



# Senate

General Assembly

**File No. 457**

February Session, 2014

Substitute Senate Bill No. 367

*Senate, April 9, 2014*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE GIFT AND ESTATE TAX.**

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

1 Section 1. Subsections (c) and (d) of section 12-391 of the 2014  
2 supplement to the general statutes are repealed and the following is  
3 substituted in lieu thereof (*Effective from passage*):

4 (c) For purposes of this section:

5 (1) (A) "Connecticut taxable estate" means, with respect to the  
6 estates of decedents dying on or after January 1, 2005, but prior to  
7 January 1, 2010, (i) the gross estate less allowable deductions, as  
8 determined under Chapter 11 of the Internal Revenue Code, plus (ii)  
9 the aggregate amount of all Connecticut taxable gifts, as defined in  
10 section 12-643, made by the decedent for all calendar years beginning  
11 on or after January 1, 2005, but prior to January 1, 2010. The deduction  
12 for state death taxes paid under Section 2058 of said code shall be  
13 disregarded.

14 (B) "Connecticut taxable estate" means, with respect to the estates of  
15 decedents dying on or after January 1, 2010, but prior to January 1,  
16 2015, (i) the gross estate less allowable deductions, as determined  
17 under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate  
18 amount of all Connecticut taxable gifts, as defined in section 12-643,  
19 made by the decedent for all calendar years beginning on or after  
20 January 1, 2005. The deduction for state death taxes paid under Section  
21 2058 of said code shall be disregarded.

22 (C) "Connecticut taxable estate" means, with respect to the estates of  
23 decedents dying on or after January 1, 2015, (i) the gross estate less  
24 allowable deductions, as determined under Chapter 11 of the Internal  
25 Revenue Code, plus (ii) the aggregate amount of all Connecticut  
26 taxable gifts, as defined in section 12-643, made by the decedent for all  
27 calendar years beginning on or after January 1, 2005, other than  
28 Connecticut taxable gifts that are includable in the gross estate for  
29 federal income tax purposes of the decedent, plus (iii) the amount of  
30 any tax paid to this state pursuant to section 12-642 by the decedent or  
31 the decedent's estate on any gift made by the decedent or the  
32 decedent's spouse during the three-year period preceding the date of  
33 the decedent's death. The deduction for state death taxes paid under  
34 Section 2058 of the Internal Revenue Code shall be disregarded.

35 (2) "Internal Revenue Code" means the Internal Revenue Code of  
36 1986, or any subsequent corresponding internal revenue code of the  
37 United States, as from time to time amended, except in the event of  
38 repeal of the federal estate tax, then all references to the Internal  
39 Revenue Code in this section shall mean the Internal Revenue Code as  
40 in force on the day prior to the effective date of such repeal.

41 (3) "Gross estate" means the gross estate, for federal estate tax  
42 purposes.

43 (d) (1) (A) With respect to the estates of decedents who die on or  
44 after January 1, 2005, but prior to January 1, 2010, a tax is imposed  
45 upon the transfer of the estate of each person who at the time of death  
46 was a resident of this state. The amount of the tax shall be determined

47 using the schedule in subsection (g) of this section. A credit shall be  
48 allowed against such tax for any taxes paid to this state pursuant to  
49 section 12-642 for Connecticut taxable gifts made on or after January 1,  
50 2005, but prior to January 1, 2010.

51 (B) With respect to the estates of decedents who die on or after  
52 January 1, 2010, but prior to January 1, 2015, a tax is imposed upon the  
53 transfer of the estate of each person who at the time of death was a  
54 resident of this state. The amount of the tax shall be determined using  
55 the schedule in subsection (g) of this section. A credit shall be allowed  
56 against such tax for any taxes paid to this state pursuant to section 12-  
57 642 for Connecticut taxable gifts made on or after January 1, 2005,  
58 provided such credit shall not exceed the amount of tax imposed by  
59 this section.

60 (C) With respect to the estates of decedents who die on or after  
61 January 1, 2015, a tax is imposed upon the transfer of the estate of each  
62 person who at the time of death was a resident of this state. The  
63 amount of the tax shall be determined using the schedule in subsection  
64 (g) of this section. A credit shall be allowed against such tax for (i) any  
65 taxes paid to this state pursuant to section 12-642 for Connecticut  
66 taxable gifts made on or after January 1, 2005, and (ii) any taxes paid  
67 by the decedent's spouse to this state pursuant to section 12-642 for  
68 Connecticut taxable gifts made by the decedent on or after January 1,  
69 2005, that are includable in the gross estate of the decedent, provided  
70 such credit shall not exceed the amount of tax imposed by this section.

71 (2) If real or tangible personal property of such decedent is located  
72 outside of this state, the amount of tax due under this section shall be  
73 reduced by an amount computed by multiplying the tax otherwise due  
74 pursuant to subdivision (1) of this subsection, without regard to the  
75 credit allowed for any taxes paid to this state pursuant to section 12-  
76 642, by a fraction, [(i)] (A) the numerator of which is the value of that  
77 part of the decedent's gross estate attributable to real or tangible  
78 personal property located outside of the state, and [(ii)] (B) the  
79 denominator of which is the value of the decedent's gross estate.

80 (3) For a resident estate, the state shall have the power to levy the  
 81 estate tax upon real property situated in this state, tangible personal  
 82 property having an actual situs in this state and intangible personal  
 83 property included in the gross estate of the decedent, regardless of  
 84 where it is located. The state is permitted to calculate the estate tax and  
 85 levy said tax to the fullest extent permitted by the Constitution of the  
 86 United States.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-391(c) and (d)

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 15 \$	FY 16 \$
Revenue Serv., Dept.	GF - Uncertain	See Below	See Below

**Municipal Impact:** None

**Explanation**

The bill alters the taxable base under the Estate Tax by: 1) excluding certain Connecticut taxable gifts, and 2) including certain Connecticut gift taxes paid during the three years prior to the decedent's death. It is uncertain whether the fiscal impact of the narrowing of the base under the former provision is entirely offset by the expansion of the base under the latter provision.

According to the Executive Committee of the Estates & Probate Section of the Connecticut Bar Association, fewer than five estates within the last year would have been impacted by the provisions narrowing the base, while at least one estate would have been impacted by the provisions expanding the base. There were a total of 486 Estate Tax filers in FY 13.

The actual impact of the bill is dependent on the magnitude of the taxable base exclusions and inclusions that would occur in the future.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

Sources: Connecticut Bar Association Executive Committee of Estates & Probate Section  
Department of Revenue Services Annual Report

**OLR Bill Analysis****sSB 367*****AN ACT CONCERNING THE GIFT AND ESTATE TAX.*****SUMMARY:**

This bill modifies the starting point (i.e., Connecticut taxable estate) for calculating the estate tax for those who die on or after January 1, 2015. It does so by (1) excluding any Connecticut taxable gifts that are includible in the decedent's gross estate for federal estate tax purposes and (2) including the amount of any Connecticut gift tax the decedent or his or her estate paid during the three years preceding the decedent's death for gifts made by the decedent or his or her spouse.

The bill also gives such estates a tax credit for any gift taxes the decedent's spouse paid for Connecticut taxable gifts made by the decedent on or after January 1, 2005 that are includible in the decedent's gross estate. Existing law gives estates a credit for any Connecticut gift taxes paid on gifts made on or after January 1, 2005, as long as the credit does not exceed the estate tax due. The bill limits the total credits to no more than the estate tax due.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (03/25/2014)