

1998

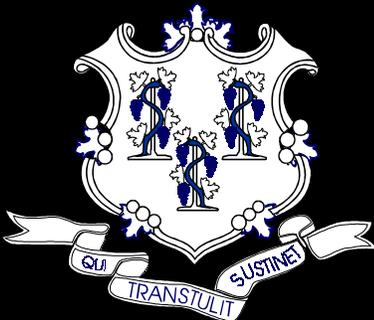
FORM CT-709

Connecticut Gift Tax

Return and Instructions

This booklet
contains:

- Form CT-709
- Form CT-709 EXT
- Form CT-709
FARMLAND



Dear Customer:

Our goal at the Department of Revenue Services is to provide you with the highest quality service. We continue to win awards for our efforts to bring efficiency, integrity, and fairness to the State's tax programs.

If you have questions about the Connecticut gift tax, or need help in completing this return, our Taxpayer Services personnel are always ready to assist you. The back cover of this booklet has a complete list of our regional locations, hours of service and phone and fax numbers. Detailed information about all Connecticut taxes is also available on the DRS Web site (see address at bottom of page).

Please complete and return the Taxpayer Questionnaire found on Page 15 in order to help us serve you better. As always, I welcome your comments and suggestions in writing at any time, or e-mail me through our Web site (see below).

Sincerely,

A handwritten signature in cursive script that reads 'Gene Gavin'.

Gene Gavin

Commissioner of Revenue Services

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (in-state) or **860-297-5962** (anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number beside the topic of your choice.

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1999 Extended Telephone Hours for Personal Assistance (Option "0"):

- Tuesday **January 26** (until 7 p.m.)
- Thursday **January 28** (until 7 p.m.)
- Tuesday **February 2** (until 7 p.m.)
- Thursday **February 4** (until 7 p.m.)
- Thursday **April 1** (until 7 p.m.)
- Saturday **April 3** (8:30 a.m. - 12:00 p.m.)
- Thursday **April 8** (until 7 p.m.)
- Saturday **April 10** (8:30 a.m. - 12:00 p.m.)
- Monday **April 12** (until 7 p.m.)
- Tuesday **April 13** (until 7 p.m.)

1999 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

- Wednesday **April 14** (until 8 p.m.)
- Thursday **April 15** (until 8 p.m.)

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CONNECTICUT SUCCESSION TAX

The Connecticut succession tax is imposed on the transfer of property after death. The succession tax differs from an estate tax in that the size of the exemption and the rate of taxation vary depending upon the relationship of the decedent to the individual receiving the decedent's property.

The tax is levied on the transfer of property to heirs or beneficiaries after an individual dies. Most transfers of property from deceased residents of Connecticut and the transfer of certain types of property by deceased nonresidents are taxable. The relationship of the decedent to the individual receiving the property determines the class of the transfer, which in turn, fixes the applicable exemption from taxation as well as the rate of taxation.

A credit will be allowed on a succession tax return in the amount of any tax imposed and paid on **Form CT-709, Connecticut Gift Tax Return**, with respect to taxable gifts which are includable in the gross taxable estate of the donor.

GENERAL INFORMATION

WHERE CAN I GET HELP?

The Department of Revenue Services, Taxpayer Services Division, can answer questions on how to complete your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). Telecommunications Device for the Deaf (TDD/TT) users **only** may call 860-297-4911.

Assistance is also available from 8:00 a.m. to 5:00 p.m. by visiting any of the Department's offices listed on the back cover of this booklet. If you visit, be sure to bring your **COMPLETED** federal gift tax return.

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

You may obtain forms and publications 24 hours a day from the DRS Web site at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

Most Connecticut post offices, banks, town halls, and public libraries have Connecticut income tax forms. Connecticut income tax forms and other tax forms may be obtained at any of the Department's offices, listed on the back cover.

Connecticut tax forms may also be obtained by writing to:

**Department of Revenue Services
Forms Unit
25 Sigourney Street
Hartford CT 06106-5032**

or by calling our Forms Unit at 860-297-4753 (anywhere) or 1-800-382-9463 (in-state) and choosing Option 2. Both numbers are available 24 hours a day.

WHAT IS GIFT TAX?

Gift tax is the tax that is imposed on the transfer of property by gift during each calendar year. The tax is measured by taxable gifts, as defined for federal gift tax purposes. The federal gift tax exclusion of \$10,000 per donee per year for a gift of present interest, the unlimited gift tax marital deduction, and the charitable deduction are recognized for Connecticut gift tax purposes. **However, there is no unified credit for Connecticut gift tax purposes.** Therefore, the tax computed as payable on **Form CT-709** must be paid upon the filing of this return.

PERSON ON WHOM THE GIFT TAX IS IMPOSED

The gift tax is imposed on donors who are resident individuals or nonresident individuals. If the gift tax is not paid when due, the donee will be personally liable for the tax to the extent of the value of the gift. The donor's residency status is determined at the time the gift was made.

WHO MUST FILE?

A Connecticut **resident individual** donor must file a **Form CT-709** if the donor:

- Makes a transfer by gift of any intangible property (including cash); **or** the donor makes a transfer by gift of real or tangible personal property located within Connecticut; **and**
- Is required to file a federal Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*.

A **nonresident individual** donor must file **Form CT-709** if the donor:

- Makes a transfer by gift of any intangible property employed in carrying on any trade or business within Connecticut; **or** the donor makes a transfer by gift of real or tangible personal property located within Connecticut; **and**
- Is required to file a federal Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*.

A married couple may not file a joint gift tax return. However, they may elect to "gift split." (See *Gift Splitting* on Page 8.) If the spouses elect to gift split, the donor spouse and the consenting spouse must **each** file separate gift tax returns unless the conditions in **either** Exception 1 or Exception 2 below are met.

If the conditions in either Exception 1 or 2 are met, only the donor spouse must file a return and the consenting spouse must attest to his or her election to gift split on the donor spouse's return.

EXCEPTION 1 - During the calendar year:

- only **one** spouse (the donor spouse) made any gifts; **and**
- the total value of these gifts to each third-party donee does not exceed \$20,000; **and**
- all of these gifts are present interests.

EXCEPTION 2 - During the calendar year:

- only **one** spouse (the donor spouse) made gifts of more than \$10,000 but not more than \$20,000 to any third-party donee; **and**
- the only gifts made by the other spouse (the consenting spouse) were gifts of not more than \$10,000 to third-party donees other than those to whom the donor spouse made gifts; **and**
- all of the gifts made by both spouses constitute present interests.

Only individuals are required to file returns as donors. However, where gifts are made by **trusts, estates, partnerships or corporations**, the individual beneficiaries, partners or stockholders become donors and may incur liability under Connecticut gift tax law. For example, a gift by a corporation generally will be treated as a gift by the stockholders of the corporation. Similarly, a gift to a corporation generally will be treated as a gift to the stockholders of the corporation.

For gift tax purposes, the criteria to determine residency are the same criteria used for determining residency for Connecticut income tax purposes.

WHEN SHOULD I FILE?

Generally, the gift tax return must be filed and the gift tax must be paid on or before April 15 for gifts made during the preceding calendar year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

If the donor of the gifts died during the year in which the gifts were made, the due date for filing **Form CT-709** is the same as the due date for filing federal Form 709. The federal gift tax return for a calendar year in which the donor dies must be filed not later than the **earlier** of:

- the due date (with extensions) for filing the donor's federal estate tax return, federal Form 706; **or**
- April 15 of the year following the calendar year when the gifts were made.

IMPORTANT: Under this rule, if the donor died before July 15 of the year in which the gifts were made, federal Form 709 is due nine months after the date of death unless extensions are granted. Therefore, the Connecticut gift tax return is due nine months after the date of death unless extensions are granted. If the donor died after July 14, the due date for federal Form 709 (without extensions) is always April 15 of the following year. In this case, the Connecticut gift tax return is also due on April 15. If no federal estate tax return is required to be filed, the due date for federal Form 709 is April 15 (unless an extension of time to file has been granted). Therefore, the Connecticut return is also due on April 15.

If the donor becomes legally incompetent or dies before filing the gift tax return, the donor's guardian, conservator, executor or administrator, as the case may be, shall file the tax return. If there is no duly qualified executor or administrator, the heirs, legatees, devisees and distributees are liable for and required to pay the tax to the extent of the value of their inheritances, bequests, devises or distributive shares of the donor's estate.

The 1998 **Form CT-709** may also be used for gifts made during 1999 if:

1. the donor of the gifts dies before July 15, 1999 and the due date for filing federal Form 709 is nine months after the date of death; and
2. the 1999 **Form CT-709** is not available by the time the return is required to be filed. **However, you must incorporate any tax law changes that are effective for the year in which the gifts were made.**

If you use the 1998 form for gifts made in 1999, be sure to cross out 1998 on the top of **Form CT-709** and enter 1999.

Where to File

Make your check or money order payable to the "**Commissioner of Revenue Services.**" Write the donor's Social Security Number and "**1998 Form CT-709**" on the check. Do not send cash.

Mail to:

**Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978**

Extension of Time to File

If you, as donor, are unable to file a timely gift tax return you must file **Form CT-709 EXT**, *Application for Extension of Time to File Connecticut Gift Tax Return*, **and pay** the amount of tax you expect to owe on or before the original due date for filing your Connecticut gift tax return. **Form CT-709 EXT** is included in this booklet. Filing this form automatically extends your due date for **six months**, without stating a reason, if an extension of time to file federal Form 709 has been filed with the IRS. If a federal extension request has not been filed, a six-month extension of time to file the Connecticut gift tax return will be granted only for reasonable cause, which must be stated on **Form CT-709 EXT**.

If a taxpayer is unable, by reason of illness, absence or other good cause, to sign a request for an extension, any person standing in close personal or business relationship to the taxpayer may sign the request on his or her behalf, and shall be considered as a duly authorized agent for this purpose, provided the request sets forth the reasons for a signature other than the taxpayer's and the relationship existing between the taxpayer and the signer.

What Should I Do If I Make a Mistake or Leave Something Off My Return?

If you, as the donor, file an amended Connecticut gift tax return to claim a refund, the return must be filed within three years from the due date of the original return or the extended due date of the return, if an extension of time to file the return was granted by the Department of Revenue Services. To file an amended return, check the *Amended Return* box on the top of **Form CT-709**.

If the taxable amount of gifts reported on federal Form 709 has been changed or corrected by the Internal Revenue Service, the taxpayer must report the change to the Commissioner of Revenue Services by filing an amended Connecticut gift tax return within 90 days after the IRS's final determination of such change or correction.

If you, as a donor, file an amended federal gift tax return, you must also file an amended Connecticut gift tax return within 90 days after filing your amended federal gift tax return if the change affects the Connecticut gift tax liability.

For calendar years 1995 and thereafter, use **Form CT-709** for the year that is being amended. Check the *Amended Return* box on the top of the form.

PENALTIES AND INTEREST

Late Payment

The penalty for late payment is 10% (.10) of the balance due or \$50, whichever is greater. Interest will be charged on the underpayment of the tax at the rate of 1% (.01) per month or fraction thereof.

Late Filing

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

WAIVER OF PENALTY

A waiver of penalty may be obtained if the failure to file the return on time was due to reasonable cause. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include your name and Social Security Number on all correspondence. Do not include penalty waiver requests with **Form CT-709**. Mail separately to:

**Penalty Review Committee
Department of Revenue Services
PO Box 5089
Hartford CT 06102-5089**

Interest **cannot** be waived. Before a penalty waiver can be granted, you must pay **all** tax and interest due.

HOW LONG SHOULD RECORDS BE KEPT?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on the return until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed. You may need this information to prepare future returns or amend filed returns.

COPIES OF RETURNS

You may request a copy of a previously filed Connecticut gift tax return from the Department by completing **LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

TRANSFERS SUBJECT TO GIFT TAX

Transfers (in trust or otherwise) of real, personal, tangible or intangible property by gift (direct or indirect) by resident or nonresident individuals during 1998 are subject to the gift tax.

TAXABLE GIFTS

Taxable gifts, for Connecticut gift tax purposes, has the same definition as for federal gift tax purposes. It means the *total amount of gifts* made during the calendar year, less certain deductions.

The total amount of gifts for Connecticut gift tax purposes is the sum of the value, at the date of the gift, of each gift made by the donor to a donee during the calendar year. This amount may be less than the total amount of gifts for federal gift tax purposes, to the extent that any gifts made by the donor are not subject to Connecticut gift tax (such as a gift of real property located in another state).

Annual Exclusion

Certain transfers are wholly or partially excluded from the total amount of gifts. The **first** \$10,000 (\$20,000 gift split) of any gifts to any donee during the calendar year of a present (not future) interest in property is excluded from the total amount of gifts. A **present interest** in property is an unrestricted right to the immediate use, possession or enjoyment of property or the income from the property. Gifts to any donee which include tangible personal property or real property located outside Connecticut will not be subject to the Connecticut gift tax. However, the first \$10,000 of such gift will exhaust the donee's annual exclusion.

No part of a gift of a future interest is covered by the annual exclusion. **Future interests** include reversions, remainders, and other interests or estates, whether vested or contingent, and whether or not supported by a particular interest or estate, the use, possession or enjoyment of which is to begin at some future date or time. However, refer to Internal Revenue Code §2503(c) for guidance on how to treat gifts for the benefit of minors for Connecticut purposes.

Deductions from the total amount of gifts are allowed for gifts made to a:

- charitable organization;
- government entity (if the gift is exclusively for public purposes); **or**
- donee who at the time of the gift is the donor's spouse (provided such gifts are included in the total amount of gifts, for Connecticut gift tax purposes).

For gifts made to a **spouse** who is **not a United States citizen**, the annual exclusion is \$100,000. (See *Gifts to Your Spouse* on Page 9.)

VALUE OF GIFT

General Rules

The value of a gift is the fair market value of the property on the date the gift is made. The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, when neither is forced to buy or sell, and when both have reasonable knowledge of all relevant facts. Fair market value may not be determined by a forced sale price, nor by the sale price of the item in a market other than that in which the item is most commonly sold to the public. The location of the item must be taken into account whenever appropriate.

IMPORTANT: The valuation rules that are used in determining federal taxable gifts are also used in valuing Connecticut taxable gifts. For example, the fair market value of property may be reduced by the unpaid principal balance of any mortgages to which the property is subject.

The value of any **annuity, interest for life, term of years, remainder or reversionary interest** (other than those subject to the special valuation rules) shall be determined in accordance with the tables found in IRS Publications 1457 and 1458.

Example: During October 1998, Ted conveys title to his house to a friend while retaining life use for himself. Ted does not receive any money or other type of payment from his friend. By retaining life use, Ted has made a gift of a remainder interest to his friend.

The gift of a remainder interest is a gift of a future interest. Ted is not allowed to claim the annual exclusion for his gift to his friend. If subsequently, Ted were to transfer by gift his life use in the house, he would be making an additional gift.

For more information on valuation of these gifts, see Treasury Regulation §25.2512-5.

Special Valuation Rules

Gifts, other than gifts of land classified as farmland in accordance with Conn. Gen. Stat. §12-107c, must be valued in accordance with the gift tax provisions of the Internal Revenue Code, and the regulations thereunder including, the special valuation rules of Internal Revenue Code §§2701 to 2704 where they apply. Generally, the special valuation rules apply where a donor transfers certain property to a member of his or her family and, immediately after the transfer, retains or is deemed to have retained an interest in the property. For example, certain gifts of real property in which the donor retains a life estate and transfers a remainder interest to a member of his or her

family are subject to the special valuation rules. Where the special valuation rules apply, the value of the retained interest is disregarded in determining the value of the gift made to the family member. For additional information, see Internal Revenue Code §2702.

GIFTS OF FARMLAND

Transfers of Farmland or Change of Classification

For transfers of land that is classified as farmland pursuant to Conn. Gen. Stat. §12-107c to a donee who is a lineal descendant or spouse thereof, the property may be valued based upon its current use as farmland without regard to neighborhood land use of a more intensive nature. If, within ten years of the transfer, such farmland is transferred by the donee to a person other than the donee's lineal descendant or spouse thereof or is no longer classified as farmland, such donee (or, if such land was transferred to such donee's lineal descendant or spouse thereof, such descendant or spouse thereof) shall be liable for the difference between the tax that was due from the donor and the tax that would have been due if such land had been valued based upon its fair market value, rather than at its value as land classified as farmland.

A **lineal descendant** is a person in the direct line of descent, such as a child or grandchild. A lineal descendant does not include a corporation, partnership or trust.

The donor who claims special valuation on a gift of farmland must provide a copy of **Schedule CT-709 FARMLAND** to the donee, so the donee may determine the amount of any additional tax that may become due.

Due date of additional tax liability

If additional gift tax is due because within ten years the donee transfers the farmland to a person other than the donee's lineal descendant or spouse thereof, or the land is no longer classified as farmland in accordance with Conn. Gen. Stat. §12-107c, such donee (or, if such land was transferred to such donee's lineal descendant or spouse thereof, such descendant or spouse thereof) must submit to DRS a written statement within sixty days following the transfer or change in classification, indicating:

- The original donor's name and Social Security Number;
- The date of the original gift;
- The date of such transfer or change in classification;
- The donee's name, address and Social Security Number;
- The amount being remitted to the Commissioner of Revenue Services; **and**
- An explanation concerning how such amount was calculated.

Keep a copy of this written statement for your records.

Send the written statement with a check or money order to:

**Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978**

The check or money order should be payable to the "**Commissioner of Revenue Services.**"

If the tax is not paid on time, the penalty is 10% (.10) of the balance due or \$50, whichever is greater. Interest will be charged on the underpayment of the tax at the rate of 1% (.01) per month or fraction thereof.

The Commissioner may, for good cause, extend the time for payment of the tax if the donee (or, if such land was transferred to the donee's lineal descendant or spouse thereof, such descendant or spouse thereof) files a written application with the Commissioner on or before the expiration of the sixty-day period.

GIFT SPLITTING

If both spouses consent and an election was made for federal gift tax purposes, all gifts made to third parties during the calendar year, whether made by one spouse alone or made partly by each spouse, shall be considered as made one-half by each spouse (but only if at the time of the gift, each spouse is a citizen or resident of the United States). Thus, the first \$20,000 of gifts of a present interest in property to any donee by consenting spouses during the calendar year are not subject to tax. Where such consent is given, the gift tax liability of the spouses will be joint and several, which means one or both parties can be held responsible to pay the full amount of the tax due.

IMPORTANT: If both spouses consent and an election is made to gift split, each spouse must file his or her own **Form CT-709, Connecticut Gift Tax Return**. The election to gift split must be made on each return.

To split the gift, the spouses must be legally married to each other at the time of the gift. If they are divorced during the year, they still may split the gift so long as neither marries anyone else during the year. In addition, both must be citizens or residents of the United States on the date of the gift and one spouse may not create a general power of appointment in the other spouse over the property transferred. If the spouses consent to gift splitting, all gifts made during the year that qualify must be split.

The executor or administrator for a deceased spouse's estate, or the guardian of a legally incompetent spouse, as the case may be, may signify the consent, but the consent of an executor or administrator will not be effective with

respect to gifts made by the surviving spouse during that portion of the calendar year that his or her spouse was deceased.

GIFTS TO YOUR SPOUSE

Do not report any gifts to your spouse on **Form CT-709**, Schedule A, unless: (1) you made a gift of a terminable interest to your spouse; (2) you made a gift of a terminable future interest to your spouse; or (3) your spouse was not a citizen of the United States at the time of the gift. A **terminable interest in property** is an interest that will end or fail after a period of time or when some contingency occurs or fails to occur. Some examples of terminable interests are:

- A life estate;
- An estate for a specified number of years; or
- Any other property interest that after a period of time may terminate or fail.

Report all terminable interest gifts whether or not they can be deducted.

There is no marital deduction for gifts to a spouse who is not a United States citizen. However, an annual exclusion may apply. (See *Taxable Gifts* on Page 7.)

CHARITABLE REMAINDER TRUSTS

If you made a gift to a charitable remainder trust and your spouse is the only noncharitable beneficiary other than you, the interest you gave to your spouse is not considered a terminable interest gift and, therefore, should not be reported on **Form CT-709**, Schedule A.

TRANSFERS FOR LESS THAN FULL CONSIDERATION

Gifts include transfers without consideration as well as sales and exchanges for less than adequate and full consideration, to the extent the value of the item sold or exchanged exceeds the value of the consideration received.

POWERS OF APPOINTMENT AND DISCLAIMERS

The exercise or release of a power of appointment may constitute a gift by the individual possessing the power. For additional information, see Internal Revenue Code §2514 and the regulations thereunder. The rules in Internal Revenue Code §2518 apply for Connecticut gift tax purposes with respect to disclaimers of gifts.

JOINT TENANCY

If you buy property with your own funds, and you hold the title to such property with the donee as joint tenants with right of survivorship, but that right may be extinguished by either party severing his or her interest, you have made a gift to the donee in the amount of half the value of the property.

If you create a joint bank account for yourself and the donee (or a similar type of ownership by which you can get back the entire fund without the donee's consent), you have made a gift to the donee only if the donee draws on the account for his or her own benefit. The amount of the gift is the amount that the donee withdrew without any obligation to repay you.

If you buy a U.S. Savings Bond registered as payable to yourself or the donee, there is a gift to the donee if he or she cashes the bond without any obligation to account to you.

NONRESIDENT ALIENS

Nonresident aliens are subject to gift tax for gifts of property located within Connecticut. Under certain circumstances they are also subject to gift tax for gifts of intangible property. For additional guidance on the treatment of those gifts for Connecticut gift tax purposes, see Internal Revenue Code §2501(a).

FORM CT-709 INSTRUCTIONS

SECTION 1 - INSTRUCTIONS

The top of **Form CT-709** requests information concerning the donor and the consenting spouse if gift-splitting is elected. The donor's name, address, Social Security Number, residence and citizenship must be entered. Also, enter information about the donor's death if the donor died during the calendar year.

Question A 1. - Check this box if the donor died during the year **and** enter the date of death.

Question A 2. - Check this box if the donor died during the calendar year for which this return is filed **and** no federal estate tax return is required to be filed.

Question B - Check this box if the donor died during the year **and** a federal extension was requested on federal Form 4768, *Application for Extension of Time to File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes*.

Question C - Check this box if you are making a gift of land that is classified as farmland under Conn. Gen. Stat. §12-107c to a lineal descendant or such descendant's spouse and you are using a value based on its current use as farmland. Attach an appraisal or other document showing an adequate explanation of value based upon its current use **and Schedule CT-709 FARMLAND**. If no appraisal is attached to show how the property is valued, explain in detail how it was determined.

Question D - Indicate whether your spouse is a United States citizen. If "no," indicate if any property was transferred to him or her during the calendar year.

Question E - If you and your spouse elect to have all the gifts made during the calendar year considered as made one-half by each spouse, check the box marked "YES" on Line E and enter the consenting spouse's name and Social Security Number on Line H. If the gift splitting election is made, the consenting spouse must sign and date the **Form CT-709** on Line H.

The consent may generally be signed any time after the end of the calendar year. However, there are two exceptions:

1. The consent may not be signed after April 15 following the end of the year in which the gift was made. (But, if neither you nor your spouse has filed a gift tax return for the year on or before that date, the consent must be made on the first gift tax return for the year filed by either of you); **and**
2. The consent may not be signed after a notice of deficiency for the gift tax for the year has been sent to either you or your spouse.

The executor for a deceased spouse or the guardian for a legally incompetent spouse may consent.

The consent is effective for the entire calendar year. Therefore, all gifts made by both you and your spouse to third parties during the calendar year (while you were married) must be split. (See *Gift Splitting* on Page 8.)

Question F - If you were married to one another for the entire calendar year, check the "Yes" box. If you were married for only part of the year, check the "No" box.

Also, check the box that explains the change in your marital status during the year and give the date you were married, divorced, or widowed.

Question G - Indicate whether or not a gift tax return will be filed by your spouse for the year.

SECTION 2 - INSTRUCTIONS

LINE 1

Enter the amount from **Form CT-709**, Schedule A, Line 13. This is the amount of taxable gifts for the year.

LINE 2

Calculate the Connecticut gift tax by using the **Gift Tax Rate Schedule** (below) and enter the amount on Line 2. (The unified credit allowed to offset gift taxes on lifetime transfers for federal gift tax purposes cannot be taken for Connecticut gift tax purposes.)

GIFT TAX RATE SCHEDULE

AMOUNT OF TAXABLE GIFTS	RATE OF TAX
Not over \$25,000	1%
Over \$25,000 but not over \$50,000	\$250, plus 2% of the excess over \$25,000
Over \$50,000 but not over \$75,000	\$750, plus 3% of the excess over \$50,000
Over \$75,000 but not over \$100,000	\$1,500, plus 4% of the excess over \$75,000
Over \$100,000 but not over \$200,000	\$2,500, plus 5% of the excess over \$100,000
Over \$200,000	\$7,500, plus 6% of the excess over \$200,000

LINE 3

Enter the amount, if any, paid with the **Form CT-709 EXT**, *Application for Extension of Time to File Connecticut Gift Tax Return*.

LINE 4

If the amount on Line 3 is greater than Line 2, enter the amount overpaid.

LINE 5

If the amount on Line 3 is less than Line 2, enter the balance of tax due.

LINE 6

If you fail to pay the tax when due, interest will be charged at the rate of 1% (.01) per month or fraction of a month from the due date until payment is made.

LINE 7

Late Payment Penalty: The penalty for late payment is 10% (.10) of the balance due or \$50, whichever is greater.

Late Filing Penalty: The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

LINE 8

Add Lines 5, 6 and 7 and enter the total on Line 8. This is your balance due. Pay the amount in full with the return. Make your check or money order payable to the "**Commissioner of Revenue Services.**" Write your Social Security Number and "**1998 Form CT-709**" on the check or money order in the lower left corner. **Do not send cash.**

SIGN HERE

The donor must sign and date **Form CT-709**. If the donor becomes legally incompetent or dies before filing the gift tax return, the donor's guardian, conservator, executor, or administrator, as the case may be, may sign the return on the donor's behalf.

PAID PREPARER INFORMATION

Anyone you pay to prepare your return must sign it by hand in the space provided; signature stamps are not acceptable. The preparer's Federal Employer Identification Number, firm name and firm address must also be entered in the space provided.

MAILING YOUR RETURN

Retain a copy of this return for your records. Attach to this return a complete copy of federal Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*, including **all** attachments, and other documents listed on Page 14. Use the envelope provided when mailing the return.

SCHEDULE A - COMPUTATION OF TAXABLE GIFTS

General Instructions

The information on Schedule A should generally be identical to the information reported on federal Form 709, Schedule A. However, **only** those gifts subject to Connecticut gift tax should be reported on the **Form CT-709**, Schedule A. For gifts of land classified as farmland under Conn. Gen. Stat. §12-107c, the land's value as farmland may differ from that reported on federal Form 709 Schedule A. (See *Gifts of Farmland* on Page 8.)

You must always enter all gifts of future interests that you made during the calendar year regardless of value. There is no annual exclusion of \$10,000 for gifts of future interest.

Gifts to Your Spouse

Do not enter any gifts to your spouse on Schedule A unless: (1) you gave a gift of a terminable interest to your spouse; (2) you gave a gift of a terminable future interest to your spouse; or (3) your spouse was not a citizen of the United States at the time of the gift.

If all the terminable interests that you gave to your spouse qualify as life estates with power of appointment, do not enter any of them on Schedule A.

If You do not Elect to "Gift Split"

If the total amount of gifts of present interests to any donee is more than \$10,000 in the calendar year, you must enter all such gifts that you made during the year to or on behalf

of that donee, including those gifts that will be excluded under the annual exclusion. If the total amount is \$10,000 or less, do not enter on Schedule A any gifts (except gifts of future interests) that you made to that donee.

If You Elect to "Gift Split"

Enter on Schedule A the entire value of every gift you made during the calendar year while you were married, even if the gift's value will be less than \$10,000 after it is split on Schedule A, Line 2.

The donor's adjusted basis for Connecticut gift tax purposes is the same as the donor's adjusted basis for federal gift tax purposes.

The order for grouping gifts in Column A of Schedule A is:

1. Gifts to the donor's spouse;
2. Gifts to third parties that are to be split with the spouse;
3. Charitable gifts (if taxpayer is not splitting with the spouse); and
4. Other gifts.

If a transfer results in gifts to two people (i.e., a life estate to one, remainder to another), the gifts must be listed separately.

Each gift made during the year should be identified by number in Column A.

SCHEDULE A - LINE INSTRUCTIONS

LINE 1

Add the values listed in Schedule A, Column E and enter the sum on Line 1.

LINE 2

If you are not splitting gifts with your spouse, skip this line and enter the amount from Line 1 on Line 3. If you are splitting gifts with your spouse, show half of the gifts you made to third parties on Line 2. On the short line, indicate which numbered items from Schedule A you are gift splitting. (Your spouse should enter this amount on Schedule A, Line 4, of his or her return.)

LINE 3

Subtract Line 2 from Line 1, and enter the balance on Line 3. This is the amount of the donor's gifts after subtracting the spouse's portion of gifts subject to gift splitting.

LINE 4

If you are not splitting gifts, skip this line and go to Line 5. If you gave all of the gifts, and your spouse is filing a **Form CT-709** only to show his or her half of those gifts, you need not enter any gifts on Line 4 of your return, nor include your spouse's half anywhere else on your return. Your spouse should enter the amount from Schedule A, Line 2, of your return on Schedule A, Line 4, of his or her return. If both you and your spouse make gifts for which a return is required, the amount each of you shows on Schedule A, Line 2, of his or her return must be shown on Schedule A, Line 4, of the other's return.

Example: H and W elect to gift split for the year. During the year, W made gifts totaling \$80,000. One half of the gifts, \$40,000 is allocated to H. The \$40,000 is shown on W's return, Schedule A, Line 2. This amount is also entered on Schedule A, Line 4 of H's return and will be added to the gifts on Line 3 in determining total gifts made by H during the year.

LINE 5

Add Line 3 and Line 4. The total consists of the donor's own gifts less the amount that is split with a consenting spouse, plus the donor's share of the spouse's gifts that he or she has consented to split.

LINE 6

Enter the total annual exclusions you are claiming for the gifts listed on Schedule A (including gifts listed on Line 4). The **first \$10,000 or less** of gifts to any donee during the calendar year of a present interest in property is excluded.

However, if the first \$10,000 of gifts to any donee involved tangible personal property or real property located outside Connecticut, no exclusion would be available for Connecticut gift tax purposes with respect to additional gifts to that donee.

If you split a gift with your spouse, the annual exclusion you claim against the gift may not be more than your half of the gift.

Example: You give your sister a new car costing \$16,000. Your spouse agrees to gift split with you. Each spouse will be considered to have made a gift of \$8,000 ($\$16,000 \times \frac{1}{2}$). While the maximum annual exclusion per donee is \$10,000, in this case each spouse will be allowed an exclusion of \$8,000 and not \$10,000.

LINE 7

Subtract Line 6 from Line 5 and enter the balance on Line 7. This is the total amount of gifts before the calculation of the marital deduction and charitable deduction.

LINE 8

Enter on Line 8 all of the gifts to your spouse which you entered on Schedule A and for which you are claiming a marital deduction. Do not enter any gift that you did not include on Schedule A. On the short line, indicate which numbered items from Schedule A are gifts to your spouse for which you are claiming the marital deduction.

You may deduct all gifts of nonterminable interests made during this time that you entered on Schedule A regardless of amount, and certain gifts of terminable interests as outlined below.

Do not enter on Line 8 any gifts to your spouse if your spouse was not a United States citizen at the time of the gift.

Terminable Interests

Generally, you cannot take the marital deduction if the gift to your spouse is a terminable interest. In most cases, a terminable interest is nondeductible if someone other than the donee spouse will have an interest in the property following the termination of the donee spouse's interest.

Some examples of terminable interests are:

- A life estate;
- An estate for a specified number of years; or
- Any other property interest that after a period of time may terminate or fail.

Life Estate with Power of Appointment

You may deduct, without an election, a gift of a terminable interest if all five of the following requirements are met:

1. The donee spouse must be entitled for life to all of the income from the entire interest, or to a specific portion of all the income from the entire interest;
2. The income payable to the donee spouse must be payable annually or at more frequent intervals;
3. The donee spouse must have the power to appoint the entire interest or the specific portion either to himself or herself or to his or her estate;
4. The power in the donee spouse must be exercisable by him or her alone and (whether exercisable by will or during life) must be exercisable in all events; and
5. The entire interest or the specific portion must not be subject to a power in any other person to appoint any part to any person other than the donee spouse.

Election to Deduct Qualified Terminable Interest Property (QTIP)

You may elect to deduct a gift of a terminable interest if the gift meets requirements 1, 2 and 5 above, even though it does not meet requirements 3 and 4.

Make the election by checking the box on Schedule A, Line 14. **You may not make the election on a late filed Form CT-709.**

LINE 9

Enter the amount of the annual exclusions that were claimed for the gifts that you entered on Line 8.

LINE 10

Line 9 is subtracted from Line 8 and the balance is entered on Line 10. This is the marital deduction that can be claimed for the year. If a terminable interest is given to a spouse and a QTIP election is made, the value of the property transferred should equal the amount on Line 10.

LINE 11

On Line 11 show your total charitable, public, or similar gifts (minus exclusions allowed). On the short line, indicate which numbered items from the top of Schedule A are charitable gifts. You may deduct from the total amount of gifts made during the calendar year all gifts you gave to or for the use of:

- The United States, a state or political subdivision of a state or the District of Columbia, for exclusively public purposes;
- Any corporation, trust, community chest, fund or foundation organized and operated only for religious, charitable, scientific, literary or educational purposes,

or to prevent cruelty to children or animals, or to foster national or international amateur sports competition (if none of its activities involve providing athletic equipment, unless it is a qualified amateur sports organization), as long as no part of the earnings benefits any one person, no substantial propaganda is produced, and no lobbying or campaigning for any candidate for public office is done;

- A fraternal society, order or association operating under a lodge system, if the transferred property is to be used only for religious, charitable, scientific, literary or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals;
- Any war veterans organization organized in the United States (or any of its possessions) or any of its auxiliary departments of local chapters or posts, as long as no part of any of the earnings benefits any one person.

LINE 12

Add Line 10 and Line 11. This is the total of the marital deduction and the charitable gift deduction.

LINE 13

Subtract Line 12 from Line 7 and enter the balance on Line 13. This is the amount of taxable gifts for the year. Also enter the amount on Line 13 on Section 2, Line 1 on the front page of the return.

TERMINABLE INTEREST MARITAL DEDUCTION

LINE 14

If an election is made under Internal Revenue Code §2523 for terminable interest transfers to a spouse, enter the item numbers (from **Form CT-709**, Schedule A) of the gifts for which you made this election.

LINE 15

Check the box on Line 15 if the transferor wishes to elect out of the automatic QTIP treatment for certain annuities. (Internal Revenue Code §2523(f)(6) creates an **automatic** QTIP election for gifts of joint and survivor annuities where the spouses are the only possible recipients of the annuity prior to the death of the last surviving spouse.) Then enter the item number from **Form CT-709**, Schedule A, for the annuities for which he or she is making the election.

Any annuities entered on Line 15 cannot also be entered on Schedule A, Line 8. Any such annuities that are not listed on Line 15 must be entered on Schedule A, Line 8. If there is more than one such joint and survivor annuity, the donor is not required to make the election for all of them. However, once made, the election is irrevocable.

What to Include With Your Connecticut Gift Tax Return

To support the value of your gifts reported on **Form CT-709**, *Connecticut Gift Tax Return*, attach the necessary supplementary documents to the back of your Connecticut Gift Tax Return.

1. Attach a complete copy of federal Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*, including all attachments.
2. A donor claiming special valuation on a gift of farmland **must** attach a sworn statement, **Schedule CT-709 FARMLAND**, as to the fair market value of the farmland, based on its highest and best use value, as of the time of the transfer, and must also provide a copy to the donee(s).
3. For each gift of a life insurance policy, attach a copy of federal Form 712, Life Insurance Statement.
For single premium or paid-up policies, where the surrender value of the policy exceeds its replacement cost, the true economic value of the policy will be greater than the amount shown on federal Form 712, Line 56. In these situations, you should report the true economic value of the policy.
4. For gifts of stock of closely held or inactive corporations, attach the balance sheet for the period nearest the date of the gift, statements of net earnings or operating results and dividends paid for each of the five preceding years, and a concise statement of the method of valuation.
5. Any other documents, such as **appraisals** required for adequate explanation of value must be attached to the return. If no appraisal is attached to show how property is valued, explain in detail how value was determined.

Please remember to fill out all required returns and schedules and attach all required information or your return will be incomplete.

1998 TAXPAYER QUESTIONNAIRE

Department of Revenue Services, Taxpayer Services Division, PO Box 2987, Hartford CT 06104-2987

A MESSAGE FROM COMMISSIONER GENE GAVIN

Your evaluation of the services provided by the Department of Revenue Services (DRS) will help us serve you better. We appreciate receiving your comments and suggestions at any time, but especially as you complete your income tax return. Please include this questionnaire with your return (**do not staple it to the return**) or mail it to the above address.

1. Please rate your contacts with DRS in the past year.

	Excellent	Good	Fair	Poor
DRS Site on the World Wide Web (www.state.ct.us/drs)				
Tax-Fax (Fax on-demand using your fax machine) (860-297-5698)				
Recorded Tax Information (CONN-TAX Telephone System)				
Telephone Assistance From a DRS Representative				
Walk-in Assistance at a DRS Office				
Tax Seminar/New Business Workshops				
Tax Information Publications				
Obtaining CT Tax Forms				
Other:				

Please explain your rating for any category if Fair or Poor: _____

2. Check the form you completed for the 1998 taxable year:

- CT-1040EZ
 CT-Telefile
 CT-1040
 CT-1040NR/PY
 CT-709

	Excellent	Good	Fair	Poor
Instruction Booklet				
Easy to read				
Clear explanations				
Complete information provided				
Form				
Easy to complete				
Clear line instructions				
Presentation				

Please explain your rating for any category if Fair or Poor: _____

Other comments: _____

3. What additional services should DRS offer in the future? Prioritize the following in the order of their importance to you. (1 = most important)

Credit Card Payments	
Expansion of Telefile	
On-Line Filing	
Other:	

4. What other suggestions or comments would you like to add?

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Website at:
<http://www.state.ct.us/drs>
- Call **CONN-TAX**:
1-800-382-9463 (in-state) or
1-860-297-5962 (anywhere)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours during January through April are listed on the CONN-TAX page in this booklet.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained at any hour of the day seven days a week by using any of the following resources:

- **Internet**
Preview and download forms from the DRS Website (<http://www.state.ct.us/drs>);
- **DRS TaxFax**
Call 860-297-5698 from the handset attached to your fax machine;
- **Telephone**
From a touch-tone phone 24 hours a day call:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-4753 (DRS FormsUnit) and select Option 2.

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT
10 Middle Street
203-579-6251

HAMDEN *
2105 State Street
203-789-7516

HARTFORD
25 Sigourney Street
860-297-5962

NORWICH *
2 Cliff Street
860-889-2669

WATERBURY *
91 Schraffts Drive
203-596-4310

* These offices will be moving in 1999. To verify the address, please call before you visit.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the state's tax programs.

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032