

**Sec. 12-708-6. Accounting methods**

(a) A person shall employ the same method of accounting in determining Connecticut taxable income as such person uses for federal income tax purposes (except as provided in Part III for the special accruals required of certain part-year residents). The term “method of accounting” refers not only to the overall method of accounting (such as cash or accrual), but also to the accounting treatment of particular items of income, gain, loss or deduction.

(b)

(1) In the event a person does not have a federal method of accounting, Connecticut taxable income shall be computed on the accounting basis regularly used in keeping such person’s books. If such a method does not clearly reflect income, the computation of taxable income shall be made in a manner which, in the opinion of the Commissioner, clearly reflects such person’s income.

(2) A method of accounting which consistently applies generally accepted accounting principles in a particular trade or business, in accordance with recognized conditions or practices, shall ordinarily be regarded as clearly reflecting income, provided all items of income, gain, loss and deduction are treated consistently from year to year.

(3) A person may compute Connecticut taxable income under any method of accounting which is permissible and allowed for such income for federal income tax purposes, e.g. cash, accrual, installment or long-term contract basis, or any combination thereof which clearly reflects income (see section 446 of the Internal Revenue Code and regulations thereunder).

(c) While this section pertains to Section 12-708 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)