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Waiver Of Penalties And Interest In Connection With 2018 Pass-Through Entity Tax

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In the Spring of 2018, the Connecticut Legislature adopted a Pass-Through Entity Tax (the "PE Tax"), which imposes a 6.99% tax on pass-through entities (partnerships, limited liability companies and S-corporations). The PE Tax, which is retroactive to January 1, 2018, was enacted in response to provisions of the 2017 federal Tax Cuts and Jobs Act, which limits yearly income tax deductions for state and local taxes to \$10,000.

The timing of the PE Tax's enactment, and its retroactive application, created confusion for pass-through entities, particularly regarding when estimated tax payments were due and the amount owed. The Connecticut legislature, therefore, recently enacted legislation that waives all penalties and interest for late or miscalculated PE Tax payments for the 2018 year, if such amounts were increased or created as a result of the PE Tax's enactment, provided such tax payment is made within one year of its original due date.

The Department of Revenue Services has announced that if penalties and interest were assessed and paid, the taxpayer may elect to have those amounts applied to its 2019 estimated PE Tax, or applied to any other outstanding tax liabilities, or refunded. If, after the waiver of penalties and interest, the taxpayer still owes an outstanding tax balance, the Department will issue an adjusted billing notice, and payment will be due within one year of the original due date.

If you should have any questions regarding how the new legislation affects you, please do not hesitate to contact us.

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