

CHAPTER 229

INCOME TAX

Sec. 12-711. Determination of income, gain, loss and deduction derived from or connected with sources within this state.

(a) The income of a nonresident natural person derived from or connected with sources within this state shall be the sum of the net amount of items of income, gain, loss and deduction entering into his or her Connecticut adjusted gross income for the taxable year, derived from or connected with sources within this state, including: (1) His or her distributive share of partnership income, gain, loss and deduction, determined under section 12-712; (2) his or her pro rata share of S corporation income, gain, loss and deduction, determined under section 12-712; (3) his or her share of estate or trust income, gain, loss and deduction, determined under section 12-714; and (4) his or her compensation from nonqualified deferred compensation plans attributable to services performed within the state, including, but not limited to, compensation required to be included in federal gross income under Section 457A of the Internal Revenue Code.

(b) (1) Items of income, gain, loss and deduction derived from or connected with sources within this state shall be those items attributable to: (A) The ownership or disposition of any interest in real property in this state or tangible personal property in this state, as determined pursuant to subdivision (5) of this subsection; (B) a business, trade, profession or occupation carried on in this state; (C) in the case of a shareholder of an S corporation, the ownership of shares issued by such corporation, to the extent determined under section 12-712; or (D) winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds from such wager are required, under the Internal Revenue Code or regulations adopted thereunder, to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service.

(2) Income from intangible personal property, including annuities, dividends, interest and gains from the disposition of intangible personal property, shall constitute income derived from sources within this state only to the extent that such income is from (A) property employed in a business, trade, profession or occupation carried on in this state, or (B) winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds from such wager are required, under the Internal Revenue Code or regulations adopted thereunder, to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service.

(3) Deductions with respect to capital losses and net operating losses shall be based solely on income, gain, loss and deduction derived from or connected with sources within this state, under regulations adopted by the commissioner, but otherwise shall be determined in the same manner as the corresponding federal deductions.

(4) Income directly or indirectly derived by an athlete, entertainer or performing artist from closed-circuit and cable television transmissions of an event, other than events occurring on a regularly scheduled basis, taking place within this state as a result of the rendition of services by such athlete, entertainer or performing artist shall constitute income derived from or connected with sources within this state only to the extent that such transmissions were received or exhibited within this state.

(5) For purposes of subparagraph (A) of subdivision (1) of this subsection, “real property in this state” includes an interest in an entity, and “entity” means a partnership, limited liability company or S corporation that owns real property that is located within this state and has a fair market value that equals or exceeds fifty per cent of all the assets of the entity on the date of sale or disposition by a nonresident natural person of such person’s interest in the entity. Only those assets that the entity owned for at least two years prior to the date of the sale or disposition of the person’s interest in the entity shall be used in determining the fair market value of all the assets of the entity on the date of such sale or disposition. The gain or loss derived from Connecticut sources from such person’s sale or disposition of an interest in such entity is the total gain or loss for federal income tax purposes from such sale or disposition multiplied by a fraction, the numerator of which is the fair market value of all real property located in this state owned by the entity on the date of such sale or disposition, and the denominator of which is the fair market value of all the assets of the entity on the date of such sale or disposition.