



# FORM CT-1120A

## Instructions for Schedules Q, R, and S

Complete this form and file as a part of the Corporation Business Tax Return only if the company carried on business within and outside Connecticut and was taxable in another state during the income year for which the return is filed.

**A corporation entitled to apportion its income must complete Schedule Q or R, whichever is applicable. Special apportionment forms are applicable for the following business types:**

- AIR CARRIERS use **Form CT-1120A-A, Corporation Business Tax Return Apportionment Computation - Air Carriers.**
- COMPANIES whose income is derived from credit card activities principally located in distressed municipalities may elect to calculate their apportionment fraction on **Form CT-1120A-CCA.**
- COMPANIES whose income is derived from services performed for regulated investment companies may elect to calculate their apportionment fraction on **Form CT-1120A-IRIC.**
- SECURITIES BROKERAGE SERVICES COMPANIES calculate their apportionment fraction on **Form CT-1120A-SBC.**
- COMPANIES (not otherwise conducting business in Connecticut) who are limited partners in a limited partnership doing business in Connecticut may elect to apportion their net income inside and outside Connecticut on **Form CT-1120A-LP.**
- MOTOR BUS COMPANIES and MOTOR CARRIERS calculate their apportionment fraction on **Form CT-1120A-BMC.** Income derived from sources other than carrying passengers or tangible property for hire must be apportioned by an apportionment fraction calculated on **Form CT-1120A, Schedule Q or R.**
- FINANCIAL SERVICE COMPANIES calculate their apportionment fraction on **Form CT-1120A-FS.**

### Corporate Partner

A corporation that owns an interest in a partnership or joint venture should include its pro rata share of its apportionment factor (property, payroll, and receipts) in the numerator and denominator of the Connecticut statutory apportionment formula (Conn. Gen. Stat. §12-218) which is used to determine the corporation's portion of its total net income subject to the Connecticut corporation business tax.

### SCHEDULE Q - NET INCOME APPORTIONMENT

This schedule should be completed only by companies that derive business income from operations which **do not** involve the manufacture, sale or use of tangible property or real property. **Item 1(a)** should include all receipts from business carried on within Connecticut. The components of the receipts factor in *Schedule Q* will be determined in the same manner as in *Schedule R*.

### SCHEDULE R - NET INCOME APPORTIONMENT

This schedule should be completed only by companies that derive business income from operations which involve the manufacture, sale, or use of tangible personal or real property.

**Item 1.** Enter on Lines 1(a), 1(b), 1(c), and 1(e), the average monthly net book value for each category of tangible personal and real property that is held and owned within the state. Enter on Line 1(d) the average monthly net value of capitalized rent that is computed by multiplying by eight the gross rents paid directly or indirectly for the use or possession of the rented property. Include interest, taxes, insurance, and repairs to the rented property. Royalties are excluded. Enter on Line 1(e) items such as construction-in-progress, interest in partnerships, etc. Total the amounts and divide Column A by Column B to compute the apportionment fraction, carried to six decimal places.

**Item 2.** This factor must include all compensation paid by the corporation during the income year to officers and all other employees inclusive of salaries and wages which have been capitalized and not claimed as a deduction in the income year of the return.

**Item 3.** Enter the gross receipts from sales and other sources during the income year. Include the following: receipts from sales of tangible property delivered or shipped to a purchaser within this state regardless of the f.o.b. point or other conditions of sale; receipts from services performed within Connecticut; rents and royalties from property situated within Connecticut; royalties from patents and copyrights used within Connecticut; interest earned from assets managed or controlled within the state; net gains from sales or other disposition of intangible assets managed or controlled within the state; and net gains from sales or disposition of tangible assets situated within the state. If losses from sales or other dispositions of such tangible or intangible assets exceed the gains, then enter zero for the net gains. Dividends are excluded from the receipts factor. All other receipts earned within Connecticut not included above must be apportioned.

**Item 4.** This factor is the same as Item 3, Column C.

**Item 6.** Divide the total on Line 5 by the number of factors used. For example, if the taxpayer derives net income from manufacturing, this line would contain the sum of its property factor, payroll factor, and the receipts factors on Lines 3 and 4, divided by four (less the number, if any, of factors that are not applicable).

### SCHEDULE S - MINIMUM TAX BASE APPORTIONMENT

**Item 3.** This apportionment factor must include the average monthly net book value of all assets exclusive of holdings of stock of private (nongovernmental) corporations. The intangible assets of a company that has its principal place of business within Connecticut are deemed to have a tax situs within Connecticut, unless it can be clearly established that some or all of the assets are held in connection with business conducted during the income year outside Connecticut.

### APPORTIONMENT IN SPECIAL CASES

Conn. Gen. Stat. §12-221a provides for deviation from the statutory apportionment method under certain extraordinary circumstances. The return of a taxpayer requesting relief must be filed initially on the statutory basis using the formula methods prescribed in Conn. Gen. Stat. §§12-218, 12-218b, 12-219a, or 12-244 for computing the net income and the minimum tax base, together with (1) payment of the tax due on the applicable base as so computed, and (2) a statement containing a specific alternative method. Data supporting the contention that the operation of the statutory method is grossly inequitable and attributes to Connecticut an undue proportion of the taxpayer's net income or minimum tax base must be provided. Permission to determine the tax on an alternative basis will not be considered in any case in which this procedure has not been strictly followed.

Since the statutory method is designed to produce a reasonable apportionment within and outside Connecticut, it must be used in all cases except those in which it has been determined by the Commissioner of Revenue Services that an exception should be made. While the statutory method may produce a result substantially different from that produced by some other method, that fact alone does not justify an exception. It is the responsibility of the taxpayer to show that the statutory apportionment fraction, when applied to its business, provides grossly inequitable results and that the income attributed to Connecticut is out of proportion to the business transacted in Connecticut. The variance must be significant enough to invalidate the assumption that the statutory method is reasonable.

The Commissioner will notify the company as to whether the proposed alternative method of apportionment is accepted or rejected. If the proposed method is accepted, the tax will be adjusted. The return may be audited within three years after the date filed. If the taxpayer is aggrieved by the audit findings, a hearing may be granted, provided a request for a hearing is filed within 60 days after issuance of the notice of assessment.