

OFFICE OF FISCAL ANALYSIS

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sSB-443

AN ACT CONCERNING THE ACCRUAL OF INTEREST ON CERTAIN TAX UNDERPAYMENTS AND THE BUSINESS OPERATING LOSS CARRY-OVER PERIOD.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which extends by 10 years the period when corporations may carry forward a net operating loss (NOL) deduction for corporation business tax purposes, results in a General Fund revenue loss estimated at \$2.8 million in FY 46 and \$4.7 million in FY 47 and annually thereafter.

The bill also exempts taxpayers from paying interest on underpayments of corporation business, pass-through entity, and personal income taxes if the underpayment was due to an amended return filing necessitated by Internal Revenue Service (IRS) guidance on the federal employee retention credit (IRS Notice 2021-20). This results in a minimal General Fund revenue loss as early as FY 26.

The Out Years

The impact of the bill's NOL provision is limited to FY 46 and later as the carryforward period is extended from 20 to 30 years applicable to NOLs incurred in income years starting on or after January 1, 2025.

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No out year impact is anticipated from the provision of the bill exempting interest related to underpayments due to IRS Notice 2021-20.