



General Assembly

January Session, 2009

Raised Bill No. 6557

LCO No. 3968

03968 _____ FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

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. Section 12-700 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage and*
3 *applicable to taxable years commencing on or after January 1, 2009*):

4 (a) There is hereby imposed on the Connecticut taxable income of
5 each resident of this state a tax:

6 (1) At the rate of four and one-half per cent of such Connecticut
7 taxable income for taxable years commencing on or after January 1,
8 1992, and prior to January 1, 1996.

9 (2) For taxable years commencing on or after January 1, 1996, but
10 prior to January 1, 1997, in accordance with the following schedule:

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

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$2,250	3.0%
T3	Over \$2,250	\$67.50, plus 4.5% of the
T4		excess over \$2,250

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

T5	Connecticut Taxable Income	Rate of Tax
T6	Not over \$3,500	3.0%
T7	Over \$3,500	\$105.00, plus 4.5% of the
T8		excess over \$3,500

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

T9	Connecticut Taxable Income	Rate of Tax
T10	Not over \$4,500	3.0%
T11	Over \$4,500	\$135.00, plus 4.5% of the
T12		excess over \$4,500

21 (D) For trusts or estates, the rate of tax shall be 4.5% of their
 22 Connecticut taxable income.

23 (3) For taxable years commencing on or after January 1, 1997, but
 24 prior to January 1, 1998, in accordance with the following schedule:

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

T13	Connecticut Taxable Income	Rate of Tax
T14	Not over \$6,250	3.0%
T15	Over \$6,250	\$187.50, plus 4.5% of the

T16 excess over \$6,250

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

T17	Connecticut Taxable Income	Rate of Tax
T18	Not over \$10,000	3.0%
T19	Over \$10,000	\$300.00, plus 4.5% of the
T20		excess over \$10,000

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

T21	Connecticut Taxable Income	Rate of Tax
T22	Not over \$12,500	3.0%
T23	Over \$12,500	\$375.00, plus 4.5% of the
T24		excess over \$12,500

36 (D) For trusts or estates, the rate of tax shall be 4.5% of their
37 Connecticut taxable income.

38 (4) For taxable years commencing on or after January 1, 1998, but
39 prior to January 1, 1999, in accordance with the following schedule:

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

T25	Connecticut Taxable Income	Rate of Tax
T26	Not over \$7,500	3.0%
T27	Over \$7,500	\$225.00, plus 4.5% of the
T28		excess over \$7,500

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

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

T29	Connecticut Taxable Income	Rate of Tax
T30	Not over \$12,000	3.0%
T31	Over \$12,000	\$360.00, plus 4.5% of the
T32		excess over \$12,000

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

T33	Connecticut Taxable Income	Rate of Tax
T34	Not over \$15,000	3.0%
T35	Over \$15,000	\$450.00, plus 4.5% of the
T36		excess over \$15,000

51 (D) For trusts or estates, the rate of tax shall be 4.5% of their
52 Connecticut taxable income.

53 (5) For taxable years commencing on or after January 1, 1999, but
54 prior to January 1, 2003, in accordance with the following schedule:

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

T37	Connecticut Taxable Income	Rate of Tax
T38	Not over \$10,000	3.0%
T39	Over \$10,000	\$300.00, plus 4.5% of the
T40		excess over \$10,000

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

T41	Connecticut Taxable Income	Rate of Tax
T42	Not over \$16,000	3.0%
T43	Over \$16,000	\$480.00, plus 4.5% of the
T44		excess over \$16,000

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

T45	Connecticut Taxable Income	Rate of Tax
T46	Not over \$20,000	3.0%
T47	Over \$20,000	\$600.00, plus 4.5% of the
T48		excess over \$20,000

66 (D) For trusts or estates, the rate of tax shall be 4.5% of their
 67 Connecticut taxable income.

68 (6) For taxable years commencing on or after January 1, 2003, but
 69 prior to January 1, 2009, in accordance with the following schedule:

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

T49	Connecticut Taxable Income	Rate of Tax
T50	Not over \$10,000	3.0%
T51	Over \$10,000	\$300.00, plus 5.0% of the
T52		excess over \$10,000

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

T53	Connecticut Taxable Income	Rate of Tax
T54	Not over \$16,000	3.0%

T71	<u>Over \$16,000 but not</u>	<u>\$480.00, plus 5.0% of the</u>
T72	<u>over \$200,000</u>	<u>excess over \$16,000</u>
T73	<u>Over \$200,000 but not</u>	<u>\$9,680, plus 5.5% of the excess</u>
T74	<u>over \$400,000</u>	<u>over \$200,000</u>
T75	<u>Over \$400,000</u>	<u>\$20,680, plus 6.0% of the excess</u>
T76		<u>over \$400,000</u>

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

T77	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T78	<u>Not over \$20,000</u>	<u>3.0%</u>
T79	<u>Over \$20,000 but not</u>	<u>\$600.00, plus 5.0% of the</u>
T80	<u>over \$250,000</u>	<u>excess over \$20,000</u>
T81	<u>Over \$250,000 but not</u>	<u>\$12,100, plus 5.5% of the excess</u>
T82	<u>over \$500,000</u>	<u>over \$250,000</u>
T83	<u>Over \$500,000</u>	<u>\$25,850, plus 6.0% of the excess</u>
T84		<u>over \$500,000</u>

95 (D) For any person who files a return under the federal income tax
 96 for such taxable year as a married individual filing separately:

T85	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T86	<u>Not over \$10,000</u>	<u>3.0%</u>
T87	<u>Over \$10,000 but not</u>	<u>\$300.00, plus 5.0% of the</u>
T88	<u>over \$125,000</u>	<u>excess over \$10,000</u>
T89	<u>Over \$125,000 but not</u>	<u>\$6,050, plus 5.5% of the excess</u>
T90	<u>over \$250,000</u>	<u>over \$125,000</u>
T91	<u>Over \$250,000</u>	<u>\$12,925, plus 6.0% of the excess</u>
T92		<u>over \$250,000</u>

97 (E) For trusts or estates, the rate of tax shall be 6.0% of the
 98 Connecticut taxable income.

99 [(7)] (8) The provisions of this subsection shall apply to resident
 100 trusts and estates and, wherever reference is made in this subsection to

101 residents of this state, such reference shall be construed to include
102 resident trusts and estates, provided any reference to a resident's
103 Connecticut adjusted gross income derived from sources without this
104 state or to a resident's Connecticut adjusted gross income shall be
105 construed, in the case of a resident trust or estate, to mean the resident
106 trust or estate's Connecticut taxable income derived from sources
107 without this state and the resident trust or estate's Connecticut taxable
108 income, respectively.

109 (b) There is hereby imposed on the Connecticut taxable income
110 derived from or connected with sources within this state of each
111 nonresident a tax which shall be the product of an amount equal to the
112 tax computed as if such nonresident were a resident, multiplied by a
113 fraction, the numerator of which is the nonresident's Connecticut
114 adjusted gross income derived from or connected with sources within
115 this state and the denominator of which is the nonresident's
116 Connecticut adjusted gross income, provided, if the nonresident's
117 Connecticut adjusted gross income is less than such nonresident's
118 Connecticut adjusted gross income derived from or connected with
119 sources within this state, (1) such nonresident's Connecticut adjusted
120 gross income derived from or connected with sources within this state,
121 reduced by the amount of the exemption provided in section 12-702,
122 shall be such nonresident's Connecticut taxable income derived from
123 or connected with sources within this state and shall be multiplied by
124 the tax rate specified in subsection (a) of this section for the purposes
125 of determining the tax pursuant to this section and (2) such
126 nonresident's Connecticut adjusted gross income derived from or
127 connected with sources within this state shall be such nonresident's
128 Connecticut adjusted gross income for the purposes of determining the
129 credit pursuant to section 12-703. The provisions of this subsection
130 shall also apply to nonresident trusts and estates and, wherever
131 reference is made in this subsection to nonresidents of this state, such
132 reference shall be construed to include nonresident trusts and estates,
133 provided any reference to a nonresident's Connecticut adjusted gross
134 income derived from sources within this state or to a nonresident's

135 Connecticut adjusted gross income shall be construed, in the case of a
136 nonresident trust or estate, to mean the nonresident trust or estate's
137 Connecticut taxable income derived from sources within this state and
138 the nonresident trust or estate's Connecticut taxable income,
139 respectively.

140 (c) (1) There is hereby imposed on the Connecticut taxable income
141 derived from or connected with sources within this state of each part-
142 year resident a tax which shall be a product equal to the tax computed
143 as if such part-year resident were a resident, multiplied by a fraction,
144 the numerator of which is the part-year resident's Connecticut adjusted
145 gross income derived from or connected with sources within this state,
146 as described in subsection (a) of section 12-717, and the denominator of
147 which is the part-year resident's Connecticut adjusted gross income, as
148 described in subdivision (2) of this subsection, provided, if the part-
149 year resident's Connecticut adjusted gross income is less than such
150 part-year resident's Connecticut adjusted gross income derived from
151 or connected with sources within this state, (A) such part-year
152 resident's Connecticut adjusted gross income derived from or
153 connected with sources within this state, reduced by the amount of the
154 exemption provided in section 12-702, shall be such part-year
155 resident's Connecticut taxable income derived from or connected with
156 sources within this state and shall be multiplied by the tax rate
157 specified in subsection (a) of this section for the purposes of
158 determining the tax pursuant to this section and (B) such part-year
159 resident's Connecticut adjusted gross income derived from or
160 connected with sources within this state shall be such part-year
161 resident's adjusted gross income for the purposes of determining the
162 credit pursuant to section 12-703. The provisions of this subsection
163 shall apply to part-year resident trusts and, wherever reference is
164 made in this subsection to part-year residents, such reference shall be
165 construed to include part-year resident trusts, provided any reference
166 to a part-year resident's Connecticut adjusted gross income derived
167 from sources within this state or a part-year resident's Connecticut
168 adjusted gross income shall be construed, in the case of a part-year

169 resident trust, to mean the part-year resident trust's Connecticut
170 taxable income derived from sources within this state and the part-
171 year resident trust's Connecticut taxable income, respectively.

172 (2) For purposes of subdivision (1) of this subsection and subsection
173 (a), the Connecticut adjusted gross income of a part-year resident (A)
174 changing his status from resident to nonresident shall be increased or
175 decreased, as the case may be, by the items accrued under subdivision
176 (1) of subsection (c) of section 12-717, to the extent not otherwise
177 includable in Connecticut adjusted gross income for the taxable year
178 and (B) changing his status from nonresident to resident shall be
179 increased or decreased, as the case may be, by the items accrued under
180 subdivision (2) of subsection (c) of section 12-717, to the extent
181 included in Connecticut adjusted gross income for the taxable year.

182 (d) The provisions of this chapter shall be applicable with respect to
183 any person, trust or estate. Whenever, in this chapter, "any person"
184 appears without "trust or estate", the reference to any person shall be
185 deemed to include any trust and any estate unless, in the context of the
186 particular provision, the reference to any person could not be
187 applicable in the case of a trust or in the case of an estate.

188 Sec. 2. (NEW) (*Effective from passage and applicable to taxable years*
189 *commencing on or after January 1, 2009*) (a) With respect to the taxable
190 year commencing on January 1, 2009, any person subject to the tax
191 imposed in accordance with section 12-391 of the general statutes shall
192 pay an additional tax in an amount equal to thirty per cent of the tax
193 calculated under said section 12-391 for such taxable year. The
194 additional amount of tax determined under this subsection shall
195 constitute a part of the tax imposed by the provisions of said section
196 12-391 and shall become due and be paid, collected and enforced as
197 provided in chapter 217 of the general statutes.

198 (b) With respect to the taxable year commencing on January 1, 2010,
199 any person subject to the tax imposed in accordance with section 12-
200 391 of the general statutes shall pay an additional tax in an amount

201 equal to thirty per cent of the tax calculated under said section 12-391
 202 for such taxable year. The additional amount of tax determined under
 203 this subsection shall constitute a part of the tax imposed by the
 204 provisions of said section 12-391 and shall become due and be paid,
 205 collected and enforced as provided in chapter 217 of the general
 206 statutes.

207 (c) With respect to the taxable year commencing on January 1, 2011,
 208 any person subject to the tax imposed in accordance with section 12-
 209 391 of the general statutes shall pay an additional tax in an amount
 210 equal to thirty per cent of the tax calculated under said section 12-391
 211 for such taxable year. The additional amount of tax determined under
 212 this subsection shall constitute a part of the tax imposed by the
 213 provisions of said section 12-391 and shall become due and be paid,
 214 collected and enforced as provided in chapter 217 of the general
 215 statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2009</i>	12-700
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2009</i>	New section

Statement of Purpose:

To adjust income tax rates and impose a surcharge on the estate tax to increase state revenues.

[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.]