



General Assembly

February Session, 2014

Raised Bill No. 173

LCO No. 1249



Referred to Committee on AGING

Introduced by:
(AGE)

AN ACT CONCERNING AN INCOME TAX DEDUCTION FOR LONG-TERM CARE INSURANCE PREMIUMS.

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

1 Section 1. Subdivision (20) of subsection (a) of section 12-701 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage and applicable to tax years commencing on or*
4 *after January 1, 2014*):

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

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

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

49 is exempt from tax under this chapter to the extent that such expenses
50 and premiums are deductible in determining federal adjusted gross
51 income, (ix) for property placed in service after September 10, 2001, but
52 prior to September 11, 2004, in taxable years ending after September
53 10, 2001, any additional allowance for depreciation under subsection
54 (k) of Section 168 of the Internal Revenue Code, as provided by Section
55 101 of the Job Creation and Worker Assistance Act of 2002, to the
56 extent deductible in determining federal adjusted gross income, (x) to
57 the extent deductible in determining federal adjusted gross income, the
58 deduction allowable as qualified domestic production activities
59 income, pursuant to Section 199 of the Internal Revenue Code, (xi) to
60 the extent not properly includable in gross income for federal income
61 tax purposes for the taxable year, any income from the discharge of
62 indebtedness, in taxable years ending after December 31, 2008, in
63 connection with any reacquisition, after December 31, 2008, and before
64 January 1, 2011, of an applicable debt instrument or instruments, as
65 those terms are defined in Section 108 of the Internal Revenue Code, as
66 amended by Section 1231 of the American Recovery and Reinvestment
67 Act of 2009, the inclusion of which income in federal gross income for
68 the taxable year is deferred, as provided by said Section 1231; (xii) to
69 the extent not properly includable in gross income for federal income
70 tax purposes, an amount equal to fifty per cent of any distribution
71 from a manufacturing reinvestment account used in accordance with
72 subdivision (3) of subsection (c) of section 32-9zz to the extent that a
73 contribution to such account was subtracted from federal adjusted
74 gross income pursuant to clause (xix) of subparagraph (B) of this
75 subdivision in computing Connecticut adjusted gross income for the
76 current or a preceding taxable year; and (xiii) to the extent not properly
77 includable in gross income for federal income tax purposes, an amount
78 equal to (I) any distribution from a manufacturing reinvestment
79 account not used in accordance with subdivision (3) of subsection (c)
80 of section 32-9zz to the extent that a contribution to such account was
81 subtracted from federal adjusted gross income pursuant to clause (xix)
82 of subparagraph (B) of this subdivision in computing Connecticut

83 adjusted gross income for the current or a preceding taxable year, and
84 (II) any return of money from a manufacturing reinvestment account
85 pursuant to subsection (d) of section 32-9zz to the extent that a
86 contribution to such account was subtracted from federal adjusted
87 gross income pursuant to clause (xix) of subparagraph (B) of this
88 subdivision in computing Connecticut adjusted gross income for the
89 current or a preceding taxable year.

90 (B) There shall be subtracted therefrom (i) to the extent properly
91 includable in gross income for federal income tax purposes, any
92 income with respect to which taxation by any state is prohibited by
93 federal law, (ii) to the extent allowable under section 12-718, exempt
94 dividends paid by a regulated investment company, (iii) the amount of
95 any refund or credit for overpayment of income taxes imposed by this
96 state, or any other state of the United States or a political subdivision
97 thereof, or the District of Columbia, to the extent properly includable
98 in gross income for federal income tax purposes, (iv) to the extent
99 properly includable in gross income for federal income tax purposes
100 and not otherwise subtracted from federal adjusted gross income
101 pursuant to clause (x) of this subparagraph in computing Connecticut
102 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
103 extent any additional allowance for depreciation under Section 168(k)
104 of the Internal Revenue Code, as provided by Section 101 of the Job
105 Creation and Worker Assistance Act of 2002, for property placed in
106 service after December 31, 2001, but prior to September 10, 2004, was
107 added to federal adjusted gross income pursuant to subparagraph
108 (A)(ix) of this subdivision in computing Connecticut adjusted gross
109 income for a taxable year ending after December 31, 2001, twenty-five
110 per cent of such additional allowance for depreciation in each of the
111 four succeeding taxable years, (vi) to the extent properly includable in
112 gross income for federal income tax purposes, any interest income
113 from obligations issued by or on behalf of the state of Connecticut, any
114 political subdivision thereof, or public instrumentality, state or local
115 authority, district or similar public entity created under the laws of the

116 state of Connecticut, (vii) to the extent properly includable in
117 determining the net gain or loss from the sale or other disposition of
118 capital assets for federal income tax purposes, any gain from the sale
119 or exchange of obligations issued by or on behalf of the state of
120 Connecticut, any political subdivision thereof, or public
121 instrumentality, state or local authority, district or similar public entity
122 created under the laws of the state of Connecticut, in the income year
123 such gain was recognized, (viii) any interest on indebtedness incurred
124 or continued to purchase or carry obligations or securities the interest
125 on which is subject to tax under this chapter but exempt from federal
126 income tax, to the extent that such interest on indebtedness is not
127 deductible in determining federal adjusted gross income and is
128 attributable to a trade or business carried on by such individual, (ix)
129 ordinary and necessary expenses paid or incurred during the taxable
130 year for the production or collection of income which is subject to
131 taxation under this chapter but exempt from federal income tax, or the
132 management, conservation or maintenance of property held for the
133 production of such income, and the amortizable bond premium for the
134 taxable year on any bond the interest on which is subject to tax under
135 this chapter but exempt from federal income tax, to the extent that
136 such expenses and premiums are not deductible in determining federal
137 adjusted gross income and are attributable to a trade or business
138 carried on by such individual, (x) (I) for a person who files a return
139 under the federal income tax as an unmarried individual whose
140 federal adjusted gross income for such taxable year is less than fifty
141 thousand dollars, or as a married individual filing separately whose
142 federal adjusted gross income for such taxable year is less than fifty
143 thousand dollars, or for a husband and wife who file a return under
144 the federal income tax as married individuals filing jointly whose
145 federal adjusted gross income for such taxable year is less than sixty
146 thousand dollars or a person who files a return under the federal
147 income tax as a head of household whose federal adjusted gross
148 income for such taxable year is less than sixty thousand dollars, an
149 amount equal to the Social Security benefits includable for federal

150 income tax purposes; and (II) for a person who files a return under the
151 federal income tax as an unmarried individual whose federal adjusted
152 gross income for such taxable year is fifty thousand dollars or more, or
153 as a married individual filing separately whose federal adjusted gross
154 income for such taxable year is fifty thousand dollars or more, or for a
155 husband and wife who file a return under the federal income tax as
156 married individuals filing jointly whose federal adjusted gross income
157 from such taxable year is sixty thousand dollars or more or for a
158 person who files a return under the federal income tax as a head of
159 household whose federal adjusted gross income for such taxable year
160 is sixty thousand dollars or more, an amount equal to the difference
161 between the amount of Social Security benefits includable for federal
162 income tax purposes and the lesser of twenty-five per cent of the Social
163 Security benefits received during the taxable year, or twenty-five per
164 cent of the excess described in Section 86(b)(1) of the Internal Revenue
165 Code, (xi) to the extent properly includable in gross income for federal
166 income tax purposes, any amount rebated to a taxpayer pursuant to
167 section 12-746, (xii) to the extent properly includable in the gross
168 income for federal income tax purposes of a designated beneficiary,
169 any distribution to such beneficiary from any qualified state tuition
170 program, as defined in Section 529(b) of the Internal Revenue Code,
171 established and maintained by this state or any official, agency or
172 instrumentality of the state, (xiii) to the extent allowable under section
173 12-701a, contributions to accounts established pursuant to any
174 qualified state tuition program, as defined in Section 529(b) of the
175 Internal Revenue Code, established and maintained by this state or
176 any official, agency or instrumentality of the state, (xiv) to the extent
177 properly includable in gross income for federal income tax purposes,
178 the amount of any Holocaust victims' settlement payment received in
179 the taxable year by a Holocaust victim, (xv) to the extent properly
180 includable in gross income for federal income tax purposes of an
181 account holder, as defined in section 31-51ww, interest earned on
182 funds deposited in the individual development account, as defined in
183 section 31-51ww, of such account holder, (xvi) to the extent properly

184 includable in the gross income for federal income tax purposes of a
185 designated beneficiary, as defined in section 3-123aa, interest,
186 dividends or capital gains earned on contributions to accounts
187 established for the designated beneficiary pursuant to the Connecticut
188 Homecare Option Program for the Elderly established by sections 3-
189 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in
190 gross income for federal income tax purposes, fifty per cent of the
191 income received from the United States government as retirement pay
192 for a retired member of (I) the Armed Forces of the United States, as
193 defined in Section 101 of Title 10 of the United States Code, or (II) the
194 National Guard, as defined in Section 101 of Title 10 of the United
195 States Code, (xviii) to the extent properly includable in gross income
196 for federal income tax purposes for the taxable year, any income from
197 the discharge of indebtedness in connection with any reacquisition,
198 after December 31, 2008, and before January 1, 2011, of an applicable
199 debt instrument or instruments, as those terms are defined in Section
200 108 of the Internal Revenue Code, as amended by Section 1231 of the
201 American Recovery and Reinvestment Act of 2009, to the extent any
202 such income was added to federal adjusted gross income pursuant to
203 subparagraph (A)(x) of this subdivision in computing Connecticut
204 adjusted gross income for a preceding taxable year, [; and] (xix) to the
205 extent not deductible in determining federal adjusted gross income,
206 the amount of any contribution to a manufacturing reinvestment
207 account established pursuant to section 32-9zz in the taxable year that
208 such contribution is made, and (xx) the amount of any premiums paid
209 during the taxable year for the premium on a long-term care insurance
210 policy, as defined in section 38a-501 or 38a-528, or as issued pursuant
211 to section 38a-475.

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to tax years commencing on or after January 1, 2014</i>	12-701(a)(20)

Statement of Purpose:

To provide an incentive for residents to purchase long-term care insurance.

[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.]