



July 9, 2015

Immediate and Upcoming Connecticut Tax Changes

STATE AND LOCAL TAX

BY SCHNEIDER DOWNS PROFESSIONAL

As part of the state's biennial budget, Connecticut Governor Dannel Malloy signed both H.B. 7061 and S.B. 1502, which contain various corporate income tax, personal income tax and sales and use tax changes. Some changes are effective immediately for tax years beginning on or after January 1, 2015, while others will be phased-in beginning January 1, 2016.

The main corporate income tax change is that for tax years beginning on or after January 1, 2016, Connecticut will require entities under common ownership, and operating a unitary business, to file a combined return. With the change, Connecticut becomes the last New England state to adopt mandatory combined reporting. The legislation addresses challenges taxpayers might encounter such as combined reporting and apportionment rules, pass-through entity treatment, calculating net income and net operating loss and tax credit utilization. In addition to requiring combined reporting, the legislation also extended the 20% corporate income tax surcharge for tax years beginning through December 31, 2017 and reduced the surcharge to 10% for income tax years commencing on or after January 1, 2018 and prior to January 1, 2019.

As for personal income tax changes, the legislation simultaneously delayed the previously scheduled personal income tax reductions for single filers and increased the rates for taxpayers in the highest tax brackets. The previous top marginal rate of 6.7% was increased to 6.9% and a new top-tier rate of 6.99% was added.

On the sales and use tax side, the scheduled rate increase (to 3%) for computer and data processing services was repealed, as was the exclusion for services rendered in connection with website creation, development and maintenance. There was also an increase in the tax rate on luxury goods (from 7.0% to 7.75%), and restrictions were placed on items subject to the annual sales tax holiday.

Please contact us if you have questions about how the recent changes will affect you and/or your business.

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as

investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).