



General Assembly

January Session, 2005

Raised Bill No. 1030

LCO No. 3419

03419_____VA_

Referred to Committee on Select Committee on Veterans Affairs

Introduced by:

(VA)

AN ACT EXEMPTING FIFTY PER CENT OF THE RETIREMENT PAY OF RETIRED MEMBERS OF THE ARMED FORCES AND THE NATIONAL GUARD FROM THE STATE INCOME TAX.

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2 section 12-701 of the general statutes is repealed and the following is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 for taxable*
4 *years commencing on or after January 1, 2005*):

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 and not otherwise subtracted from federal adjusted gross income

16 pursuant to clause (x) of this subparagraph in computing Connecticut
17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph (A)
23 (ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under

50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal
52 adjusted gross income and are attributable to a trade or business
53 carried on by such individual, (x) (I) for a person who files a return
54 under the federal income tax as an unmarried individual whose
55 federal adjusted gross income for such taxable year is less than fifty
56 thousand dollars, or as a married individual filing separately whose
57 federal adjusted gross income for such taxable year is less than fifty
58 thousand dollars, or for a husband and wife who file a return under
59 the federal income tax as married individuals filing jointly whose
60 federal adjusted gross income for such taxable year is less than sixty
61 thousand dollars or a person who files a return under the federal
62 income tax as a head of household whose federal adjusted gross
63 income for such taxable year is less than sixty thousand dollars, an
64 amount equal to the Social Security benefits includable for federal
65 income tax purposes; and (II) for a person who files a return under the
66 federal income tax as an unmarried individual whose federal adjusted
67 gross income for such taxable year is fifty thousand dollars or more, or
68 as a married individual filing separately whose federal adjusted gross
69 income for such taxable year is fifty thousand dollars or more, or for a
70 husband and wife who file a return under the federal income tax as
71 married individuals filing jointly whose federal adjusted gross income
72 from such taxable year is sixty thousand dollars or more or for a
73 person who files a return under the federal income tax as a head of
74 household whose federal adjusted gross income for such taxable year
75 is sixty thousand dollars or more, an amount equal to the difference
76 between the amount of Social Security benefits includable for federal
77 income tax purposes and the lesser of twenty-five per cent of the Social
78 Security benefits received during the taxable year, or twenty-five per
79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
80 Code, (xi) to the extent properly includable in gross income for federal
81 income tax purposes, any amount rebated to a taxpayer pursuant to
82 section 12-746, (xii) to the extent properly includable in the gross
83 income for federal income tax purposes of a designated beneficiary,

84 any distribution to such beneficiary from any qualified state tuition
85 program, as defined in Section 529(b) of the Internal Revenue Code,
86 established and maintained by this state or any official, agency or
87 instrumentality of the state, (xiii) to the extent properly includable in
88 gross income for federal income tax purposes, the amount of any
89 Holocaust victims' settlement payment received in the taxable year by
90 a Holocaust victim, [and] (xiv) to the extent properly includable in
91 gross income for federal income tax purposes of an account holder, as
92 defined in section 31-51ww, interest earned on funds deposited in the
93 individual development account, as defined in section 31-51ww, of
94 such account holder, and (xv) to the extent properly included in gross
95 income for federal income tax purposes, fifty per cent of the income
96 received from the United States government as retirement pay for a
97 retired member of (I) the Armed Forces of the United States, as defined
98 in Section 101 of Title 10 of the United States Code, or (II) the National
99 Guard, as defined in Section 101 of Title 10 of the United States Code.

100 Sec. 2. Subdivision (24) of subsection (a) of section 12-701 of the
101 general statutes is repealed and the following is substituted in lieu
102 thereof (*Effective from passage and applicable for taxable years commencing*
103 *on or after January 1, 2005*):

104 (24) "Adjusted federal tentative minimum tax" of an individual
105 means such individual's federal tentative minimum tax or, in the case
106 of an individual whose Connecticut adjusted gross income includes
107 modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),
108 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section
109 or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
110 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
111 this section, as amended by this act, the amount that would have been
112 the federal tentative minimum tax if such tax were calculated by
113 including, to the extent not includable in federal alternative minimum
114 taxable income, the modifications described in subparagraph (A)(i),
115 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of
116 subsection (a) of this section, by excluding, to the extent includable in

117 federal alternative minimum taxable income, the modifications
118 described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii),
119 (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection
120 (a) of this section, as amended by this act, and by excluding, to the
121 extent includable in federal alternative minimum taxable income, the
122 amount of any interest income or exempt-interest dividends, as
123 defined in Section 852(b)(5) of the Internal Revenue Code, from
124 obligations that are issued by or on behalf of the state of Connecticut,
125 any political subdivision thereof, or public instrumentality, state or
126 local authority, district, or similar public entity that is created under
127 the laws of the state of Connecticut, or from obligations that are issued
128 by or on behalf of any territory or possession of the United States, any
129 political subdivision of such territory or possession, or public
130 instrumentality, authority, district or similar public entity of such
131 territory or possession, the income with respect to which taxation by
132 any state is prohibited by federal law. If such individual is a
133 beneficiary of a trust or estate, then, in calculating his or her federal
134 tentative minimum tax, his or her federal alternative taxable income
135 shall be increased or decreased, as the case may be, by the net amount
136 of such individual's proportionate share of the Connecticut fiduciary
137 adjustment relating to modifications that are described in, to the extent
138 not includable in federal alternative minimum taxable income,
139 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of
140 subdivision (20) of subsection (a) of this section, or, to the extent
141 includable in federal alternative minimum taxable income,
142 subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
143 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
144 this section, as amended by this act.

145 Sec. 3. Subdivision (30) of subsection (a) of section 12-701 of the
146 general statutes is repealed and the following is substituted in lieu
147 thereof (*Effective from passage and applicable for taxable years commencing*
148 *on or after January 1, 2005*):

149 (30) "Adjusted federal alternative minimum taxable income" of an

150 individual means his or her federal alternative minimum taxable
151 income or, in the case of an individual whose Connecticut adjusted
152 gross income includes modifications described in subparagraph (A)(i),
153 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of
154 subsection (a) of this section or subparagraph (B)(i), (B)(ii), (B)(v),
155 (B)(vi), (B)(vii), (B)(viii), (B)(ix), (B)(x), [or] (B)(xiii) or (B)(xv) of
156 subdivision (20) of subsection (a) of this section, as amended by this
157 act, the amount that would have been the federal alternative minimum
158 taxable income if such amount were calculated by including, to the
159 extent not includable in federal alternative minimum taxable income,
160 the modifications described in subparagraph (A)(i), (A)(ii), (A)(v),
161 (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this
162 section, by excluding, to the extent includable in federal alternative
163 minimum taxable income, the modifications described in
164 subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix),
165 (B)(x), [or] (B)(xiii) or (B)(xv) of subdivision (20) of subsection (a) of
166 this section, as amended by this act, and by excluding, to the extent
167 includable in federal alternative minimum taxable income, the amount
168 of any interest income or exempt-interest dividends, as defined in
169 Section 852(b)(5) of the Internal Revenue Code, from obligations that
170 are issued by or on behalf of the state of Connecticut, any political
171 subdivision thereof, or public instrumentality, state or local authority,
172 district, or similar public entity that is created under the laws of the
173 state of Connecticut, or from obligations that are issued by or on behalf
174 of any territory or possession of the United States, any political
175 subdivision of such territory or possession, or public instrumentality,
176 authority, district or similar public entity of such territory or
177 possession, the income with respect to which taxation by any state is
178 prohibited by federal law. If such individual is a beneficiary of a trust
179 or estate, then, for purposes of calculating his or her adjusted federal
180 alternative minimum taxable income, his or her federal alternative
181 minimum taxable income shall also be increased or decreased, as the
182 case may be, by the net amount of such individual's proportionate
183 share of the Connecticut fiduciary adjustment relating to modifications

184 to the extent not includable in federal alternative minimum taxable
 185 income, that are described in subparagraph (A)(i), (A)(ii), (A)(v),
 186 (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this
 187 section or to the extent includable in federal alternative minimum
 188 taxable income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii),
 189 (B)(viii), (B)(ix), (B)(x), ~~or (B)(xiii)~~ or (B)(xv) of subdivision (20) of
 190 subsection (a) of this section, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable for taxable years commencing on or after January 1, 2005</i>	12-701(a)(20)(B)
Sec. 2	<i>from passage and applicable for taxable years commencing on or after January 1, 2005</i>	12-701(a)(24)
Sec. 3	<i>from passage and applicable for taxable years commencing on or after January 1, 2005</i>	12-701(a)(30)

Statement of Purpose:

To exempt fifty per cent of the retirement pay of retired military service members.

[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.]