group is required to file a combined  
558 unitary tax return pursuant to section 12-222, as amended by this act,  
559 the combined group's net income shall be computed as provided in  
560 subsection (a) of section 1 of this act.

561 (NEW) (f) Where a combined group is required to file a combined

562 unitary tax return pursuant to section 12-222, as amended by this act, a  
563 taxable member's net operating loss apportioned to this state shall be  
564 deducted and carried over by the taxable member as provided in  
565 subsection (d) of section 1 of this act.

566 Sec. 6. Subsection (b) of section 12-217n of the general statutes is  
567 repealed and the following is substituted in lieu thereof (*Effective from*  
568 *passage and applicable to income years commencing on or after January 1,*  
569 *2010*):

570 (b) For purposes of this section:

571 (1) "Research and development expenses" means research or  
572 experimental expenditures deductible under Section 174 of the Internal  
573 Revenue Code of 1986, as in effect on May 28, 1993, determined  
574 without regard to Section 280C(c) thereof or any elections made by a  
575 taxpayer to amortize such expenses on its federal income tax return  
576 that were otherwise deductible, and basic research payments as  
577 defined under Section 41 of said Internal Revenue Code to the extent  
578 not deducted under said Section 174, provided: (A) Such expenditures  
579 and payments are paid or incurred for such research and  
580 experimentation and basic research conducted in this state; and (B)  
581 such expenditures and payments are not funded, within the meaning  
582 of Section 41(d)(4)(H) of said Internal Revenue Code, by any grant,  
583 contract, or otherwise by a person or governmental entity other than  
584 the taxpayer unless such other person is included in a combined return  
585 with the person paying or incurring such expenses;

586 (2) "Combined return" shall mean a combined [corporation business  
587 tax return under section 12-223a] unitary tax return under section 12-  
588 222, as amended by this act;

589 (3) "Commissioner" means the Commissioner of Economic and  
590 Community Development;

591 (4) "Qualified small business" means a company that (A) has gross  
592 income for the previous income year that does not exceed one hundred

593 million dollars, and (B) has not, in the determination of the  
594 commissioner, met the gross income test through transactions with a  
595 related person, as defined in section 12-217w.

596 Sec. 7. Subsection (e) of section 12-217t of the general statutes is  
597 repealed and the following is substituted in lieu thereof (*Effective from*  
598 *passage and applicable to income years commencing on or after January 1,*  
599 *2010*):

600 (e) In the case of taxpayers filing a combined unitary tax return  
601 pursuant to section [12-223a] 12-222, as amended by this act, the credit  
602 provided by this section shall be allowed on a combined basis, such  
603 that the amount of personal property taxes paid by such taxpayers  
604 with respect to such equipment may be claimed as a tax credit against  
605 the combined unitary tax liability of such taxpayers as determined  
606 under this chapter. Credits available to taxpayers which are subject to  
607 tax under this chapter but not subject to tax under chapter 207, 208a,  
608 209, 210, 211 or 212 or the tax imposed on health care centers under the  
609 provisions of section 12-202a shall be used prior to credits of  
610 companies included in such combined return which are also subject to  
611 tax under said chapter 207, 208a, 209, 210, 211 or 212 or the tax  
612 imposed upon health centers pursuant to the provisions of section 12-  
613 202a.

614 Sec. 8. Subsection (l) of section 12-217u of the general statutes is  
615 repealed and the following is substituted in lieu thereof (*Effective from*  
616 *passage and applicable to income years commencing on or after January 1,*  
617 *2010*):

618 (l) (1) In the case of a financial institution included in a combined  
619 unitary tax return under section [12-223a] 12-222, as amended by this  
620 act, a credit allowed under subsection (b) or (f) of this section may be  
621 taken against the tax of the combined unitary group. (2) The credit  
622 allowed to a financial institution under subsection (b) or (f) of this  
623 section may be taken by any corporation which is eligible to elect to  
624 file a combined unitary return with a group with which the financial  
625 institution is eligible to file a combined unitary return, provided the

626 aggregate credit taken by all such corporations in any income year  
627 shall not exceed the aggregate credit for which such group would have  
628 been eligible if it had filed a combined unitary return.

629 Sec. 9. Subsection (c) of section 12-217gg of the general statutes is  
630 repealed and the following is substituted in lieu thereof (*Effective from*  
631 *passage and applicable to income years commencing on or after January 1,*  
632 *2010*):

633 (c) (1) For the purposes of this chapter, each constituent corporation  
634 shall be deemed to have itself conducted its pro rata share of the  
635 business conducted by the sponsor.

636 (2) The pro rata share of the business conducted by the sponsor that  
637 shall be deemed to have been conducted by each constituent  
638 corporation shall be the same percentage as such constituent  
639 corporation's distributive share of the profit or loss of the sponsor for  
640 any relevant income year.

641 (3) The limitation of section 12-217zz shall be applied on the return  
642 of each constituent corporation or on the combined unitary return filed  
643 by two or more constituent corporations.

644 Sec. 10. Subsection (h) of section 12-217gg of the general statutes is  
645 repealed and the following is substituted in lieu thereof (*Effective from*  
646 *passage and applicable to income years commencing on or after January 1,*  
647 *2010*):

648 (h) The credits allowed under this section may be used by  
649 constituent corporations joining in a combined [corporation business]  
650 unitary tax return under section [12-223a] 12-222, as amended by this  
651 act.

652 Sec. 11. Section 12-218 of the general statutes is amended by adding  
653 subsection (m) as follows (*Effective from passage and applicable to income*  
654 *years commencing on or after January 1, 2010*):

655 (NEW) (m) Each taxable member of a combined group required to

656 file a combined unitary tax return pursuant to section 12-222, as  
657 amended by this act, shall, if one or more members of such group are  
658 taxable both within and without this state, apportion its net income as  
659 provided in subsections (b) and (c) of section 1 of this act.

660 Sec. 12. Section 12-218b of the general statutes is amended by  
661 adding subsection (m) as follows (*Effective from passage and applicable to*  
662 *income years commencing on or after January 1, 2010*):

663 (NEW) (m) Each financial service company that is a member of a  
664 combined group required to file a combined unitary tax return  
665 pursuant to section 12-222, as amended by this act, shall apportion its  
666 net income as provided in subsections (b) and (c) of section 1 of this  
667 act.

668 Sec. 13. Subsection (c) of section 12-218c of the general statutes is  
669 repealed and the following is substituted in lieu thereof (*Effective from*  
670 *passage and applicable to income years commencing on or after January 1,*  
671 *2010*):

672 (c) (1) The adjustments required in subsection (b) of this section  
673 shall not apply if the corporation establishes by clear and convincing  
674 evidence that the adjustments are unreasonable, or the corporation and  
675 the Commissioner of Revenue Services agree in writing to the  
676 application or use of an alternative method of apportionment under  
677 section 12-221a, as amended by this act. Nothing in this subdivision  
678 shall be construed to limit or negate the commissioner's authority to  
679 otherwise enter into agreements and compromises otherwise allowed  
680 by law.

681 (2) The adjustments required in subsection (b) of this section shall  
682 not apply to such portion of interest expenses and costs and intangible  
683 expenses and costs that the corporation can establish by the  
684 preponderance of the evidence meets both of the following: (A) The  
685 related member during the same income year directly or indirectly  
686 paid, accrued or incurred such portion to a person who is not a related  
687 member, and (B) the transaction giving rise to the interest expenses

688 and costs or the intangible expenses and costs between the corporation  
689 and the related member did not have as a principal purpose the  
690 avoidance of any portion of the tax due under this chapter.

691 (3) The adjustments required in subsection (b) of this section shall  
692 apply except to the extent that increased tax, if any, attributable to such  
693 adjustments would have been avoided if both the corporation and the  
694 related member had been eligible to make and had timely made the  
695 election to file a combined return under subsection (a) of section 12-  
696 223a, as amended by this act.

697 (4) The adjustments required in subsection (b) of this section shall  
698 apply except to the extent that the corporation and the related member  
699 are both members of a combined group required to file a combined  
700 unitary tax return pursuant to section 12-222, as amended by this act.

701 Sec. 14. Subsection (d) of section 12-218d of the general statutes is  
702 repealed and the following is substituted in lieu thereof (*Effective from*  
703 *passage and applicable to income years commencing on or after January 1,*  
704 *2010*):

705 (d) The adjustments required in subsection (b) of this section shall  
706 not apply [if] in any of the following circumstances:

707 (1) [the] The corporation establishes by clear and convincing  
708 evidence, as determined by the commissioner, that the adjustments are  
709 unreasonable. [.]

710 (2) [the] The corporation and the commissioner agree in writing to  
711 the application or use an alternative method of determining the  
712 combined measure of the tax, provided that the Commissioner of  
713 Revenue Services shall consider approval of such petition only in the  
714 event that the petitioners have clearly established to the satisfaction of  
715 said commissioner that there are substantial intercorporate business  
716 transactions among such included corporations and that the proposed  
717 alternative method of determining the combined measure of the tax  
718 accurately reflects the activity, business, income or capital of the

719 taxpayers within the state. [, or]

720 (3) [the] The corporation elects, on forms authorized for such  
721 purpose by the commissioner, to calculate its tax on a unitary basis  
722 including all members of the unitary group provided that there are  
723 substantial intercorporate business transactions among such included  
724 corporations. Such election to file on a unitary basis shall be  
725 irrevocable for and applicable for five successive income years, but  
726 shall not be applicable to income years commencing on or after  
727 January 1, 2010. Nothing in this subdivision shall be construed to limit  
728 or negate the commissioner's authority to otherwise enter into  
729 agreements and compromises otherwise allowed by law.

730 (4) The corporation and the related member are both members of a  
731 combined group required to file a combined unitary tax return  
732 pursuant to section 12-222, as amended by this act.

733 Sec. 15. Section 12-219 of the 2010 supplement to the general statutes  
734 is amended by adding subsection (e) as follows (*Effective from passage*  
735 *and applicable to income years commencing on or after January 1, 2010*):

736 (NEW) (e) The additional tax base of taxable and nontaxable  
737 members of a combined group required to file a combined unitary tax  
738 return pursuant to section 12-222, as amended by this act, shall be  
739 calculated as provided in subsection (f) of section 1 of this act.

740 Sec. 16. Section 12-219a of the general statutes is amended by adding  
741 subsection (d) as follows (*Effective from passage and applicable to income*  
742 *years commencing on or after January 1, 2010*):

743 (NEW) (d) The additional tax base of taxable and nontaxable  
744 members of a combined group required to file a combined unitary tax  
745 return pursuant to section 12-222, as amended by this act, shall be  
746 apportioned as provided in subsection (g) of section 1 of this act.

747 Sec. 17. Section 12-221a of the general statutes is amended by adding  
748 subsection (c) as follows (*Effective from passage and applicable to income*  
749 *years commencing on or after January 1, 2010*):

750 (NEW) (c) The provisions of this section shall also apply to a  
751 combined group required to file a combined unitary tax return  
752 pursuant to section 12-222, as amended by this act.

753 Sec. 18. Section 12-222 of the general statutes is amended by adding  
754 subsection (g) as follows (*Effective from passage and applicable to income*  
755 *years commencing on or after January 1, 2010*):

756 (NEW) (g) (1) A combined group shall file a combined unitary tax  
757 return under this chapter in the form and manner prescribed by the  
758 Commissioner of Revenue Services. The designated taxable member of  
759 a combined group shall file the combined unitary tax return on behalf  
760 of the taxable members of the combined group and shall pay the tax on  
761 behalf of such taxable members. A designated taxable member shall  
762 not be liable to, and shall be entitled to recover a payment made  
763 pursuant to this subdivision from, the taxable member on whose  
764 behalf the payment was made.

765 (2) If a member of a combined group has a different income year  
766 than the group income year, such member with a different income year  
767 shall report amounts from its return for its income year that ends  
768 during the group income year, provided no such reporting of amounts  
769 shall be required of such member until its first income year beginning  
770 on or after January 1, 2010.

771 (3) Notwithstanding the provisions of subdivision (1) of this  
772 subsection, each taxable member of a combined group is jointly and  
773 severally liable for the tax due from any taxable member under this  
774 chapter, whether or not such tax has been self-assessed, and for any  
775 interest, penalties or additions to tax due from any taxable member  
776 under this chapter.

777 (4) In all cases where a combined group is eligible to select the  
778 designated taxable member of the combined group, notice of the  
779 selection shall be submitted in written form to the commissioner not  
780 later than the due date, or, if an extension of time to file has been  
781 requested and granted, the extended due date of the combined unitary

782 tax return for the initial income year that such a return is required. The  
783 subsequent selection of another designated taxable member shall be  
784 subject to the approval of the commissioner.

785 (5) For purposes of this chapter, the designated taxable member is  
786 authorized to do the following acts on behalf of taxable and nontaxable  
787 members of the combined group, including, but not limited to: (A)  
788 Signing the combined unitary tax return, including any amendments  
789 thereto; (B) applying for extensions of time to file the return; (C) before  
790 the expiration of the time prescribed in section 12-233 for the  
791 examination of the return or the assessment of tax, consenting to an  
792 examination or assessment after such time and prior to the expiration  
793 of the period agreed upon; (D) making offers of compromise under  
794 section 12-2d; (E) entering into closing agreements under section 12-2e;  
795 and (F) receiving a refund or credit of a tax overpayment under this  
796 chapter.

797 (6) For purposes of this chapter, the commissioner may, at the  
798 commissioner's sole discretion: (A) Send any notice to either the  
799 designated taxable member or a taxable member or members of the  
800 combined group; (B) make any deficiency assessment against either the  
801 designated taxable member or a taxable member or members of the  
802 combined group; (C) refund or credit any overpayment to either the  
803 designated taxable member or a taxable member or members of the  
804 combined group; (D) require any payment to be made by electronic  
805 funds transfer; and (E) require the combined unitary tax return to be  
806 electronically filed.

807 Sec. 19. Section 12-223a of the general statutes is repealed and the  
808 following is substituted in lieu thereof (*Effective from passage and*  
809 *applicable to income years commencing on or after January 1, 2010*):

810 (a) [Any] Subject to the provisions of subsection (e) of this section,  
811 any taxpayer included in a consolidated return with one or more other  
812 corporations for federal income tax purposes may elect to file a  
813 combined return under this chapter together with such other  
814 companies subject to the tax imposed thereunder as are included in the

815 federal consolidated corporation income tax return and such combined  
816 return shall be filed in such form and setting forth such information as  
817 the Commissioner of Revenue Services may require. Notice of an  
818 election made pursuant to the provisions of this subsection and  
819 consent to such election must be submitted in written form to the  
820 Commissioner of Revenue Services by each corporation so electing not  
821 later than the due date, or if an extension of time to file has been  
822 requested and granted, the extended due date of the returns due from  
823 the electing corporations for the initial income year for which the  
824 election to file a combined return is made. Such election shall be in  
825 effect for such initial income year and for each succeeding income  
826 years unless and until such election is revoked in accordance with the  
827 provisions of subsection (d) of this section.

828 (b) [Any] Subject to the provisions of subsection (e) of this section,  
829 any taxpayer, other than a corporation filing a combined return with  
830 one or more other corporations under subsection (a) of this section,  
831 which owns or controls either directly or indirectly substantially all the  
832 capital stock of one or more corporations, or substantially all the  
833 capital stock of which is owned or controlled either directly or  
834 indirectly by one or more other corporations or by interests which own  
835 or control either directly or indirectly substantially all the capital stock  
836 of one or more other corporations, may, in the discretion of the  
837 Commissioner of Revenue Services, be required or permitted by  
838 written approval of the Commissioner of Revenue Services to make a  
839 return on a combined basis covering any such other corporations and  
840 setting forth such information as the Commissioner of Revenue  
841 Services may require, provided no combined return covering any  
842 corporation not subject to tax under this chapter shall be required  
843 unless the Commissioner of Revenue Services deems such a return  
844 necessary, because of intercompany transactions or some agreement,  
845 understanding, arrangement or transaction referred to in section 12-  
846 226a, in order properly to reflect the tax liability under this part.

847 (c) (1) (A) In the case of a combined return, the tax shall be  
848 measured by the sum of the separate net income or loss of each

849 corporation included or the minimum tax base of the included  
850 corporations but only to the extent that said income, loss or minimum  
851 tax base of any included corporation is separately apportioned to  
852 Connecticut in accordance with the provisions of section 12-218, 12-  
853 218b, 12-219a or 12-244, whichever is applicable. In computing said net  
854 income or loss, intercorporate dividends shall be eliminated, and in  
855 computing the combined additional tax base, intercorporate  
856 stockholdings shall be eliminated.

857 (B) In computing said net income or loss, any intangible expenses  
858 and costs, as defined in section 12-218c, any interest expenses and  
859 costs, as defined in section 12-218c, and any income attributable to  
860 such intangible expenses and costs or to such interest expenses and  
861 costs shall be eliminated, provided the corporation that is required to  
862 make adjustments under section 12-218c for such intangible expenses  
863 and costs or for such interest expenses and costs, and the related  
864 member or members, as defined in section 12-218c, are included in  
865 such combined return. If any such income and any such expenses and  
866 costs are eliminated as provided in this subparagraph, the intangible  
867 property, as defined in section 12-218c, of the corporation eliminating  
868 such income shall not be taken into account in apportioning under the  
869 provisions of section 12-219a the tax calculated under subsection (a) of  
870 section 12-219 of such corporation.

871 (2) If the method of determining the combined measure of such tax  
872 in accordance with this subsection for two or more affiliated  
873 companies validly electing to file a combined return under the  
874 provisions of subsection (a) of this section is deemed by such  
875 companies to unfairly attribute an undue proportion of their total  
876 income or minimum tax base to this state, said companies may submit  
877 a petition in writing to the Commissioner of Revenue Services for  
878 approval of an alternate method of determining the combined measure  
879 of their tax not later than sixty days prior to the due date of the  
880 combined return to which the petition applies, determined with regard  
881 to any extension of time for filing such return, and said commissioner  
882 shall grant or deny such approval before said due date. In deciding

883 whether or not the companies included in such combined return  
884 should be granted approval to employ the alternate method proposed  
885 in such petition, the Commissioner of Revenue Services shall consider  
886 approval only in the event that the petitioners have clearly established  
887 to the satisfaction of said commissioner that all the companies  
888 included in such combined return are, in substance, parts of a unitary  
889 business engaged in a single business enterprise and further that there  
890 are substantial intercorporate business transactions among such  
891 included companies.

892 (3) Upon the filing of a combined return under subsection (a) or (b)  
893 of this section, combined returns shall be filed for all succeeding  
894 income years or periods for those corporations reporting therein,  
895 provided, in the case of corporations filing under subsection (a) of this  
896 section, such corporations are included in a federal consolidated  
897 corporation income tax return filed for the succeeding income years  
898 and, in the case of a corporation filing under subsection (b) of this  
899 section, the aforesaid ownership or control continues in full force and  
900 effect and is not extended to other corporations, and further, provided  
901 no substantial change is made in the nature or locations of the  
902 operations of such corporations.

903 (d) Notwithstanding the provisions of subsections (a) and (c) of this  
904 section, any taxpayer which has elected to file a combined return  
905 under this chapter as provided in said subsection (a), may  
906 subsequently revoke its election to file a combined corporation  
907 business tax return and elect to file a separate corporation business tax  
908 return under this chapter, although continuing to be included in a  
909 federal consolidated corporation income tax return with other  
910 companies subject to tax under this chapter, provided such election  
911 shall not be effective before the fifth income year immediately  
912 following the initial income year in which the corporation elected to  
913 file a combined return under this chapter. Notice of an election made  
914 pursuant to the provisions of this subsection and consent to such  
915 election must be submitted in written form to the Commissioner of  
916 Revenue Services by each corporation that had been included in such

917 combined return not later than the due date, or if an extension of time  
918 to file has been requested and granted, extended due date of the  
919 separate returns due from the electing corporations for the initial  
920 income year for which the election to file separate returns is made. The  
921 election to file separate returns shall be irrevocable for and applicable  
922 for five successive income years.

923 (e) The provisions of this section shall not apply to income years  
924 commencing on or after January 1, 2010.

925 Sec. 20. Section 12-223b of the general statutes is repealed and the  
926 following is substituted in lieu thereof (*Effective from passage and*  
927 *applicable to income years commencing on or after January 1, 2010*):

928 (a) Intercompany rents shall not be included in the computation of  
929 the value of property rented as a property factor in the apportionment  
930 fraction if the lessor and lessee are included in a combined return as  
931 provided in section 12-223a, as amended by this act.

932 (b) Intercompany business receipts, receipts by a corporation  
933 included in a combined return under section 12-223a, as amended by  
934 this act, from any other corporation included in such return, shall not  
935 be included in the computation of the receipts factor of the  
936 apportionment fraction.

937 Sec. 21. Section 12-223c of the general statutes is repealed and the  
938 following is substituted in lieu thereof (*Effective from passage and*  
939 *applicable to income years commencing on or after January 1, 2010*):

940 Each corporation included in a combined return under section 12-  
941 223a, as amended by this act, shall pay the minimum tax of two  
942 hundred fifty dollars prescribed under section 12-219, as amended by  
943 this act. No tax credit allowed against the tax imposed by this chapter  
944 shall reduce an included corporation's tax calculated under section 12-  
945 219, as amended by this act, to an amount less than two hundred fifty  
946 dollars.

947 Sec. 22. Section 12-223e of the general statutes is repealed and the

948 following is substituted in lieu thereof (*Effective from passage and*  
949 *applicable to income years commencing on or after January 1, 2010*):

950 If revision shall be made of a combined return under section 12-  
951 223a, as amended by this act, for the purpose of the tax of two or more  
952 corporations, or of an assessment based upon such a return, the  
953 Commissioner of Revenue Services shall have power to readjust the  
954 taxes of each taxpayer included in such return, or, if revision is made  
955 of a return or an assessment against a taxpayer which might have been  
956 included in a combined return when the tax was originally reported or  
957 assessed, the Commissioner of Revenue Services shall have power to  
958 resettle the tax against such taxpayer and any other taxpayers which  
959 might have been included in such report upon a combined basis, and  
960 shall adjust the taxes of each such taxpayer accordingly.

961 Sec. 23. Section 12-223f of the 2010 supplement to the general  
962 statutes is repealed and the following is substituted in lieu thereof  
963 (*Effective from passage and applicable to income years commencing on or after*  
964 *January 1, 2010*):

965 (a) Notwithstanding the provisions of sections 12-223a to 12-223e,  
966 inclusive, as amended by this act, the tax due in relation to any  
967 corporations which have filed a combined return for any income year  
968 with other corporations for the tax imposed under this chapter in  
969 accordance with section 12-223a, as amended by this act, shall be  
970 determined as follows: (1) The tax which would be due from each such  
971 corporation if it were filing separately under this chapter shall be  
972 determined, and the total for all corporations included in the combined  
973 return shall be added together; (2) the tax which would be jointly due  
974 from all corporations included in the combined return in accordance  
975 with the provisions of said sections 12-223a to 12-223e, inclusive, as  
976 amended by this act, shall be determined; and (3) the total determined  
977 pursuant to subdivision (2) of this section shall be subtracted from the  
978 amount determined pursuant to subdivision (1) of this section. The  
979 resulting amount, in an amount not to exceed five hundred thousand  
980 dollars, shall be added to the amount determined to be due pursuant

981 to said sections 12-223a to 12-223e, inclusive, as amended by this act,  
982 and shall be due and payable as a part of the tax imposed pursuant to  
983 this chapter.

984 (b) The provisions of this section shall not apply to income years  
985 commencing on or after January 1, 2010.

986 Sec. 24. Section 12-242d of the general statutes is amended by  
987 adding subsection (j) as follows (*Effective from passage and applicable to*  
988 *income years commencing on or after January 1, 2010*):

989 (NEW) (j) (1) The provisions of this section shall apply to taxable  
990 members of a combined group required to file a combined unitary tax  
991 return pursuant to section 12-222, as amended by this act, except as  
992 otherwise provided in subdivisions (3) and (4) of this subsection.

993 (2) The designated taxable member of a combined group shall be  
994 responsible for paying estimated tax installments, at the times and in  
995 the amounts specified in this section, on behalf of the taxable members  
996 of the combined group and in the form and manner prescribed by the  
997 Commissioner of Revenue Services.

998 (3) For combined groups whose 2010 group income year  
999 commences on January, February or March, the due date of the first  
1000 required installment is extended to the due date of the second required  
1001 installment. The due date for the first and second required installments  
1002 of estimated tax for a combined group whose 2010 group income year  
1003 commences on January shall be June 15, 2010, and the amount of the  
1004 first and second required installments shall be seventy per cent of the  
1005 required annual payment. The due date for the first and second  
1006 required installments of estimated tax for a combined group whose  
1007 2010 group income year commences on February shall be July 15, 2010,  
1008 and the amount of the first and second required installments shall be  
1009 seventy per cent of the required annual payment. The due date for the  
1010 first and second required installments of estimated tax for a combined  
1011 group whose 2010 group income year commences on March shall be  
1012 August 15, 2010, and the amount of the first and second required

1013 installments shall be seventy per cent of the required annual payment.

1014 (4) Notwithstanding the provisions of subsection (e) of this section,  
1015 where the preceding income year, as the term is used in said  
1016 subsection, is an income year commencing on or after January 1, 2009,  
1017 but prior to January 1, 2010, the required annual payment of a  
1018 combined group is the lesser of (A) ninety per cent of the tax shown on  
1019 the combined unitary tax return for the group income year  
1020 commencing on or after January 1, 2010, but prior to January 1, 2011,  
1021 or, if no return is filed, ninety per cent of the tax for such year  
1022 computed in accordance with section 1 of this act, or (B) (i) if such  
1023 preceding income year was an income year of twelve months and if the  
1024 taxable members filed separate returns for such preceding income year  
1025 showing a liability for tax, the sum of one hundred per cent of the tax  
1026 shown on each such return for such preceding income year of each  
1027 such taxable member, without regard to any credit under chapter 208,  
1028 or (ii) if the preceding income year was an income year of twelve  
1029 months and if the taxable members filed a return pursuant to section  
1030 12-223a, as amended by this act, for such preceding income year  
1031 showing a liability for tax, one hundred per cent of the tax shown on  
1032 such return for such preceding income year, without regard to any  
1033 credit under chapter 208.

1034 Sec. 25. Subsection (k) of section 38a-88a of the general statutes is  
1035 repealed and the following is substituted in lieu thereof (*Effective from*  
1036 *passage and applicable to income years commencing on or after January 1,*  
1037 *2010*):

1038 (k) (1) The Commissioner of Revenue Services may treat one or  
1039 more corporations that are properly included in a combined  
1040 [corporation business] unitary tax return under section [12-223] 12-222,  
1041 as amended by this act, as one taxpayer in determining whether the  
1042 appropriate requirements under this section are met. Where  
1043 corporations are treated as one taxpayer for purposes of this  
1044 subsection, then the credit shall be allowed only against the amount of  
1045 the combined unitary tax for all corporations properly included in a

1046 combined unitary return that, under the provisions of subdivision (2)  
 1047 of this subsection, is attributable to the corporations treated as one  
 1048 taxpayer. (2) The amount of the combined unitary tax for all  
 1049 corporations properly included in a combined [corporation business]  
 1050 unitary tax return that is attributable to the corporations that are  
 1051 treated as one taxpayer under the provisions of this subsection shall be  
 1052 in the same ratio to such combined unitary tax that the net income  
 1053 apportioned to this state of each corporation treated as one taxpayer  
 1054 bears to the net income apportioned to this state, in the aggregate, of  
 1055 all corporations included in such combined unitary return. Solely for  
 1056 the purpose of computing such ratio, any net loss apportioned to this  
 1057 state by a corporation treated as one taxpayer or by a corporation  
 1058 included in such combined unitary return shall be disregarded.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	New section
Sec. 2	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	New section
Sec. 3	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-213(a)
Sec. 4	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-214
Sec. 5	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217

Sec. 6	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217n(b)
Sec. 7	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217t(e)
Sec. 8	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217u(l)
Sec. 9	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217gg(c)
Sec. 10	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217gg(h)
Sec. 11	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-218
Sec. 12	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-218b
Sec. 13	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-218c(c)
Sec. 14	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-218d(d)
Sec. 15	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-219

Sec. 16	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-219a
Sec. 17	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-221a
Sec. 18	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-222
Sec. 19	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-223a
Sec. 20	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-223b
Sec. 21	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-223c
Sec. 22	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-223e
Sec. 23	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-223f
Sec. 24	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-242d
Sec. 25	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	38a-88a(k)

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 11 \$	FY 12 \$
Department of Revenue Services	GF - Revenue Gain	Up to \$88.0 million	Up to \$88.0 million
Department of Revenue Services	GF - Cost	Significant	None

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill requires member companies of corporate groups paying Connecticut corporation taxes to determine corporation tax liability based on the net income and capital base of the entire group. This results in a potential General Fund revenue gain of up to \$88.0 million annually beginning in FY 11.

The estimate is based on data from Maryland, which recently required corporations to report data which would be required to prepare combined returns. According to the Maryland data, combined reporting increased the existing collections by up to 20.0%. It should be noted that the impact in Connecticut will be influenced by: 1) recent measures to prevent the shifting of expenses from Delaware Holding Companies (e.g. interest add-back, trademark/royalty expensing) to companies that have nexus for Connecticut corporation tax purposes, 2) the current provision in Connecticut law that allows taxpayers to elect to file a combined return, and 3) the potential utilization of additional tax credits<sup>1</sup> to further reduce liability under the corporation tax.

<sup>1</sup> There are approximately \$1.8 billion in corporation tax credits outstanding.

The bill also results in a significant<sup>2</sup> one-time cost to DRS associated with modifying current tax forms and necessary changes to the taxpayer service center (TSC).

### ***The Out Years***

The annualized ongoing revenue impact identified above would continue into the future subject to inflation.

*Sources: Maryland State Comptroller, Bureau of Revenue Estimates  
State of Connecticut Department of Revenue Services Fiscal Year 2008-2009  
Annual Report*

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<sup>2</sup> The Office of Fiscal Analysis defines “significant” as any amount in excess of \$100,000 for the purposes of fiscal notes.

**OLR Bill Analysis****sSB 485*****AN ACT CONCERNING TAX FAIRNESS.*****SUMMARY:**

This bill requires any company that is (1) a member of a corporate group of related companies meeting certain criteria and (2) subject to the Connecticut corporation tax (a “taxable member”), to determine its Connecticut corporation tax liability based on the net income or capital base of the entire group. Under the bill, a company must use this method of computing tax liability if it is part of a corporate group engaged in a “unitary business,” as defined in the bill. The bill thereby eliminates deductions and other adjustments for intercompany transactions between the group’s members.

Under current law, a company doing business in Connecticut that is part of a larger group determines its Connecticut net income separately. A corporate group doing business in Connecticut and that files consolidated federal corporate tax return has the option of filing a combined Connecticut return, but first has to separately apportion each member’s net income or capital base separately among the states where the member operates. The separately apportioned Connecticut shares of income and losses of group members doing business here are then combined to determine their corporation tax liability. The Department of Revenue Services (DRS) commissioner can also require groups that do not file consolidated federal returns to file combined Connecticut reports under certain circumstances. The bill eliminates these combined return provisions for income years starting on or after January 1, 2010 (§ 19).

The bill establishes (1) the corporate groups that must file unitary returns; (2) how unitary groups must apportion net income, net operating losses, and capital base for Connecticut corporation tax

purposes; (3) treatment of certain tax credits, credit limits, tax surcharges, and minimum taxes in a unitary filing; and (4) filing and estimated tax payment requirements for groups filing unitary returns.

The bill also establishes special estimated tax filing deadlines and safe harbor provisions for taxpayers required to file unitary returns in 2010 and makes conforming changes.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2010.

### **§ 3 — UNITARY BUSINESS AND COMBINED GROUP**

The bill defines a “unitary business” as a single economic enterprise that is interdependent, integrated, or interrelated enough through its activities to provide mutual benefit and produce significant sharing or exchanges of value among its entities or a significant flow of value among its separate parts. A unitary business can be either separate parts of a single entity or a group of separate entities under common ownership. Businesses conducted or connected through partnerships or S corporations (“pass-through entities”) may be considered unitary if they meet certain conditions.

Under the bill, businesses are considered to be under common ownership if the same entity or entities directly or indirectly own more than 50% of voting control of each of them. The owners do not themselves have to be members of the combined group. Indirect control must be determined according to the federal tax law.

A “combined group” is all the companies that (1) have common ownership, (2) are engaged in a unitary business, and (3) have at least one member that is subject to the Connecticut corporation tax.

### **§ 2 — BOUNDARIES OF A UNITARY BUSINESS’ NET INCOME, CAPITAL BASE, AND APPORTIONMENT FACTORS**

For purposes of a unitary tax filing and unless the designated taxable group member (see below) responsible for filing the group’s unitary return chooses otherwise, the bill requires a combined group to

determine the net income, capital base, and apportionment factors of each of its taxable members on a “water’s-edge basis.” Under the bill, this means that a group must include the net income, capital base, and apportionment factors of nontaxable members only if they:

1. are incorporated in, or formed under the laws of, the United States, any state, the District of Columbia, or a U.S. territory or possession; or
2. directly or indirectly earn more than 20% of their income from intangible property or service-related activities whose costs are generally deductible from federal taxes against the income of other group members, either currently or over a period of time. These nontaxable members must be included only to the extent of this income and its related apportionment factors.

The bill gives a combined group the option of determining its members’ net income, capital base, and apportionment factors on a world-wide basis. The election of a world-wide basis for a unitary filing must be made on an original tax return filed on time by the group’s designated taxable member for an income year. A world-wide election is binding for the income year in which it is made and the following 10 years.

## **§ 1 — NET INCOME AND CAPITAL BASE**

### ***Net Income or Loss***

When determining the total income or loss subject to apportionment for Connecticut corporation tax purposes, the bill requires the combined group to include and aggregate the following.

1. For each group member incorporated in the United States and included in a consolidated federal corporate return, its gross income minus Connecticut corporation tax deductions as if it were not consolidated for federal tax purposes.
2. For each group member not included in a consolidated federal return but required to file its own return, its gross income

minus Connecticut corporation tax deductions.

3. For each member incorporated outside the United States, not included in a federal consolidated return and not required to file its own federal return, the income determined from regularly maintained profit and loss statements for each foreign office or branch adjusted on any reasonable basis to conform to U.S. accounting standards and expressed in U.S. dollars. Reasonable alternative procedures may be applied if the DRS commissioner determines that the reported income reasonably approximates the income determined under the Connecticut corporation tax law.
4. If the unitary business has income from a pass-through entity, the members' direct and indirect share of that entity's unitary business income.

Under current combined filings, most income and deductions from inter-company transactions within a combined group must be eliminated. The bill establishes requirements for treating the following income and deductions in a unitary filing.

1. As under a current combined filing, dividends paid out of the unitary group's earnings by one group member to another must be eliminated, except the bill excludes dividends from businesses that are part of the unitary business but not part of the combined group (i.e., not more than 50% owned by the same parent.)
2. Business income from an intercompany transaction with another group member must be deferred as required under federal tax rules unless the object of the transaction is sold or otherwise removed from the unitary business or the buyer and seller cease to be members of the same combined group.
3. Charitable expenses incurred by a group member may be deducted from the combined group's net income, subject to

federal income limits applicable to the entire group's business income. If the part of the deduction is carried over to a later year, it must be treated in that year as incurred by the same group member.

4. Capital gains and losses must be combined for all members without netting among classes of gains and losses, apportioned to Connecticut, and applied to the income or loss of the Connecticut taxable members. If the deduction for a loss is limited and a loss carryover is required, the loss must be treated in a later year as being incurred by the same member.
5. Expenses directly or indirectly attributable to federally tax-exempt income must be disallowed in determining the combined group's net income.

### ***Income Apportionment Factors***

By law, multistate companies subject to the Connecticut corporation tax must apportion their net income or loss and alternate capital base using statutory apportionment formulas. Most companies must use a formula that combines the ratios of their property, payroll, and sales (receipts) in Connecticut to all their property, payroll, and sales. However, some types of businesses, including manufacturers, broadcasters, and financial institutions, are allowed to use a single factor apportionment formula based entirely on the ratio of their sales in Connecticut to all their sales.

In apportioning its income or loss for the Connecticut corporation tax, this bill requires each taxable member of a combined group to use the otherwise applicable Connecticut statutory apportionment percentage. It specifies how taxable members of the combined group must incorporate the property, payroll, and sales of nontaxable group members into the apportionment factors they use to apportion the group's income for purposes of the taxable members' Connecticut corporation tax liability.

Under the bill, though each taxable member's apportionment is

based on the Connecticut apportionment formula that applies to that member, the taxable member must add in a share of the nontaxable members' sales, property, and payroll factors as follows:

1. Each taxable member must add to its sales factor numerator a share of the aggregate sales of the groups' nontaxable members. This share is the ratio of the taxable member's Connecticut sales to the Connecticut sales of all the group's taxable members.
2. The property and payroll factor denominators are the aggregate property and payrolls for the entire group, including taxable and nontaxable members, even if some group members are subject to single-factor apportionment (i.e., based on sales only).
3. Transactions between or among group members must be eliminated in determining the apportionment factors.

Once the applicable apportionment factors for each taxable member have been determined, they must be applied to the combined group's taxable income to determine each taxable member's net income or loss apportioned to Connecticut.

### ***Net Operating Loss***

Once it calculates its share of net income or loss apportioned to Connecticut, the bill allows each taxable group member to deduct its share of the group's net operating loss (NOL) from that income. It allows the following NOL carryovers.

1. For income years starting on or after January 1, 2010, if the combined group's net income computation results in a net operating loss, the taxable members can carry forward the share apportioned to Connecticut consistent with existing NOL carryover limits (i.e., for up to 20 years). If the taxable member has more than one NOL carryover, it must apply them in the order they were incurred, deducting the older one first. The bill allows a taxable member who has an NOL carryover derived from the combined group in an income year beginning on or

after January 1, 2010, to share it with other taxable group members if they were part of the group when the loss was incurred. Any such sharing reduces the taxable member's original NOL carryover.

2. A taxable member can deduct an NOL carryover derived from either pre-January 1, 2010 losses or losses incurred before the taxable member joined the combined group, but it cannot share it with other group members.

### ***Net Income Tax Calculation***

As under current law, each taxable member must calculate its net income tax liability by multiplying its Connecticut apportioned net income or loss by the statutory corporation tax rate of 7.5%.

### ***Capital Base Apportionment***

By law, corporations must calculate their Connecticut corporation tax liability on the basis of both their net income and capital base and pay the higher of the two amounts.

The bill requires combined groups to determine their alternative capital bases by combining their separate bases, including those of the nontaxable members, as determined under current law, but excluding deductions for inter-corporate or private company stockholdings in the combined group. Group members that are financial services companies must calculate the value of their annual capital base as required by existing law.

A taxable member must apportion the combined group's capital base according to the ratio of the taxable member's individual capital base to that of the combined capital bases of all taxable members of the group. As with the income apportionment, a share of the nontaxable members' capital bases must be included according to the ratio of the taxable member's Connecticut capital base to the combined Connecticut capital bases of all the group's taxable members.

### ***Minimum Tax***

Under the bill, as under existing law, taxable members must pay a minimum tax of \$250 regardless of tax credits. In addition, no taxable member may use tax credits to reduce its tax liability by more than 70% of the amount it would owe without credits.

### **§ 18 — DESIGNATED TAXABLE MEMBER**

The bill requires a combined group to designate one of its Connecticut taxable members to file the unitary return and pay the tax on behalf of all its taxable members. To this end, the designated member may, on the taxable and nontaxable members' behalf, (1) sign a unitary return, (2) apply for filing extensions, (3) agree to an examination or assessment of the return, (4) make offers of compromise and closing agreements regarding tax liability, and (5) receive tax refunds.

A combined group member whose income year is different from that of the rest of the group must report amounts from its return for its income year that ends during the group income year. No such reporting is required until the beginning of the member's first income year starting on or after January 1, 2010.

The bill allows the designated taxable member to recover the payments from the other taxable members and prohibits those members from holding the designated taxable member liable for the payments. However, each taxable member of the combined group is jointly and severally liable for the taxes plus any interest, penalties, or additions due from any other taxable member.

A combined group required to name a designated member must give the DRS commissioner written notice of the selection by the date the tax is due. The commissioner must approve any change in the designated member.

The bill gives the commissioner the sole discretion to (1) send notices, make deficiency assessments, and provide tax refunds and credits to the designated member or any other group member and (2) require a unitary return to be filed electronically and any tax payment

to be made by electronic funds transfer.

## **§ 24 — ESTIMATED TAX**

The bill applies estimated tax requirements to taxable members of combined groups required to file unitary returns. It makes the designated taxable member responsible for paying the estimated tax installments.

By law, corporations must pay the following percentages of their annual taxes by the following dates: 30% by March 15, 40% by June 15, 10% by October 15, and 20% by December 15. The bill extends the due dates for the first estimated tax payment for combined groups whose 2010 income years start in January, February, or March 2010 to June 15, 2010; July 15, 2010; and August 15, 2010, respectively. Such groups must pay 70% (i.e., a combination of the first and second payment) of the required annual payment on those dates.

Under the bill, taxable members of combined groups required to file unitary returns are not subject to interest and penalties for underpaying estimated tax in 2010 if:

1. they pay estimated taxes equal to at least 90% of that shown on their unitary tax filing for the 2010 income year; or
2. if the 2009 income year was a 12-month year, the taxable members of the combined group pay estimated taxes of 100% of the tax liability, before credits, shown on either their individual separate 2009 returns or their optional 2009 combined return, as applicable.

## **§§ 6-17; 20-23 & 25 — CONFORMING SECTIONS**

The bill makes additional statutory changes to conform to the mandatory unitary filing requirements and the elimination of current combined reporting provisions starting with income years beginning on or after January 1, 2010.

## **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 40 Nay 15 (04/06/2010)