

**Sec. 12-722(d)(2)-1. Annualized income installments**

(a) A taxpayer may use the annualized income installment method if the taxpayer's income fluctuates throughout the year due to, for example, the operation of a seasonal business. A taxpayer also may use the annualized income installment method if it becomes apparent during the year that the taxpayer overestimated Connecticut taxable income at the time the taxpayer paid any prior installment of estimated income tax. Using the annualized income installment method may enable the taxpayer to reduce the amount of, or eliminate, one or more required installments. To use the annualized income installment method, the taxpayer should establish, by completing a Form CT-2210 (and the annualized income installment schedule thereto) and attaching such form to the Connecticut income tax return for the taxable year, that, in the case of any required installment, the annualized income installment is less than the required installment, as determined under subdivision (1) of subsection (d) of Section 12-722 of the general statutes. A taxpayer who uses the annualized income installment method for any installment due date shall use it for all installment due dates.

(b) In the case of any required installment, the annualized income installment is the excess, if any, of an amount equal to the applicable percentage of the tax for the taxable year on the annualized Connecticut taxable income for months in the taxable year ending before the due date for the installment, over the aggregate amount of any prior required installments for months in the taxable year ending before the due date for the installment. Such prior required installments shall include, in accordance with subsection (k) of section 12-722 of the General Statutes, any tax withheld under chapter 229 of the General Statutes. Where the annualized income installment is less than any required installment, any reduction in such required installment resulting from the application of subdivision (2) of subsection (d) of section 12-722 of the General Statutes shall be recaptured by increasing the amount of the next required installment by the amount of such reduction and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under such subdivision.

(c) **Example:** A is an unmarried resident individual whose 1992 Connecticut taxable income was \$50,000. The tax shown on A's 1992 Form CT-1040 was \$2249. A's 1992 taxable year was a taxable year of twelve months.

**First Required Installment.** By the end of the third month of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$15,000. On the basis of A's Connecticut taxable income during the first three months of his 1993 taxable year (\$15,000), A's annualized income is \$60,000 (\$15,000 multiplied by the annualization factor of 4). Therefore, when the first required installment for A's 1993 taxable year is due, the tax that will be shown on A's 1993 Form CT-1040, based on A's projected 1993 Connecticut taxable income of \$60,000, is \$2699. Accordingly, A's required annual payment is the lesser of:

- \$2249, which is 100% of the tax shown on A's 1992 Form CT-1040, or
- \$2429, which is 90% of the tax that will be shown on A's 1993 Form CT-1040 (\$2699), based on A's projected 1993 Connecticut taxable income of \$60,000.

Therefore, A's required annual payment is \$2249. The amount that A shall pay for the first required installment is \$562 (25% of \$2249).

**Second Required Installment.** By the end of the fifth month of A's 1993 taxable year, A

has Connecticut taxable income in the amount of \$20,000 and decides to use the annualized income installment method. On the basis of A's Connecticut taxable income during the first five months of his 1993 taxable year (\$20,000), A's annualized income is \$48,000 (\$20,000 multiplied by the annualization factor of 2.4). The tax on such annualized income is \$1943. The amount that A shall pay for the second required installment is the lesser of:

- \$562, which is 25% of A's required annual payment of \$2249, or
- \$312, which is the tax on the annualized income (\$1943) multiplied by the applicable percentage (0.45), from which product (\$874) is subtracted the amount of the prior required installment for the taxable year (\$562).

The amount that A shall pay for the second required installment is \$312. The amount that shall be recaptured in subsequent required installments is \$250, which is the amount by which the required installment (\$562) is reduced by using the annualized income installment method (\$312).

**Third Required Installment.** By the end of the eighth month of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$25,000. Because A paid the tax on his annualized income for the second installment, he shall compute the annualized income installment for his third installment. On the basis of A's Connecticut taxable income during the first eight months of his taxable year (\$25,000), A's annualized income is \$37,500 (\$25,000 multiplied by the annualization factor of 1.5). The tax on such annualized income is \$1518. The amount that A shall pay for the third required installment is the lesser of:

- \$812, which is the sum of \$562 (25% of A's required annual payment of \$2249) plus \$250 (the recaptured reduction in the preceding required installment resulting from annualization), or
- \$150, which is the tax on the annualized income amount (\$1518) multiplied by the applicable percentage (0.675), from which product (\$1024) is subtracted the aggregate amount of any prior required installments for the taxable year (\$874).

The amount that A shall pay for the third required installment is \$150. The amount that shall be recaptured in subsequent required installment is \$662, which is the amount by which the required installment (\$812) is reduced by using the annualized income installment method (\$150).

**Fourth Required Installment.** At the end of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$75,000. Because A paid the tax on his annualized income for the third installment, he shall compute the annualized income installment for his fourth installment. A's total Connecticut taxable income for the year (\$75,000) is the same as his annualized income (\$75,000 multiplied by the annualization factor of 1). The tax on \$75,000 is \$3374. The amount that A shall pay for the fourth required installment is the lesser of:

- \$1224, which is the sum of \$562 (25% of A's required annual payment of \$2249) plus \$662 (the recaptured reduction in the preceding required installment resulting from annualization), or
- \$2013, which is the tax on the annualized income amount (\$3374) multiplied by the applicable percentage (0.9), from which product (\$3037) is subtracted the aggregate amount of any prior required installments for the taxable year (\$1024).

The amount that A shall pay for the fourth installment is \$1224.

If A makes four timely installments in the amounts required, a is not subject to an addition

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to tax for his 1993 taxable year, and shall pay the balance of tax due (\$1126) on or before the fifteenth day of the fourth month following the close of A's 1993 taxable year.

(d) While this section pertains to Section 12-722(d) 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.

(Adopted effective February 10, 2004)