



General Assembly

Substitute Bill No. 592

February Session, 2004

* SB00592FIN 032604 *

AN ACT CONCERNING THE INCOME TAX AND THE ESTATE TAX.

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

1 Section 1. Subdivisions (6) and (7) of subsection (a) of section 12-700
2 of the general statutes, as amended by section 22 of public act 03-2, are
3 repealed and the following is substituted in lieu thereof (*Effective from*
4 *passage, and applicable to taxable years commencing on or after January 1,*
5 *2004*):

6 (6) For taxable years commencing on or after January 1, 2003, and
7 prior to January 1, 2004, in accordance with the following schedule:

8 (A) For any person who files a return under the federal income tax
9 for such taxable year as an unmarried individual or as a married
10 individual filing separately:

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$10,000	3.0%
T3	Over \$10,000	\$300.00, plus 5.0% of the
T4		excess over \$10,000

11 (B) For any person who files a return under the federal income tax

12 for such taxable year as a head of household, as defined in Section 2(b)
13 of the Internal Revenue Code:

T5	Connecticut Taxable Income	Rate of Tax
T6	Not over \$16,000	3.0%
T7	Over \$16,000	\$480.00, plus 5.0% of the
T8		excess over \$16,000

14 (C) For any husband and wife who file a return under the federal
15 income tax for such taxable year as married individuals filing jointly or
16 any person who files a return under the federal income tax for such
17 taxable year as a surviving spouse, as defined in Section 2(a) of the
18 Internal Revenue Code:

T9	Connecticut Taxable Income	Rate of Tax
T10	Not over \$20,000	3.0%
T11	Over \$20,000	\$600.00, plus 5.0% of the
T12		excess over \$20,000

19 (D) For trusts or estates, the rate of tax shall be 5.0% of the
20 Connecticut taxable income.

21 (7) For taxable years commencing on or after January 1, 2004, in
22 accordance with the following schedule:

23 (A) For any person who files a return under the federal income tax
24 for such taxable year as an unmarried individual:

T13	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
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T14	<u>Not over \$10,000</u>	<u>3.0%</u>
T15	<u>Over \$10,000 but not over</u>	<u>\$300.00, plus 5.0% of the</u>
T16	<u>\$531,500</u>	<u>excess over \$10,000</u>
T17	<u>Over \$531,500</u>	<u>\$26,375, plus 5.5% of the</u>
T18		<u>excess over \$531,500</u>

25 (B) For any person who files a return under the federal income tax
 26 for such taxable year as a head of household, as defined in Section 2(b)
 27 of the Internal Revenue Code:

T19	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T20	<u>Not over \$16,000</u>	<u>3.0%</u>
T21	<u>Over \$16,000 but not over</u>	<u>\$480.00, plus 5.0% of the</u>
T22	<u>\$792,000</u>	<u>excess over \$16,000</u>
T23	<u>Over \$792,000</u>	<u>\$39,280, plus 5.5% of the</u>
T24		<u>excess over \$792,000</u>

28 (C) For any husband and wife who file a return under the federal
 29 income tax for such taxable year as married individuals filing jointly or
 30 any person who files a return under the federal income tax for such
 31 taxable year as a surviving spouse, as defined in Section 2(a) of the
 32 Internal Revenue Code:

T25	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T26	<u>Not over \$20,000</u>	<u>3.0%</u>
T27	<u>Over \$20,000 but not over</u>	<u>\$600.00, plus 5.0% of the</u>
T28	<u>\$1,000,000</u>	<u>excess over \$20,000</u>
T29	<u>Over \$1,000,000</u>	<u>\$49,600, plus 5.5% of the</u>
T30		<u>excess over \$1,000,000</u>

57 amount substantially equivalent to the tax reasonably estimated to be
58 due from the employee under said chapter 229 with respect to the
59 amount of such wages during a twelve-month period and further
60 provided the tables applicable to any period after January 1, 2005, shall
61 be prepared as provided in section 12-705 of the general statutes.

62 Sec. 3. (*Effective from passage*) Notwithstanding the provisions of
63 section 12-722 of the general statutes, any taxpayer required to make
64 an estimated payment in June, 2004, for the tax due under chapter 229
65 of the general statutes shall make such payment in an amount which is
66 adjusted for any change in the rate applicable to the current taxable
67 year, as provided in section 12-700 of the general statutes, as amended
68 by this act.

69 Sec. 4. Section 12-390a of the general statutes is repealed and the
70 following is substituted in lieu thereof (*Effective from passage and*
71 *applicable to transfers and distributions occurring on or after January 1,*
72 *2005*):

73 [The] For purposes of this chapter, the terms "generation-skipping
74 transfer", "taxable distribution", and "taxable termination" have the
75 same meaning as defined in Chapter 13 of Subtitle B of the Internal
76 Revenue Code of 1986, or any subsequent corresponding internal
77 revenue code of the United States, [as from time to time amended] in
78 effect as of January 1, 2001.

79 Sec. 5. Section 12-390b of the general statutes is repealed and the
80 following is substituted in lieu thereof (*Effective from passage and*
81 *applicable to transfers and distributions occurring on or after January 1,*
82 *2005*):

83 (a) A tax is hereby imposed upon every generation-skipping
84 transfer, where the original transferor is a resident of this state at the
85 date of the original transfer. The amount of the tax shall be the amount
86 of the federal credit allowable for generation-skipping transfer tax paid
87 to any state under the provisions of the federal internal revenue code
88 [in force at the date of such generation-skipping transfer] in effect as of

89 January 1, 2001, in respect to any property included in the generation-
90 skipping transfer. If any such property is real or tangible personal
91 property located outside this state and is subject to generation-
92 skipping transfer taxes by any state or states other than the state of
93 Connecticut for which such federal credit is allowable, the amount of
94 tax due under this section shall be reduced by the lesser of (1) the
95 amount of any such taxes paid to such other state or states and
96 [allowed] allowable as a credit against the federal generation-skipping
97 transfer tax; or (2) an amount computed by multiplying such federal
98 credit by a fraction, (A) the numerator of which is the value of all
99 transferred real and tangible personal property which is subject to
100 generation-skipping transfer taxes and over which such other state or
101 states have jurisdiction for generation-skipping transfer tax purposes
102 to the same extent to which this state would exert jurisdiction for
103 generation-skipping transfer tax purposes under this chapter with
104 respect to the residents of such other state or states, and (B) the
105 denominator of which is the value of all transferred property which is
106 subject to generation-skipping transfer taxes, wherever located.

107 (b) A tax is hereby imposed upon every generation-skipping
108 transfer, where the original transferor is not a resident of this state at
109 the date of the original transfer but where the generation-skipping
110 transfer includes real or tangible personal property located in this
111 state. The amount of the tax shall be computed by multiplying (1) the
112 federal credit allowable for generation-skipping transfer tax paid to
113 any state or states under the provisions of the federal internal revenue
114 code [in force at the date of such generation-skipping transfer] in effect
115 as of January 1, 2001, in respect to any property included in the
116 generation-skipping transfer by (2) a fraction, (A) the numerator of
117 which is the value of all transferred real and tangible personal
118 property which is subject to generation-skipping transfer taxes, which
119 is located in this state and over which this state has jurisdiction for
120 generation-skipping transfer tax purposes, and (B) the denominator of
121 which is the value of all transferred property which is subject to
122 generation-skipping transfer taxes, wherever located.

123 (c) For purposes of subsections (a) and (b) of this section, (1) the
124 provisions of the federal internal revenue code in effect as of January 1,
125 2001, shall apply, and (2) property shall have the same value that it has
126 for federal generation-skipping transfer tax purposes.

127 Sec. 6. Subsections (a) to (c), inclusive, of section 12-391 of the
128 general statutes are repealed and the following is substituted in lieu
129 thereof (*Effective from passage and applicable to estates of decedents who die*
130 *on or after January 1, 2005*):

131 (a) A tax is imposed upon the transfer of the estate of each person
132 who at the time of death was a resident of this state. The amount of the
133 tax shall be the amount of the federal credit allowable for estate,
134 inheritance, legacy and succession taxes paid to any state or the
135 District of Columbia under the provisions of the federal internal
136 revenue code [in force at the date of such decedent's death] in effect as
137 of January 1, 2001, in respect to any property owned by such decedent
138 or subject to such taxes as part of or in connection with the estate of
139 such decedent. If real or tangible personal property of such decedent is
140 located outside of this state and is subject to estate, inheritance, legacy,
141 or succession taxes by any state or states, other than the state of
142 Connecticut, or by the District of Columbia for which such federal
143 credit is allowable, the amount of tax due under this section shall be
144 reduced by the lesser of: (1) The amount of any such taxes paid to such
145 other state or states or said district and [allowed] allowable as a credit
146 against the federal estate tax; or (2) an amount computed by
147 multiplying such federal credit by a fraction, (A) the numerator of
148 which is the value of that part of the decedent's gross estate over which
149 such other state or states or said district have jurisdiction for estate tax
150 purposes to the same extent to which this state would assert
151 jurisdiction for estate tax purposes under this chapter with respect to
152 the residents of such other state or states or said district, and (B) the
153 denominator of which is the value of the decedent's gross estate.
154 Property of a resident estate over which this state has jurisdiction for
155 estate tax purposes includes real property situated in this state,
156 tangible personal property having an actual situs in this state, and

157 intangible personal property owned by the decedent, regardless of
 158 where it is located. The amount of any estate tax imposed under this
 159 subsection shall also be reduced, but not below zero, by the amount of
 160 any tax that is imposed under chapter 216 and that is actually paid to
 161 this state.

162 (b) A tax is imposed upon the transfer of the estate of each person
 163 who at the time of death was a nonresident of this state, the amount of
 164 which shall be computed by multiplying (1) the federal credit
 165 allowable for estate, inheritance, legacy, and succession taxes paid to
 166 any state or states or the District of Columbia under the provisions of
 167 the federal internal revenue code [in force at the date of such
 168 decedent's death] in effect as of January 1, 2001, in respect to any
 169 property owned by such decedent or subject to such taxes as a part of
 170 or in connection with the estate of such decedent by (2) a fraction, (A)
 171 the numerator of which is the value of that part of the decedent's gross
 172 estate over which this state has jurisdiction for estate tax purposes, and
 173 (B) the denominator of which is the value of the decedent's gross
 174 estate. Property of a nonresident estate over which this state has
 175 jurisdiction for estate tax purposes includes real property situated in
 176 this state and tangible personal property having an actual situs in this
 177 state. The amount of any estate tax imposed under this subsection shall
 178 also be reduced, but not below zero, by the amount of any tax that is
 179 imposed under chapter 216 and that is actually paid to this state.

180 (c) For purposes of subsections (a) and (b) of this section, (1) the
 181 provisions of the federal internal revenue code in effect as of January 1,
 182 2001, shall apply, except that the applicable exclusion amount under
 183 Section 2010(c) of the federal internal revenue code shall be one million
 184 dollars; and (2) "gross estate" means the gross estate, for federal estate
 185 tax purposes.

This act shall take effect as follows:	
Section 1	<i>from passage, and applicable to taxable years commencing on or after January 1, 2004</i>
Sec. 2	<i>from passage</i>

Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage and applicable to transfers and distributions occurring on or after January 1, 2005</i>
Sec. 5	<i>from passage and applicable to transfers and distributions occurring on or after January 1, 2005</i>
Sec. 6	<i>from passage and applicable to estates of decedents who die on or after January 1, 2005</i>

Statement of Legislative Commissioners:

Section 6 was added to carry out the intent of the bill.

FIN *Joint Favorable Subst.*