

## **Income Tax Deductions for Social Security and Pension Income**

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### **Issue**

Explain the state tax deductions for Social Security and pension and annuity income.

This report updates OLR report [2018-R-0029](#).

### **Social Security Income**

By law, Connecticut exempts from its income tax (1) Social Security income the federal government exempts from the federal income tax and (2) depending on a taxpayer's filing status and federal adjusted gross income (AGI), some or all of the Social Security income the federal government taxes (CGS § [12-701\(20\)\(B\)\(x\)](#)). (OLR report [2018-R-0271](#) explains the federal Social Security exemption.)

In 2017, the legislature raised the income thresholds below which taxpayers can deduct 100% of their federally-taxable Social Security income, thus extending this deduction to more taxpayers. The new thresholds take effect in 2019, rising from (1) \$50,000 to \$75,000 for single filers and married people filing separately and (2) \$60,000 to \$100,000 for joint filers and heads of household. As under existing law, taxpayers with AGIs at or above these thresholds continue to qualify for a 75% deduction (CGS § [12-701\(a\)\(20\)\(B\)\(x\)\(III\)](#)).

### **Pension and Annuity Income**

Under a 2017 law, the income tax on pension and annuity income for taxpayers with AGIs below specified thresholds phases out over six years, from 2019 to 2025. The thresholds are (1)

\$75,000 for single filers, married people filing separately, and heads of households and (2) \$100,000 for married people filing jointly (CGS § [12-701](#)(a)(20)(B)(xxi)).

Taxpayers with AGIs below these thresholds may deduct a percentage of their pension and annuity income when calculating their Connecticut AGI according to the schedule shown in Table 1.

**Table 1: Schedule for Deducting Percentage of Pension and Annuity Income from Connecticut Income Taxes**

<i>Tax Year</i>	<i>Percent of Pension and Annuity Income Exempt from Income Tax</i>
2019	14
2020	28
2021	42
2022	56
2023	70
2024	84
2025 and thereafter	100

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