



General Assembly

January Session, 2005

***Raised Bill No. 6574***

LCO No. 2818

\*02818 \_\_\_\_\_ AGE\*

Referred to Committee on Select Committee on Aging

Introduced by:  
(AGE)

***AN ACT CREATING A STATE INCOME TAX EXEMPTION FOR THE EXPENSE OF LONG-TERM CARE INSURANCE.***

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2 general statutes is repealed and the following is substituted in lieu  
3 thereof (*Effective January 1, 2006, and applicable to taxable years*  
4 *commencing on or after January 1, 2006*):

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

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

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

50 and premiums are deductible in determining federal adjusted gross  
51 income, and (ix) for property placed in service after September 10,  
52 2001, but prior to September 11, 2004, in taxable years ending after  
53 September 10, 2001, any additional allowance for depreciation under  
54 subsection (k) of Section 168 of the Internal Revenue Code, as provided  
55 by Section 101 of the Job Creation and Worker Assistance Act of 2002,  
56 to the extent deductible in determining federal adjusted gross income.

57 (B) There shall be subtracted therefrom (i) to the extent properly  
58 includable in gross income for federal income tax purposes, any  
59 income with respect to which taxation by any state is prohibited by  
60 federal law, (ii) to the extent allowable under section 12-718, exempt  
61 dividends paid by a regulated investment company, (iii) the amount of  
62 any refund or credit for overpayment of income taxes imposed by this  
63 state, or any other state of the United States or a political subdivision  
64 thereof, or the District of Columbia, to the extent properly includable  
65 in gross income for federal income tax purposes, (iv) to the extent  
66 properly includable in gross income for federal income tax purposes  
67 and not otherwise subtracted from federal adjusted gross income  
68 pursuant to clause (x) of this subparagraph in computing Connecticut  
69 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
70 extent any additional allowance for depreciation under Section 168(k)  
71 of the Internal Revenue Code, as provided by Section 101 of the Job  
72 Creation and Worker Assistance Act of 2002, for property placed in  
73 service after December 31, 2001, but prior to September 10, 2004, was  
74 added to federal adjusted gross income pursuant to subparagraph (A)  
75 (ix) of this subdivision in computing Connecticut adjusted gross  
76 income for a taxable year ending after December 31, 2001, twenty-five  
77 per cent of such additional allowance for depreciation in each of the  
78 four succeeding taxable years, (vi) to the extent properly includable in  
79 gross income for federal income tax purposes, any interest income  
80 from obligations issued by or on behalf of the state of Connecticut, any  
81 political subdivision thereof, or public instrumentality, state or local  
82 authority, district or similar public entity created under the laws of the  
83 state of Connecticut, (vii) to the extent properly includable in

84 determining the net gain or loss from the sale or other disposition of  
85 capital assets for federal income tax purposes, any gain from the sale  
86 or exchange of obligations issued by or on behalf of the state of  
87 Connecticut, any political subdivision thereof, or public  
88 instrumentality, state or local authority, district or similar public entity  
89 created under the laws of the state of Connecticut, in the income year  
90 such gain was recognized, (viii) any interest on indebtedness incurred  
91 or continued to purchase or carry obligations or securities the interest  
92 on which is subject to tax under this chapter but exempt from federal  
93 income tax, to the extent that such interest on indebtedness is not  
94 deductible in determining federal adjusted gross income and is  
95 attributable to a trade or business carried on by such individual, (ix)  
96 ordinary and necessary expenses paid or incurred during the taxable  
97 year for the production or collection of income which is subject to  
98 taxation under this chapter but exempt from federal income tax, or the  
99 management, conservation or maintenance of property held for the  
100 production of such income, and the amortizable bond premium for the  
101 taxable year on any bond the interest on which is subject to tax under  
102 this chapter but exempt from federal income tax, to the extent that  
103 such expenses and premiums are not deductible in determining federal  
104 adjusted gross income and are attributable to a trade or business  
105 carried on by such individual, (x) (I) for a person who files a return  
106 under the federal income tax as an unmarried individual whose  
107 federal adjusted gross income for such taxable year is less than fifty  
108 thousand dollars, or as a married individual filing separately whose  
109 federal adjusted gross income for such taxable year is less than fifty  
110 thousand dollars, or for a husband and wife who file a return under  
111 the federal income tax as married individuals filing jointly whose  
112 federal adjusted gross income for such taxable year is less than sixty  
113 thousand dollars or a person who files a return under the federal  
114 income tax as a head of household whose federal adjusted gross  
115 income for such taxable year is less than sixty thousand dollars, an  
116 amount equal to the Social Security benefits includable for federal  
117 income tax purposes; and (II) for a person who files a return under the

118 federal income tax as an unmarried individual whose federal adjusted  
119 gross income for such taxable year is fifty thousand dollars or more, or  
120 as a married individual filing separately whose federal adjusted gross  
121 income for such taxable year is fifty thousand dollars or more, or for a  
122 husband and wife who file a return under the federal income tax as  
123 married individuals filing jointly whose federal adjusted gross income  
124 from such taxable year is sixty thousand dollars or more or for a  
125 person who files a return under the federal income tax as a head of  
126 household whose federal adjusted gross income for such taxable year  
127 is sixty thousand dollars or more, an amount equal to the difference  
128 between the amount of Social Security benefits includable for federal  
129 income tax purposes and the lesser of twenty-five per cent of the Social  
130 Security benefits received during the taxable year, or twenty-five per  
131 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
132 Code, (xi) to the extent properly includable in gross income for federal  
133 income tax purposes, any amount rebated to a taxpayer pursuant to  
134 section 12-746, (xii) to the extent properly includable in the gross  
135 income for federal income tax purposes of a designated beneficiary,  
136 any distribution to such beneficiary from any qualified state tuition  
137 program, as defined in Section 529(b) of the Internal Revenue Code,  
138 established and maintained by this state or any official, agency or  
139 instrumentality of the state, (xiii) to the extent properly includable in  
140 gross income for federal income tax purposes, the amount of any  
141 Holocaust victims' settlement payment received in the taxable year by  
142 a Holocaust victim, [and] (xiv) to the extent properly includable in  
143 gross income for federal income tax purposes of an account holder, as  
144 defined in section 31-51ww, interest earned on funds deposited in the  
145 individual development account, as defined in section 31-51ww, of  
146 such account holder, and (xv) the amount paid by a taxpayer during  
147 the taxable year for premiums on a long-term care policy, as defined in  
148 section 38a-501 or 38a-528, or a long-term care policy issued pursuant  
149 to section 38a-475, under which policy the taxpayer is insured during  
150 the taxable year.

151 (C) With respect to a person who is the beneficiary of a trust or

152 estate, there shall be added or subtracted, as the case may be, from  
153 adjusted gross income such person's share, as determined under  
154 section 12-714, in the Connecticut fiduciary adjustment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2006, and applicable to taxable years commencing on or after January 1, 2006</i>	12-701(a)(20)

**Statement of Purpose:**

To create a state income tax exemption for individual taxpayers that have purchased long-term care insurance policies.

*[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.]*