

**Sec. 12-705(a)-3. Certain supplemental compensation**

(a) **Supplemental compensation.** “Supplemental compensation” includes bonuses, commissions and overtime pay, paid at the same or a different time as ordinary wages.

(1) When supplemental compensation is paid at the same time as regular wages, the amount of the tax required to be withheld is determined as if the total of the supplemental and regular wages were a single payment for the regular payroll period. For example, if an employee worked overtime hours during a pay period, the employer shall combine the employee’s regular pay and overtime pay in computing the tax to be withheld.

(2) When supplemental compensation is paid at a different time than regular wages, the method of withholding to be used depends on whether the employer withheld income tax from the employee’s regular wages:

(A) If the employer did not withhold from the regular wages, the regular and supplemental compensation shall be added together and the tax computed on the total amount.

(B) If the employer did withhold from the regular wages, the employer shall compute the tax on the combined regular and supplemental compensation, with the tax to be withheld from the supplemental compensation to be the difference between the tax so computed less the tax withheld from regular wages.

(b) **Supplemental unemployment compensation benefits.** Withholding of Connecticut income tax is required with respect to payments of supplemental unemployment compensation benefits paid to an individual to the extent of the amount considered to be wages for federal income tax withholding purposes. Where wages are only partially subject to withholding of Connecticut income tax because a nonresident employee performs services within and without Connecticut, supplemental unemployment compensation benefits paid to such individual are subject to Connecticut income tax withholding to the same extent, in accordance with § 12-705(a)-6 of this Part.

(c) **Wages paid by the United States to members of the armed forces.** Connecticut income tax withholding does not apply to payments by the United States to nonresident military personnel stationed or performing services for the United States armed forces in Connecticut.

(d) **Wages exempt from federal income tax withholding.** Connecticut income tax withholding is not required on any compensation paid to an employee which is exempt from federal income tax withholding (see Internal Revenue Service Circular E, Employer’s Tax Guide).

(e) **Claims for wages under 11 U.S.C. § 507(a)(3).** To the extent that the payment of an allowed priority claim under 11 U.S.C. § 507(a)(3) is treated as a “payment of wages” under section 3402(a)(1) of the Internal Revenue Code by a person who or which is treated as an “employer” under section 3401(d) of the Internal Revenue Code, and the wages are Connecticut wages, as defined in § 12-706(b)-1, such person shall be required to (1) withhold Connecticut income tax from such payment at the highest effective rate of withholding, (2) furnish the wage and tax statement, as described in § 12-706(b)-1, to each claimant and the “state copy” thereof to the Department, and (3) file a quarterly withholding tax return (Form CT-941) and the annual reconciliation return (Form CT-W3) with the Department. This regulation shall not be construed as limiting the generality of the

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provisions of this Part, or limiting the applicability of such provisions to persons treated as “employers” under section 3401(d) of the Internal Revenue Code.

(f) While this section pertains to Section 12-705(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 12-705(c) of the general statutes.

(Effective November 18, 1994)