
OLR Bill Analysis

sSB 443

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

SUMMARY

This bill 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). It requires the Department of Revenue Services to treat any interest already paid on these underpayments as an overpayment and refund it to taxpayers without interest.

The bill also extends, from 20 to 30 income years, the period when corporations may carry forward a net operating loss (NOL) deduction for corporation business tax purposes. (NOL is the amount by which a corporation's total allowable deductions exceed its gross income.) The bill's extended carry forward period applies to NOLs incurred in income years starting on or after January 1, 2025.

EFFECTIVE DATE: Upon passage for the NOL provision and July 1, 2025, for the underpayments provision.

BACKGROUND

Federal Employee Retention Credit

The federal employee retention credit is a refundable credit against employment taxes designed for eligible businesses that continued paying employees during the COVID-19 pandemic. Eligible employers were allowed to claim the credit on an original or amended employment tax return for qualified wages paid between March 13, 2020, and December 31, 2021. In September 2023, the IRS ordered a moratorium

on processing new credit claims due to its concerns that a substantial share of new claims were fraudulent. It subsequently implemented stricter compliance reviews, a voluntary disclosure program that allows taxpayers to pay back a credit they received but were not entitled to, and a special withdrawal program for taxpayers with pending claims who realize they may have filed an inaccurate tax return.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/03/2024)