

Sec. 12-717-4. Part-year residents: distributive or pro rata share of partners and S corporation shareholders

(a) **Partners.** Where an individual is a partner in a partnership and such individual changes resident status during the taxable year, the partner's distributive share of partnership income, gain, loss and deduction, and any modifications relating thereto described in § 12-715(a)-1 of Part VII, to be included in the determination of the numerator of the partner's Connecticut source fraction under § 12-700(c)-1 of this Part shall be the total of:

(1) the partner's distributive share of partnership income, gain, loss and deduction included in the partner's Connecticut adjusted gross income prorated to the partner's period of residence in accordance with the number of days such individual was a resident of Connecticut; and

(2) the partner's distributive share of partnership income, gain, loss and deduction included in the partner's Connecticut adjusted gross income prorated to the partner's period of nonresidence in accordance with the number of days such individual was a nonresident of Connecticut, but only to the extent such prorated amount of income, gain, loss and deduction is derived from or connected with Connecticut sources.

(3) Examples.

Example 1: D, an unmarried cash basis taxpayer, filed a 2001 federal income tax return on a calendar year basis and properly reported thereon federal adjusted gross income of \$50,000, \$40,000 of which was from the R Partnership, whose taxable year ended on December 31, 2001. The R Partnership carried on business both within and without Connecticut and 60% of its income, gain, loss and deduction for such year was derived from or connected with Connecticut sources. D was a resident of Connecticut from January 1, 2001 through July 31, 2001 and became a nonresident on August 1, 2001. The balance (\$10,000) of D's federal adjusted gross income was attributable to his period of nonresidence and was not derived from or connected with Connecticut sources. D's Connecticut adjusted gross income equals his federal adjusted gross income.

Based on the foregoing, D shall file a Connecticut part-year resident income tax return for the taxable year. D's tentative Connecticut income tax liability under § 12-700(c)-1, determined as if D were a resident, is \$1,932 (based on Connecticut adjusted gross income of \$50,000). The numerator of the Connecticut source fraction is the sum of (i) D's distributive share of partnership income, gain, loss and deduction included in his Connecticut adjusted gross income prorated to the period of D's residence in accordance with the number of days (212) D was a resident (\$40,000 multiplied by 212/365) and (ii) D's distributive share of partnership income, gain, loss and deduction included in his Connecticut adjusted gross income prorated to the period of D's nonresidence in accordance with the number of days (153) D was a nonresident, but only to the extent such prorated amount of income, gain, loss and deduction was derived from or connected with Connecticut sources (\$40,000 multiplied by 153/365 multiplied by 60%), and the denominator is D's Connecticut adjusted gross income (\$50,000). D's Connecticut income tax is \$1,286, determined by multiplying the tentative Connecticut income tax (\$1,932) by the Connecticut source fraction (\$33,293/\$50,000).

Example 2: Assume the same facts as in Example 1 except that the R partnership's taxable year ended on May 31, 2001 and E, an unmarried cash basis taxpayer who was also

a partner in the R Partnership and who filed a 2001 federal income tax return on a calendar year basis and properly reported thereon federal adjusted gross income of \$50,000, \$40,000 of which was from the R Partnership, was a nonresident of Connecticut from January 1, 2001 through September 30, 2001 and became a resident on October 1, 2001. The balance (\$10,000) of E's federal adjusted gross income was attributable to her period of nonresidence and was not derived from or connected with Connecticut sources. E's Connecticut adjusted gross income equals her federal adjusted gross income.

Based on the foregoing, E's tentative Connecticut income tax liability under § 12-700(c)-1, determined as if E were a resident, is the same as in Example 1 \$1,932. The denominator of the Connecticut source fraction is also the same as in Example 1 (Connecticut adjusted gross income of \$50,000). The numerator of the Connecticut source fraction is the sum of (i) E's distributive share of partnership income, gain, loss and deduction included in her Connecticut adjusted gross income prorated to the period of E's residence in accordance with the number of days (92) E was a resident (\$40,000 multiplied by 92/365) and (ii) E's distributive share of partnership income, gain, loss and deduction included in her Connecticut adjusted gross income prorated to the period of E's nonresidence in accordance with the number of days (273) E was a nonresident, but only to the extent such prorated amount of income, gain, loss and deduction was derived from or connected with Connecticut sources (\$40,000 multiplied by 273/365 multiplied by 60%). E's Connecticut income tax is \$1,083, determined by multiplying the tentative Connecticut income tax (\$1,932) by the Connecticut source fraction (\$28,033/\$50,000).

(b) **S corporation shareholders.** Where an individual is a shareholder of an S corporation and such individual changes resident status during the taxable year, the provisions of subsection (a) of this section apply with respect to such shareholder's pro rata share of S Corporation income, gain, loss and deduction, and any modifications relating thereto described in § 12-715(a)-2 of Part VII.

(c) **Part-year resident trusts.** The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual who is a partner or a shareholder of an S corporation, such reference shall be construed to include a part-year resident trust that is a partner or a shareholder of an S corporation, and any reference to an individual's Connecticut adjusted gross income and Connecticut adjusted gross income derived from or connected with Connecticut sources shall be construed to include a trust's Connecticut taxable income and Connecticut taxable income derived from or connected with Connecticut sources, respectively.

(d) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994; Amended June 29, 2001)

Notes: Full section history for 2002 amendment reads as follows: "Amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002." Abbreviated note in section history inserted 11/4/2014 as a result of automated publishing restrictions. (November 4, 2014)