Recommendation 1. Taxation of Retirement Income

NOTE: At its December 8 meeting the Panel did not reach a consensus on the tax treatment of retirement income. Accordingly, staff was directed to write up two options. Note that under Option 1 the Panel remains silent on the issue. It is Option 2 that the Panel either accepts or rejects. If Option 2 is accepted, then the language as written (or revised in some manner by the Panel) becomes a Final Recommendation.

- **Option 1**: [No change in the state taxation of retirement income – neither a narrowing nor a broadening of the base. If this Option is agreed – that is there is a “no” to taxing retirement income-- there will be no need for Panel comment this topic in the transmittal of the final set of recommendations to be are transmitted to the General Assembly]

- **Option 2**: Treat all retirement income other than federally mandated ERISA exclusions as ordinary income in the base of the Connecticut Individual Income Tax.

  - Revenue Implications/Option2: Long run capture of the trend of a growing segment of the Connecticut population that is of retirement age (Age 65 and older increasing from 18.6% in 2015, to 20.7% in 2020, to 23.5% in 2025)

The following three draft options do not have a significant revenue impact that differs from the current set of revenue estimations:

**Recommendation 2. Connecticut Definition of the Adjustable Gross Income**

- Retain the practice of Connecticut determination of the definition of Adjustable Gross Income as the starting point for calculating the Connecticut Individual Income Tax

**Recommendation 3. The Earned Income Tax Credit (EITC)**

- Retain the Earned Income Tax Credit in its present form and return, as now provided in Connecticut tax law to an amount equal to 30% of the credit allowed against federal tax liability in the same year.

**Recommendation 4. Net Capital Gains Income**

- Retain the treatment of taxing net capital gains income at the same rate as all other income in the Connecticut income tax