



General Assembly

February Session, 2014

Raised Bill No. 397

LCO No. 2065



Referred to Committee on BANKS

Introduced by:
(BA)

AN ACT CONCERNING THE CONNECTICUT HIGHER EDUCATION TRUST.

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

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2 section 12-701 of the general statutes is repealed and the following is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

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes
15 and not otherwise subtracted from federal adjusted gross income

16 pursuant to clause (x) of this subparagraph in computing Connecticut
17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph
23 (A)(ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under

50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal
52 adjusted gross income and are attributable to a trade or business
53 carried on by such individual, (x) (I) for a person who files a return
54 under the federal income tax as an unmarried individual whose
55 federal adjusted gross income for such taxable year is less than fifty
56 thousand dollars, or as a married individual filing separately whose
57 federal adjusted gross income for such taxable year is less than fifty
58 thousand dollars, or for a husband and wife who file a return under
59 the federal income tax as married individuals filing jointly whose
60 federal adjusted gross income for such taxable year is less than sixty
61 thousand dollars or a person who files a return under the federal
62 income tax as a head of household whose federal adjusted gross
63 income for such taxable year is less than sixty thousand dollars, an
64 amount equal to the Social Security benefits includable for federal
65 income tax purposes; and (II) for a person who files a return under the
66 federal income tax as an unmarried individual whose federal adjusted
67 gross income for such taxable year is fifty thousand dollars or more, or
68 as a married individual filing separately whose federal adjusted gross
69 income for such taxable year is fifty thousand dollars or more, or for a
70 husband and wife who file a return under the federal income tax as
71 married individuals filing jointly whose federal adjusted gross income
72 from such taxable year is sixty thousand dollars or more or for a
73 person who files a return under the federal income tax as a head of
74 household whose federal adjusted gross income for such taxable year
75 is sixty thousand dollars or more, an amount equal to the difference
76 between the amount of Social Security benefits includable for federal
77 income tax purposes and the lesser of twenty-five per cent of the Social
78 Security benefits received during the taxable year, or twenty-five per
79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
80 Code, (xi) to the extent properly includable in gross income for federal
81 income tax purposes, any amount rebated to a taxpayer pursuant to
82 section 12-746, (xii) to the extent properly includable in the gross
83 income for federal income tax purposes of a designated beneficiary,

84 any distribution to such beneficiary from any qualified state tuition
85 program, as defined in Section 529(b) of the Internal Revenue Code,
86 established and maintained by this state, another state or any official,
87 agency or instrumentality of [the] such state, (xiii) to the extent
88 allowable under section 12-701a, contributions to accounts established
89 pursuant to any qualified state tuition program, as defined in Section
90 529(b) of the Internal Revenue Code, established and maintained by
91 this state or any official, agency or instrumentality of the state, (xiv) to
92 the extent properly includable in gross income for federal income tax
93 purposes, the amount of any Holocaust victims' settlement payment
94 received in the taxable year by a Holocaust victim, (xv) to the extent
95 properly includable in gross income for federal income tax purposes of
96 an account holder, as defined in section 31-51ww, interest earned on
97 funds deposited in the individual development account, as defined in
98 section 31-51ww, of such account holder, (xvi) to the extent properly
99 includable in the gross income for federal income tax purposes of a
100 designated beneficiary, as defined in section 3-123aa, interest,
101 dividends or capital gains earned on contributions to accounts
102 established for the designated beneficiary pursuant to the Connecticut
103 Homecare Option Program for the Elderly established by sections 3-
104 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in
105 gross income for federal income tax purposes, fifty per cent of the
106 income received from the United States government as retirement pay
107 for a retired member of (I) the Armed Forces of the United States, as
108 defined in Section 101 of Title 10 of the United States Code, or (II) the
109 National Guard, as defined in Section 101 of Title 10 of the United
110 States Code, (xviii) to the extent properly includable in gross income
111 for federal income tax purposes for the taxable year, any income from
112 the discharge of indebtedness in connection with any reacquisition,
113 after December 31, 2008, and before January 1, 2011, of an applicable
114 debt instrument or instruments, as those terms are defined in Section
115 108 of the Internal Revenue Code, as amended by Section 1231 of the
116 American Recovery and Reinvestment Act of 2009, to the extent any
117 such income was added to federal adjusted gross income pursuant to

118 subparagraph (A)(x) of this subdivision in computing Connecticut
119 adjusted gross income for a preceding taxable year; and (xix) to the
120 extent not deductible in determining federal adjusted gross income,
121 the amount of any contribution to a manufacturing reinvestment
122 account established pursuant to section 32-9zz in the taxable year that
123 such contribution is made.

124 Sec. 2. 12-701a of the general statutes is repealed and the following
125 is substituted in lieu thereof (*Effective July 1, 2014, and applicable to*
126 *taxable years commencing on or after January 1, 2014*):

127 The maximum annual modification under subparagraph (B)(xiii) of
128 subdivision (20) of subsection (a) of section 12-701, as amended by this
129 act, shall be equal to the amount of contributions to all accounts
130 established pursuant to any qualified state tuition program, as defined
131 in Section 529(b) of the Internal Revenue Code, established and
132 maintained by this state, another state or any official, agency or
133 instrumentality of [the] such state, but shall not exceed five thousand
134 dollars for each individual taxpayer for each child's of whose such an
135 account has been established, provided such modification shall not
136 exceed ten thousand dollars, or ten thousand dollars for taxpayers
137 filing a joint return for each child of whose such an account has been
138 established, provided such modification shall not exceed twenty
139 thousand dollars. Any amount of a contribution that is not subtracted
140 by the taxpayer in the year for which the contribution is made, on or
141 after January 1, 2006, may be carried forward as a subtraction from
142 income for the succeeding five years; provided the amount subtracted
143 shall not exceed the maximum allowed in each subsequent taxable
144 year.

<p>This act shall take effect as follows and shall amend the following sections:</p>
--

Section 1	<i>July 1, 2014, and applicable to taxable years commencing on or after January 1, 2014</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2014, and applicable to taxable years commencing on or after January 1, 2014</i>	New section

Statement of Purpose:

To increase the maximum annual modification to Connecticut adjusted gross income for contributions to qualified state tuition programs to five thousand dollars for each child of an individual taxpayer filing and ten thousand dollars for each child of taxpayers filing a joint return.

[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.]