

Connecticut's Corporation Business Tax Resolution Initiative

July 2, 2014

In brief

The Connecticut Department of Revenue Services has been sending letters to selected taxpayers inviting them to participate in a new [Connecticut Corporation Business Tax Resolution Initiative](#). The Initiative is designed to resolve outstanding corporate tax issues. Although it is targeted to taxpayers currently under audit, the Initiative does not appear to be limited only to such taxpayers. Taxpayers interested in the Initiative must submit a participation form to the Department by July 15, 2014. Closing agreements issued under the program must be signed by October 15, 2014.

In detail

The Initiative is not an amnesty program. It appears that the benefits offered to participants in the program will be based on the Department's analysis of each taxpayer's particular facts. The invitation letter indicates that the program gives taxpayers an opportunity to resolve open issues efficiently and potentially apply the agreed upon treatment to proposed or existing deficiency assessments, as well as to future tax periods (traditional Connecticut closing agreements do not typically include prospective provisions).

The issues specifically highlighted as a focus of the Initiative include (but are not limited to):

- transfer pricing arrangements

- intercompany transactions (and the corresponding addbacks and exceptions)
- economic nexus
- apportionment
- tax credits

The takeaway

Interested taxpayers should consider the following:

- At this point, the Department's literature on the Initiative does not provide specific details regarding the process. Further inquiries may be necessary.
- The participation form asks taxpayers to list the issues they would like to resolve under the Initiative.

- Initiative invitations have only been extended to taxpayers with current Connecticut audits; this includes some taxpayers with refund claims under audit. The Department has informally indicated that taxpayers with issues at the appellate level can participate as well. It appears that taxpayers not currently under audit could also apply for the Initiative. However, it should be noted that this would involve notifying the Department regarding the existence of the specific issues and the taxpayer's identity; therefore, careful consideration should be given to the consequences prior to applying for the program.

- By completing the participation form, the taxpayer also agrees to extend the statute of limitations as needed. Taxpayers may withdraw from the program at any time by filing notification with the Department.

Let's talk

If you have questions regarding Connecticut's settlement initiative or think you might want to participate, regardless of whether you have received an invitation from the Department, please contact:

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