



This Week in State Tax (TWIST)

June 10, 2024



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Connecticut: Loss Carryforward Period Extended; FAS 109 Deduction Modified

House Bill 5524, which was enacted on June 6, 2024, makes a couple of changes to the Connecticut Corporate Business Tax. Currently, the state has a 20-year operating loss carryforward period. For operating losses incurred in income years commencing on or after January 1, 2025, losses may be carried forward for thirty income years. When Connecticut moved to unitary combined reporting, the General Assembly adopted a deduction for publicly traded corporations that experienced an increase in their net deferred tax liability or an aggregate decrease their net deferred tax assets, or an aggregate change from a net deferred tax asset to a net deferred tax liability, referred to as the "FAS 109 deduction." The deduction began in 2021 and was spread out over a 30-year period. Under House Bill 5524, a new deduction is allowed for certain combined groups that did not include the impact of any valuation allowance arising from the move to combined reporting when the group initially calculated the FAS 109 deduction. Specifically, if enactment of combined reporting resulted in an aggregate decrease in the amount of net operating losses or tax credits a combined group's members may realize in Connecticut and a valuation allowance was reported as a result, the combined group will be entitled to a new deduction. "Valuation allowance" means the portion of a deferred tax asset for which it is more likely than not that a tax benefit will not be realized. This deduction is available for a 30-year period, beginning with the combined group's first income year that begins in 2026. Any combined group intending to claim this deduction must file a statement with the Commissioner of Revenue Services on or before July 1, 2025, specifying the total amount of the deduction the combined group claims. If you have any questions, please contact [Michael Rylant](#).

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