



General Assembly

**Substitute Bill No. 443**

February Session, 2024



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

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

1 Section 1. (*Effective July 1, 2025*) Sections 12-204c, 12-242d, 12-699a  
2 and 12-722 of the general statutes shall not apply with respect to the  
3 accrual of any interest, in the case of any underpayment of tax by a  
4 taxpayer under chapter 208, 228z or 229 of the general statutes, to the  
5 extent such underpayment was due to the filing of an amended return  
6 necessitated by the guidance in Notice 2021-20, issued by the Internal  
7 Revenue Service, concerning the federal employee retention credit  
8 program. If such interest has already been paid to the Department of  
9 Revenue Services, the Commissioner of Revenue Services shall treat  
10 such payment as an overpayment and shall refund the amount of such  
11 payment, without interest, to the taxpayer.

12 Sec. 2. Subdivision (4) of subsection (a) of section 12-217 of the 2024  
13 supplement to the general statutes is repealed and the following is  
14 substituted in lieu thereof (*Effective from passage*):

15 (4) Notwithstanding any provision of this section:

16 (A) Any excess of the deductions provided in this section for any

17 income year commencing on or after January 1, 1973, over the gross  
18 income for such year or the amount of such excess apportioned to this  
19 state under the provisions of this chapter, shall be an operating loss of  
20 such income year and shall be deductible as an operating loss carry-over  
21 for operating losses incurred prior to income years commencing January  
22 1, 2000, in each of the five income years following such loss year; [, and]  
23 for operating losses incurred in income years commencing on or after  
24 January 1, 2000, and prior to January 1, 2025, in each of the twenty  
25 income years following such loss year; [,] and for operating losses  
26 incurred in income years commencing on or after January 1, 2025, in  
27 each of the thirty income years following such loss; except that:

28 (i) For income years commencing prior to January 1, 2015, the portion  
29 of such operating loss that may be deducted as an operating loss carry-  
30 over in any income year following such loss year shall be limited to the  
31 lesser of (I) any net income greater than zero of such income year  
32 following such loss year, or in the case of a company entitled to  
33 apportion its net income under the provisions of this chapter, the  
34 amount of such net income that is apportioned to this state pursuant  
35 thereto, or (II) the excess, if any, of such operating loss over the total of  
36 such net income for each of any prior income years following such loss  
37 year, such net income of each of such prior income years following such  
38 loss year for such purposes being computed without regard to any  
39 operating loss carry-over from such loss year allowed under this  
40 subparagraph and being regarded as not less than zero, and provided  
41 further the operating loss of any income year shall be deducted in any  
42 subsequent year, to the extent available for such deduction, before the  
43 operating loss of any subsequent income year is deducted;

44 (ii) For income years commencing on or after January 1, 2015, the  
45 portion of such operating loss that may be deducted as an operating loss  
46 carry-over in any income year following such loss year shall be limited  
47 to the lesser of (I) fifty per cent of net income of such income year  
48 following such loss year, or in the case of a company entitled to  
49 apportion its net income under the provisions of this chapter, fifty per  
50 cent of such net income that is apportioned to this state pursuant

51 thereto, or (II) the excess, if any, of such operating loss over the  
52 operating loss deductions allowable with respect to such operating loss  
53 under this subparagraph for each of any prior income years following  
54 such loss year, such net income of each of such prior income years  
55 following such loss year for such purposes being computed without  
56 regard to any operating loss carry-over from such loss year allowed  
57 under this subparagraph and being regarded as not less than zero, and  
58 provided further the operating loss of any income year shall be  
59 deducted in any subsequent year, to the extent available for such  
60 deduction, before the operating loss of any subsequent income year is  
61 deducted; and

62 (iii) If a combined group so elects, the combined group shall  
63 relinquish fifty per cent of its unused operating losses incurred prior to  
64 the income year commencing on or after January 1, 2015, and before  
65 January 1, 2016, and may utilize the remaining operating loss carry-over  
66 without regard to the limitations prescribed in subparagraph (A)(ii) of  
67 this subdivision. The portion of such operating loss carry-over that may  
68 be deducted shall be limited to the amount required to reduce a  
69 combined group's tax under this chapter, prior to surtax and prior to the  
70 application of credits, to two million five hundred thousand dollars in  
71 any income year commencing on or after January 1, 2015. Only after the  
72 combined group's remaining operating loss carry-over for operating  
73 losses incurred prior to income years commencing January 1, 2015, has  
74 been fully utilized, will the limitations prescribed in subparagraph  
75 (A)(ii) of this subdivision apply. The combined group, or any member  
76 thereof, shall make such election on its return for the income year  
77 beginning on or after January 1, 2015, and before January 1, 2016, by the  
78 due date for such return, including any extensions. Only combined  
79 groups with unused operating losses in excess of six billion dollars from  
80 income years beginning prior to January 1, 2013, may make the election  
81 prescribed in this clause; and

82 (B) Any net capital loss, as defined in the Internal Revenue Code  
83 effective and in force on the last day of the income year, for any income  
84 year commencing on or after January 1, 1973, shall be allowed as a

85 capital loss carry-over to reduce, but not below zero, any net capital  
86 gain, as so defined, in each of the five following income years, in order  
87 of sequence, to the extent not exhausted by the net capital gain of any of  
88 the preceding of such five following income years; and

89 (C) Any net capital losses allowed and carried forward from prior  
90 years to income years beginning on or after January 1, 1973, for federal  
91 income tax purposes by companies entitled to a deduction for dividends  
92 paid under the Internal Revenue Code other than companies subject to  
93 the gross earnings taxes imposed under chapters 211 and 212, shall be  
94 allowed as a capital loss carry-over.

This act shall take effect as follows and shall amend the following sections:		
Section	<i>July 1, 2025</i>	New section
Sec. 2	<i>from passage</i>	12-217(a)(4)

**FIN**      *Joint Favorable Subst.*