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INCOME TAX RATES IN CONNECTICUT AND SURROUNDING STATES

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You asked for the personal income tax rates in Connecticut, Massachusetts, New Jersey, New York, and Rhode Island. The tax rate information in this report comes from CCH's *State Tax Guide* and each state's tax department website.

SUMMARY

Of the five states, Connecticut, New Jersey, New York, and Rhode Island have income taxes structured with multiple income brackets taxed at progressively higher marginal rates. Massachusetts is the only one of the five that imposes a flat income tax with two rates (5.3% and 12%) that apply based on the category, rather than the amount, of taxable income. Rhode Island's tax is comparatively flat with only three brackets and a top rate of 5.99% applicable to all taxable income over \$125,000.

Of the three states with more progressive rate structures, New Jersey and New York have the highest top rates (8.97%), both applicable to taxable income over \$500,000. Connecticut's top rate is 6.87%, applicable to taxable incomes over \$500,000 for joint filers, \$250,000 for singles and married couples filing separately, and \$400,000 for heads of household. As of January 1, 2012, New York is scheduled to drop its two current top brackets and return to its flatter pre-2009 structure with a top rate of 6.85% applicable to taxable income over \$40,000 for joint filers, \$20,000 for singles and married couples filing separately, and \$30,000 for heads of household.

Although Connecticut's new top rate (effective January 1, 2011) is lower than both New Jersey's and New York's current top rates, Connecticut's tax is the only one that phases out its lowest rate for higher-income taxpayers, resulting in more of their income being taxed at an initial marginal rate of 5% rather than 3%. Connecticut also requires taxpayers whose Connecticut adjusted gross income (CT AGI) exceeds certain thresholds to "recapture" or add back to their overall tax liability all or part of the benefits they receive from lower marginal rates on income not subject to the top rate. New York has a similar recapture requirement, but it is temporary and scheduled to end after the 2011 tax year.

CONNECTICUT

Rates

Table 1 shows Connecticut's personal income tax rates effective with tax years starting on or after January 1, 2011.

TABLE 1: CONNECTICUT INCOME TAX RATES

TAX RATE	CONNECTICUT TAXABLE INCOME					
	Married Filing Jointly		Single/ Married Filing Separately		Head of Household	
	Over	But Not Over	Over	But Not Over	Over	But Not Over
3.0%	\$0	\$20,000	\$0	\$10,000	\$0	\$16,000
5.0%	20,000	100,000	10,000	50,000	16,000	80,000
5.5%	100,000	200,000	50,000	100,000	80,000	160,000
6.0%	200,000	400,000	100,000	200,000	160,000	320,000
6.5%	400,000	500,000	200,000	250,000	320,000	400,000
6.7%	Over \$500,000		Over \$250,000		Over \$400,000	

Other Provisions Affecting Connecticut Tax Rates

Phase-out of 3% bracket. Connecticut's income tax law phases out the lowest (3%) income tax bracket for taxpayers with higher CT AGI. It does so by gradually expanding the 5% tax bracket and shrinking the 3% one until the latter disappears and all taxable income below the 5.5% threshold is taxed at 5%.

The 3% bracket phase-out threshold is CT AGI over \$100,500 for joint filers, \$56,500 for singles, \$78,500 for heads of household, and \$50,250 for married couples filing separately. Taxpayers lose the benefit of the 3% marginal rate entirely if they have CT AGI over \$145,500 for joint filers, \$101,500 for singles, \$114,500 for heads of household, and \$72,250 for married couples filing separately. For such taxpayers, the lowest marginal rate is 5%. Table 1A shows the phase-out steps.

TABLE 1A: CT 3% BRACKET PHASE-OUT

	<i>Married Filing Jointly</i>	<i>Single</i>	<i>Head of Household</i>	<i>Married Filing Separately</i>
Phase-Out Starting Point: CT AGI over	\$100,500	\$56,500	\$78,500	\$50,250
Reduction in taxable income subject to 3% rate	\$2,000 per \$5,000 of CT AGI over starting point	\$1,000 per \$5,000 of CT AGI over starting point	\$1,600 per \$4,000 of CT AGI over starting point	\$1,000 per \$1,000 of CT AGI over starting point
3% Rate Eliminated: CT AGI over	\$145,500	\$101,500	\$114,500	\$72,250

Recapture. For taxpayers whose CT AGI exceeds specified thresholds, the law imposes a “recapture” provision to eliminate the benefit they receive from having a portion of their taxable income taxed at lower marginal rates. It does so by requiring taxpayers with higher incomes to add back specified amounts to their tax liability. These “recapture” amounts phase in as CT AGI increases, until 100% of a taxpayer’s taxable income is effectively taxed at the highest marginal rate (6.87%).

Taxpayers with CT AGI above the following levels are affected by the recapture provision: \$400,000 for married filing jointly, \$200,000 for singles and married couples filing separately, and \$320,000 for heads of household. Table 1B shows, for each type of filer, the CT AGI starting point for the recapture phase-in, the AGI phase-in intervals and the recapture amount to be added at each interval, and the maximum total recapture amount to be added once CT AGI reaches the fully phased-in level.

TABLE 1B: CT BENEFIT RECAPTURE PHASE-IN

	<i>Married Filing Jointly</i>	<i>Single/ Married Filing Separately</i>	<i>Head of Household</i>
Phase-In Starting Point: CT AGI over	\$400,000	\$200,000	\$320,000
Recapture Amount	\$150 per \$10,000 of CT AGI over starting point	\$75 per \$5,000 of CT AGI over starting point	\$120 per \$8,000 of CT AGI over starting point
Maximum Total Recapture Amount	\$4,500	\$2,250	\$3,600

MASSACHUSETTS

The Massachusetts income tax has two flat rates. The applicable rate depends on the type of taxable income, as shown in Table 2.

TABLE 2: MASSACHUSETTS INCOME TAX RATES

TAX RATE	MASSACHUSETTS TAXABLE INCOME
12.0%	Short-term capital gains: <ul style="list-style-type: none"> • Capital gains on assets held for one year or less • Capital gains on sale of property used in a trade or business and held for one year or less • Gains on sales of collectibles
5.3%	Other taxable income

NEW JERSEY

New Jersey's income tax rates are shown in Table 3. New Jersey has two sets of tax brackets for two types of filers. Joint filers and heads of household have one more bracket than single filers and married couples filing separately.

TABLE 3: NEW JERSEY INCOME TAX RATES

TAX RATE	MARRIED FILING JOINTLY/HEAD OF HOUSEHOLD		TAX RATE	SINGLE/MARRIED FILING SEPARATELY	
	NJ TAXABLE INCOME			NJ TAXABLE INCOME	
	Over	But Not Over		Over	But Not Over
1.4%	\$0	\$20,000	1.4%	0	20,000
1.75%	20,000	50,000	1.75%	20,000	35,000
2.45%	50,000	70,000	3.5%	35,000	40,000
3.5%	70,000	80,000	5.525%	40,000	75,000
5.525%	80,000	150,000	6.37%	75,000	500,000
6.37%	150,000	500,000	8.97%	Over \$500,000	
8.97%	Over \$500,000				

NEW YORK

New York's income tax rates are currently scheduled to change starting with the 2012 tax year. The state's three-year temporary tax increase on higher-income taxpayers will expire on December 31, 2011. Table 4A shows New York's current income tax rates. Table 4B shows the rates scheduled to go into effect for tax years starting on or after January 1, 2012.

Current Rates

**TABLE 4A: NEW YORK INCOME TAX RATES
2009-2011 Tax Years**

TAX RATE	NEW YORK TAXABLE INCOME					
	Married Filing Jointly		Single/ Married Filing Separately		Head of Household	
	Over	But Not Over	Over	But Not Over	Over	But Not Over
4.0%	\$0	\$16,000	\$0	\$8,000	\$0	\$11,000
4.5%	16,000	22,000	8,000	11,000	11,000	15,000
5.25%	22,000	26,000	11,000	13,000	15,000	17,000
5.9%	26,000	40,000	13,000	20,000	17,000	30,000
6.85%	40,000	300,000	20,000	200,000	30,000	250,000
7.85%	300,000	500,000	200,000	500,000	250,000	500,000
8.97%	Over \$500,000		Over \$500,000		Over \$500,000	

For higher-income taxpayers, New York imposes a recapture provision to eliminate benefits they receive by having part of their taxable income taxed at lower marginal rates. The recapture provision expires after the 2011 tax year. It applies to:

- taxpayers with NY AGI over \$300,000 who have NY taxable income taxed at 7.85% (the second-highest rate), and
- all taxpayers with NY AGI over \$500,000.

Rates for 2012 and Subsequent Tax Years

**TABLE 4B: NEW YORK INCOME TAX RATES
Tax Years 2012 and After**

TAX RATE	NEW YORK TAXABLE INCOME					
	Married Filing Jointly		Single/ Married Filing Separately		Head of Household	
	Over	But Not Over	Over	But Not Over	Over	But Not Over
4.0%	0	\$16,000	\$0	\$8,000	\$0	\$11,000
4.5%	16,000	22,000	8,000	11,000	11,000	15,000
5.25%	22,000	26,000	11,000	13,000	15,000	17,000

5.9%	26,000	40,000	13,000	20,000	17,000	30,000
6.85%	Over \$40,000		Over \$20,000		Over \$30,000	

RHODE ISLAND

Table 5 shows Rhode Island's income tax rates. Rhode Island's tax has one set of brackets for all filers, regardless of filing status.

TABLE 5: RHODE ISLAND

TAX RATE	RHODE ISLAND TAXABLE INCOME	
	Single/Married Filing Jointly/ Married Filing Separately/ Head of Household	
	<i>Over</i>	<i>But Not Over</i>
3.75%	0	\$55,000
4.75%	55,000	125,000
5.99%	Over \$125,000	

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