



General Assembly

January Session, 2017

Raised Bill No. 6987

LCO No. 3286



Referred to Committee on AGING

Introduced by:
(AGE)

AN ACT EXEMPTING SOCIAL SECURITY BENEFITS FROM STATE INCOME TAX.

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2 section 12-701 of the general statutes is repealed and the following is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 from passage and applicable to taxable*
4 *years commencing on and after January 1, 2017*):

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] an amount equal to the Social Security benefits includable for
81 federal income tax purposes, (xi) to the extent properly includable in
82 gross income for federal income tax purposes, any amount rebated to a
83 taxpayer pursuant to section 12-746, (xii) to the extent properly

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

118 such income was added to federal adjusted gross income pursuant to
119 subparagraph (A)(xi) of this subdivision in computing Connecticut
120 adjusted gross income for a preceding taxable year, (xix) to the extent
121 not deductible in determining federal adjusted gross income, the
122 amount of any contribution to a manufacturing reinvestment account
123 established pursuant to section 32-9zz in the taxable year that such
124 contribution is made, and (xx) to the extent properly includable in
125 gross income for federal income tax purposes, for the taxable year
126 commencing January 1, 2015, ten per cent of the income received from
127 the state teachers' retirement system, for the taxable year commencing
128 January 1, 2016, twenty-five per cent of the income received from the
129 state teachers' retirement system, and for the taxable year commencing
130 January 1, 2017, and each taxable year thereafter, fifty per cent of the
131 income received from the state teachers' retirement system.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on and after January 1, 2017</i>	12-701(a)(20)(B)

Statement of Purpose:

To exempt Social Security income includable for federal income tax purposes from the state income tax.

[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.]