

Form CT-1120A-FS

(Rev. 12/16)

Corporation Business Tax Return Apportionment Computation of Income From Financial Service Company Activities

Enter Income Year Beginning _____, _____, and Ending _____, _____

Corporation name	Connecticut Tax Registration Number
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Complete this form in blue or black ink only. See instructions.

Check here if the corporation elects to exclude receipts attributable to an international banking facility from the numerator of its receipts factor and to include such receipts in the denominator of its receipts factor. The election is irrevocable for and applicable for five successive income years.

Receipts Factor Apportionment		Column A Connecticut	Column B Everywhere
1. Receipts from the lease or rental of real property	1.		
2. Receipts from the lease or rental of tangible personal property, other than transportation property	2.		
3. Receipts from the lease or rental of transportation property	3.		
4. Interest, including fees and penalties, received on loans secured by real property	4.		
5. Interest, including fees and penalties, received on loans not secured by real property	5.		
6. Net gains from the sale of loans secured by real property	6.		
7. Net gains from the sale of loans not secured by real property	7.		
8. Loan servicing fees from loans secured by real property	8.		
9. Loan servicing fees from loans not secured by real property	9.		
10. Interest, dividends, gains (but not less than zero), and other income from investment and trading assets and activities: See instructions. Check method used for this item: <input type="checkbox"/> Average Value Method <input type="checkbox"/> Gross Income Method	10.		
11. Receipts received for management, distribution, and administrative services performed on behalf of an investment entity	11.		
12. Receipts for management, distribution, and administrative services performed on behalf of a pension fund or retirement account <input type="checkbox"/> Elect average fair market value of funds: See instructions.	12.		
13. Any other receipts included in factor but not listed above: Describe _____	13.		
14. Total: Add Lines 1 through 13 for each column.	14.		

Connecticut Apportionment Fraction			
15. Receipts apportionment fraction: Divide Line 14, Column A, by Line 14, Column B, and carry to six places. Enter the result here and on Form CT-1120 , <i>Schedule A</i> , Line 2. Carry to six places.	15.	0.	

Form CT-1120A-FS Instructions

Complete this form in blue or black ink only.

Use **Form CT-1120A-FS**, *Corporation Business Tax Return Apportionment Computation of Income From Financial Service Company Activities*, if the company is a financial service company, as defined in Conn. Gen. Stat. §12-218b, whose business activity is taxable inside Connecticut, whether or not it is taxable outside Connecticut.

This form does **not** apply to net income from services or activities described in:

- Conn. Gen. Stat. §12-218(e), services provided to a regulated investment company. Use **Form CT-1120A-IRIC**;
- Conn. Gen. Stat. §12-218(f), security brokerage services. Use **Form CT-1120A-SBC**; **and**
- Conn. Gen. Stat. §12-218(i), credit card activities. Use **Form CT-1120A-CCA**.

Such income shall be apportioned in accordance with subsections (e), (f), or (i) of Conn. Gen. Stat. §12-218.

International banking facility: Receipts attributable to an international banking facility are not included in the numerator or denominator of the receipts factor. In lieu of such exclusion of receipts attributable to an international banking facility, the taxpayer may, on or before the due date (or extended due date) of its corporation business tax return, make an election to exclude receipts attributable to an international banking facility from the numerator of its receipts factor and to include such receipts in the denominator of its receipts factor.

If the taxpayer makes the election, the taxpayer may not, in arriving at its net income, deduct the gross income attributable to the international banking facility from its gross income. Expenses or losses attributable to the international banking facility, to the extent deductible under the Internal Revenue Code, may be deducted from its gross income. The election is irrevocable for and applicable for five successive income years.

Definitions

Financial service company is defined broadly and is intended to include the traditional business entities that are generally considered to be engaged in the business of lending money, extending credit, or otherwise dealing in money capital. See Conn. Gen. Stat. §12-218b(a)(6) and Ruling 2000-4.

Loan means:

1. Any extension of credit resulting from direct negotiations between the taxpayer and its customer; **or**
2. The purchase or receipt, in whole or in part, from another of such extension of credit.

Billing address means the location indicated in the books and records of the taxpayer, investment entity, pension fund, or retirement account as the address where any notice, statement, or bill relating to the customer, investor, or participant's account is mailed. The billing address shall be determined as of the first day of the taxable year, or the date during the taxable year when the relationship began between the taxpayer, investment entity, pension fund, or retirement account and the customer, investor, or participant.

Administrative services include clerical, accounting, record keeping, transfer agency, bookkeeping, data processing, custodial, internal auditing, legal, and tax services provided to an investment entity, pension fund, or retirement account along with management or distribution services.

Distribution services include selling interests in an investment entity, pension fund, or retirement account. Distribution services also include advertising, servicing, or marketing services provided to an investment entity, pension fund, or retirement account by an entity that sells interests in such investment entity, pension fund, or retirement account.

Management services include:

1. The rendering of investment advice to an investment entity, pension fund, or retirement account;
2. The determining when sales and purchases of property are to be made on behalf of an investment entity, pension fund, or retirement account; **and**
3. The selling or purchasing of property constituting assets of an investment entity, pension fund, or retirement account pursuant to a contract with such investment entity, pension fund, or retirement account.

General Instructions

Apportion the net income of a financial service company to Connecticut by multiplying such income by an apportionment fraction that is calculated using the receipts factor that is reflected on Line 15. The numerator of the receipts factor is the total of the Connecticut receipts of the taxpayer during the income year and is reflected in Column A, Line 14. The denominator of the receipts factor is the total of the receipts of the taxpayer within and outside Connecticut during the income year and is reflected in Column B, Line 14. Use the same method to calculate receipts for purposes of the denominator as is used to determine receipts for purposes of the numerator. For Lines 1 through 13, enter Connecticut receipts in Column A and enter total receipts in Column B.

Line Instructions

Line 1 - Enter receipts from the lease, sublease, or rental of real property on which the taxpayer may claim depreciation for federal income tax purposes or real property to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes. Connecticut receipts from the lease or rental of real property are equal to receipts from the lease, sublease, or rental of real property that is owned by the taxpayer and located in Connecticut.

Line 2 - Enter receipts from the lease, sublease, or rental of tangible personal property other than transportation property on which the taxpayer may claim depreciation for federal income tax purposes or tangible personal property to which the taxpayer holds legal title and on which no other person may claim depreciation for federal income tax purposes. Connecticut receipts from tangible personal property are equal to receipts from the lease, sublease, or rental of tangible personal property owned by the taxpayer if the tangible personal property is located within Connecticut when it is first placed in service by the lessee.

Line 3 - Enter receipts from the lease or rental of transportation property, which means vehicles and vessels capable of moving under their own power (such as aircraft, trains, water vessels, and motor vehicles) and any equipment or containers attached to such vehicles and vessels. If the transportation property is an aircraft then the Connecticut receipts are equal to the total receipts multiplied by the number of landings in Connecticut and divided by the total number of landings for the aircraft. If the transportation property is a motor vehicle then the Connecticut receipts are equal to the total receipts if the motor vehicle is registered in Connecticut. If the extent of the use of any transportation property in Connecticut cannot be determined, the property shall be deemed to be used wholly in the state which the property has its principal base of operations.

Line 4 - Enter interest received on loans where 50% or more of the aggregate fair market value of the collateral used to secure the loan is real property. Interest includes fees and penalties in the nature of interest. Connecticut receipts from interest received on loans secured by real property are equal to interest paid on loans if more than 50% of the fair market value of the real property securing the loan is located within Connecticut and interest paid on loans where more than 50% of the fair market value of the real property securing the loan is not located within any one state and the borrower is located within Connecticut. A borrower is located in Connecticut if it is engaged in a trade or business that maintains its commercial domicile in Connecticut or it is not engaged in a trade or business and its billing address is in Connecticut. The location and the fair market value of the real property shall be determined at the time of the original agreement.

Line 5 - Enter interest received on loans other than loans described in Line 4. Interest includes fees and penalties in the nature of interest. Connecticut receipts from loans not secured by real property are equal to interest on such loans if the borrower is located in Connecticut. A borrower is located in Connecticut if it is engaged in a trade or business that maintains its commercial domicile in Connecticut or it is not engaged in a trade or business and its billing address is in Connecticut.

Line 6 - Enter the net gain (but not less than zero) from the sale of loans where 50% or more of the aggregate fair market value of the collateral used to secure the loan is real property. The Connecticut net gain from the sale of such loans is equal to the total net gain from the sale of such loans multiplied by the amount in Column A, Line 4 and divided by the amount in Column B, Line 4.

Line 7 - Enter the net gain (but not less than zero) from the sale of loans other than loans described in Line 6. The Connecticut net gain from the sale of such loans is equal to the total net gain from the sale of such loans multiplied by the amount in Column A, Line 5 and divided by the amount in Column B, Line 5.

Line 8 - Enter loan servicing fees derived from loans where 50% or more of the aggregate fair market value of the collateral used to secure the loan is real property. Connecticut loan servicing fees derived from such loans include the total of such fees multiplied by the amount in Column A, Line 4 and divided by the amount in Column B, Line 4. Connecticut loan servicing fees also include fees for servicing such loans of another if the borrower is located in Connecticut. A borrower is located in Connecticut if it is engaged in a trade or business that maintains its commercial domicile in Connecticut or it is not engaged in a trade or business and its billing address is in Connecticut.

Line 9 - Enter loan servicing fees from loans other than loans described in Line 8. Connecticut loan servicing fees derived from loans not secured by real property include the total of such fees multiplied by the amount in Column A, Line 5 and divided by the amount in Column B, Line 5. Connecticut loan servicing fees also include fees for servicing such loans of another if the borrower is located in Connecticut. A borrower is located in Connecticut if it is engaged in a trade or business that maintains its commercial domicile in Connecticut or it is not engaged in a trade or business and its billing address is in Connecticut.

Line 10 - Enter income from investment assets and activities and trading assets and activities, including:

1. Interest;
2. Dividends;
3. Net gains (but not less than zero);
4. Investment securities;
5. Account assets;
6. Federal funds;
7. Securities purchased and sold under agreement to resell or repurchase;
8. Options;
9. Futures contracts;
10. Forward contracts;
11. Notional principal contracts (i.e. swaps, equities, foreign currency transactions);
12. Other income from investment assets and activities and trading assets and activities;
13. The amount by which interest from federal funds sold exceeds interest expense on federal funds purchased;
14. The amount by which securities purchased under resale agreements exceeds interest expenses on securities sold under repurchase agreements; **and**
15. The amount by which the interest, dividends, gains, and other income from trading assets and activities (including assets and activities in the matched book, in the arbitrage book, and foreign currency transactions) exceeds the amount paid in lieu of interest, the amount paid in lieu of dividends, and the losses from such assets and activities.

Connecticut income from investment assets and activities and trading assets and activities is calculated using either the **Average Value Method** or the **Gross Income Method**. The taxpayer may elect either method or the Commissioner may require either method in order to accurately reflect the business of the taxpayer in Connecticut. For both methods, a taxpayer shall have the burden of proving that an investment asset or activity is properly assigned to a regular place of business outside Connecticut.

• **Average Value Method:**

1. Connecticut income from investment assets and activities in the investment account is equal to the total income from such assets and activities multiplied by the average value of such assets properly assigned to a place of business in Connecticut and divided by the average value of all such assets.
2. Connecticut income from federal funds sold and purchased and from securities purchased under resale

agreement and securities sold under repurchase agreement is equal to the total income from such funds and securities multiplied by the average value of such funds and securities assigned to a regular place of business within Connecticut and divided by the average value of all such funds and securities.

3. Connecticut income from trading assets and activities (including assets and activities in the matched book, in the arbitrage book, and foreign currency transactions) is equal to the total income from such assets and activities multiplied by the average value of such trading assets assigned to a regular place of business within Connecticut and divided by the average value of all such assets. The average value of an asset, fund, or security is calculated by adding the value of the asset, fund, or security on the first day of the income year and the value of the asset, fund, or security on the last day of the income year and dividing that figure by two. Either the taxpayer or the Commissioner may determine Connecticut income by averaging the value of assets, funds, or securities on a more frequent basis.

- **Gross Income Method:**

1. Connecticut income from investment assets and activities in the investment account is equal to the total income from such assets and activities multiplied by the gross income from such assets which are properly assigned to a regular place of business of the taxpayer within Connecticut and divided by the total gross income from all such assets.
2. Connecticut income from federal funds sold and purchased and from securities purchased under resale agreement and securities sold under repurchase agreement is equal to the total income from such funds and securities multiplied by the gross income from such funds and securities assigned to a regular place of business within Connecticut and divided by the gross income from all such funds and securities.
3. Connecticut income from trading assets and activities (including assets and activities in the matched book, in the arbitrage book, and foreign currency transactions) is equal to the total income from such assets and activities multiplied by the gross income from such assets and activities assigned to a regular place of business within Connecticut and divided by the gross income from all such assets and activities. If the taxpayer uses the Gross Income Method then it must continue to use the Gross Income Method until it receives permission from the Commissioner to use the Average Value Method.

See *Worksheets A, B, and C* for additional assistance for Line 10.

Line 11 - Enter receipts for providing management, distribution, and administrative services performed on behalf of an investment entity, which includes a separate account of an insurance company, an investment partnership, a real estate investment trust, a real estate mortgage conduit, a financial asset securitization investment trust, or a similar investment entity which is exempt from, or not subject to, federal income tax. Connecticut receipts received from management, distribution, and administrative services performed on behalf of an investment entity are equal to the total amount of such receipts multiplied by the average value of the interests in the investment entity where the billing address of the owner is in Connecticut and divided by the average value of the total interests in the investment entity. The average value of such interests is calculated by adding the value of such interests on the first day of the income year and the value of such interests on the last day of the income year and dividing that total by two.

Line 12 - Enter receipts for providing management, distribution, and administrative services performed on behalf of a pension fund or retirement account, which generally means a fund, trust, plan, account, annuity, or contract established according to a federal or state statute which is designed to provide pension or retirement benefits. Connecticut receipts received from management, distribution, and administrative services performed on behalf of a pension fund or retirement account are equal to the total amount of such receipts multiplied by the average number of participants in such pension fund or retirement account with a billing address in Connecticut and divided by average number of total participants with an interest in such pension fund or retirement account. The average number of such participants is calculated by adding the number of participants on the first day of the income year and the number of participants on the last day of the income year and dividing that total by two.

Election: The taxpayer may elect to calculate its Connecticut receipts based on the average fair market value of the funds under management of the pension fund or retirement account in each income year allocated to the commercial domicile of the sponsor of the pension fund or retirement account (plus the fair market value of funds allocated to the billing address of the participant if there is no such sponsor.) The election shall be irrevocable for five years and shall be applicable to all receipts from management, distribution, or administrative services performed for any pension fund or retirement account.

Line 13 - Other receipts are included in Connecticut receipts if such other receipts are derived from a customer with a billing address in Connecticut. Otherwise, use Form CT-1120A.

Line 14 - Add Lines 1 through 13 in Column A and Column B, and enter the total.

Line 15 - Divide Line 14, Column A, by Line 14, Column B. Enter the result here and on **Form CT-1120**, *Corporation Business Tax Return, Schedule A*, Line 2.

Worksheet A - Total Income from Investment Assets and Activities and Trading Assets and Activities

1.	Interest.....	1.		00
2.	Dividends	2.		00
3.	Net gains (not less than zero)	3.		00
4.	Investment securities	4.		00
5.	Account assets	5.		00
6.	Federal funds	6.		00
7.	Securities purchased and sold under agreement to resell or repurchase	7.		00
8.	Options.....	8.		00
9.	Future contracts	9.		00
10.	Forward contracts	10.		00
11.	Notional principal contracts (swaps, equities, foreign currency transactions)	11.		00
12.	Other income from investment assets and activities and trading assets and activities	12.		00
13.	Amount by which interest from federal funds sold exceeds interest expense on federal funds purchased	13.		00
14.	Amount by which securities purchased under resale agreements exceeds interest on securities sold under repurchase agreements	14.		00
15.	Amount by which the interest, dividends, gains, and other income from trading assets and activities (including assets and activities in the matched book, in the arbitrage book, and foreign currency transactions) exceeds the amount paid in lieu of interest, the amount paid in lieu of dividends, and the losses from such assets and activities	15.		00
16.	Add Lines 1 through 15. Enter the total here and on Line 10, Column B, on the front of the return.	16.		00

Worksheet B - Determining Connecticut Receipts Under the Average Value Method

1.	Add Worksheet A, Lines 1 through 12.	1.		00
2.	Value of assets used to calculate income on Worksheet A, Lines 1 through 12, with a regular place of business in Connecticut on the first day of the income year	2.		00
3.	Value of assets used to calculate income on Worksheet A, Lines 1 through 12, with a regular place of business in Connecticut on the last day of the income year	3.		00
4.	Add Line 2 and Line 3.	4.		00
5.	Divide Line 4 by 2.	5.		00
6.	Value of total assets used to calculate income on Worksheet A, Lines 1 through 12, on the first day of the income year	6.		00
7.	Value of total assets used to calculate income on Worksheet A, Lines 1 through 12, on the last day of the income year	7.		00
8.	Add Line 6 and Line 7.	8.		00
9.	Divide Line 8 by 2.	9.		00
10.	Divide Line 5 by Line 9.	10.		00
11.	Multiply Line 1 by Line 10.	11.		00
12.	Add Worksheet A, Line 13 and Line 14.	12.		00
13.	Value of assets used to calculate income on Worksheet A, Line 13 and Line 14, with a regular place of business in Connecticut on the first day of the income year	13.		00
14.	Value of assets used to calculate income on Worksheet A, Line 13 and Line 14, with a regular place of business in Connecticut on the last day of the income year	14.		00
15.	Add Line 13 and Line 14.	15.		00
16.	Divide Line 15 by 2.	16.		00
17.	Value of total assets used to calculate income on Worksheet A, Line 13 and Line 14, on the first day of the income year	17.		00
18.	Value of total assets used to calculate income on Worksheet A, Line 13 and Line 14, on the last day of the income year	18.		00
19.	Add Line 17 and Line 18.	19.		00
20.	Divide Line 19 by 2.	20.		00
21.	Divide Line 16 by Line 20.	21.		00
22.	Multiply Line 12 by Line 21.	22.		00
23.	Enter the amount from Worksheet A, Line 15.	23.		00
24.	Value of assets used to calculate income on Worksheet A, Line 15, with a regular place of business in Connecticut on the first day of the income year	24.		00
25.	Value of assets used to calculate income on Worksheet A, Line 15, with a regular place of business in Connecticut on the last day of the income year	25.		00
26.	Add Line 24 and Line 25.	26.		00
27.	Divide Line 26 by 2.	27.		00
28.	Value of total assets used to calculate income on Worksheet A, Line 15, on the first day of the income year	28.		00
29.	Value of total assets used to calculate income on Worksheet A, Line 15, on the last day of the income year	29.		00
30.	Add Line 28 and Line 29.	30.		00
31.	Divide Line 30 by 2.	31.		00
32.	Divide Line 27 by Line 31.	32.		00
33.	Multiply Line 23 by Line 32.	33.		00
34.	Add Lines 11, 22, and 33. Enter the total here and on Line 10, Column A, on the front of the return if checking the <i>Average Value Method</i> box.	34.		00

Worksheet C - Determining Connecticut Receipts Under the Gross Income Method

1.	Add Worksheet A, Lines 1 through 12.	1.		00
2.	Gross income from the assets used to calculate income on Worksheet A, Lines 1 through 12, which are properly assigned to a regular place of business in Connecticut	2.		00
3.	Total gross income from the assets used to calculate income on Worksheet A, Lines 1 through 12	3.		00
4.	Divide Line 2 by Line 3.	4.		00
5.	Multiply Line 1 by Line 4.	5.		00
6.	Add Worksheet A, Line 13 and Line 14.	6.		00
7.	Gross income derived from assets used to calculate income on Worksheet A, Line 13 and Line 14, which are properly assigned to a regular place of business in Connecticut	7.		00
8.	Total gross income from the assets used to calculate income on Worksheet A, Line 13 and Line 14	8.		00
9.	Divide Line 7 by Line 8.	9.		00
10.	Multiply Line 6 by Line 9.	10.		00
11.	Enter the amount from Worksheet A, Line 15.	11.		00
12.	Gross income derived from assets used to calculate income on Worksheet A, Line 15 which are properly assigned to a regular place of business in Connecticut	12.		00
13.	Total gross income from the assets used to calculate income on Worksheet A, Line 15	13.		00
14.	Divide Line 12 by Line 13.	14.		00
15.	Multiply Line 11 by Line 14.	15.		00
16.	Add Lines 5, 10, and 15. Enter the total here and on Line 10, Column A, on the front of the return if checking the <i>Gross Income Method</i> box.	16.		00