



General Assembly

January Session, 2005

Raised Bill No. 1332

LCO No. 4639

04639_____FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

AN ACT CONCERNING THE ESTATE TAX.

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

1 Section 1. (NEW) (*Effective from passage and applicable to estates of*
2 *decedents who die on or after January 1, 2005*): (a) For purposes of this
3 section:

4 (1) "Connecticut taxable estate" means (A) the gross estate less
5 allowable deductions, as determined under chapter 11 of the Internal
6 Revenue Code, plus (B) Connecticut taxable gifts, as defined in section
7 12-643 of the general statutes, as amended by this act, made by the
8 decedent for all calendar years beginning on or after January 1, 2005,
9 minus (C) sixty thousand dollars.

10 (2) "Internal Revenue Code" means the Internal Revenue Code of
11 1986, or any subsequent corresponding internal revenue code of the
12 United States, as from time to time amended, except in the event of
13 repeal of the federal estate tax, then all references to the Internal
14 Revenue Code in this section shall mean the Internal Revenue Code as
15 in force on the day prior to the effective date of such repeal.

16 (b) (1) A tax is imposed upon the transfer of the estate of each
17 person who at the time of death was a resident of this state. Such tax
18 shall be imposed upon each Connecticut taxable estate that exceeds
19 one million dollars in value. The amount of the tax shall be determined
20 using the schedule in subsection (e) of this section. A credit shall be
21 allowed against such tax for any taxes paid to this state pursuant to
22 chapter 228c of the general statutes, on or after January 1, 2005.

23 (2) If real or tangible personal property of such decedent is located
24 outside of this state and is subject to estate, inheritance, legacy or
25 succession taxes by any state or states, other than the state of
26 Connecticut, or by the District of Columbia for which a federal credit is
27 allowable, the amount of tax due under this section shall be reduced
28 by the lesser of: (A) The amount of any taxes paid to such other state or
29 states or said district; or (B) an amount computed by multiplying such
30 federal credit by a fraction, (i) the numerator of which is the value of
31 that part of the decedent's gross estate over which such other state or
32 states or said district have jurisdiction for estate tax purposes to the
33 same extent to which this state would assert jurisdiction for estate tax
34 purposes under chapter 217 of the general statutes, with respect to the
35 residents of such other state or states or said district, and (ii) the
36 denominator of which is the value of the decedent's gross estate.

37 (3) Property of a resident estate over which this state has jurisdiction
38 for estate tax purposes includes real property situated in this state,
39 tangible personal property having an actual situs in this state, and
40 intangible personal property owned by the decedent, regardless of
41 where it is located.

42 (c) (1) A tax is imposed upon the transfer of the estate of each
43 person who at the time of death was a nonresident of this state, the
44 amount of which shall be computed by multiplying (A) the amount of
45 tax determined using the schedule in subsection (e) of this section by
46 (B) a fraction, (i) the numerator of which is the value of that part of the
47 decedent's gross estate over which this state has jurisdiction for estate

48 tax purposes, and (ii) the denominator of which is the value of the
49 decedent's gross estate.

50 (2) Property of a nonresident estate over which this state has
51 jurisdiction for estate tax purposes includes real property situated in
52 this state and tangible personal property having an actual situs in this
53 state.

54 (d) (1) For purposes of the tax imposed under this section, the value
55 of the Connecticut taxable estate shall be determined taking into
56 account all of the deductions available under the Internal Revenue
57 Code of 1986, specifically including, but not limited to, the deduction
58 available under Section 2056 (b) (7) of said code for a qualifying
59 income interest for life in a surviving spouse.

60 (2) An election under said Section 2056 (b) (7) may be made for state
61 estate tax purposes regardless of whether any such election is made for
62 federal estate tax purposes. The value of the gross estate shall include
63 the value of any property in which the decedent had a qualifying
64 income interest for life for which an election was made under this
65 subsection.

66 (e) With respect to the estates of decedents dying on or after January
67 1, 2005, the tax based on the Connecticut taxable estate shall be as
68 provided in the following schedule:

T1	Amount of Connecticut	Rate of Tax
T2	Taxable Estate	
T3	Not over \$40,000	None
T4	Over \$40,000	.8% of the excess
T5	but not over \$90,000	over \$40,000
T6	Over \$90,000	\$400 plus 1.6% of the excess
T7	but not over \$140,000	over \$90,000
T8	Over \$140,000	\$1,200 plus 2.4 % of the excess
T9	but not over \$240,000	over \$140,000
T10	Over \$240,000	\$3,600 plus 3.2% of the excess
T11	but not over \$440,000	over \$240,000
T12	Over \$440,000	\$10,000 plus 4% of the excess

T13	but not over \$640,000	over \$440,000
T14	Over \$640,000	\$18,000 plus 4.8% of the excess
T15	but not over \$840,000	over \$640,000
T16	Over \$840,000	\$27,600 plus 5.6% of the excess
T17	but not over \$1,040,000	over \$840,000
T18	Over \$1,040,000	38,800 plus 6.4% of the excess
T19	but not over \$1,540,000	over \$1,040,000
T20	Over \$1,540,000	\$70,800 plus 7.2% of the excess
T21	but not over \$2,040,000	over \$1,540,000
T22	Over \$2,040,000	\$106,800 plus 8% of the excess
T23	but not over \$2,540,000	over \$2,040,000
T24	Over \$2,540,000	\$146,800 plus 8.8% of the excess
T25	but not over \$3,040,000	over \$2,540,000
T26	Over \$3,040,000	\$190,800 plus 9.6% of the excess
T27	but not over \$3,540,000	over \$3,040,000
T28	Over \$3,540,000	\$238,800 plus 10.4% of the excess
T29	but not over \$4,040,000	over \$3,540,000
T30	Over \$4,040,000	\$290,800 plus 11.2% of the excess
T31	but not over \$5,040,000	over \$4,040,000
T32	Over \$5,040,000	\$402,800 plus 12% of the excess
T33	but not over \$6,040,000	over \$5,040,000
T34	Over \$6,040,000	\$522,800 plus 12.8% of the excess
T35	but not over \$7,070,000	over \$6,040,000
T36	Over \$7,040,000	\$650,800 plus 13.6% of the excess
T37	but not over \$8,040,000	over \$7,040,000
T38	Over \$8,040,000	\$786,800 plus 14.4% of the excess
T39	but not over \$9,040,000	over \$8,040,000
T40	Over \$9,040,000	\$930,800 plus 15.2% of the excess
T41	but not over \$10,040,000	over \$9,040,000
T42	Over \$10,040,000	\$1,082,800 plus 16% of the excess
T43		over \$10,040,000

69 Sec. 2. Subsections (d) and (e) of section 12-344 of the general
70 statutes are repealed and the following is substituted in lieu thereof
71 (*Effective October 1, 2005*):

72 (d) The tax under this section applicable to the net taxable estate of
73 any transferor, whose death occurs on or after January 1, 1999, passing
74 to a class B beneficiary shall be imposed as follows: (1) If the death of

75 the transferor occurs on or after January 1, 1999, but prior to January 1,
76 2000, at the rate of (A) six per cent on the amount in excess of two
77 hundred thousand dollars in value to and including two hundred fifty
78 thousand dollars, (B) seven per cent on the amount in excess of two
79 hundred fifty thousand dollars in value to and including four hundred
80 thousand dollars, (C) eight per cent on the amount in excess of four
81 hundred thousand dollars in value to and including six hundred
82 thousand dollars, (D) nine per cent on the amount in excess of six
83 hundred thousand dollars in value to and including one million
84 dollars, and (E) ten per cent on the amount in excess of one million
85 dollars in value, (2) if the death of the transferor occurs on or after
86 January 1, 2000, but prior to January 1, 2001, at the rate of (A) eight per
87 cent on the amount in excess of four hundred thousand dollars in
88 value to and including six hundred thousand dollars, (B) nine per cent
89 on the amount in excess of six hundred thousand dollars in value to
90 and including one million dollars, and (C) ten per cent on the amount
91 in excess of one million dollars in value, (3) if the death of the
92 transferor occurs on or after January 1, 2001, but prior to January 1,
93 2005, at the rate of (A) nine per cent on the amount in excess of six
94 hundred thousand dollars in value to and including one million
95 dollars, and (B) ten per cent on the amount in excess of one million
96 dollars in value, (4) if the death of the transferor occurs on or after
97 January 1, 2005, [but prior to January 1, 2006, at the rate of eight per
98 cent on the amount in excess of one million five hundred thousand
99 dollars in value, and (5) if the death of the transferor occurs on or after
100 January 1, 2006,] the net taxable estate passing to a class B beneficiary
101 shall not be subject to tax under this chapter.

102 (e) The tax under this section applicable to the net taxable estate of
103 any transferor, whose death occurs on or after January 1, 2001, passing
104 to a class C beneficiary shall be imposed as follows: (1) If the death of
105 the transferor occurs on or after January 1, 2001, but prior to January 1,
106 2005, at the rate of (A) ten per cent on the amount in excess of two
107 hundred thousand dollars in value to and including two hundred fifty
108 thousand dollars, (B) eleven per cent on the amount in excess of two

109 hundred fifty thousand dollars in value to and including four hundred
110 thousand dollars, (C) twelve per cent on the amount in excess of four
111 hundred thousand dollars in value to and including six hundred
112 thousand dollars, (D) thirteen per cent on the amount in excess of six
113 hundred thousand dollars in value to and including one million
114 dollars, and (E) fourteen per cent on the amount in excess of one
115 million dollars in value, (2) if the death of the transferor occurs on or
116 after January 1, 2005, [but prior to January 1, 2006, at the rate of (A)
117 twelve per cent on the amount in excess of four hundred thousand
118 dollars in value to and including six hundred thousand dollars, (B)
119 thirteen per cent on the amount in excess of six hundred thousand
120 dollars in value to and including one million dollars, and (C) fourteen
121 per cent on the amount in excess of one million dollars in value, (3) if
122 the death of the transferor occurs on or after January 1, 2006, but prior
123 to January 1, 2007, at the rate of (A) thirteen per cent on the amount in
124 excess of six hundred thousand dollars in value to and including one
125 million dollars, and (B) fourteen per cent on the amount in excess of
126 one million dollars in value, (4) if the death of the transferor occurs on
127 or after January 1, 2007, but prior to January 1, 2008, at the rate of
128 fourteen per cent on the amount in excess of one million five hundred
129 thousand dollars in value, and (5) if the death of the transferor occurs
130 on or after January 1, 2008,] the net taxable estate passing to a class C
131 beneficiary shall not be subject to tax under this chapter.

132 Sec. 3. Subsection (a) of section 12-642 of the general statutes is
133 repealed and the following is substituted in lieu thereof (*Effective from*
134 *passage and applicable to calendar years commencing on or after January 1,*
135 *2005*):

136 (a) (1) With respect to calendar years commencing prior to January
137 1, 2001, the tax imposed by section 12-640 for the calendar year shall be
138 at a rate of the taxable gifts made by the donor during the calendar
139 year set forth in the following schedule:

T44	Amount of Taxable Gifts	Rate of Tax
T45	Not over \$25,000	1%
T46	Over \$25,000	\$250, plus 2% of the excess
T47	but not over \$50,000	over \$25,000
T48	Over \$50,000	\$750, plus 3% of the excess
T49	but not over \$75,000	over \$50,000
T50	Over \$75,000	\$1,500, plus 4% of the excess
T51	but not over \$100,000	over \$75,000
T52	Over \$100,000	\$2,500, plus 5% of the excess
T53	but not over \$200,000	over \$100,000
T54	Over \$200,000	\$7,500, plus 6% of the excess
T55		over \$200,000

140 (2) With respect to the calendar years commencing January 1, 2001,
 141 January 1, 2002, January 1, 2003, and January 1, 2004, [and January 1,
 142 2005,] the tax imposed by section 12-640 for each such calendar year
 143 shall be at a rate of the taxable gifts made by the donor during the
 144 calendar year set forth in the following schedule:

T56	Amount of Taxable Gifts	Rate of Tax
T57	Over \$25,000	\$250, plus 2% of the excess
T58	but not over \$50,000	over \$25,000
T59	Over \$50,000	\$750, plus 3% of the excess
T60	but not over \$75,000	over \$50,000
T61	Over \$75,000	\$1,500, plus 4% of the excess
T62	but not over \$100,000	over \$75,000
T63	Over \$100,000	\$2,500, plus 5% of the excess
T64	but not over \$675,000	over \$100,000
T65	Over \$675,000	\$31,250, plus 6% of the excess
T66		over \$675,000

145 [(3) With respect to the calendar year commencing January 1, 2006,
 146 the tax imposed by section 12-640 for the calendar year shall be at a
 147 rate of the taxable gifts made by the donor during the calendar year set
 148 forth in the following schedule:

T67	Amount of Taxable Gifts	Rate of Tax
T68	Over \$50,000	\$750, plus 3% of the excess
T69	but not over \$75,000	over \$50,000
T70	Over \$75,000	\$1,500, plus 4% of the excess
T71	but not over \$100,000	over \$75,000
T72	Over \$100,000	\$2,500, plus 5% of the excess
T73	but not over \$700,000	over \$100,000
T74	Over \$700,000	\$32,500, plus 6% of the excess
T75		over \$700,000

149 (4) With respect to the calendar year commencing January 1, 2007,
 150 the tax imposed by section 12-640 for the calendar year shall be at a
 151 rate of the taxable gifts made by the donor during the calendar year set
 152 forth in the following schedule:

T76	Amount of Taxable Gifts	Rate of Tax
T77	Over \$75,000	\$1,500, plus 4% of the excess
T78	but not over \$100,000	over \$75,000
T79	Over \$100,000	\$2,500, plus 5% of the excess
T80	but not over \$700,000	over \$100,000
T81	Over \$700,000	\$32,500, plus 6% of the excess
T82		over \$700,000

153 (5) With respect to the calendar year commencing January 1, 2008,
 154 the tax imposed by section 12-640 for the calendar year shall be at a
 155 rate of the taxable gifts made by the donor during the calendar year set
 156 forth in the following schedule:

T83	Amount of Taxable Gifts	Rate of Tax
T84	Over \$100,000	\$2,500, plus 5% of the excess
T85	but not over \$850,000	over \$100,000
T86	Over \$850,000	\$40,000, plus 6% of the excess

T87 over \$850,000

157 (6) With respect to the calendar year commencing January 1, 2009,
158 the tax imposed by section 12-640 for the calendar year shall be at a
159 rate of the taxable gifts made by the donor during the calendar year set
160 forth in the following schedule:

T88	Amount of Taxable Gifts	Rate of Tax
T89	Over \$950,000	\$45,000, plus 6% of the excess
T90		over \$950,000

161 (7) With respect to the calendar year commencing January 1, 2010,
162 and each calendar year thereafter, the tax imposed by section 12-640
163 for the calendar year shall be at a rate of the taxable gifts made by the
164 donor during the calendar year set forth in the following schedule:

T91	Amount of Taxable Gifts	Rate of Tax
T92	Over \$1,000,000	\$47,500, plus 6% of the excess
T93		over \$1,000,000]

165 (3) With respect to the calendar year commencing January 1, 2005,
166 and each calendar year thereafter, if Connecticut taxable gifts exceed
167 one million dollars, the tax imposed by section 12-640 for the calendar
168 year shall be at a rate of the taxable gifts made by the donor during the
169 calendar year set forth in the following schedule:

T94	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T95	<u>Not over \$40,000</u>	<u>None</u>
T96	<u>Over \$40,000</u>	<u>.8% of the excess</u>
T97	<u>but not over \$90,000</u>	<u>over \$40,000</u>

T98	<u>Over \$90,000</u>	<u>\$400 plus 1.6% of the excess</u>
T99	<u>but not over \$140,000</u>	<u>over \$90,000</u>
T100	<u>Over \$140,000</u>	<u>\$1,200 plus 2.4 % of the excess</u>
T101	<u>but not over \$240,000</u>	<u>over \$140,000</u>
T102	<u>Over \$240,00</u>	<u>\$3,600 plus 3.2% of the excess</u>
T103	<u>but not over \$440,000</u>	<u>over \$240,000</u>
T104	<u>Over \$440,000</u>	<u>\$10,000 plus 4% of the excess</u>
T105	<u>but not over \$640,000</u>	<u>over \$440,000</u>
T106	<u>Over \$640,000</u>	<u>\$18,000 plus 4.8% of the excess</u>
T107	<u>but not over \$840,000</u>	<u>over \$640,000</u>
T108	<u>Over \$840,000</u>	<u>\$27,600 plus 5.6% of the excess</u>
T109	<u>but not over \$1,040,000</u>	<u>over \$840,000</u>
T110	<u>Over \$1,040,000</u>	<u>38,800 plus 6.4% of the excess</u>
T111	<u>but not over \$1,540,000</u>	<u>over \$1,040,000</u>
T112	<u>Over \$1,540,000</u>	<u>\$70,800 plus 7.2% of the excess</u>
T113	<u>but not over \$2,040,000</u>	<u>over \$1,540,000</u>
T114	<u>Over \$2,040,000</u>	<u>\$106,800 plus 8% of the excess</u>
T115	<u>but not over \$2,540,000</u>	<u>over \$2,040,000</u>
T116	<u>Over \$2,540,000</u>	<u>\$146,800 plus 8.8% of the excess</u>
T117	<u>but not over \$3,040,000</u>	<u>over \$2,540,000</u>
T118	<u>Over \$3,040,000</u>	<u>\$190,800 plus 9.6% of the excess</u>
T119	<u>but not over \$3,540,000</u>	<u>over \$3,040,000</u>
T120	<u>Over \$3,540,000</u>	<u>\$238,800 plus 10.4% of the excess</u>
T121	<u>but not over \$4,040,000</u>	<u>over \$3,540,000</u>
T122	<u>Over \$4,040,000</u>	<u>\$290,800 plus 11.2% of the excess</u>
T123	<u>but not over \$5,040,000</u>	<u>over \$4,040,000</u>
T124	<u>Over \$5,040,000</u>	<u>\$402,800 plus 12% of the excess</u>
T125	<u>but not over \$6,040,000</u>	<u>over \$5,040,000</u>
T126	<u>Over \$6,040,000</u>	<u>\$522,800 plus 12.8% of the excess</u>
T127	<u>but not over \$7,070,000</u>	<u>over \$6,040,000</u>
T128	<u>Over \$7,040,000</u>	<u>\$650,800 plus 13.6% of the excess</u>
T129	<u>but not over \$8,040,000</u>	<u>over \$7,040,000</u>
T130	<u>Over \$8,040,000</u>	<u>\$786,800 plus 14.4% of the excess</u>
T131	<u>but not over \$9,040,000</u>	<u>over \$8,040,000</u>
T132	<u>Over \$9,040,000</u>	<u>\$930,800 plus 15.2% of the excess</u>
T133	<u>but not over \$10,040,000</u>	<u>over \$9,040,000</u>
T134	<u>Over \$10,040,000</u>	<u>\$1,082,800 plus 16% of the excess</u>
T135		<u>over \$10,040,000</u>

170 Sec. 4. Section 12-643 of the general statutes is repealed and the

171 following is substituted in lieu thereof (*Effective from passage and*
 172 *applicable to calendar years commencing on or after January 1, 2005*):

173 (a) The term "taxable gifts" means the transfers by gift which are
 174 included in taxable gifts for federal gift tax purposes under Section
 175 2503 and Sections 2511 to 2514, inclusive, and Sections 2516 to 2519,
 176 inclusive, of the Internal Revenue Code of 1986, or any subsequent
 177 corresponding internal revenue code of the United States, as from time
 178 to time amended, less the deductions allowed in Sections 2522 to 2524,
 179 inclusive, of said Internal Revenue Code, except in the event of repeal
 180 of the federal gift tax, than all references to the Internal Revenue Code
 181 in this section shall mean the Internal Revenue Code as in force on the
 182 day prior to the effective date of such repeal.

183 (b) In the administration of the tax under this chapter, the
 184 Commissioner of Revenue Services shall apply the provisions of
 185 Sections 2701 to 2704, inclusive, of said Internal Revenue Code. The
 186 words "secretary or his delegate" as used in the aforementioned
 187 sections of the Internal Revenue Code means the Commissioner of
 188 Revenue Services.

189 (c) The term "Connecticut taxable gifts" means the aggregate sum of
 190 federal taxable gifts made for all calendar years beginning January 1,
 191 2005, by residents of this state, or gifts of real estate or tangible
 192 personal property located within this state made by non-residents for
 193 all calendar years commencing January 1, 2005.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to estates of decedents who die on or after January 1, 2005</i>	New section
Sec. 2	<i>October 1, 2005</i>	12-344(d) and (e)

Sec. 3	<i>from passage and applicable to calendar years commencing on or after January 1, 2005</i>	12-642(a)
Sec. 4	<i>from passage and applicable to calendar years commencing on or after January 1, 2005</i>	12-643

Statement of Purpose:

To provide for a unified estate and gift tax system, wherein both taxes are subject to the same rate schedule, and are applicable only to the total of all gift and estate transfers valued at over one million dollars.

[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.]