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March 7, 2021

Legislators,

The short statement concerning **Proposed H.B. No. 5857** which is the 2021 version of H.B. No. 5060 is that **I endorse it completely**. On behalf of many CT retirees, I pass on their thanks to Representative Kavros DeGraw for introducing 5857 and for Representative Carvey for introducing 5060 in 2020 and for Representative Fishbein for Co-Sponsoring it – as well as those who later added their names as Co-Sponsors last year.

To put this proposal in its proper perspective, one only has to look at the 2019 Form CT-1040 Connecticut Resident Income Tax Return Instructions on pages 4 & 28 to see why the approval of this bill is necessary to correct an oversight created with the passage of Section 641 of June Special Session Public Act 17-2 for the taxable year beginning on January 1, 2019. This act provided tax relief for those with federal AGI below the threshold limits assigned to have their retirement income taxable amount reduced by 14% - with that amount rising to 100% by 2025. Further, it involves income “from certain pensions and annuities, such as a defined benefit plan, 401(k), 403(b) or 457(b) plans”. **What it excluded from the benefit was IRA plans – which makes no sense since an IRA is also a retirement fund and hence the bill discriminates against people having IRAs.**

It is my guess that the drafters and endorsers of this act did not realize that many people who may have at one time been part of a defined benefit plan, 401(k), etc. CONVERTED their funds to an IRA – for a variety of reasons. What this Act has done is penalized people who did those conversions – which are not reversible

I am here as a person who has done tax returns on a volunteer basis as part of the VITA and AARP-Tax Aide programs for 12 years, preparing, checking or being responsible for thousands of tax returns. I can assure you that this oversight will cost many individuals with similar circumstances a lot of money. Additionally, this discriminatory act penalizes people who might not have the good fortune of working for a company with one of the plans but who decided to save for retirement using an IRA – which they fully funded. **The standard IRA is a retirement “pension” vehicle which should be included for this tax break.**

The bottom line is that ALL retirement funds should be under the umbrella of this bill – and further, **there should be some vehicle to allow people who lost out last year and possibly this year due to this oversight, to be able to recoup what they have lost by amending their return(s).**

Last year, in support of 5060 I submitted my testimony to this committee and spoke at the public Hearing of 2/27/20. I will include that testimony with my submission for this public hearing. To his credit, Representative Carney responded to my testimony at the hearing stating that he regretted the

error of omission that was made and that he proposed 5060 when informed by an accountant friend of his about the obvious omission. Those are not his words since I have no recording and am paraphrasing.

This bill is, or at least should be, a bipartisan bill that all should endorse. **I doubt that anyone in the legislature would feel comfortable having knowingly signed off on a piece of legislation that discriminates against a segment of the senior population that happens to have IRAs as part of their retirement portfolio.**

H. B. 5857 “will correct an inequity among taxpayers that was created by the well-intentioned plan to phase out income taxation of “pension and annuity income” for lower income taxpayers in Connecticut”. This is a direct quote from the testimony of Jean Wilcznski, a fellow testimony participant from 2020 regarding 5060. Jean, along with testimony from AARP and 3 others, including me, are in support of the legislation.

As we all pointed out in one form or another, it is common practice for people, upon retirement, to convert their retirement investments, 401k, and similar instruments into IRAs – a move that is encouraged by all banks. Without passing 5857 into law, all those people will lose this valuable tax break – which I am sure was not the legislature’s intention. For all the reasons listed in my testimony last year and those of others, please endorse and pass 5857. To do so is a “no-brainer”. To not do so borders on “criminal”.

One thing about 5857 that should be changed is the implementation date. 5060 has the phase-out “commencing in the taxable year commencing January 1, 2020”. Had it passed, this would have resulted in those with IRAs losing out on a 14% reduction in taxable retirement income. Because it was not passed last year due to the Covid-19 crisis the 5857 now has changed the taxable commencing date to January 1, 2021. If that stands without amendment, those with IRAs will lose an additional 28% of taxable retirement income. **People should be allowed to amend their 2019 tax returns and 2020 tax returns (if this is not implemented immediately) to facilitate the recovery of their tax due to this oversight.** The federal government allows such amendments. An example is the topic of Premiums for Mortgage Insurance (PMI) and whether to make it tax deductible. This topic is not a part of tax law but rather one of the Extenders that Congress decides upon each year. For Tax Year 2018, PMI was not allowed. In view of the pandemic, **Congress** has allowed PMI for 2019 & 2020 **AND will allow a taxpayer to amend their 2018 tax return to recover monies lost by the obvious omission – an analogous situation to the omission of IRAs in the original Connecticut act.**

For your information, I have also appealed to Governor Lamont to pass this bill by executive order since its passage is a “no brainer”, not worthy of the additional time that you are all spending on the bill. I have not received a response but will follow up with his office.

Finally, in my testimony last year I mentioned a tax return that I did for a 94-year-old woman. She and her deceased husband started a successful business many years ago and passed it on to her family. Her retirement money is in an IRA. She was a very sharp individual who understood when I explained to her what she was losing because of the oversight. I prepared 2 letters putting her name on them and addressed them to her State Representative and State Senator pointing out “her” feelings about the flawed bill and included the amount that she lost. I did similar for others and asked them to sign and send them if the write-up reflected their feelings. Some of you may have received one of the letters. This delightful woman joked about her age and that she might just outlive her savings. You should all

know that unless you pass this bill and correct the oversight, you will be punishing people like this 94-year-old. As earlier stated, I think you should also find a way to allow people like her to recover what they lost in Tax Year 2019 and possibly Tax Year 2020. Wouldn't you like to put a smile on her face?

I know that you are busy with many "more important" things like the Covid-19 situation, but this important issue should not be neglected. **It is my request to you that you pass HB 5087 and make it immediately effective and provide for the ability of people to amend 2019 returns to recoup their losses.**

I thank you all for your time.

Sincerely,

Stanley J. Phillips, Jr.