



General Assembly

February Session, 2000

**Raised Bill No. 563**

LCO No. 2335

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

***An Act Concerning Treatment Of Holocaust Reparations In  
Determining Income For Tax And Other Purposes.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (20) of subsection (a) of section 12-701 of the  
2 general statutes, as amended by section 1 of public act 99-173, is  
3 repealed and the following is substituted in lieu thereof:

4 (20) "Connecticut adjusted gross income" means adjusted gross  
5 income, with the following modifications:

6 (A) There shall be added thereto (i) to the extent not properly  
7 includable in gross income for federal income tax purposes, any  
8 interest income from obligations issued by or on behalf of any state,  
9 political subdivision thereof, or public instrumentality, state or local  
10 authority, district or similar public entity, exclusive of such income  
11 from obligations issued by or on behalf of the state of Connecticut, any  
12 political subdivision thereof, or public instrumentality, state or local  
13 authority, district or similar public entity created under the laws of the  
14 state of Connecticut and exclusive of any such income with respect to  
15 which taxation by any state is prohibited by federal law, (ii) any

16 exempt-interest dividends, as defined in Section 852(b)(5) of the  
17 Internal Revenue Code, exclusive of such exempt-interest dividends  
18 derived from obligations issued by or on behalf of the state of  
19 Connecticut, any political subdivision thereof, or public  
20 instrumentality, state or local authority, district or similar public entity  
21 created under the laws of the state of Connecticut and exclusive of  
22 such exempt-interest dividends derived from obligations, the income  
23 with respect to which taxation by any state is prohibited by federal  
24 law, (iii) any interest or dividend income on obligations or securities of  
25 any authority, commission or instrumentality of the United States  
26 which federal law exempts from federal income tax but does not  
27 exempt from state income taxes, (iv) to the extent included in gross  
28 income for federal income tax purposes for the taxable year, the total  
29 taxable amount of a lump sum distribution for the taxable year  
30 deductible from such gross income in calculating federal adjusted  
31 gross income, (v) to the extent properly includable in determining the  
32 net gain or loss from the sale or other disposition of capital assets for  
33 federal income tax purposes, any loss from the sale or exchange of  
34 obligations issued by or on behalf of the state of Connecticut, any  
35 political subdivision thereof, or public instrumentality, state or local  
36 authority, district or similar public entity created under the laws of the  
37 state of Connecticut, in the income year such loss was recognized, (vi)  
38 to the extent deductible in determining federal adjusted gross income,  
39 any income taxes imposed by this state, (vii) to the extent deductible in  
40 determining federal adjusted gross income, any interest on  
41 indebtedness incurred or continued to purchase or carry obligations or  
42 securities the interest on which is exempt from tax under this chapter  
43 and (viii) expenses paid or incurred during the taxable year for the  
44 production or collection of income which is exempt from taxation  
45 under this chapter or the management, conservation or maintenance of  
46 property held for the production of such income, and the amortizable  
47 bond premium for the taxable year on any bond the interest on which  
48 is exempt from tax under this chapter to the extent that such expenses  
49 and premiums are deductible in determining federal adjusted gross

50 income.

51 (B) There shall be subtracted therefrom (i) to the extent properly  
52 includable in gross income for federal income tax purposes, any  
53 income with respect to which taxation by any state is prohibited by  
54 federal law, (ii) to the extent allowable under section 12-718, exempt  
55 dividends paid by a regulated investment company, (iii) the amount of  
56 any refund or credit for overpayment of income taxes imposed by this  
57 state, or any other state of the United States or a political subdivision  
58 thereof, or the District of Columbia or any province of Canada, to the  
59 extent properly includable in gross income for federal income tax  
60 purposes, (iv) to the extent properly includable in gross income for  
61 federal income tax purposes, any tier 1 railroad retirement benefits, (v)  
62 with respect to any natural person who is a shareholder of an S  
63 corporation which is carrying on, or which has the right to carry on,  
64 business in this state, as said term is used in section 12-214, the amount  
65 of such shareholder's pro rata share of such corporation's  
66 nonseparately computed items, as defined in Section 1366 of the  
67 Internal Revenue Code, that is subject to tax under chapter 208, in  
68 accordance with subsection (c) of section 12-217, multiplied by such  
69 corporation's apportionment fraction, if any, as determined in  
70 accordance with section 12-218, (vi) to the extent properly includable  
71 in gross income for federal income tax purposes, any interest income  
72 from obligations issued by or on behalf of the state of Connecticut, any  
73 political subdivision thereof, or public instrumentality, state or local  
74 authority, district or similar public entity created under the laws of the  
75 state of Connecticut, (vii) to the extent properly includable in  
76 determining the net gain or loss from the sale or other disposition of  
77 capital assets for federal income tax purposes, any gain from the sale  
78 or exchange of obligations issued by or on behalf of the state of  
79 Connecticut, any political subdivision thereof, or public  
80 instrumentality, state or local authority, district or similar public entity  
81 created under the laws of the state of Connecticut, in the income year  
82 such gain was recognized, (viii) any interest on indebtedness incurred  
83 or continued to purchase or carry obligations or securities the interest

84 on which is subject to tax under this chapter but exempt from federal  
85 income tax, to the extent that such interest on indebtedness is not  
86 deductible in determining federal adjusted gross income and is  
87 attributable to a trade or business carried on by such individual, (ix)  
88 ordinary and necessary expenses paid or incurred during the taxable  
89 year for the production or collection of income which is subject to  
90 taxation under this chapter but exempt from federal income tax, or the  
91 management, conservation or maintenance of property held for the  
92 production of such income, and the amortizable bond premium for the  
93 taxable year on any bond the interest on which is subject to tax under  
94 this chapter but exempt from federal income tax, to the extent that  
95 such expenses and premiums are not deductible in determining federal  
96 adjusted gross income and are attributable to a trade or business  
97 carried on by such individual, (x) for a person who files a return under  
98 the federal income tax as an unmarried individual, or a married  
99 individual filing separately whose federal adjusted gross income for  
100 such taxable year is less than fifty thousand dollars and for a husband  
101 and wife who file a return under federal income tax as married  
102 individuals filing jointly or a person who files under federal income  
103 tax as a head of household whose federal adjusted gross income for  
104 such taxable year is less than sixty thousand dollars, an amount equal  
105 to the Social Security benefits includable for federal income tax  
106 purposes; for a person who files a return under the federal income tax  
107 as an unmarried individual, or a married individual filing separately  
108 whose federal adjusted gross income for such taxable year is fifty  
109 thousand dollars or more and for a husband and wife who file a  
110 return under federal income tax as married individuals filing jointly or  
111 a person who files under federal income tax as a head of household  
112 whose federal adjusted gross income for such taxable year is sixty  
113 thousand dollars or more an amount equal to the difference between  
114 the amount of Social Security benefits includable for federal income tax  
115 purposes under the provisions of Section 13215 of the Omnibus Budget  
116 Reconciliation Act of 1993 and fifty per cent of the amount of such  
117 Social Security benefits includable for federal income tax purposes

118 under the provisions of the Internal Revenue Code of 1986, or any  
119 subsequent corresponding internal revenue code of the United States,  
120 as from time to time amended, prior to August 10, 1993, (xi) to the  
121 extent properly includable in gross income for federal income tax  
122 purposes, any amount rebated to a taxpayer pursuant to section  
123 12-746, [and] (xii) to the extent properly includable in the gross income  
124 for federal income tax purposes of a designated beneficiary, any  
125 distribution to such beneficiary from any qualified state tuition  
126 program, as defined in Section 529(b) of the Internal Revenue Code,  
127 established and maintained by this state or any official, agency or  
128 instrumentality of the state, and (xiii) to the extent not excludable from  
129 gross income for federal income tax purposes, in the case of an eligible  
130 individual, any Holocaust victims' settlement payment. For purposes  
131 of this subparagraph, "eligible individual" means a person who was  
132 persecuted for racial or religious reasons by Nazi Germany or any  
133 other Axis regime, or an heir of such person; "Holocaust claim" means  
134 a claim made by an eligible individual for any injury incurred by such  
135 individual as a result of persecution for racial or religious reasons by  
136 Nazi Germany or any other Axis regime; and "Holocaust victims'  
137 settlement payment" means any amount received (I) as a result of  
138 settlement of the action entitled "In re Holocaust Victims' Asset  
139 Litigation", (E.D. NY), C.A. No. 96-4849, (II) under the German Act  
140 Regulating Unresolved Property Claims or any other foreign law  
141 providing for payments for Holocaust claims, or (III) as a result of the  
142 settlement of any other Holocaust claim, including, but not limited to,  
143 an insurance claim, a claim relating to looted art or financial assets,  
144 and a claim relating to slave labor wages.

145 (C) With respect to a person who is the beneficiary of a trust or  
146 estate, there shall be added or subtracted, as the case may be, from  
147 adjusted gross income such person's share, as determined under  
148 section 12-714, in the Connecticut fiduciary adjustment.

149 Sec. 2. (NEW) Any Holocaust victims' settlement payment to an  
150 eligible individual shall be excluded from any calculation of income

151 for purposes of determining the eligibility of such individual for any  
152 social or human services program under title 17a or 17b of the general  
153 statutes or the program of property tax relief under section 12-170aa of  
154 the general statutes. For purposes of this section, "eligible individual"  
155 means a person who was persecuted for racial or religious reasons by  
156 Nazi Germany or any other Axis regime, or an heir of such person;  
157 "Holocaust claim" means a claim made by an eligible individual for  
158 any injury incurred by such individual as a result of persecution for  
159 racial or religious reasons by Nazi Germany or any other Axis regime;  
160 and "Holocaust victims' settlement payment" means any amount  
161 received (A) as a result of settlement of the action entitled "In re  
162 Holocaust Victims' Asset Litigation", (E.D. NY), C.A. No. 96-4849, (B)  
163 under the German Act Regulating Unresolved Property Claims or any  
164 other foreign law providing for payments for Holocaust claims, or (C)  
165 as a result of the settlement of any other Holocaust claim, including,  
166 but not limited to, an insurance claim, a claim relating to looted art or  
167 financial assets, and a claim relating to slave labor wages.

168 Sec. 3. This act shall take effect from its passage and section 1 shall  
169 be applicable to any income year of a taxpayer and section 2 shall be  
170 applicable to any application for state assistance pending on or after  
171 said date.

***Statement of Purpose:***

To exempt from the state income tax any payments to survivors of various human rights abuses during World War II and to exclude such payments in calculating eligibility for means-tested human services programs.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*