

September 11, 2015



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## Connecticut Establishes Procedure for Administrative Relief for Underpayment of 2015 Estimated Corporation Business Tax Payments

The Connecticut Department of Revenue Services (DRS) has established a procedure by which a corporation may seek relief from the imposition of interest charges if the corporation underpaid its 2015 Connecticut estimated corporation business tax payments and that underpayment is attributable to one or more of the tax law changes enacted as part of the 2015 legislative session. As discussed below, any taxpayer seeking such relief should take action promptly, preferably by the due date of its next estimated payment (i.e., September 15, 2015 for calendar year taxpayers).

The DRS has published on its website [Special Notice 2015\(9\), 2015 Legislative Changes Affecting the Corporation Business Tax](http://www.ct.gov/drs/cwp/view.asp?A=1514&Q=570420) [http://www.ct.gov/drs/cwp/view.asp?A=1514&Q=570420]. The Special Notice summarizes certain amendments to the Connecticut corporation business tax laws, including (i) the new limit on the use of a net operating loss deduction to 50% of a taxpayer's net income, and (ii) the further reduction from 70% to 50.01% of the amount of tax due from a taxpayer for a tax year against which most Connecticut tax credits can be applied. See our alert on [2015 Connecticut tax law changes](http://www.shipmangoodwin.com/files/33679_CT_Tax_Developments_2015.pdf) [http://www.shipmangoodwin.com/files/33679\_CT\_Tax\_Developments\_2015.pdf].

The tax law changes are effective retroactively to tax years beginning on or after January, 2015. As a result, a corporate taxpayer may incur a greater Connecticut corporate business tax liability in 2015 than was anticipated when that taxpayer calculated and paid its initial installments of 2015 Connecticut estimated tax (e.g., the estimated tax payments that were due on March 15, 2015 and June 15, 2015 for calendar year taxpayers). If there is an underpayment of estimated tax, the taxpayer may face the imposition of significant interest charges on that underpayment.

In response to concerns expressed by taxpayers, DRS Special Notice 2015(9) sets forth a procedure whereby a taxpayer can seek relief from the interest imposed on an underpayment of estimated tax for 2015 to "the extent that [the] estimates have been underpaid as a direct result" of the provisions of the 2015 budget and budget implementer legislation. A taxpayer seeking such relief must file with the DRS a written explanation describing the manner in which the changes to the law resulted in an underpayment along with all documentation supporting such explanation. The written explanation must be



sent to the DRS by the due date, or extended due date, of the taxpayer's 2015 Connecticut corporation business tax return, and must be submitted to the following address:

Department of Revenue Services  
25 Sigourney Street, 19th Floor  
Hartford, Connecticut 06106  
Attn: Office of Counsel/MMD

***Our Advice:***

We strongly encourage any taxpayer seeking relief from interest charges due to an underpayment of 2015 Connecticut corporation business tax estimated payments due to the recent tax law changes to make any necessary catch-up payment with its next estimated payment (e.g., by September 15, 2015, in the case of a calendar year taxpayer), and to file the required written explanation as soon as is practicable. The taxpayer should take the time in the written explanation to describe in detail how the initial estimated tax payments were calculated, the impact on the taxpayer of the tax law changes, and how and to what extent the taxpayer's estimated Connecticut tax liability for 2015 has increased. The DRS has indicated that it will review each written submission and reply in writing to the taxpayer as to whether relief, in whole or in part, will be granted. We believe the making of a timely catch-up payment to address the underpayment will be favorably considered as part of any application for interest relief. Please contact any member of our State and Local Tax Practice Group if we can be of any assistance.

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