House of Representatives

General Assembly

File No. 80

January Session, 2015

Substitute House Bill No. 6731

House of Representatives, March 17, 2015

The Committee on Environment reported through REP. ALBIS of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE TREATMENT OF CERTAIN FARM LAND FOR PURPOSES OF THE ESTATE TAX.

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

Section 1. Subsection (c) of section 12-391 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to estates of decedents dying on or after January 1, 2015*):

(c) For purposes of this section:

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

disregarded.

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

(C) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2015, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12-643, made by the decedent for all calendar years beginning on or after January 1, 2005, other than Connecticut taxable gifts that are includable in the gross estate for federal estate tax purposes of the decedent, plus (iii) the amount of any tax paid to this state pursuant to section 12-642 by the decedent or the decedent's estate on any gift made by the decedent or the decedent's spouse during the three-year period preceding the date of the decedent's death, less (iv) the fair market value of any farm land classified as farm land in accordance with section 12-107c that the decedent owned at the time of his or her death, up to an amount not greater than the Federal estate tax exemption. The deduction for state death taxes paid under Section 2058 of the Internal Revenue Code shall be disregarded.

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

(3) "Gross estate" means the gross estate, for federal estate tax

purposes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage and applicable to estates of decedents dying on or after January 1, 2015*	12-391(c)

ENV *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 16 $	FY 17 $
Department of Revenue Services	GF - Revenue Loss	Potential Significant	Potential Significant

Municipal Impact: None

Explanation

The bill establishes a state Estate Tax exemption up to the federal estate tax exemption level (currently $5.4 million) for farm land classified under the state's "490 program" which results in a potential significant revenue loss beginning in FY 16.

The timing and magnitude of the revenue loss is dependent upon: 1) the timing of the death of decedents owning 490 farm land; 2) the overall value of the estate of decedents owning 490 farm land; and 3) the fair market value of decedents' 490 farm land.

Background

As an example, if a decedent's estate was composed entirely of 490 farm land worth $5.4 million, the revenue loss under the bill would be $265,200.

According to the Department of Energy and Environmental Protection, as of December 31, 2014 there were approximately 268,000 acres spread amongst 12,594 parcels classified as farm land under the 490 program.

The Out Years

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

Sources: *Department of Energy and Environmental Protection Public Act 490 Overview Publication*

OLR Bill Analysis
sHB 6731

AN ACT CONCERNING THE TREATMENT OF CERTAIN FARM LAND FOR PURPOSES OF THE ESTATE TAX.

SUMMARY:

This bill excludes the value of certain farm land from the taxable estate of those who die on or after January 1, 2015.

Under the bill, to calculate the estate tax a taxpayer must subtract from his or her gross estate the fair market value, up to the federal estate tax exemption (currently $5.43 million), of farm land participating in the state's "490 program" that the decedent owned at his or her death. (The 490 program allows certain farm, forest, or open space land to be assessed at its use value, rather than fair market value, for property tax purposes.)

Connecticut begins taxing estates at $2 million. Current law requires a taxpayer to calculate the estate tax as follows:

1. begin with the gross estate;

2. subtract federally allowable deductions;

3. add the total value of all taxable gifts the decedent made on or after January 1, 2005, but not gifts included in the gross estate for federal tax purposes; and

4. add the amount of any Connecticut gift tax the decedent or his or her estate paid for gifts the decedent or his or her spouse made during the three years before the decedent's death.

The taxpayer must disregard the federal deduction for state death taxes.

EFFECTIVE DATE: Upon passage and applicable to estates of decedents dying on or after January 1, 2015.

COMMITTEE ACTION

Environment Committee

Joint Favorable Substitute

Yea	27	Nay	0	(02/27/2015)