Income/Franchise:
Connecticut: New Law Extends NOL Carryforward Period and Creates Deduction for Shift to Combined Reporting

H.B. 5524, signed by gov. 5/22/24. Recently enacted legislation extends the state corporation business tax net operating loss (NOL) carryforward period from 20 to 30 income years, applicable for NOLs incurred in income years starting on or after January 1, 2025. Effective January 1, 2025, the legislation also permits certain combined groups meeting specified qualifications to deduct, over a 30-year period, the amount necessary to offset the increase in the valuation allowance against NOLs and tax credits in Connecticut that resulted from Connecticut's shift to combined reporting, which was first implemented in Connecticut in the 2016 income year. Specifically, for a 30-year period beginning with the 2026 income year, the bill allows eligible combined groups to take a corporation business tax deduction equal to 1/30th of the amount necessary to offset the increase in the valuation allowance against NOLs and tax credits in Connecticut that resulted from Connecticut's shift to combined reporting. Under the bill, a "valuation allowance" is the portion of a deferred tax asset for which it is likely that a tax benefit will not be realized, as determined under generally accepted accounting principles (GAAP). The bill requires any combined group that intends to claim this deduction to file a statement with Connecticut Department of Revenue Services by July 1, 2025, specifying the total deduction amount. Please contact us with any questions.
URL: https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&which_year=2024&bill_num=5524

— Jack Lutz (Hartford)
Managing Director
Deloitte Tax LLP
jacklutz@deloitte.com

Maura Bakoulis (Hartford)
Senior Manager
Deloitte Tax LLP
mbakoulis@deloitte.com