



General Assembly

Substitute Bill No. 563

February Session, 2000

***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3 repealed and the following is substituted in lieu thereof: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 properly includable
129 in gross income for federal income tax purposes, the amount of any
130 Holocaust victims' settlement payment received in the taxable year by
131 a Holocaust victim.

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

136 Sec. 2. Subsection (a) of section 12-701 of the general statutes is
137 amended by adding subdivisions (35) and (36) as follows:

138 (NEW) (35) "Holocaust victim settlement payment" means a
139 payment received: (A) As a result of a settlement of the action entitled
140 In re Holocaust Victims' Asset Litigation, C.A. No. 96-4849, in the
141 United States District Court for the Eastern District of New York; (B)
142 under the German act regulating unresolved property claims, also
143 known as Gesetz zur Regelung offener Vermögensfragen, or any other
144 foreign law providing payments for Holocaust claims; or (C) as a result
145 of the settlement of any other Holocaust claim, including insurance
146 claims, claims relating to looted art, claims relating to looted financial
147 assets, or claims relating to slave labor wages. "Holocaust victim
148 settlement payment" includes any interest on any such payment
149 accumulated or accrued through the date of payment. "Holocaust
150 victim settlement payment" does not include any amount received
151 from any asset acquired with any asset recovered, returned, or
152 otherwise given as compensation to a Holocaust victim as a Holocaust
153 victim settlement payment or with the proceeds from the sale of any
154 asset recovered, returned, or otherwise given as compensation to a
155 Holocaust victim as a Holocaust victim settlement payment.

156 (NEW) (36) "Holocaust victim" means an individual who died or
157 lost property as a result of discriminatory laws, policies or actions
158 targeted against discrete groups of individuals based on race, religion,
159 ethnicity, sexual orientation or national origin, whether or not the
160 individual was actually a member of any of those groups, or because
161 the individual assisted or allegedly assisted any of those groups,
162 between January 1, 1929, and December 31, 1945, in the country of
163 Nazi Germany, areas occupied by Nazi Germany, those European
164 countries allied with Nazi Germany, areas occupied by those European
165 countries allied with Nazi Germany or any other neutral European
166 country or area in Europe under the influence or threat of invasion by
167 Nazi Germany or by any European country allied with or occupied by
168 Nazi Germany. "Holocaust victim" includes the spouse or descendant
169 of a Holocaust victim.

170 Sec. 3. Subdivision (24) of subsection (a) of section 12-701 of the
171 general statutes, as amended by this act, is repealed and the following
172 is substituted in lieu thereof:

173 (24) "Adjusted federal tentative minimum tax" of an individual
174 means such individual's federal tentative minimum tax or, in the case
175 of an individual whose Connecticut adjusted gross income includes
176 modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),
177 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section,
178 as amended by this act, or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),
179 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of
180 subsection (a) of this section, as amended by this act, the amount that
181 would have been the federal tentative minimum tax if such tax were
182 calculated by including, to the extent not includable in federal
183 alternative minimum taxable income, the modifications described in
184 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of
185 subdivision (20) of subsection (a) of this section, by excluding, to the
186 extent includable in federal alternative minimum taxable income, the
187 modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),
188 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of
189 subsection (a) of this section, as amended by this act, and by excluding,

190 to the extent includable in federal alternative minimum taxable
191 income, the amount of any interest income or exempt-interest
192 dividends, as defined in Section 852(b)(5) of the Internal Revenue
193 Code, from obligations that are issued by or on behalf of the state of
194 Connecticut, any political subdivision thereof, or public
195 instrumentality, state or local authority, district, or similar public
196 entity that is created under the laws of the state of Connecticut, or from
197 obligations that are issued by or on behalf of any territory or
198 possession of the United States, any political subdivision of such
199 territory or possession, or public instrumentality, authority, district or
200 similar public entity of such territory or possession, the income with
201 respect to which taxation by any state is prohibited by federal law. If
202 such individual is a beneficiary of a trust or estate, then, in calculating
203 his or her federal tentative minimum tax, his or her federal alternative
204 taxable income shall be increased or decreased, as the case may be, by
205 the net amount of such individual's proportionate share of the
206 Connecticut fiduciary adjustment relating to modifications that are
207 described in, to the extent not includable in federal alternative
208 minimum taxable income, subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),
209 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section,
210 as amended by this act, or, to the extent includable in federal
211 alternative minimum taxable income, subparagraph (B)(i), (B)(ii),
212 (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), ~~[or] (B)(x) or (B)(xiii)~~ of
213 subdivision (20) of subsection (a) of this section, as amended by this
214 act.

215 Sec. 4. Subdivision (30) of subsection (a) of section 12-701 of the
216 general statutes, as amended by this act, is repealed and the following
217 is substituted in lieu thereof:

218 (30) "Adjusted federal alternative minimum taxable income" of an
219 individual means his or her federal alternative minimum taxable
220 income or, in the case of an individual whose Connecticut adjusted
221 gross income includes modifications described in subparagraph (A)(i),
222 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of
223 subsection (a) of this section, as amended by this act, or subparagraph

224 (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or
225 (B)(xiii) of subdivision (20) of subsection (a) of this section, as amended
226 by this act, the amount that would have been the federal alternative
227 minimum taxable income if such amount were calculated by including,
228 to the extent not includable in federal alternative minimum taxable
229 income, the modifications described in subparagraph (A)(i), (A)(ii),
230 (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a)
231 of this section, as amended by this act, by excluding, to the extent
232 includable in federal alternative minimum taxable income, the
233 modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),
234 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of
235 subsection (a) of this section, as amended by this act, and by excluding,
236 to the extent includable in federal alternative minimum taxable
237 income, the amount of any interest income or exempt-interest
238 dividends, as defined in Section 852(b)(5) of the Internal Revenue
239 Code, from obligations that are issued by or on behalf of the state of
240 Connecticut, any political subdivision thereof, or public
241 instrumentality, state or local authority, district, or similar public
242 entity that is created under the laws of the state of Connecticut, or from
243 obligations that are issued by or on behalf of any territory or
244 possession of the United States, any political subdivision of such
245 territory or possession, or public instrumentality, authority, district or
246 similar public entity of such territory or possession, the income with
247 respect to which taxation by any state is prohibited by federal law. If
248 such individual is a beneficiary of a trust or estate, then, for purposes
249 of calculating his or her adjusted federal alternative minimum taxable
250 income, his or her federal alternative minimum taxable income shall
251 also be increased or decreased, as the case may be, by the net amount
252 of such individual's proportionate share of the Connecticut fiduciary
253 adjustment relating to modifications to the extent not includable in
254 federal alternative minimum taxable income, that are described in
255 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of
256 subdivision (20) of subsection (a) of this section, as amended by this
257 act, or to the extent includable in federal alternative minimum taxable
258 income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii),

259 (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of subsection (a) of this
260 section, as amended by this act.

261 Sec. 5. (NEW) Any Holocaust victims' settlement payment, as
262 defined in subdivision (35) of section 12-701 of the general statutes, as
263 amended by this act, to a Holocaust victim, as defined in subdivision
264 (36) of section 12-701 of the general statutes, as amended by this act,
265 shall be excluded from any calculation of income for purposes of
266 determining the eligibility for, or the benefit level of, such individual
267 in any needs-based program under the general statutes or determining
268 the ability of such individual to repay benefits to the state as a legally
269 liable relative of a recipient of assistance under such program.

270 Sec. 6. This act shall take effect from its passage and sections 1 to 4,
271 inclusive, shall be applicable to taxable years commencing on or after
272 January 1, 2000, and section 5 shall be applicable to any application for
273 state assistance pending on or after the effective date of this act.

FIN Committee Vote: Yea 39 Nay 0 JFS