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Administrative Dissolution and Revocation of Authority to do Business - The New Penalty in Connecticut for Failing to File Your Annual Report

Pursuant to recently enacted Public Act 14-154, all entities domiciled in Connecticut that fail to file an annual report with the Secretary of the State on a timely basis face potential administrative dissolution. Entities covered by the new law include Connecticut corporations,[1] non-stock corporations,[2] LLCs[3] and limited partnerships[4]. In addition, foreign entities qualified to do business in the state can lose their authority to do business in Connecticut. Connecticut law states that a covered entity that fails to timely file its annual report shall be in default.[5] Under the current law, the Secretary of the State will not provide an entity that is in default with a Certificate of Good Standing, but the entity will still be able to carry on business. [6] Effective January 2015, that situation will be eliminated.

Under the new law, if a corporation, LLC, or limited partnership domiciled in Connecticut is more than one year in default[7] of filing its annual report, the Secretary of the State may notify the entity that it will be dissolved.[8] The notified domestic entity will then have three months to file an annual report to avoid administrative dissolution. [9] An administratively dissolved entity is prohibited from carrying on business other than what is necessary to “wind up and liquidate its business and affairs” and “notify claimants.”[10]

It is possible, but costly, to reinstate an entity once it has been administratively dissolved.[11] Reinstatement requires an entity to: file an annual report; pay a reinstatement fee in addition to any penalties or forfeitures incurred by the corporation; appoint a registered agent; and obtain official proof that all corporate taxes were paid (if the entity is a corporation).[12] In addition, an entity that is administratively dissolved may lose rights to its original name before reinstatement.[13]

The new law also is more stringent for foreign qualified entities authorized to do business in Connecticut. If a foreign qualified entity fails to timely file its annual report, the Secretary of the State may immediately notify the entity that it intends to revoke that entity’s authority to do business in Connecticut.[14] Foreign corporations have ninety days to file an annual report to avoid such revocation. [15] Foreign limited partnerships and LLCs have only twenty days from notification to file an annual report.[16] Reinstatement is not an option for foreign entities. Rather, the foreign entity must requalify to do business in Connecticut.

If this law sounds familiar to you, it is because until 1997 Connecticut General Statutes § 33-890(b) subjected a corporation that was delinquent in its annual report

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filing to compulsory dissolution. The advice then was the same as it is now; if you value the existence and good standing of your company, you should file your annual report on time.

[1] Public Act 2014, No. 14-154, § 2

[2] Public Act 2014, No. 14-154, § 7

[3] Public Act 2014, No. 14-154, § 18

[4] Public Act 2014, No. 14-154, § 12

[5] Conn. Gen. Sta. § 33-954.

[6] Marilyn J. Ward Ford, *Connecticut Corporation Law and Practice*, 3-28, (Aspen Publishers Inc., 2005 supplement, 2005).

[7] Non-stock corporations must be in default for two years under the law. Public Act 2014, No. 14-154, § 7.

[8] Public Act 2014, No. 14-154, §§ 2; 7; 12; 18

[9] *Id.*

[10] Conn. Gen. Stat. §§ 33-891(a); 33-1182; 34-216

[11] Conn. Gen. Stat. §§ 33-892; 33-1183; 34-216; 34-32c

[12] *Id.*

[13] *Id.*

[14] Public Act 2014, No. 14-154, §§ 4; 5; 9; 10; 15; 20

[15] Public Act 2014, No. 14-154, §§ 4; 5; 9; 10

[16] Public Act 2014, No. 14-154, §§ 15; 20

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