

Schedule CT-AB Instructions

Alternative Base Calculation

2018

Complete this form only if you have checked the "Alternative Base" election box on Page 1 of Form CT-1065/CT-1120SI, *Connecticut Pass-Through Entity Tax Return*.

General Instructions

Complete this return in blue or black ink only.

The amount of tax due under the Alternative Base method depends upon the types of members that own interests in the PE. Under the Alternative Base, the PE is subject to tax on:

- The portion of its **Connecticut source income** (less any Connecticut source income from subsidiary PEs) that **directly** or **indirectly** flows through to its members who are resident individuals (RI), nonresident individuals (NI), resident trusts (RT), nonresident trusts (NT), resident estates (RE) or nonresident estates (NE). If a member is a PE (parent PE), the subsidiary PE may look through to the members of a parent PE to determine what portion of the subsidiary PE's Connecticut source income is subject to tax.

PLUS

- The portion of its **total income** that is not sourced to any state with which the PE has nexus (unsourced income) and that **directly** flows through to members who are resident individuals (RI). If a member is a parent PE, **do not** look through to the members of the parent PE to determine the portion of the unsourced income that is subject to tax.

If all members are corporate members (CM), enter zero ("0") on Line 2 through Line 5 of Section 1 and leave the remaining sections blank.

Section 1 – Alternative Base

Line 1: Connecticut Source PE Income/(Loss)

Enter the amount from Form CT-1065/CT-1120SI, Part I, *Schedule B*, Line 20, Column D.

Line 2: Connecticut Source Income - Distributive Share Percentage

Enter the amount from Section 3, Line 7, Column C. Enter as a decimal and carry to six decimal places.

Line 3: Modified Connecticut Source Income/(Loss)

Multiply Line 1 by Line 2.

Line 4: Resident Portion of Unsourced Income

Enter the amount from Section 2, Line 8.

Line 5: Alternative Base

Add Line 3 and Line 4. If this PE did **not** elect to calculate its tax on a **combined basis**, report this amount on Form CT-1065/CT-1120SI, Part I, *Schedule A*, Line 1.

Line 5 – Additional Instructions for Combined Filers

If this PE elected to calculate its tax on a combined basis and this PE is the **Designated Combined Reporting PE**, report this amount on **Schedule CT-CE, Combined Election**, Section 1, Line 1, Column C.

If this PE elected to calculate its tax on a combined basis and this PE is not the **Designated Combined Reporting PE**, report this amount to the Designated Combined Reporting PE.

Section 2 – Resident Portion of Unsourced Income

Complete this section only if at least one member is a resident individual (RI).

Line 1: Total PE Income/(Loss)

Enter the amount from Form CT-1065/CT-1120SI, Part I, *Schedule B*, Line 20, Column A.

Line 2: Connecticut Source PE Income/(Loss)

Enter the amount from Form CT-1065/CT-1120SI, Part I, *Schedule B*, Line 20, Column D.

Line 3: Connecticut Source PE Income/(Loss) from Subsidiary PE(s)

Enter the amount of any Connecticut source income/(loss) from a subsidiary PE that was included in the amount reported on Section 2, Line 1.

Line 4: Other State Sourced PE Income/(Loss)

Enter the amount of income/(loss) that was included in the amount reported on Section 2, Line 1, that, under Connecticut sourcing rules, would be sourced to another state with which the PE has nexus. This may include income/(loss) from subsidiary PEs. Attach a statement listing each other state and the amount of income (loss) sourced to such state.

Line 5: Total Subtractions

Add Line 2, Line 3 and Line 4.

Line 6: Net Alternative PE Income

Subtract Line 5 from Line 1. If this amount is less than zero, enter zero ("0").

Line 7: Resident Individual Distributive Share Percentage

Enter the amount from Section 3, Line 7, Column E. Enter as a decimal and carry to six decimal places.

Line 8: Total Resident Portion of Unsourced Income

Multiply Line 6 by Line 7. Also, report this amount on Section 1, Line 4. If this amount is less than zero, enter zero ("0").

Section 3 – Member Information

In completing Section 3, only include the following members types: RI, NI, RT, NT, RE, NE or PE. Do not include any CM members.

If all members are CMs, do not complete this section and enter zero ("0") on Lines 2 through 5 of Section 1.

Reminder – A CM member includes:

- C corporation for federal income tax purposes;
- LLC which has elected to be taxed as a C corporation for federal income tax purposes;
- Real estate investment trust;
- Real estate mortgage investment conduit;
- Regulated investment company;
- Individual retirement account described in 26 U.S.C. § 408(a);
- Trust described in 26 U.S.C. § 401(a); **and**
- Organization exempt from federal income tax (including organizations described in 26 U.S.C. § 501(c) or (d)).

If there are more than five members reported in this Section, use **Schedule CT-AB Supplemental Attachment**.

Column A: Member Number

Enter the member number assigned in Form CT-1065/CT-1120SI, Part III.

Column B: Member Type

Enter the member type code reported in Form CT-1065/CT-1120SI, Part III.

Column C: Connecticut Source Income - Distributive Share Percentage (RI, NI, RT, NT, RE, NE, and PE)

Enter the distributive share percentage reported in Form CT-1065/CT-1120SI, Part III, for each member listed. This amount reflects each member's share of the PE's Connecticut source income (loss). Enter as a decimal and carry to six decimal places.

PE Members: If a member is itself a PE (a parent PE) and one or more members of the parent PE is a corporate member (CM), do not include the portion of the parent PE's distributive share that is attributable to its corporate members in Column C. If you do not have information about the members of a parent PE, you should report the full amount of the parent PE's distributive share in Column C.

If a subsidiary PE is excluding a portion of the parent PE's distributive share because one or more members of the parent PE are corporate members, the subsidiary PE must prepare a statement listing the parent PE's corporate members. The statement must include each corporate member's name, FEIN, distributive share percentage, and share of income. Retain a copy of the completed statement for at least three years from the date of filing. The statement must be provided to DRS upon request.

Column D: Prorated Connecticut Modified Source Income/(Loss)

Prorate the PE's Connecticut modified source income/(loss) by dividing the percentage listed on each line in Column C by the percentage listed on Line 7 and then multiplying the resulting fraction by the amount on Schedule CT-AB, Section 1, Line 3.

Example 1

| Modified CT Source Income (Section 1, Line 3) \$ 5,000 | | | |
|---|----------------------|----------------------|------------------------------|
| | Reported in Column C | Proration Percentage | Amount to Report in Column D |
| Member A | 10% | 20% | \$ 1,000 |
| Member B | 30% | 60% | \$ 3,000 |
| Member C | 10% | 20% | \$ 1,000 |
| Total | 50% | 100% | \$ 5,000 |

Example 2 - Negative Distributive Share

| Modified CT Source Income (Section 1, Line 3) \$ 10,000 | | | |
|--|------------------------|----------------------|------------------------------|
| | Reported in Column C * | Proration Percentage | Amount to Report in Column D |
| Member E | 25% | 50% | \$ 5,000 |
| Member F | 30% | 60% | \$ 6,000 |
| Member G | -5% | -10% | (\$ 1,000) |
| Total | 50% | 100% | \$ 10,000 |

Column E: Total Income - Resident Individual Distributive Share Percentage (RI Only)

Enter the distributive share percentage of the PE's total income for each RI member. Enter as a decimal and carry to six decimal places. The amounts in Column E reflect each resident individual's share of the PE's total income. A resident individual's percentage listed in Column E may be different than the percentage listed in Column C.

Enter zero ("0") for any member that is not an RI.

Column F: Prorated Resident Portion of Unsources Income

Prorate the PE's Resident Portion of Unsources Income by dividing the percentage listed on each line in Column E by the percentage listed on Line 7, Column E and then multiplying the resulting fraction by the amount on Schedule CT-AB, Section 2, Line 8.

If any amount in Column E is negative, treat such amount as zero ("0") when prorating.

Example 3

| Resident Portion of Unsources Income (Section 2, Line 8) \$ 75,000 | | | |
|---|----------------------|----------------------|------------------------------|
| | Reported in Column E | Proration Percentage | Amount to Report in Column F |
| Resident Member A | 5% | 10% | \$ 7,500 |
| Resident Member B | 30% | 60% | \$ 45,000 |
| Resident Member C | 15% | 30% | \$ 22,500 |
| Total | 50% | 100% | \$ 75,000 |

Example 4 - Negative Distributive Share

| Resident Portion of Unsources Income (Section 2, Line 8) \$ 150,000 | | | | |
|--|----------------------|------------------------|----------------------|------------------------------|
| | Reported in Column E | Reported in Column E * | Proration Percentage | Amount to Report in Column F |
| Resident Member E | 20% | 20% | 40% | \$ 60,000 |
| Resident Member F | 30% | 30% | 60% | \$ 90,000 |
| Resident Member G | -20% | 0% | 0% | \$ - |
| Total | | 50% | 100% | \$ 150,000 |

* Treat negatives as zero ("0").

Column G: Total Alternative Base

Add the amounts from Column D and Column F.

Column H: Alternative Base Tax

Do not complete Column H if you elected to calculate your tax on a combined basis.

Multiply Column G by 6.99% (.0699) unless any line in Column G is less than zero. If any line in Column G is less than zero, treat the negative amounts as zero ("0") and prorate the tax reported on Form CT-1065/CT-1120SI, Part I, Schedule A, Line 2 based upon the positive amounts listed in Column G.

Column I: PE Tax Credit

Do not complete Column I if you elected to calculate your tax on a combined basis.

Multiply Column H by 93.01% (.9301).