



General Assembly

January Session, 2011

**Raised Bill No. 6628**

LCO No. 4916

\*04916\_\_\_\_\_FIN\*

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

**AN ACT CONCERNING TAX FAIRNESS.**

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

1 Section 1. Subsection (a) of section 12-213 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2011, and applicable to income years commencing on or after January 1,*  
4 *2011*):

5 (a) When used in this [part] chapter and in sections 2 to 4, inclusive,  
6 of this act, unless the context otherwise requires:

7 (1) "Taxpayer" and "company" mean any corporation, foreign  
8 municipal electric utility, as defined in section 12-59, electric  
9 distribution company, as defined in section 16-1, electric supplier, as  
10 defined in section 16-1, generation entity or affiliate, as defined in  
11 section 16-1, joint stock company or association or any fiduciary  
12 thereof and any dissolved corporation which continues to conduct  
13 business but does not include a passive investment company or  
14 municipal utility, as defined in section 12-265;

15 (2) "Dissolved corporation" means any company which has

16 terminated its corporate existence by resolution, expiration, decree or  
17 forfeiture;

18 (3) "Commissioner" means the Commissioner of Revenue Services;

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

20 (5) "Income year" means the calendar year upon the basis of which  
21 net income is computed under this part, unless a fiscal year other than  
22 the calendar year has been established for federal income tax purposes,  
23 in which case it means the fiscal year so established or a period of less  
24 than twelve months ending as of the date on which liability under this  
25 chapter ceases to accrue by reason of dissolution, forfeiture,  
26 withdrawal, merger or consolidation;

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

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

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

37 (9) (A) "Gross income" means gross income, as defined in the  
38 Internal Revenue Code, and, in addition, means any interest or exempt  
39 interest dividends, as defined in Section 852(b)(5) of the Internal  
40 Revenue Code, received by the taxpayer or losses of other calendar or  
41 fiscal years, retroactive to include all calendar or fiscal years beginning  
42 after January 1, 1935, incurred by the taxpayer which are excluded  
43 from gross income for purposes of assessing the federal corporation  
44 net income tax, and in addition, notwithstanding any other provision  
45 of law, means interest or exempt interest dividends, as defined in said

46 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the  
47 application date, as defined in section 12-242ff, with respect to any  
48 obligation issued by or on behalf of the state, its agencies, authorities,  
49 commissions and other instrumentalities, or by or on behalf of its  
50 political subdivisions and their agencies, authorities, commissions and  
51 other instrumentalities;

52 (B) "Gross income" shall not include the amount which for federal  
53 income tax purposes is treated as a dividend received by a domestic  
54 United States corporation from a foreign corporation on account of  
55 foreign taxes deemed paid by such domestic corporation, when such  
56 domestic corporation elects the foreign tax credit for federal income  
57 tax purposes;

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

61 (10) "Net income" means net earnings received during the income  
62 year and available for contributors of capital, whether they are  
63 creditors or stockholders, computed by subtracting from gross income  
64 the deductions allowed by the terms of section 12-217, as amended by  
65 this act, except that in the case of a domestic insurance company which  
66 is a life insurance company "net income" means life insurance  
67 company taxable income (A) increased by any amount or amounts  
68 which have been deducted in the computation of gain or loss from  
69 operations in respect of (i) the life insurance company's share of tax-  
70 exempt interest, (ii) operations loss carry-backs and capital loss carry-  
71 backs and (iii) operations loss carry-overs and capital loss carry-overs  
72 arising in any taxable year commencing prior to January 1, 1973, and  
73 (B) reduced by any amount or amounts which have been deducted as  
74 operations loss carry-backs or capital loss carry-backs in the  
75 computation of gain or loss from operations for any taxable year  
76 commencing on or after January 1, 1973, but only to the extent that  
77 such amount or amounts, would, for federal tax purposes, have been

78 deductible in the taxable year as operations loss carry-overs or capital  
79 loss carry-overs if they had not been deducted in a previous taxable  
80 year as carry-backs and provided no expense related to income, the  
81 taxation of which by the state of Connecticut is prohibited by the law  
82 or Constitution of the United States, as applied, or by the law or  
83 Constitution of this state, as applied, shall be deducted under this  
84 chapter and provided further no item may, directly or indirectly be  
85 excluded or deducted more than once;

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

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

90 (13) "Life insurance company's share" has the same meaning as it  
91 has under the Internal Revenue Code;

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

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

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

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

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

107 (19) "Fiduciary" means any receiver, liquidator, referee, trustee,  
108 assignee or other fiduciary or officer or agent appointed by any court  
109 or by any other authority, except the Banking Commissioner acting as  
110 receiver or liquidator under the authority of the provisions of sections  
111 36a-210 and 36a-218 to 36a-239, inclusive;

112 (20) (A) "Carrying on or doing business" means and includes each  
113 and every act, power or privilege exercised or enjoyed in this state, as  
114 an incident to, or by virtue of, the powers and privileges acquired by  
115 the nature of any organization whether the form of existence is  
116 corporate, associate, joint stock company or fiduciary, and includes the  
117 direct or indirect engaging in, transacting or conducting of activity in  
118 this state by an electric supplier, as defined in section 16-1, or  
119 generation entity or affiliate, as defined in section 16-1, for the purpose  
120 of establishing or maintaining a market for the sale of electricity or of  
121 electric generation services, as defined in section 16-1, to end use  
122 customers located in this state through the use of the transmission or  
123 distribution facilities of an electric distribution company, as defined in  
124 section 16-1, or, until unbundled in accordance with section 16-244e,  
125 electric company, as defined in section 16-1;

126 (B) A company that has contracted with a commercial printer for  
127 printing and distribution of printed material shall not be deemed to be  
128 carrying on or doing business in this state because of (i) the ownership  
129 or leasing by that company of tangible or intangible personal property  
130 located at the premises of the commercial printer in this state, (ii) the  
131 sale by that company of property of any kind produced or processed at  
132 and shipped or distributed from the premises of the commercial  
133 printer in this state, (iii) the activities of that company's employees or  
134 agents at the premises of the commercial printer in this state, which  
135 activities relate to quality control, distribution or printing services  
136 performed by the printer, or (iv) the activities of any kind performed  
137 by the commercial printer in this state for or on behalf of that  
138 company;

139 (C) A company that participates in a trade show or shows at the  
140 convention center, as defined in subdivision (3) of section 32-600, shall  
141 not be deemed to be carrying on or doing business in this state,  
142 regardless of whether the company has employees or other staff  
143 present at such trade shows, provided such company's activity at such  
144 trade shows is limited to displaying goods or promoting services, no  
145 sales are made, any orders received are sent outside this state for  
146 acceptance or rejection and are filled from outside this state, and  
147 provided further that such participation is not more than fourteen  
148 days, or part thereof, in the aggregate during the company's income  
149 year for federal income tax purposes;

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

154 (22) "S corporation" means any corporation which is an S  
155 corporation for federal income tax purposes and includes any  
156 subsidiary of such S corporation that is a qualified subchapter S  
157 subsidiary, as defined in Section 1361(b)(3)(B) of the Internal Revenue  
158 Code, all of whose assets, liabilities and items of income, deduction  
159 and credit are treated under the Internal Revenue Code, and shall be  
160 treated under this chapter, as assets, liabilities and such items, as the  
161 case may be, of such S corporation;

162 (23) "Internal Revenue Code" means the Internal Revenue Code of  
163 1986, or any subsequent internal revenue code of the United States, as  
164 from time to time amended, effective and in force on the last day of the  
165 income year;

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

169 (25) "Partner" means a partner, as defined in the Internal Revenue

170 Code, and includes a member of a limited liability company that is  
171 treated as a partnership for federal income tax purposes;

172 (26) "Investment partnership" means a limited partnership that  
173 meets the gross income requirement of Section 851(b)(2) of the Internal  
174 Revenue Code, except that income and gains from commodities that  
175 are not described in Section 1221(1) of the Internal Revenue Code or  
176 from futures, forwards and options with respect to such commodities  
177 shall be included in income which qualifies to meet such gross income  
178 requirement, provided such commodities are of a kind customarily  
179 dealt with in an organized commodity exchange and the transaction is  
180 of a kind customarily consummated at such place, as required by  
181 Section 864(b)(2)(B)(iii) of the Internal Revenue Code. To the extent  
182 that such a partnership has income and gains from commodities that  
183 are not described in Section 1221(1) of the Internal Revenue Code or  
184 from futures, forwards and options with respect to such commodities,  
185 such income and gains must be derived by a partnership which is not a  
186 dealer in commodities and is trading for its own account as described  
187 in Section 864(b)(2)(B)(ii) of the Internal Revenue Code. The term  
188 "investment partnership" does not include a dealer, within the  
189 meaning of Section 1236 of the Internal Revenue Code, in stocks or  
190 securities;

191 (27) "Passive investment company" means any corporation which is  
192 a related person to a financial service company, as defined in section  
193 12-218b, as amended by this act, or to an insurance company, as  
194 defined in section 12-218b, as amended by this act, and (A) employs  
195 not less than five full-time equivalent employees in the state; (B)  
196 maintains an office in the state; and (C) confines its activities to the  
197 purchase, receipt, maintenance, management and sale of its intangible  
198 investments, and the collection and distribution of the income from  
199 such investments, including, but not limited to, interest and gains from  
200 the sale, transfer or assignment of such investments or from the  
201 foreclosure upon or sale, transfer or assignment of the collateral  
202 securing such investments. For purposes of this subdivision,

203 "intangible investments" shall be limited to loans secured by real  
204 property, as defined in section 12-218b, as amended by this act,  
205 including a line of credit which is a loan secured by real property and  
206 which permits future advances by the passive investment company;  
207 the collateral or an interest in the collateral that secured such loans if  
208 the sale of such collateral or interest is actively marketed by or on  
209 behalf of the passive investment company; and any short-term  
210 investment of cash held by the passive investment company which  
211 cash is reasonably necessary for the operations of such passive  
212 investment company;

213 (28) (A) "Captive real estate investment trust" means, except as  
214 provided in subparagraph (B) of this subdivision, a corporation, a trust  
215 or an association (i) that is considered a real estate investment trust for  
216 the taxable year under Section 856 of the Internal Revenue Code; (ii)  
217 that is not regularly traded on an established securities market; (iii) in  
218 which more than fifty per cent of the voting power, beneficial interests  
219 or shares are owned or controlled, directly or constructively, by a  
220 single entity that is subject to Subchapter C of Chapter 1 of the Internal  
221 Revenue Code; and (iv) that is not a qualified real estate investment  
222 trust, as defined in subdivision (3) of subsection (a) of section 12-217,  
223 [.] as amended by this act;

224 (B) "Captive real estate investment trust" does not include a  
225 corporation, a trust or an association, in which more than fifty per cent  
226 of the entity's voting power, beneficial interests or shares are owned by  
227 a single entity described in subparagraph (A)(iii) of this subdivision  
228 that is owned or controlled, directly or constructively, by (i) a  
229 corporation, a trust or an association that is considered a real estate  
230 investment trust under Section 856 of the Internal Revenue Code; (ii) a  
231 person exempt from taxation under Section 501 of the Internal  
232 Revenue Code; (iii) a listed property trust or other foreign real estate  
233 investment trust that is organized in a country that has a tax treaty  
234 with the United States Treasury Department governing the tax  
235 treatment of these trusts; or (iv) a real estate investment trust that is

236 intended to become regularly traded on an established securities  
237 market, and that satisfies the requirements of Sections 856(a)(5) and  
238 856(a)(6) of the Internal Revenue Code, as determined under Section  
239 856(h) of the Internal Revenue Code;

240 (C) For purposes of this subdivision, the constructive ownership  
241 rules of Section 318 of the Internal Revenue Code, as modified by  
242 Section 856(d)(5) of the Internal Revenue Code, apply to the  
243 determination of the ownership of stock, assets or net profits of any  
244 person; [.]

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

248 (30) "Combined group's net income" means the amount calculated  
249 under subsection (a) of section 2 of this act;

250 (31) "Common ownership" means that not less than fifty per cent of  
251 the voting control of each member of a combined group is directly or  
252 indirectly owned by a common owner or owners, either corporate or  
253 noncorporate, whether or not the owner or owners are members of the  
254 combined group. Whether voting control is indirectly owned shall be  
255 determined in accordance with Section 318 of the Internal Revenue  
256 Code;

257 (32) "Unitary business" means a single economic enterprise that is  
258 made up either of separate parts of a single business entity or of a  
259 group of business entities under common ownership, which enterprise  
260 is sufficiently interdependent, integrated or interrelated through its  
261 activities so as to provide mutual benefit and produce a significant  
262 sharing or exchange of value among such entities, or a significant flow  
263 of value among the separate parts. For purposes of this chapter and  
264 sections 2 to 4, inclusive, of this act, (A) any business conducted by a  
265 pass-through entity shall be treated as conducted by its members,  
266 whether directly held or indirectly held through a series of pass-

267 through entities, to the extent of the member's distributive share of the  
268 pass-through entity's income, regardless of the percentage of the  
269 member's ownership interest or its distributive or any other share of  
270 pass-through entity income, and (B) any business conducted directly  
271 or indirectly by one corporation is unitary with that portion of a  
272 business conducted by another corporation through its direct or  
273 indirect interest in a pass-through entity if there is a mutual benefit  
274 and a significant sharing of exchange or flow of value between the two  
275 parts of the business and the two corporations are members of the  
276 same group of business entities under common ownership;

277 (33) "Designated taxable member" means, if the combined group has  
278 a common parent corporation and that common parent corporation is  
279 a taxable member, the common parent corporation and, in all other  
280 cases, the taxable member of the combined group that such group  
281 selects, in the manner prescribed by section 12-222, as amended by this  
282 act, as its designated taxable member or, in the discretion of the  
283 commissioner or upon the failure of such group to select its designated  
284 taxable member in the manner prescribed by section 12-222, as  
285 amended by this act, the taxable member of the combined group  
286 selected by the commissioner as the designated taxable member;

287 (34) "Group income year" means, if two or more members in the  
288 combined group file in the same federal consolidated tax return, the  
289 same income year as that used on the federal consolidated tax return  
290 and, in all other cases, the income year of the designated taxable  
291 member;

292 (35) "Nontaxable member" means a combined group member that is  
293 not a taxable member;

294 (36) "Person" means person, as defined in section 12-1;

295 (37) "Taxable member" means a combined group member that is  
296 subject to tax pursuant to this chapter;

297 (38) "Pass-through entity" means a partnership or an S corporation.

298 Sec. 2. (NEW) (*Effective from passage and applicable to income years*  
299 *commencing on or after January 1, 2011*) (a) For purposes of this section,  
300 section 3 of this act and chapter 208 of the general statutes, the  
301 combined group's net income shall be the aggregate net income or loss  
302 of every taxable member and nontaxable member of the combined  
303 group derived from a unitary business, which shall be determined as  
304 follows:

305 (1) For any member incorporated in the United States, included in a  
306 consolidated federal corporate income tax return and filing a federal  
307 corporate income tax return, the income to be included in calculating  
308 the combined group's net income shall be such member's gross  
309 income, less the deductions provided under section 12-217 of the  
310 general statutes, as amended by this act, as if the member were not  
311 consolidated for federal tax purposes.

312 (2) For any member not included in a consolidated federal corporate  
313 income tax return but required to file its own federal corporate income  
314 tax return, the income to be included in calculating the combined  
315 group's net income shall be such member's gross income, less the  
316 deductions provided under section 12-217 of the general statutes, as  
317 amended by this act.

318 (3) For any member not incorporated in the United States, not  
319 included in a consolidated federal corporate income tax return and not  
320 required to file its own federal corporate income tax return, the income  
321 to be included in the combined group's net income shall be determined  
322 from a profit and loss statement that shall be prepared for each foreign  
323 branch or corporation in the currency in which the books of account of  
324 the branch or corporation are regularly maintained, adjusted to  
325 conform it to the accounting principles generally accepted in the  
326 United States for the presentation of such statements and further  
327 adjusted to take into account any book-tax differences required by  
328 federal or Connecticut law. The profit and loss statement of each such

329 member of the combined group and the apportionment factors related  
330 thereto, whether United States or foreign, shall be translated into or  
331 from the currency in which the parent company maintains its books  
332 and records on any reasonable basis consistently applied on a year-to-  
333 year or entity-by-entity basis. Income shall be expressed in United  
334 States dollars. In lieu of these procedures and subject to the  
335 determination of the commissioner that the income to be reported  
336 reasonably approximates income as determined under chapter 208 of  
337 the general statutes, income may be determined on any reasonable  
338 basis consistently applied on a year-to-year or entity-by-entity basis.

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

343 (5) All dividends paid by one member to another member of the  
344 combined group shall be eliminated from the income of the recipient.

345 (6) Except as otherwise provided by regulation, business income  
346 from an intercompany transaction between members of the same  
347 combined group shall be deferred in a manner similar to the deferral  
348 under 26 CFR 1.1502-13. Upon the occurrence of any of the following  
349 events, deferred business income resulting from an intercompany  
350 transaction between members of a combined group shall be restored to  
351 the income of the seller and shall be included in the combined group's  
352 net income as if the seller had earned the income immediately before  
353 the event:

354 (A) The object of a deferred intercompany transaction is: (i) Resold  
355 by the buyer to an entity that is not a member of the combined group,  
356 (ii) resold by the buyer to an entity that is a member of the combined  
357 group for use outside the unitary business in which the buyer and  
358 seller are engaged, or (iii) converted by the buyer to a use outside the  
359 unitary business in which the buyer and seller are engaged.

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

362 (7) A charitable expense incurred by a member of a combined group  
363 shall, to the extent allowable as a deduction pursuant to Section 170 of  
364 the Internal Revenue Code, be subtracted first from the combined  
365 group's net income, subject to the income limitations of said section  
366 applied to the entire business income of the group. Any charitable  
367 deduction disallowed under the foregoing rule, but allowed as a  
368 carryover deduction in a subsequent year, shall be treated as originally  
369 incurred in the subsequent year by the same member and the rules of  
370 this section shall apply in the subsequent year in determining the  
371 allowable deduction for that year.

372 (8) Gain or loss from the sale or exchange of capital assets, property  
373 described by Section 1231(a)(3) of the Internal Revenue Code and  
374 property subject to an involuntary conversion shall be removed from  
375 the net income of each member of a combined group and shall be  
376 included in the combined group's net income as follows:

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

383 (B) Any resulting income or loss apportioned to this state, as long as  
384 the loss is not subject to the limitations of Section 1211 of the Internal  
385 Revenue Code, of a taxable member produced by the application of  
386 subparagraph (A) of this subdivision shall then be applied to all other  
387 income or loss of that member apportioned to this state. Any resulting  
388 loss of a member apportioned to this state that is subject to the  
389 limitations of said Section 1211 shall be carried forward by that  
390 member and shall be treated as short-term capital loss apportioned to  
391 this state and incurred by that member for the year for which the

392 carryover applies.

393 (9) Any expense of any member of the combined group that is  
394 directly or indirectly attributable to the income of any member of the  
395 combined group, which income this state is prohibited from taxing  
396 pursuant to the laws or Constitution of the United States, shall be  
397 disallowed as a deduction for purposes of determining the combined  
398 group's net income.

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

401 (1) Each taxable member shall determine its apportionment  
402 percentage based on the otherwise applicable apportionment formula  
403 provided in chapter 208 of the general statutes. In computing its  
404 denominators for all factors, the taxable member shall use the  
405 combined group's denominator for that factor. In computing the  
406 numerator of its receipts factor, each taxable member shall add to such  
407 numerator its share of receipts of nontaxable members assignable to  
408 this state, as provided in subdivision (3) of this subsection.

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

413 (3) Receipts assignable to this state of each nontaxable member shall  
414 be determined based upon the apportionment formula that would be  
415 applicable to such member if it were a taxable member and shall be  
416 aggregated. Each taxable member of the combined group shall include  
417 in the numerator of its receipts factor a portion of the aggregate  
418 receipts assignable to this state of nontaxable members based on a  
419 ratio, the numerator of which is such taxable member's receipts  
420 assignable to this state, without regard to this subsection, and the  
421 denominator of which is the aggregate receipts assignable to this state  
422 of all the taxable members of the combined group, without regard to

423 this subsection.

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

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

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

436 (d) After calculating its net income or loss apportioned to this state,  
437 pursuant to subsection (c) of this section, each taxable member of a  
438 combined group required to file a combined unitary tax return  
439 pursuant to section 12-222 of the general statutes, as amended by this  
440 act, may deduct a net operating loss from its net income apportioned  
441 to this state as follows:

442 (1) For income years beginning on or after January 1, 2011, if the  
443 computation of a combined group's net income results in a net  
444 operating loss, a taxable member of such group may carry over its net  
445 income apportioned to this state, as calculated under subsection (c) of  
446 this section, derived from the unitary business in a future income year  
447 to the extent that the carryover and deduction is otherwise consistent  
448 with subparagraph (A) of subdivision (4) of subsection (a) of section  
449 12-217 of the general statutes, as amended by this act. Any taxable  
450 member that has more than one operating loss carryover shall apply  
451 the carryovers in the order that the operating loss was incurred, with  
452 the oldest carryover to be deducted first.

453 (2) Where a taxable member of a combined group has an operating  
454 loss carryover derived from a loss incurred by a combined group in an  
455 income year beginning on or after January 1, 2011, then the taxable  
456 member may share the operating loss carryover with other taxable  
457 members of the combined group if such other taxable members were  
458 taxable members of the combined group in the income year that the  
459 loss was incurred. Any amount of operating loss carryover that is  
460 deducted by another taxable member of the combined group shall  
461 reduce the amount of operating loss carryover that may be carried  
462 over by the taxable member that originally incurred the loss.

463 (3) Where a taxable member of a combined group has an operating  
464 loss carryover derived from a loss incurred in an income year  
465 beginning prior to January 1, 2011, or derived from an income year  
466 during which the taxable member was not a member of such combined  
467 group, the carryover shall remain available to be deducted by that  
468 taxable member or other group members that, in the year the loss was  
469 incurred, were part of the same combined group as such taxable  
470 member under section 12-223a of the general statutes, as amended by  
471 this act, as in effect prior to January 1, 2011. Such carryover shall not be  
472 deductible by any other members of the combined group.

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

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

482 (1) Except as otherwise provided in subdivision (2) of this  
483 subsection, members of the combined group shall calculate the  
484 combined group's additional tax base by aggregating their separate

485 additional tax bases under subsection (a) of section 12-219 of the  
486 general statutes, as amended by this act, provided intercorporate  
487 stockholdings in the combined group shall be eliminated and provided  
488 no deduction shall be allowed under subparagraph (B)(ii) of  
489 subdivision (1) of subsection (a) of section 12-219 of the general  
490 statutes, as amended by this act, for such intercorporate stockholdings.  
491 In calculating the combined group's additional tax base, the separate  
492 additional tax bases of nontaxable members shall be included, as if  
493 those nontaxable members were taxable members. The amount  
494 calculated under this subdivision shall be apportioned to those  
495 members pursuant to subdivision (1) of subsection (g) of this section.

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

501 (g) A taxable member of a combined group required to file a  
502 combined unitary tax return pursuant to section 12-222 of the general  
503 statutes, as amended by this act, shall determine its apportionment  
504 percentage under section 12-219a of the general statutes, as amended  
505 by this act, as follows:

506 (1) A taxable member whose separate additional tax base is  
507 included in the calculation of the combined group's additional tax base  
508 under subdivision (1) of subsection (f) of this section shall apportion  
509 the combined group's additional tax base using the otherwise  
510 applicable apportionment formula provided in section 12-219a of the  
511 general statutes, as amended by this act. However, the denominator of  
512 such apportionment fraction shall be the sum of subdivisions (1) and  
513 (2) of subsection (a) of said section 12-219a for all taxable members  
514 whose separate additional tax bases are included in the calculation of  
515 the combined group's additional tax base under subdivision (1) of  
516 subsection (f) of this section. The numerator of such apportionment

517 fraction shall be the sum of subparagraph (A) of subdivision (1) of  
518 subsection (a) of said section 12-219a and subparagraph (A) of  
519 subdivision (2) of subsection (a) of said section 12-219a for such taxable  
520 member.

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

525 (h) (1) A taxable member whose separate additional tax base is  
526 included in the calculation of the combined group's additional tax base  
527 under subdivision (1) of subsection (f) of this section shall multiply the  
528 combined group's additional tax base, as calculated under subdivision  
529 (1) of subsection (f) of this section, by such member's apportionment  
530 fraction determined in subdivision (1) of subsection (g) of this section,  
531 by the tax rate set forth in subsection (a) of section 12-219 of the  
532 general statutes, as amended by this act. In no event shall the  
533 aggregate tax so calculated for all members of the combined group  
534 exceed one million dollars, nor shall a tax credit allowed against the  
535 tax imposed by chapter 208 of the general statutes reduce a taxable  
536 member's tax calculated under this subsection to an amount less than  
537 two hundred fifty dollars.

538 (2) Members of the combined group that are financial service  
539 companies, as defined in section 12-218b of the general statutes, as  
540 amended by this act, shall each have an additional tax liability of two  
541 hundred fifty dollars. In no event shall a tax credit allowed against the  
542 tax imposed by chapter 208 of the general statutes reduce a financial  
543 service company's tax calculated under this subsection to an amount  
544 less than two hundred fifty dollars.

545 (i) (1) Each taxable member of a combined group required to file a  
546 combined unitary tax return pursuant to section 12-222 of the general  
547 statutes, as amended by this act, shall separately apply the provisions  
548 of sections 12-217ee and 12-217zz of the general statutes in

549 determining the amount of tax credit available to such member.

550 (2) If a taxable member of a combined group earns a tax credit in an  
551 income year beginning on or after January 1, 2011, then the taxable  
552 member may share the credit with other taxable members of the  
553 combined group. Any amount of credit that is utilized by another  
554 taxable member of the combined group shall reduce the amount of  
555 credit carryover that may be carried over by the taxable member that  
556 originally earned the credit. If a taxable member of a combined group  
557 has a tax credit carryover derived from an income year beginning on  
558 or after January 1, 2011, then the taxable member may share the  
559 carryover credit with other taxable members of the combined group, if  
560 such other taxable members were taxable members of the combined  
561 group in the income year in which the credit was earned.

562 (3) If a taxable member of a combined group has a tax credit  
563 carryover derived from an income year beginning prior to January 1,  
564 2011, or derived from an income year during which the taxable  
565 member was not a member of such combined group, the credit  
566 carryover shall remain available to be utilized by such taxable member  
567 or other group members which, in the year the credit was earned, were  
568 part of the same combined group as such taxable member under  
569 section 12-223a of the general statutes, as amended by this act, as in  
570 effect prior to January 1, 2011.

571 Sec. 3. (NEW) (*Effective from passage and applicable to income years*  
572 *commencing on or after January 1, 2011*) (a) For purposes of this section,  
573 "affiliated group" means an affiliated group as defined in Section 1504  
574 of the Internal Revenue Code, except such affiliated group shall  
575 include all domestic corporations that are commonly owned, directly  
576 or indirectly, by any member of such affiliated group, without regard  
577 to whether the affiliated group includes (1) corporations included in  
578 more than one federal consolidated return, (2) corporations engaged in  
579 one or more unitary businesses, or (3) corporations that are not  
580 engaged in a unitary business with any other member of the affiliated

581 group.

582 (b) Upon election by the designated taxable member of a combined  
583 group, the combined group's net income, additional tax base and the  
584 apportionment factors of each taxable member shall be determined on  
585 a world-wide basis or an affiliated group basis. If no such election is  
586 made, the combined group's net income, additional tax base and the  
587 apportionment factors of each taxable member shall be determined on  
588 a water's-edge basis, whereby a nontaxable member's income,  
589 additional tax base and attributes that affect each taxable member's  
590 apportionment factors shall be included only if the nontaxable member  
591 is described in any one or more of the following categories:

592 (1) Any member incorporated in the United States, or formed under  
593 the laws of the United States, any state, the District of Columbia, or  
594 any territory or possession of the United States; or

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

601 (c) A world-wide election or an affiliated group election is effective  
602 only if made on a timely-filed, original return for an income year by  
603 the designated taxable member of the combined group. Such election is  
604 binding for, and applicable to, the income year for which it is made  
605 and for the ten immediately succeeding income years.

606 (d) If the designated taxable member elects to determine the  
607 members of a unitary group on an affiliated group basis, the taxable  
608 members shall take into account the net income or loss and  
609 apportionment factors of all of the members of its affiliated group,  
610 regardless of whether such members are engaged in a unitary  
611 business, that are subject to tax or would be subject to tax under

612 chapter 208 of the general statutes, if doing business in this state.

613       Sec. 4. (NEW) (*Effective from passage and applicable to income years*  
614 *commencing on or after January 1, 2011*) (a) For purposes of this section,  
615 "net deferred tax liability" means deferred tax liabilities that exceed the  
616 deferred tax assets of the unitary group, as computed in accordance  
617 with generally accepted accounting principles, and "net deferred tax  
618 asset" means that deferred tax assets exceed the deferred tax liabilities  
619 of the unitary group, as computed in accordance with generally  
620 accepted accounting principles.

621       (b) This section shall apply only to members of a unitary group that  
622 is a publicly-traded company, including any company whose results  
623 are reported in the filing of a publicly-traded company's financial  
624 statements prepared in accordance with generally accepted accounting  
625 principles.

626       (c) If the provisions of sections 2 and 3 of this act result in an  
627 aggregate increase to the members' net deferred tax liability or an  
628 aggregate decrease to the members' net deferred tax asset, the unitary  
629 group shall be entitled to a deduction, as determined in this section.

630       (d) For the seven-year period beginning with the unitary group's  
631 first income year that begins in 2014, a unitary group shall be entitled  
632 to a deduction from unitary group net income equal to one-seventh of  
633 the amount necessary to offset the increase in the net deferred tax  
634 liability or decrease in the net deferred tax asset, or the aggregate  
635 change thereof if the net income of the unitary group changes from a  
636 net deferred tax asset to a net deferred tax liability, as computed in  
637 accordance with generally accepted accounting principles, that would  
638 result from the imposition of the unitary reporting requirements under  
639 sections 2 and 3 of this act, but for the deduction provided under this  
640 section. Such increase in the net deferred tax liability or decrease in the  
641 net deferred tax asset or the aggregate change thereof shall be  
642 computed based on the change that would result from the imposition  
643 of the unitary reporting requirements under sections 2 and 3 of this act,

644 but for the deduction provided under this section as of the effective  
645 date of this act.

646 (e) The deduction calculated under this section shall not be reduced  
647 as a result of any events happening subsequent to such calculation,  
648 including, but not limited to, any disposition or abandonment of  
649 assets. Such deduction shall be calculated without regard to the federal  
650 tax effect and shall not alter the tax basis of any asset. If the deduction  
651 under this section is greater than unitary group net income, any excess  
652 deduction shall be carried forward and applied as a deduction to  
653 unitary group net income in future income years until fully utilized.

654 Sec. 5. Section 12-214 of the general statutes is amended by adding  
655 subsection (c) as follows (*Effective from passage and applicable to income*  
656 *years commencing on or after January 1, 2011*):

657 (NEW) (c) Each taxable member of a combined group required to  
658 file a combined unitary tax return pursuant to section 12-222, as  
659 amended by this act, shall calculate such member's tax under  
660 subsection (a) of this section, by multiplying such member's net  
661 income apportioned to this state, as provided in subsection (c) of  
662 section 2 of this act, by the tax rate set forth in this section.

663 Sec. 6. Section 12-217 of the general statutes is amended by adding  
664 subsections (e) and (f) as follows (*Effective from passage and applicable to*  
665 *income years commencing on or after January 1, 2011*):

666 (NEW) (e) Where a combined group is required to file a combined  
667 unitary tax return pursuant to section 12-222, as amended by this act,  
668 the combined group's net income shall be computed as provided in  
669 subsection (a) of section 2 of this act.

670 (NEW) (f) Where a combined group is required to file a combined  
671 unitary tax return pursuant to section 12-222, as amended by this act, a  
672 taxable member's net operating loss apportioned to this state shall be  
673 deducted and carried over by the taxable member as provided in

674 subsection (d) of section 2 of this act.

675 Sec. 7. Subsection (b) of section 12-217n of the general statutes is  
676 repealed and the following is substituted in lieu thereof (*Effective from*  
677 *passage and applicable to income years commencing on or after January 1,*  
678 *2011*):

679 (b) For purposes of this section:

680 (1) "Research and development expenses" means research or  
681 experimental expenditures deductible under Section 174 of the Internal  
682 Revenue Code of 1986, as in effect on May 28, 1993, determined  
683 without regard to Section 280C(c) thereof or any elections made by a  
684 taxpayer to amortize such expenses on its federal income tax return  
685 that were otherwise deductible, and basic research payments as  
686 defined under Section 41 of said Internal Revenue Code to the extent  
687 not deducted under said Section 174, provided: (A) Such expenditures  
688 and payments are paid or incurred for such research and  
689 experimentation and basic research conducted in this state; and (B)  
690 such expenditures and payments are not funded, within the meaning  
691 of Section 41(d)(4)(H) of said Internal Revenue Code, by any grant,  
692 contract, or otherwise by a person or governmental entity other than  
693 the taxpayer unless such other person is included in a combined return  
694 with the person paying or incurring such expenses;

695 (2) "Combined return" shall mean a combined [corporation business  
696 tax return under section 12-223a] unitary tax return under section 12-  
697 222, as amended by this act;

698 (3) "Commissioner" means the Commissioner of Economic and  
699 Community Development;

700 (4) "Qualified small business" means a company that (A) has gross  
701 income for the previous income year that does not exceed one hundred  
702 million dollars, and (B) has not, in the determination of the  
703 commissioner, met the gross income test through transactions with a

704 related person, as defined in section 12-217w.

705 Sec. 8. Subsection (e) of section 12-217t of the general statutes is  
706 repealed and the following is substituted in lieu thereof (*Effective from*  
707 *passage and applicable to income years commencing on or after January 1,*  
708 *2011*):

709 (e) In the case of taxpayers filing a combined unitary tax return  
710 pursuant to section [12-223a] 12-222, as amended by this act, the credit  
711 provided by this section shall be allowed on a combined basis, such  
712 that the amount of personal property taxes paid by such taxpayers  
713 with respect to such equipment may be claimed as a tax credit against  
714 the combined unitary tax liability of such taxpayers as determined  
715 under this chapter. Credits available to taxpayers which are subject to  
716 tax under this chapter but not subject to tax under chapter 207, 208a,  
717 209, 210, 211 or 212 or the tax imposed on health care centers under the  
718 provisions of section 12-202a shall be used prior to credits of  
719 companies included in such combined return which are also subject to  
720 tax under said chapter 207, 208a, 209, 210, 211 or 212 or the tax  
721 imposed upon health centers pursuant to the provisions of section 12-  
722 202a.

723 Sec. 9. Subsection (l) of section 12-217u of the general statutes is  
724 repealed and the following is substituted in lieu thereof (*Effective from*  
725 *passage and applicable to income years commencing on or after January 1,*  
726 *2011*):

727 (l) (1) In the case of a financial institution included in a combined  
728 unitary tax return under section [12-223a] 12-222, as amended by this  
729 act, a credit allowed under subsection (b) or (f) of this section may be  
730 taken against the tax of the combined unitary group. (2) The credit  
731 allowed to a financial institution under subsection (b) or (f) of this  
732 section may be taken by any corporation which is eligible to elect to  
733 file a combined unitary tax return with a group with which the  
734 financial institution is eligible to file a combined unitary tax return,  
735 provided the aggregate credit taken by all such corporations in any

736 income year shall not exceed the aggregate credit for which such group  
737 would have been eligible if it had filed a combined unitary tax return.

738 Sec. 10. Subsection (c) of section 12-217gg of the general statutes is  
739 repealed and the following is substituted in lieu thereof (*Effective from*  
740 *passage and applicable to income years commencing on or after January 1,*  
741 *2011*):

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

745 (2) The pro rata share of the business conducted by the sponsor that  
746 shall be deemed to have been conducted by each constituent  
747 corporation shall be the same percentage as such constituent  
748 corporation's distributive share of the profit or loss of the sponsor for  
749 any relevant income year.

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

753 Sec. 11. Subsection (h) of section 12-217gg of the general statutes is  
754 repealed and the following is substituted in lieu thereof (*Effective from*  
755 *passage and applicable to income years commencing on or after January 1,*  
756 *2011*):

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

761 Sec. 12. Section 12-218 of the general statutes is amended by adding  
762 subsection (m) as follows (*Effective from passage and applicable to income*  
763 *years commencing on or after January 1, 2011*):

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

765 file a combined unitary tax return pursuant to section 12-222, as  
766 amended by this act, shall, if one or more members of such group are  
767 taxable both within and without this state, apportion its net income as  
768 provided in subsections (b) and (c) of section 2 of this act.

769 Sec. 13. Section 12-218b of the general statutes is amended by  
770 adding subsection (m) as follows (*Effective from passage and applicable to*  
771 *income years commencing on or after January 1, 2011*):

772 (NEW) (m) Each financial service company that is a member of a  
773 combined group required to file a combined unitary tax return  
774 pursuant to section 12-222, as amended by this act, shall apportion its  
775 net income as provided in subsections (b) and (c) of section 2 of this  
776 act.

777 Sec. 14. Subsection (c) of section 12-218c of the general statutes is  
778 repealed and the following is substituted in lieu thereof (*Effective from*  
779 *passage and applicable to income years commencing on or after January 1,*  
780 *2011*):

781 (c) (1) The adjustments required in subsection (b) of this section  
782 shall not apply if the corporation establishes by clear and convincing  
783 evidence that the adjustments are unreasonable, or the corporation and  
784 the Commissioner of Revenue Services agree in writing to the  
785 application or use of an alternative method of apportionment under  
786 section 12-221a, as amended by this act. Nothing in this subdivision  
787 shall be construed to limit or negate the commissioner's authority to  
788 otherwise enter into agreements and compromises otherwise allowed  
789 by law.

790 (2) The adjustments required in subsection (b) of this section shall  
791 not apply to such portion of interest expenses and costs and intangible  
792 expenses and costs that the corporation can establish by the  
793 preponderance of the evidence meets both of the following: (A) The  
794 related member during the same income year directly or indirectly  
795 paid, accrued or incurred such portion to a person who is not a related

796 member, and (B) the transaction giving rise to the interest expenses  
797 and costs or the intangible expenses and costs between the corporation  
798 and the related member did not have as a principal purpose the  
799 avoidance of any portion of the tax due under this chapter.

800 (3) The adjustments required in subsection (b) of this section shall  
801 apply except to the extent that increased tax, if any, attributable to such  
802 adjustments would have been avoided if both the corporation and the  
803 related member had been eligible to make and had timely made the  
804 election to file a combined return under subsection (a) of section 12-  
805 223a, as amended by this act.

806 (4) The adjustments required in subsection (b) of this section shall  
807 not apply if the corporation and the related member are both members  
808 of a combined group required to file a combined unitary tax return  
809 pursuant to section 12-222, as amended by this act.

810 Sec. 15. Subsection (d) of section 12-218d of the general statutes is  
811 repealed and the following is substituted in lieu thereof (*Effective from*  
812 *passage and applicable to income years commencing on or after January 1,*  
813 *2011*):

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

816 (1) [the] The corporation establishes by clear and convincing  
817 evidence, as determined by the commissioner, that the adjustments are  
818 unreasonable. [.]

819 (2) [the] The corporation and the commissioner agree in writing to  
820 the application or use an alternative method of determining the  
821 combined measure of the tax, provided that the Commissioner of  
822 Revenue Services shall consider approval of such petition only in the  
823 event that the petitioners have clearly established to the satisfaction of  
824 said commissioner that there are substantial intercorporate business  
825 transactions among such included corporations and that the proposed

826 alternative method of determining the combined measure of the tax  
827 accurately reflects the activity, business, income or capital of the  
828 taxpayers within the state. [, or]

829 (3) [the] The corporation elects, on forms authorized for such  
830 purpose by the commissioner, to calculate its tax on a unitary basis  
831 including all members of the unitary group, provided [that] there are  
832 substantial intercorporate business transactions among such included  
833 corporations. Such election to file on a unitary basis shall be  
834 irrevocable for and applicable for five successive income years, but  
835 shall not be applicable to income years commencing on or after  
836 January 1, 2011. Nothing in this subdivision shall be construed to limit  
837 or negate the commissioner's authority to otherwise enter into  
838 agreements and compromises otherwise allowed by law.

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

842 Sec. 16. Section 12-219 of the general statutes is amended by adding  
843 subsection (e) as follows (*Effective from passage and applicable to income*  
844 *years commencing on or after January 1, 2011*):

845 (NEW) (e) The additional tax base of taxable and nontaxable  
846 members of a combined group required to file a combined unitary tax  
847 return pursuant to section 12-222, as amended by this act, shall be  
848 calculated as provided in subsection (f) of section 2 of this act.

849 Sec. 17. Section 12-219a of the general statutes is amended by adding  
850 subsection (d) as follows (*Effective from passage and applicable to income*  
851 *years commencing on or after January 1, 2011*):

852 (NEW) (d) The additional tax base of taxable and nontaxable  
853 members of a combined group required to file a combined unitary tax  
854 return pursuant to section 12-222, as amended by this act, shall be  
855 apportioned as provided in subsection (g) of section 2 of this act.

856 Sec. 18. Section 12-221a of the general statutes is amended by adding  
857 subsection (c) as follows (*Effective from passage and applicable to income*  
858 *years commencing on or after January 1, 2011*):

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

862 Sec. 19. Section 12-222 of the general statutes is amended by adding  
863 subsection (g) as follows (*Effective from passage and applicable to income*  
864 *years commencing on or after January 1, 2011*):

865 (NEW) (g) (1) A combined group shall file a combined unitary tax  
866 return under this chapter in the form and manner prescribed by the  
867 Commissioner of Revenue Services. The designated taxable member of  
868 a combined group shall file the combined unitary tax return on behalf  
869 of the taxable members of the combined group and shall pay the tax on  
870 behalf of such taxable members. A designated taxable member shall  
871 not be liable to, and shall be entitled to recover a payment made  
872 pursuant to this subdivision from, the taxable member on whose  
873 behalf the payment was made.

874 (2) If a member of a combined group has a different income year  
875 than the group income year, such member with a different income year  
876 shall report amounts from its return for its income year that ends  
877 during the group income year, provided no such reporting of amounts  
878 shall be required of such member until its first income year beginning  
879 on or after January 1, 2011.

880 (3) Notwithstanding the provisions of subdivision (1) of this  
881 subsection, each taxable member of a combined group is jointly and  
882 severally liable for the tax due from any taxable member under this  
883 chapter, whether or not such tax has been self-assessed, and for any  
884 interest, penalties or additions to tax due from any taxable member  
885 under this chapter.

886 (4) In all cases where a combined group is eligible to select the  
887 designated taxable member of the combined group, notice of the  
888 selection shall be submitted in written form to the commissioner not  
889 later than the due date, or, if an extension of time to file has been  
890 requested and granted, not later than the extended due date of the  
891 combined unitary tax return for the initial income year that such a  
892 return is required. The subsequent selection of another designated  
893 taxable member shall be subject to the approval of the commissioner.

894 (5) For purposes of this chapter, the designated taxable member is  
895 authorized to do the following acts on behalf of taxable and nontaxable  
896 members of the combined group, including, but not limited to: (A)  
897 Signing the combined unitary tax return, including any amendments  
898 to such return; (B) applying for extensions of time to file the return; (C)  
899 before the expiration of the time prescribed in section 12-233 for the  
900 examination of the return or the assessment of tax, consenting to an  
901 examination or assessment after such time and prior to the expiration  
902 of the period agreed upon; (D) making offers of compromise under  
903 section 12-2d; (E) entering into closing agreements under section 12-2e;  
904 and (F) receiving a refund or credit of a tax overpayment under this  
905 chapter.

906 (6) For purposes of this chapter, the commissioner may, at the  
907 commissioner's sole discretion: (A) Send any notice to either the  
908 designated taxable member or a taxable member or members of the  
909 combined group; (B) make any deficiency assessment against either the  
910 designated taxable member or a taxable member or members of the  
911 combined group; (C) refund or credit any overpayment to either the  
912 designated taxable member or a taxable member or members of the  
913 combined group; (D) require any payment to be made by electronic  
914 funds transfer; and (E) require the combined unitary tax return to be  
915 electronically filed.

916 Sec. 20. Section 12-223a of the general statutes is repealed and the  
917 following is substituted in lieu thereof (*Effective from passage and*

918 *applicable to income years commencing on or after January 1, 2011):*

919 (a) [Any] Subject to the provisions of subsection (e) of this section,  
920 any taxpayer included in a consolidated return with one or more other  
921 corporations for federal income tax purposes may elect to file a  
922 combined return under this chapter together with such other  
923 companies subject to the tax imposed thereunder as are included in the  
924 federal consolidated corporation income tax return and such combined  
925 return shall be filed in such form and setting forth such information as  
926 the Commissioner of Revenue Services may require. Notice of an  
927 election made pursuant to the provisions of this subsection and  
928 consent to such election must be submitted in written form to the  
929 Commissioner of Revenue Services by each corporation so electing not  
930 later than the due date, or if an extension of time to file has been  
931 requested and granted, the extended due date of the returns due from  
932 the electing corporations for the initial income year for which the  
933 election to file a combined return is made. Such election shall be in  
934 effect for such initial income year and for each succeeding income  
935 years unless and until such election is revoked in accordance with the  
936 provisions of subsection (d) of this section.

937 (b) [Any] Subject to the provisions of subsection (e) of this section,  
938 any taxpayer, other than a corporation filing a combined return with  
939 one or more other corporations under subsection (a) of this section,  
940 which owns or controls either directly or indirectly substantially all the  
941 capital stock of one or more corporations, or substantially all the  
942 capital stock of which is owned or controlled either directly or  
943 indirectly by one or more other corporations or by interests which own  
944 or control either directly or indirectly substantially all the capital stock  
945 of one or more other corporations, may, in the discretion of the  
946 Commissioner of Revenue Services, be required or permitted by  
947 written approval of the Commissioner of Revenue Services to make a  
948 return on a combined basis covering any such other corporations and  
949 setting forth such information as the Commissioner of Revenue  
950 Services may require, provided no combined return covering any

951 corporation not subject to tax under this chapter shall be required  
952 unless the Commissioner of Revenue Services deems such a return  
953 necessary, because of intercompany transactions or some agreement,  
954 understanding, arrangement or transaction referred to in section 12-  
955 226a, in order properly to reflect the tax liability under this part.

956 (c) (1) (A) In the case of a combined return, the tax shall be  
957 measured by the sum of the separate net income or loss of each  
958 corporation included or the minimum tax base of the included  
959 corporations but only to the extent that said income, loss or minimum  
960 tax base of any included corporation is separately apportioned to  
961 Connecticut in accordance with the provisions of section 12-218, as  
962 amended by this act, 12-218b, as amended by this act, 12-219a, as  
963 amended by this act, or 12-244, whichever is applicable. In computing  
964 said net income or loss, intercorporate dividends shall be eliminated,  
965 and in computing the combined additional tax base, intercorporate  
966 stockholdings shall be eliminated.

967 (B) In computing said net income or loss, any intangible expenses  
968 and costs, as defined in section 12-218c, as amended by this act, any  
969 interest expenses and costs, as defined in section 12-218c, as amended  
970 by this act, and any income attributable to such intangible expenses  
971 and costs or to such interest expenses and costs shall be eliminated,  
972 provided the corporation that is required to make adjustments under  
973 section 12-218c, as amended by this act, for such intangible expenses  
974 and costs or for such interest expenses and costs, and the related  
975 member or members, as defined in section 12-218c, as amended by this  
976 act, are included in such combined return. If any such income and any  
977 such expenses and costs are eliminated as provided in this  
978 subparagraph, the intangible property, as defined in section 12-218c, as  
979 amended by this act, of the corporation eliminating such income shall  
980 not be taken into account in apportioning under the provisions of  
981 section 12-219a, as amended by this act, the tax calculated under  
982 subsection (a) of section 12-219, as amended by this act, of such  
983 corporation.

984 (2) If the method of determining the combined measure of such tax  
985 in accordance with this subsection for two or more affiliated  
986 companies validly electing to file a combined return under the  
987 provisions of subsection (a) of this section is deemed by such  
988 companies to unfairly attribute an undue proportion of their total  
989 income or minimum tax base to this state, said companies may submit  
990 a petition in writing to the Commissioner of Revenue Services for  
991 approval of an alternate method of determining the combined measure  
992 of their tax not later than sixty days prior to the due date of the  
993 combined return to which the petition applies, determined with regard  
994 to any extension of time for filing such return, and said commissioner  
995 shall grant or deny such approval before said due date. In deciding  
996 whether or not the companies included in such combined return  
997 should be granted approval to employ the alternate method proposed  
998 in such petition, the Commissioner of Revenue Services shall consider  
999 approval only in the event that the petitioners have clearly established  
1000 to the satisfaction of said commissioner that all the companies  
1001 included in such combined return are, in substance, parts of a unitary  
1002 business engaged in a single business enterprise and further that there  
1003 are substantial intercorporate business transactions among such  
1004 included companies.

1005 (3) Upon the filing of a combined return under subsection (a) or (b)  
1006 of this section, combined returns shall be filed for all succeeding  
1007 income years or periods for those corporations reporting therein,  
1008 provided, in the case of corporations filing under subsection (a) of this  
1009 section, such corporations are included in a federal consolidated  
1010 corporation income tax return filed for the succeeding income years  
1011 and, in the case of a corporation filing under subsection (b) of this  
1012 section, the aforesaid ownership or control continues in full force and  
1013 effect and is not extended to other corporations, and further, provided  
1014 no substantial change is made in the nature or locations of the  
1015 operations of such corporations.

1016 (d) Notwithstanding the provisions of subsections (a) and (c) of this

1017 section, any taxpayer which has elected to file a combined return  
1018 under this chapter as provided in said subsection (a), may  
1019 subsequently revoke its election to file a combined corporation  
1020 business tax return and elect to file a separate corporation business tax  
1021 return under this chapter, although continuing to be included in a  
1022 federal consolidated corporation income tax return with other  
1023 companies subject to tax under this chapter, provided such election  
1024 shall not be effective before the fifth income year immediately  
1025 following the initial income year in which the corporation elected to  
1026 file a combined return under this chapter. Notice of an election made  
1027 pursuant to the provisions of this subsection and consent to such  
1028 election must be submitted in written form to the Commissioner of  
1029 Revenue Services by each corporation that had been included in such  
1030 combined return not later than the due date, or if an extension of time  
1031 to file has been requested and granted, extended due date of the  
1032 separate returns due from the electing corporations for the initial  
1033 income year for which the election to file separate returns is made. The  
1034 election to file separate returns shall be irrevocable for and applicable  
1035 for five successive income years.

1036 (e) The provisions of this section shall not apply to income years  
1037 commencing on or after January 1, 2011.

1038 Sec. 21. Section 12-223b of the general statutes is repealed and the  
1039 following is substituted in lieu thereof (*Effective from passage and*  
1040 *applicable to income years commencing on or after January 1, 2011*):

1041 (a) Intercompany rents shall not be included in the computation of  
1042 the value of property rented as a property factor in the apportionment  
1043 fraction if the lessor and lessee are included in a combined return as  
1044 provided in section 12-223a, as amended by this act.

1045 (b) Intercompany business receipts, receipts by a corporation  
1046 included in a combined return under section 12-223a, as amended by  
1047 this act, from any other corporation included in such return, shall not  
1048 be included in the computation of the receipts factor of the

1049 apportionment fraction.

1050 Sec. 22. Section 12-223c of the general statutes is repealed and the  
1051 following is substituted in lieu thereof (*Effective from passage and*  
1052 *applicable to income years commencing on or after January 1, 2011*):

1053 Each corporation included in a combined return under section 12-  
1054 223a, as amended by this act, shall pay the minimum tax of two  
1055 hundred fifty dollars prescribed under section 12-219, as amended by  
1056 this act. No tax credit allowed against the tax imposed by this chapter  
1057 shall reduce an included corporation's tax calculated under section 12-  
1058 219, as amended by this act, to an amount less than two hundred fifty  
1059 dollars.

1060 Sec. 23. Section 12-223e of the general statutes is repealed and the  
1061 following is substituted in lieu thereof (*Effective from passage and*  
1062 *applicable to income years commencing on or after January 1, 2011*):

1063 If revision shall be made of a combined return under section 12-  
1064 223a, as amended by this act, for the purpose of the tax of two or more  
1065 corporations, or of an assessment based upon such a return, the  
1066 Commissioner of Revenue Services shall have power to readjust the  
1067 taxes of each taxpayer included in such return, or, if revision is made  
1068 of a return or an assessment against a taxpayer which might have been  
1069 included in a combined return when the tax was originally reported or  
1070 assessed, the Commissioner of Revenue Services shall have power to  
1071 resettle the tax against such taxpayer and any other taxpayers which  
1072 might have been included in such report upon a combined basis, and  
1073 shall adjust the taxes of each such taxpayer accordingly.

1074 Sec. 24. Section 12-223f of the general statutes is repealed and the  
1075 following is substituted in lieu thereof (*Effective from passage and*  
1076 *applicable to income years commencing on or after January 1, 2011*):

1077 (a) Notwithstanding the provisions of sections 12-223a to 12-223e,  
1078 inclusive, as amended by this act, the tax due in relation to any

1079 corporations which have filed a combined return for any income year  
1080 with other corporations for the tax imposed under this chapter in  
1081 accordance with section 12-223a, as amended by this act, shall be  
1082 determined as follows: (1) The tax which would be due from each such  
1083 corporation if it were filing separately under this chapter shall be  
1084 determined, and the total for all corporations included in the combined  
1085 return shall be added together; (2) the tax which would be jointly due  
1086 from all corporations included in the combined return in accordance  
1087 with the provisions of said sections 12-223a to 12-223e, inclusive, as  
1088 amended by this act, shall be determined; and (3) the total determined  
1089 pursuant to subdivision (2) of this section shall be subtracted from the  
1090 amount determined pursuant to subdivision (1) of this section. The  
1091 resulting amount, in an amount not to exceed five hundred thousand  
1092 dollars, shall be added to the amount determined to be due pursuant  
1093 to said sections 12-223a to 12-223e, inclusive, as amended by this act,  
1094 and shall be due and payable as a part of the tax imposed pursuant to  
1095 this chapter.

1096 (b) The provisions of this section shall not apply to income years  
1097 commencing on or after January 1, 2011.

1098 Sec. 25. Section 12-242d of the general statutes is amended by  
1099 adding subsection (j) as follows (*Effective from passage and applicable to*  
1100 *income years commencing on or after January 1, 2011*):

1101 (NEW) (j) (1) The provisions of this section shall apply to taxable  
1102 members of a combined group required to file a combined unitary tax  
1103 return pursuant to section 12-222, as amended by this act, except as  
1104 otherwise provided in subdivisions (3) and (4) of this subsection.

1105 (2) The designated taxable member of a combined group shall be  
1106 responsible for paying estimated tax installments, at the times and in  
1107 the amounts specified in this section, on behalf of the taxable members  
1108 of the combined group and in the form and manner prescribed by the  
1109 Commissioner of Revenue Services.

1110 (3) For combined groups whose 2011 group income year  
1111 commences on January, February or March, the due date of the first  
1112 required installment is extended to the due date of the second required  
1113 installment. The due date for the first and second required installments  
1114 of estimated tax for a combined group whose 2011 group income year  
1115 commences on January shall be June 15, 2011, and the amount of the  
1116 first and second required installments shall be seventy per cent of the  
1117 required annual payment. The due date for the first and second  
1118 required installments of estimated tax for a combined group whose  
1119 2011 group income year commences on February shall be July 15, 2011,  
1120 and the amount of the first and second required installments shall be  
1121 seventy per cent of the required annual payment. The due date for the  
1122 first and second required installments of estimated tax for a combined  
1123 group whose 2011 group income year commences on March shall be  
1124 August 15, 2011, and the amount of the first and second required  
1125 installments shall be seventy per cent of the required annual payment.

1126 (4) Notwithstanding the provisions of subsection (e) of this section,  
1127 where the preceding income year, as the term is used in said  
1128 subsection, is an income year commencing on or after January 1, 2010,  
1129 but prior to January 1, 2011, the required annual payment of a  
1130 combined group is the lesser of (A) ninety per cent of the tax shown on  
1131 the combined unitary tax return for the group income year  
1132 commencing on or after January 1, 2011, but prior to January 1, 2012,  
1133 or, if no return is filed, ninety per cent of the tax for such year  
1134 computed in accordance with section 2 of this act, or (B) (i) if such  
1135 preceding income year was an income year of twelve months and if the  
1136 taxable members filed separate returns for such preceding income year  
1137 showing a liability for tax, the sum of one hundred per cent of the tax  
1138 shown on each such return for such preceding income year of each  
1139 such taxable member, without regard to any credit under chapter 208,  
1140 or (ii) if the preceding income year was an income year of twelve  
1141 months and if the taxable members filed a return pursuant to section  
1142 12-223a, as amended by this act, for such preceding income year  
1143 showing a liability for tax, one hundred per cent of the tax shown on

1144 such return for such preceding income year, without regard to any  
1145 credit under chapter 208.

1146 Sec. 26. Subsection (f) of section 38a-88a of the general statutes is  
1147 repealed and the following is substituted in lieu thereof (*Effective from*  
1148 *passage and applicable to income years commencing on or after January 1,*  
1149 *2011*):

1150 (f) (1) The Commissioner of Revenue Services may treat one or more  
1151 corporations that are properly included in a combined [corporation  
1152 business] unitary tax return under section 12-223 as one taxpayer in  
1153 determining whether the appropriate requirements under this section  
1154 are met. Where corporations are treated as one taxpayer for purposes  
1155 of this subsection, then the credit shall be allowed only against the  
1156 amount of the combined unitary tax for all corporations properly  
1157 included in a combined unitary return that, under the provisions of  
1158 subdivision (2) of this subsection, is attributable to the corporations  
1159 treated as one taxpayer.

1160 (2) The amount of the combined unitary tax for all corporations  
1161 properly included in a combined [corporation business] unitary tax  
1162 return that is attributable to the corporations that are treated as one  
1163 taxpayer under the provisions of this subsection shall be in the same  
1164 ratio to such combined unitary tax that the net income apportioned to  
1165 this state of each corporation treated as one taxpayer bears to the net  
1166 income apportioned to this state, in the aggregate, of all corporations  
1167 included in such combined unitary return. Solely for the purpose of  
1168 computing such ratio, any net loss apportioned to this state by a  
1169 corporation treated as one taxpayer or by a corporation included in  
1170 such combined unitary return shall be disregarded.

This act shall take effect as follows and shall amend the following sections:

|           |  |             |
|-----------|--|-------------|
| Section 1 | <i>July 1, 2011, and applicable to income years commencing on or after January 1, 2011</i> | 12-213(a)   |
| Sec. 2    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | New section |
| Sec. 3    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | New section |
| Sec. 4    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | New section |
| Sec. 5    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-214      |
| Sec. 6    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-217      |
| Sec. 7    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-217n(b)  |
| Sec. 8    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-217t(e)  |
| Sec. 9    | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-217u(l)  |
| Sec. 10   | <i>from passage and applicable to income years commencing on or after January 1, 2011</i>  | 12-217gg(c) |

|         |   |             |
|---------|---|-------------|
| Sec. 11 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-217gg(h) |
| Sec. 12 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-218      |
| Sec. 13 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-218b     |
| Sec. 14 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-218c(c)  |
| Sec. 15 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-218d(d)  |
| Sec. 16 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-219      |
| Sec. 17 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-219a     |
| Sec. 18 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-221a     |
| Sec. 19 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-222      |
| Sec. 20 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-223a     |

|         |   |            |
|---------|---|------------|
| Sec. 21 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-223b    |
| Sec. 22 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-223c    |
| Sec. 23 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-223e    |
| Sec. 24 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-223f    |
| Sec. 25 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 12-242d    |
| Sec. 26 | <i>from passage and applicable to income years commencing on or after January 1, 2011</i> | 38a-88a(f) |

**Statement of Purpose:**

To enhance the equity and effectiveness of the corporation business tax by instituting a combined unitary tax.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*