



General Assembly

February Session, 2006

**Raised Bill No. 364**

LCO No. 2049

\*02049\_\_\_\_\_VA\_\*

Referred to Committee on Select Committee on Veterans' Affairs

Introduced by:

(VA)

**AN ACT EXEMPTING DISABLED VETERANS WHO SERVED IN IRAQ  
OR AFGHANISTAN FROM STATE INCOME TAX.**

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

1 Section 1. Subdivision (20) of section 12-701 of the 2006 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective July 1, 2006*):

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

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

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

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

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

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

118 gross income for such taxable year is fifty thousand dollars or more, or  
119 as a married individual filing separately whose federal adjusted gross  
120 income for such taxable year is fifty thousand dollars or more, or for a  
121 husband and wife who file a return under the federal income tax as  
122 married individuals filing jointly whose federal adjusted gross income  
123 from such taxable year is sixty thousand dollars or more or for a  
124 person who files a return under the federal income tax as a head of  
125 household whose federal adjusted gross income for such taxable year  
126 is sixty thousand dollars or more, an amount equal to the difference  
127 between the amount of Social Security benefits includable for federal  
128 income tax purposes and the lesser of twenty-five per cent of the Social  
129 Security benefits received during the taxable year, or twenty-five per  
130 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
131 Code, (xi) to the extent properly includable in gross income for federal  
132 income tax purposes, any amount rebated to a taxpayer pursuant to  
133 section 12-746, (xii) to the extent properly includable in the gross  
134 income for federal income tax purposes of a designated beneficiary,  
135 any distribution to such beneficiary from any qualified state tuition  
136 program, as defined in Section 529(b) of the Internal Revenue Code,  
137 established and maintained by this state or any official, agency or  
138 instrumentality of the state, (xiii) to the extent properly includable in  
139 gross income for federal income tax purposes, the amount of any  
140 Holocaust victims' settlement payment received in the taxable year by  
141 a Holocaust victim, [and] (xiv) to the extent properly includable in  
142 gross income for federal income tax purposes of an account holder, as  
143 defined in section 31-51ww, interest earned on funds deposited in the  
144 individual development account, as defined in section 31-51ww, of  
145 such account holder, and (xv) to the extent properly includable in  
146 gross income for federal income tax purposes, any income from a  
147 source other than disability payments received by a veteran, as defined  
148 in section 27-103, who has served in Iraq or Afghanistan and has  
149 sustained a service-connected disability from paraplegia or  
150 osteocondritis resulting in permanent loss of the use of both legs or  
151 permanent paralysis of both legs and lower parts of the body; from

152 total blindness, as defined in section 12-92; or from the amputation of  
153 both arms, both legs, both hands or both feet, or the combination of a  
154 hand and a foot; sustained through enemy action or resulting from  
155 accident occurring or disease contracted in such active service in Iraq  
156 or Afghanistan. Nothing in this clause shall be construed to include  
157 paraplegia or hemiplegia resulting from locomotor ataxia or other  
158 forms of syphilis of the central nervous system, or from chronic  
159 alcoholism, or to include other forms of disease resulting from the  
160 veteran's own misconduct which may produce signs and symptoms  
161 similar to those resulting from paraplegia, osteochondritis or  
162 hemiplegia.

163 (C) With respect to a person who is the beneficiary of a trust or  
164 estate, there shall be added or subtracted, as the case may be, from  
165 adjusted gross income such person's share, as determined under  
166 section 12-714, in the Connecticut fiduciary adjustment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2006	12-701(20)

**Statement of Purpose:**

To provide a state income tax exemption for seriously disabled veterans who served in Iraq or Afghanistan.

*[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.]*