

Sec. 12-715(a)-1. Modification of partnership items in partner's income tax return

(a) In determining the Connecticut adjusted gross income of a resident partner, any of the modifications referred to in §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I that relate to a partnership item of income, gain, loss or deduction shall be made with respect to the distributive share of the partner in such item as determined for federal income tax purposes. Such modification, if applicable, shall be made regardless of whether, in the partner's federal income tax return, the partnership item is reflected in such partner's distributive share of partnership taxable income or loss reported in accordance with section 702(a)(8) of the Internal Revenue Code or is one of the items separately reported under the other subparagraphs of such section 702(a).

(b) In determining Connecticut adjusted gross income, a resident partner shall combine the modifications relating to such partner's share of any partnership item with the modification relating to any similar item from sources other than the partnership. For example, if some of the partnership income is derived from interest on bonds of another state, not subject to federal income tax, and if the individual income of a resident partner also includes similar bond interest, such partner shall add to federal adjusted gross income both the distributive share of the partnership income from such bonds and the interest from similar bonds that such partner received individually rather than from the partnership.

(c) The amount of any modification to be made by a partner with respect to a partnership item of income, gain, loss or deduction is to be determined as follows:

(1) If a modification relates to any item subject to special allocation among the partners under the partnership agreement, which item is therefore accounted for separately for federal income tax purposes, the amount of each partner's share of the modification is determined by such partner's distributive share of such item for federal income tax purposes.

(2) If a modification relates to an item that is included in computing the partnership's taxable income or loss generally (i.e., that portion of federal adjusted gross income described in section 702(a)(8) of the Internal Revenue Code), other than an item subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification relating to that item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership required to be reported in accordance with said section 702(a)(8).

(3) If a modification relates to an item that is not taken into account for federal income tax purposes (such as interest income on bonds of other states) and such item is not one which is subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification in respect to such an item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership described in section 702(a)(8) of the Internal Revenue Code.

(4) If a modification relates to an item that is not taken into account for federal income tax purposes (such as interest income on bonds of other states) and such item is one which is subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification in respect to such an item is determined by the allocation provided for in the

partnership agreement.

(d) The modifications covered by this section do not apply to any item attributable to the partner directly and not reflected on the Connecticut partnership informational return (Form CT-1065), such as a gain that the partner realizes on the sale of the partnership interest.

(e) While this section pertains to Section 12-715(a) 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 12-740(a) of the general statutes.

(Effective November 18, 1994)