Business Entity Tax

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Issue

Explain the business entity tax.

Business Entity Tax

The business entity tax is a $250 tax, due every other taxable year, imposed on certain business entities. It applies to businesses organized as:

1. S corporations;
2. limited partnerships (LPs);
3. limited liability partnerships (LLPs); and
4. limited liability companies (LLCs) that are, for federal income tax purposes, either treated as a partnership, if the LLC has two or more members, or disregarded as an entity separate from its owner, if it has a single member (i.e., a business entity with one owner that is not recognized as an entity separate from its owner for tax purposes and thus does not file a separate tax return).

These business types are subject to the tax if they were formed under Connecticut law or are entities formed in other jurisdictions doing business in the state. The tax return and payment are generally due by April 15 biennially. Late payments are subject to a penalty of $50 plus interest of 1% per month (CGS § 12-284b).

A business is liable for the tax until it ceases to do business in Connecticut and officially dissolves with the Secretary of the State, which it must do by filing the appropriate documents. The tax is not prorated if the business's last taxable year is a short taxable year (*Q&A on the Business Entity Tax*, Department of Revenue Services (DRS), Informational Publication 2016(14)).

In FY 16, the state collected $6.64 million in revenue from the business entity tax, compared to $43.92 million in FY 15 and $9.01 million in FY 14 (DRS *FY 16 Annual Report*).

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