



General Assembly

February Session, 2002

Raised Bill No. 5669

LCO No. 2294

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

AN ACT CONCERNING A TAX DEDUCTION FOR MEDICAL EXPENSE REIMBURSEMENTS.

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

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective from passage and applicable to taxable*
4 *years commencing on or after January 1, 2002*):

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes,
15 any tier 1 railroad retirement benefits, (v) with respect to any natural
16 person who is a shareholder of an S corporation which is carrying on,

17 or which has the right to carry on, business in this state, as said term is
18 used in section 12-214, the amount of such shareholder's pro rata share
19 of such corporation's nonseparately computed items, as defined in
20 Section 1366 of the Internal Revenue Code, that is subject to tax under
21 chapter 208, in accordance with subsection (c) of section 12-217,
22 multiplied by such corporation's apportionment fraction, if any, as
23 determined in accordance with section 12-218, as amended, (vi) to the
24 extent properly includable in gross income for federal income tax
25 purposes, any interest income from obligations issued by or on behalf
26 of the state of Connecticut, any political subdivision thereof, or public
27 instrumentality, state or local authority, district or similar public entity
28 created under the laws of the state of Connecticut, (vii) to the extent
29 properly includable in determining the net gain or loss from the sale or
30 other disposition of capital assets for federal income tax purposes, any
31 gain from the sale or exchange of obligations issued by or on behalf of
32 the state of Connecticut, any political subdivision thereof, or public
33 instrumentality, state or local authority, district or similar public entity
34 created under the laws of the state of Connecticut, in the income year
35 such gain was recognized, (viii) any interest on indebtedness incurred
36 or continued to purchase or carry obligations or securities the interest
37 on which is subject to tax under this chapter but exempt from federal
38 income tax, to the extent that such interest on indebtedness is not
39 deductible in determining federal adjusted gross income and is
40 attributable to a trade or business carried on by such individual, (ix)
41 ordinary and necessary expenses paid or incurred during the taxable
42 year for the production or collection of income which is subject to
43 taxation under this chapter but exempt from federal income tax, or the
44 management, conservation or maintenance of property held for the
45 production of such income, and the amortizable bond premium for the
46 taxable year on any bond the interest on which is subject to tax under
47 this chapter but exempt from federal income tax, to the extent that
48 such expenses and premiums are not deductible in determining federal
49 adjusted gross income and are attributable to a trade or business
50 carried on by such individual, (x) (I) for a person who files a return

51 under the federal income tax as an unmarried individual whose
52 federal adjusted gross income for such taxable year is less than fifty
53 thousand dollars, or as a married individual filing separately whose
54 federal adjusted gross income for such taxable year is less than fifty
55 thousand dollars, or for a husband and wife who file a return under
56 the federal income tax as married individuals filing jointly whose
57 federal adjusted gross income for such taxable year is less than sixty
58 thousand dollars or a person who files a return under the federal
59 income tax as a head of household whose federal adjusted gross
60 income for such taxable year is less than sixty thousand dollars, an
61 amount equal to the Social Security benefits includable for federal
62 income tax purposes; and (II) for a person who files a return under the
63 federal income tax as an unmarried individual whose federal adjusted
64 gross income for such taxable year is fifty thousand dollars or more, or
65 as a married individual filing separately whose federal adjusted gross
66 income for such taxable year is fifty thousand dollars or more, or for a
67 husband and wife who file a return under the federal income tax as
68 married individuals filing jointly whose federal adjusted gross income
69 from such taxable year is sixty thousand dollars or more or for a
70 person who files a return under the federal income tax as a head of
71 household whose federal adjusted gross income for such taxable year
72 is sixty thousand dollars or more, an amount equal to the difference
73 between the amount of Social Security benefits includable for federal
74 income tax purposes and the lesser of twenty-five per cent of the Social
75 Security benefits received during the taxable year, or twenty-five per
76 cent of the excess described in Section 86(b)(1) of the Internal Revenue
77 Code, (xi) to the extent properly includable in gross income for federal
78 income tax purposes, any amount rebated to a taxpayer pursuant to
79 section 12-746, (xii) to the extent properly includable in the gross
80 income for federal income tax purposes of a designated beneficiary,
81 any distribution to such beneficiary from any qualified state tuition
82 program, as defined in Section 529(b) of the Internal Revenue Code,
83 established and maintained by this state or any official, agency or
84 instrumentality of the state, (xiii) to the extent properly includable in

85 gross income for federal income tax purposes, the amount of any
86 Holocaust victims' settlement payment received in the taxable year by
87 a Holocaust victim, [and] (xiv) to the extent properly includable in
88 gross income for federal income tax purposes of an account holder, as
89 defined in section 31-51ww, interest earned on funds deposited in the
90 individual development account, as defined in section 31-51ww, of
91 such account holder, and (xv) to the extent properly includable in
92 gross income for federal income tax purposes, the amount of any
93 reimbursement received from insurance or other sources by a taxpayer
94 for expenses that were paid by the taxpayer during a preceding taxable
95 year for medical care and that were allowed as a deduction for such
96 year under Section 213 of the Internal Revenue Code.

This act shall take effect as follows:	
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2002</i>

Statement of Purpose:

To allow a deduction from income for income tax purposes for certain insurance proceeds or other reimbursement paid to a taxpayer for medical expenses.

[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.]