

MEMO# 2075

July 30, 1990

CONNECTICUT CAPS MINIMUM CORPORATE BUSINESS TAX IMPOSED ON RICS

July 30, 1990 TO: ALL CONNECTICUT MEMBERS TAX MEMBERS NO. 28-90 RE: CONNECTICUT
CAPS MINIMUM CORPORATE BUSINESS TAX IMPOSED ON RICS

Connecticut imposes a corporation business tax on the income of all corporations, including regulated investment companies ("RICs"), doing business in the state. However, because RICs receive a deduction for the dividends they distribute to their shareholders, RICs generally do not pay any income tax under this provision. Connecticut also imposes a minimum tax on all corporations, including RICs, doing business in the state. In the case of a RIC, the minimum tax is computed based on the average value of the outstanding RIC shares, valued at par or face value, and on the average value of the surplus or undivided profits of the RIC for the taxable year. Because the minimum tax is based primarily on the value of the RIC's stock, and not on its taxable income, the minimum tax would be imposed on a RIC whether or not it distributed all of its income each year. The attached statute, recently signed by the Governor, caps the minimum tax payable by a RIC at \$50,000, effective for taxable years of the RIC beginning on or after January 1, 1991. In addition, the statute caps the minimum tax payable by RICs for taxable years of the RIC beginning on or after January 1, 1986, but before January 1, 1991, at \$500,000 per year. Any RIC which paid more than \$500,000 in any tax year beginning on or after January 1, 1986, but before January 1, 1991, may request a refund of the excess over \$500,000, without interest, from the Connecticut Commissioner of Revenue Services. We will keep you informed of further developments.
David J. Mangefrida, Jr. Assistant General Counsel Attachment