Tax Information

Description:

The Department of Revenue Services (DRS) administers the tax laws of the State of Connecticut and collects the tax revenues. DRS ensures compliance with these tax laws by educating the public about tax responsibilities and by assisting individuals with filing appropriate tax returns and paying taxes. The following is a brief description of some Connecticut tax topics that may affect older adults. Also refer to Informational Publication 2008(24), *Connecticut Tax Tips for Senior Citizens*, available on the DRS website at www.ct.gov/drs.

Sales and Use Taxes

Discounts
When a senior citizen discount or other store discount is offered on a taxable item, the sales tax is applied to the discounted price. The same tax treatment applies to purchases made with coupons or electronic scan cards. The purchaser pays tax on the final price after the coupon or discount is subtracted.

While there is not a specific tax exemption for elderly individuals, the following tax exemptions may be of particular interest to older adults:

- Materials for non-commercial sewing to make clothing and yarn for non-commercial use.
- Clothing or footwear under $50 each.
- Custom made wigs or hairpieces for persons with medically-diagnosed, total and permanent hair loss as a result of a disease or treatment of a disease.
- Diabetic supplies and equipment.
- Food purchased in grocery stores and food products sold through coin-operated vending machines.
- Landscaping, horticultural, maintenance, and window washing services performed at the residence of a person currently receiving permanent Social Security Disability benefits are tax exempt. Maintenance services to residential properties include but are not limited to: house washing, chimney sweeping, carpet cleaning, gutter cleaning, snow removal and driveway sealing.
- Meals provided by special programs that are delivered to homes of elderly persons.
- Newspapers.
- Magazines purchased by subscription.
- Non-prescription drugs for use in or on the human body such as vitamins, cold medications, food and dietary supplements.
- Prescription drugs, eyeglasses, dentures, hearing aids, batteries and inclined stairway chairlifts, including repair, replacement and enhancement parts.

- Renovation and repair services to residential properties that are owner-occupied, including plumbing, electrical, refuse removal, septic cleaning services, paving, painting or staining, wallpapering, roofing, siding and exterior sheet metal work.
- Repair services provided to crutches, walkers and wheelchairs, hearing aids, artificial devices or artificial limbs, artificial eyes and equipment used in support of vital life functions.
- Sales of goods and services, which are eligible benefits under Medicare, Medicaid, or CHAMPUS, that are made to eligible beneficiaries of these insurers. These are exempt regardless of whether payment is made to the retailer by the beneficiary or by the insurer.
- Sales of $100 or less at gift shops in nursing and convalescent homes, residential care homes or adult day care centers if the profits are used to benefit the patients or persons using the facility
- Sales to and by licensed non-profit nursing homes, rest homes and nonprofit residential care homes if the sales are for the exclusive purposes of the institutions.
- Shoe repair services.
- Vegetable seeds suitable for planting to produce food for human consumption.

Connecticut Income Tax:

Connecticut income tax is based on federally adjusted gross income with certain modifications. For example, certain types of income can be subtracted from federal adjusted gross income in calculating Connecticut income tax. These types of income include interest from U.S. government savings bonds or treasury notes, and Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities, to the extent the benefits were not already subtracted from federal adjusted gross income. Certain income (for example, interest from bonds issued by states other than Connecticut) that is exempt from federal income tax is added to federal adjusted gross income in calculating Connecticut income tax.

Taxpayers may be eligible to claim a personal exemption from the tax depending upon their income level. For the 2007 taxable year, up to $12,750 of adjusted gross income may be exempt for single taxpayers; for married taxpayers, up to $24,000 may be exempt if the couple files jointly and up to $12,000 if they file separately; and, for head of households, up to $19,000 may be exempt. Beginning with the 2008 tax year the personal exemption for single filers will be $13,000; the personal exemption for single filers will increase each year for eight years until it reaches $15,000 in 2012. The personal exemption decreases as a person’s income increases.

A personal tax credit of up to 75 percent is available, but this credit diminishes as a person’s income increases. Modifications and exemptions are explained in the instructions to the resident income tax returns, Form CT-1040 and From CT-1040EZ.

The tax rate is three percent of the first $10,000 of Connecticut taxable income for single filers and married taxpayers filing separately, $16,000 for heads of household or $20,000 for married couples who file a joint return. (The tax rate is five percent of Connecticut taxable income in excess of these amounts.) A non-refundable tax credit of up to $500 is available for 2008 to taxpayers who paid property to a Connecticut municipality on a primary residence or on a personally owned or leased motor vehicle. The amount of credit varies upon income level, the amount of property tax paid and the amount of Connecticut income tax due.

If Social Security benefits are not taxable for federal income tax purposes, they are not subject to Connecticut income tax. If such benefits are taxable for federal income tax purposes, persons are exempt from state tax on their federally taxable Social Security benefits if: 1) The person is an unmarried individual or married individual, who files separately and whose federal adjusted gross income is less than $50,000, or 2) a married couple who files jointly or an individual who files as head of household and whose federal adjusted gross income in less than $60,000. For anyone whose income exceeds these income levels the amount subject to Connecticut income tax is limited to 25 percent of benefits received even if greater percentage of the benefits is taxable for federal income tax purposes.

Prepayment of tax through withholding or through estimated income tax payments may be required. Estimated payments should be made if the taxpayer expects to owe $1,000 or more of Connecticut income tax after subtracting any Connecticut income tax withholding. Taxpayers who receive distributions from a pension or annuity may request Connecticut income tax withholding by contacting their pension payer and requesting Form CT-W4P, Withholding Certificate for Pension or Annuity Payments. Retired federal employees who want Connecticut income tax withheld from their annuity should contact the United States Office of Personnel Management using either the 24-hour automated telephone system at 888-767-6738 or by calling 202-606-0500 during business hours.

Employers of household employees such as nurses and home companions are not required to be registered to withhold Connecticut income tax unless the employer and employee both agree to have Connecticut income taxes withheld. The employees, however, may be required to make estimated payments if tax is not withheld.

Real Estate Conveyance Tax

Deeds transferring property between spouses and between parent and child for no consideration are exempt from real estate conveyance tax. Deeds transferring property from a person receiving Elderly Property Tax benefits are exempt from Connecticut real estate conveyance tax but are subject to the municipal real estate conveyance tax. (Note: Transfers of property for no consideration, including to a child, may be subject to the Connecticut gift tax. Transfers between spouses are not subject to the gift tax.)

Estate Tax

Resident and non-resident estates are liable for Connecticut estate tax if the amount of the Connecticut taxable estate is more than $2 million. A resident estate is an estate of a decedent who at the time of death was domiciled in Connecticut. A nonresident estate is an estate of a decedent who at the time of death was not domiciled in Connecticut but owned real or tangible personal property in Connecticut.

The Connecticut taxable estate is the sum of:

- The total value of the decedent's federal gross estate, less allowable deductions (other than the deduction for state death taxes paid under Section 2058 of the Internal Revenue Code); and
- The aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during all calendar years beginning on or after January 1, 2005.

Gift Tax

A Connecticut gift tax return must be filed to report al Connecticut taxable gifts made in any calendar year on or after January 1, 2005, even though Connecticut gift tax may not be due. For calendar years beginning January 1, 2005, Connecticut gift tax is payable only when the aggregate amount of all taxable gifts made by the donor (during his or her lifetime), on or after January 1, 2005, exceeds $2 million. Once the $2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount of Connecticut taxable gifts, including the first $2 million. Request Form CT-706/709, *Connecticut Estate and Gift Tax Return and Instructions*, for more information.

Succession Tax

The Connecticut succession tax has been repealed for estates of decedents dying after December 31, 2004.

Eligibility Requirements, Service Areas and Program Year:

Eligibility Requirements:

N/A

Service Areas:

Statewide

Program Year:

N/A

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Related Information:

N/A