



INFORMATIONAL PUBLICATION

Personal Taxes

Purpose: This Informational Publication is a general guide to Connecticut taxes for individuals. It includes information on the income and alternative minimum taxes, admissions and dues tax, and sales and use taxes, as well as succession, estate, gift, real estate conveyance, alcoholic beverages, cigarette, motor vehicle fuels, and property taxes. While it does not answer every question about Connecticut taxes, it provides answers to some of the most common inquiries.

Income Tax

The Connecticut income tax applies to Connecticut residents and to part-year residents and nonresidents with income from Connecticut sources. (See the Connecticut income tax instruction booklets to determine your residency status.) The tax is computed on your *Connecticut taxable income*.

To compute your *Connecticut taxable income*, subtract your Connecticut personal exemption from your Connecticut adjusted gross income. If your Connecticut adjusted gross income is less than or equal to the maximum exemption amount for your filing status, you do not owe any Connecticut income tax.

Personal Exemptions: The maximum personal exemption level for single filers is being increased annually until taxable year 2010. Following are the changes for taxable years 2004 through 2010:

Taxable Year Beginning	Maximum Personal Exemption	\$1,000 Reduction in Exemption for Every \$1,000 of CT AGI Over
January 1, 2004	\$12,625	\$25,250
January 1, 2005	\$12,750	\$25,500
January 1, 2006	\$13,000	\$26,000
January 1, 2007	\$13,500	\$27,000
January 1, 2008	\$14,000	\$28,000
January 1, 2009	\$14,500	\$29,000
January 1, 2010	\$15,000	\$30,000

The maximum personal exemption levels for married filing separately filers, head of household filers, and married filing jointly filers remain unchanged.

Filing Status	Maximum Personal Exemption	\$1,000 Reduction in Exemption for Every \$1,000 of CT AGI Over
Married filing separately	\$12,000	\$24,000

Filing Status	Maximum Personal Exemption	\$1,000 Reduction in Exemption for Every \$1,000 of CT AGI Over
Head of household	\$19,000	\$38,000

Filing Status	Maximum Personal Exemption	\$1,000 Reduction in Exemption for Every \$1,000 of CT AGI Over
Married filing jointly	\$24,000	\$48,000

Tax rate: The tax rate is 3% on the first:

- \$10,000 of Connecticut taxable income for single filers and married taxpayers filing separately;
- \$16,000 of Connecticut taxable income for head of household filers; and
- \$20,000 of Connecticut taxable income for married taxpayers filing jointly.

The remaining income is taxed at 5%.

Credits: You may be eligible for a personal tax credit between 1% and 75%, depending on your income level. The credit is incorporated into the income tax tables. (See Table C in the Connecticut income tax instruction booklets if you are using the tax calculation schedule to compute your income tax liability.)

A property tax credit is also available to resident individuals for property taxes paid to a Connecticut political subdivision on a primary residence or a motor vehicle, or both. Generally, this credit is allowed for

property tax bills first becoming **due** during a taxable year and **paid** during the taxable year.

This credit is also allowed for second or later installments of property tax paid during a taxable year, where the first installment became due during the taxable year. Supplemental property tax bills first becoming **due** during a taxable year and **paid** during the taxable year also qualify for this credit. The payment of any delinquent property tax bills or the payment of interest, fees or charges related to the property tax bill does not qualify for this credit.

The maximum property tax credit is \$350 per return for the 2004 taxable year. Depending on the amount of property taxes you paid to a Connecticut municipality and your Connecticut adjusted gross income, the property tax credit may be reduced or you may not be eligible for a credit. See **Informational Publication 2004(16)**, *Q & A on Income Tax Credit for Property Taxes Paid to Connecticut Political Subdivisions*, for more information.

Estimated Payments: Employers withhold Connecticut income tax from the wages of residents and nonresidents who work in Connecticut. You must make estimated Connecticut income tax payments if your Connecticut income tax (after tax credits) minus Connecticut income tax withheld is **\$1000 or more**, and you expect your Connecticut income tax withheld to be less than your required annual payment. Estimated payments are generally made in four equal installments: April 15, June 15, September 15, and January 15. If your income varies throughout the year, however, you may be able to reduce or eliminate the amount of one or more estimated payments by using the annualized installment method. See **Informational Publication 2004(18)**, *Estimated Connecticut Income Taxes*, and **Informational Publication 2004(17)**, *Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040AES*.

Your Connecticut income tax return is due on or before the fifteenth day of the fourth month following the end of your taxable year (**April 15** if your taxable year is the calendar year).

Alternative Minimum Tax

The Connecticut alternative minimum tax is a tax imposed on certain individuals, estates, and trusts in addition to the regular Connecticut income tax. Taxpayers who are subject to and required to pay the federal alternative minimum tax are subject to the Connecticut alternative minimum tax.

The Connecticut alternative minimum tax is the lesser of:

- 19% of your adjusted federal alternative minimum tax; **or**
- 5.5% of your adjusted federal alternative minimum taxable income.

The tax must be reported on **Form CT-6251**, *Connecticut Alternative Minimum Tax Return — Individual*. See **Informational Publication 2001(9)**, *Q & A: The Connecticut Alternative Minimum Tax*.

Succession Tax

The Connecticut succession tax is being phased out and is scheduled for total repeal in 2008. There is a total exemption from Connecticut succession tax if the entire estate passes to a surviving spouse. For estates of decedents dying on or after January 1, 2001, any part of the net taxable estate passing to Class A beneficiaries is no longer subject to the tax.

A succession tax return must be filed for each decedent who, at the time of death, was a Connecticut resident and for each decedent who, at the time of death, was a nonresident of Connecticut owning real or tangible personal property located in Connecticut. For a resident decedent's estate, the tax applies to all property, except for real property and tangible personal property located outside Connecticut. For a nonresident decedent's estate, the tax applies only to real property and tangible personal property located in Connecticut. The tax rate depends on the date of death, on the relationship of the beneficiary to the decedent, and the size of the estate. For information and tax tables for estates of decedents dying after 1996, see **Special Notice 2003(13)**, *2003 Legislative Changes Affecting the Succession Tax*.

Estate Tax

For estates of decedents dying before July 1, 2004: Whenever a resident estate is required to file federal Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, the estate is required to file **Form CT-706**, *Connecticut Estate Tax Return*. Whenever a nonresident estate owning real property or tangible personal property, located in Connecticut is required to file federal Form 706, the estate is required to file Form CT-706.

For estates of decedents dying on or after July 1, 2004, and before January 1, 2005: The estates of decedents dying on or after July 1, 2004, and before January 1, 2005, are subject to a special Connecticut estate tax, rather than to the regular Connecticut estate tax under Chapter 217 of the Connecticut General Statutes.

The special Connecticut estate tax is computed by using the applicable exclusion amount (and the applicable credit amount) under I.R.C. §2010(c):

- As if a decedent dying on or after July 1, 2004, and before January 1, 2005, had died during calendar year 2002; **and**
- Applying I.R.C. §2010(c) as it was in effect for the estate of a decedent dying during calendar year 2002.

See **Special Notice 2004(1.1)**, *Special Estate Tax on Estates of Decedents Dying On or After July 1, 2004, and Before January 1, 2005*, for more information.

For estates of decedents dying on or after January 1, 2005: The Connecticut estate tax does not apply to estates of decedents dying on or after January 1, 2005.

Gift Tax

If you made a gift, you may be required to file federal Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*, and **Form CT-709**, *Connecticut Gift Tax Return*.

Residents are taxed on all gifts of intangible property and on gifts of real property and tangible personal property located in Connecticut. Nonresident donors are taxed on gifts of real and tangible personal property located in Connecticut.

Gifts of a present interest to any particular donee during the calendar year are not subject to the Connecticut gift tax unless the value of all the gifts to the donee during the calendar year exceeds \$11,000. Transfers of future interests are not covered by this annual exclusion.

The special valuation rules under I.R.C. §§2701 to 2704 (dealing with transfers to or for the benefit of family members) apply for Connecticut gift tax purposes. For example, if a donor delivers a deed transferring title to his home to his children but reserving a life use, the value of the gift equals the sum of the value of the life estate and the value of the remainder interest (that is, the full fair market value of the home). Because this is a transfer of a future interest, no annual exclusion is allowed.

Legislation enacted in 2003 delays the incremental reduction and ultimate repeal of the gift tax (other than for those donors whose amount of taxable gifts, for Connecticut gift tax purposes, exceed \$1 million during a calendar year). See **Special Notice 2003(12)**, *2003 Legislation Affecting the Gift Tax*, and the instruction booklet for **Form CT-709**.

Local Real Estate and Personal Property Taxes

Real estate and personal property are subject to this tax, with some statutory exemptions. Communities levy property tax to fund local government. Neither the state nor its counties levy a property tax. For further information about local real estate and personal property taxes, contact the assessor in the city or town where the property is located, write to the Intergovernmental Policy Division, Office of Policy and Management, 450 Capitol Avenue, Mail Stop 54 FOR, Hartford CT 06106-1308, or visit the Office of Policy and Management Web site at www.ct.gov/OPM

October 1 is the assessment date for all municipalities. All owners of personal property, other than registered motor vehicles, must file a declaration with the assessor on or before **November 1**.

Homeowner/Renter Tax Credit: An annual property tax credit or rent rebate is available to residents, age 65 or older, or to a surviving spouse, age 50 or older, who meet certain residence and income requirements. Regardless of age, a totally and permanently disabled person is also eligible. Contact the assessor in your town or city for details and forms.

Veteran Exemption: A variable, annual tax exemption on the assessed value of an owner-occupied dwelling or on a motor vehicle is available to any qualified veteran or surviving spouse. Contact the assessor in your town or city for details and forms.

Real Estate Conveyance Tax

A state and municipal real estate conveyance tax is imposed on deeds conveying real estate where the consideration for the interest in property equals or exceeds \$2,000. A deed for less than \$2,000 in consideration is exempt from this tax, but may be subject to the gift tax. A deed of the principal residence of any person receiving property tax benefits for the elderly is exempt from the state tax but subject to the municipal tax. The state tax rate on the consideration received for the real estate is as follows:

<u>Type of real estate</u>	<u>Rate</u>
Unimproved land	0.5%
Residential property (other than residential dwelling)	0.5%
Nonresidential property (other than unimproved land)	1.0%
Residential dwelling (portion not exceeding \$800,000)	0.5%
Residential dwelling (portion exceeding \$800,000)	1.0%

Property conveyed by a delinquent mortgagor* 0.5%

* If mortgage payments are more than six months delinquent and property is conveyed to a financial institution.

Those conveying the property pay the state and municipal taxes. The grantor/seller must present a separate check to the town clerk, payable to the Commissioner of Revenue Services, in payment of the state tax when recording the deed.

Sales and Use Taxes

A 6% tax is imposed on the sale or rental of most goods and the sale of certain services. However, there are exemptions, such as food; all purchases made with food stamps; utility charges for residential property; household fuel; prescription drugs; certain nonprescription drugs; clothing under \$50; newspapers; magazines by subscription (effective July 1, 2004); yarn; and materials for noncommercial sewing used to make clothing.

The following renovation services to residential property are no longer taxable: paving, painting, staining, wallpapering, roofing, siding, and exterior sheet metal. Computer and data processing services are taxable at 1%. Internet access services are exempt.

When the seller of goods or provider of taxable services does not collect sales tax, the buyer must pay use tax at the same rate as the sales tax. Typically, if you purchase goods from mail order or catalog companies or over the Internet and have the goods shipped to Connecticut or you purchase goods at out-of-state locations and bring those goods back into Connecticut, you must pay the Connecticut use tax. If all the items purchased and brought into Connecticut at one time total \$25 or less, you do not have to pay Connecticut use tax. The \$25 exemption does not apply to items shipped or mailed to you.

You pay the use tax for purchases you made during the prior calendar year on either your Connecticut income tax return or on **Form OP-186, Connecticut Individual Use Tax Return**, on or before April 15. See **Informational Publication 2003(27), Q & A on the Connecticut Individual Use Tax**.

Room Occupancy Tax

A room occupancy tax of 12% applies to the rental of rooms in a hotel or lodging house for 30 consecutive days or less. See **Policy Statement 2003(1), Application of Sales and Use Taxes and the Room Occupancy Tax to the Hotel and Motel Industry**.

Alcoholic Beverages Tax, Cigarette Taxes, and Tobacco Products Tax

Alcoholic beverages tax, cigarette taxes, and tobacco products tax are included in the retail price of the items. In addition, 6% sales and use taxes apply at the time of sale.

The tax for alcoholic beverages, which is imposed on licensed distributors, is:

	per wine gallon:
distilled liquor.....	\$4.50
fortified and sparkling wines.....	\$1.50
still wines.....	\$0.60
still wines (from licensed farm winery).....	\$0.15
beer.....	\$0.20
(\$3.00 per half barrel, \$1.50 per quarter barrel)	
liquor coolers.....	\$2.05

Alcohol in excess of 100 proof is taxed at \$4.50 per **proof gallon**. Most alcoholic cider is taxed at the beer rate. See **Special Notice 97(6), 1997 Legislative Changes to the Alcoholic Beverages Tax Affecting Wines and Cider**.

You may legally **bring into Connecticut** up to four gallons of alcoholic beverages you bought or were given outside Connecticut. *Bringing alcoholic beverages into Connecticut* means personally carrying them into Connecticut, or transporting them into Connecticut in a motor vehicle you are driving, or if you are returning by air, rail, bus, or water to Connecticut, placing them in your luggage being returned with you to Connecticut. *Bringing alcoholic beverages into Connecticut* does not include having alcoholic beverages shipped to you. You do not need a permit to *bring* up to four gallons of alcoholic beverages into Connecticut, but you will owe Connecticut use tax and the Connecticut alcoholic beverages tax on the alcoholic beverages being brought into the state. To report and pay Connecticut use tax and Connecticut alcoholic beverages tax, you must file **Form S&BT, Payment of Taxes Due on Importation of Alcoholic Beverages** with DRS.

In Connecticut, the tax on cigarettes is \$1.51 per pack of 20 cigarettes, while the tax on most tobacco products (excluding cigarettes) is 20% of the wholesale sales price.

Admissions and Dues Tax

The **dues tax** is a 10% tax levied on dues and initiation fees of a social, athletic, or sporting club that is either owned or operated by its members. The club is exempt from the dues tax if the annual dues of every member and any initiation fee are each \$100 or less. Lawn bowling clubs are exempt from dues tax. See **Informational Publication 2003(11), Q & A: The Dues Tax**.

A 10% **admissions tax** applies to admission charges to any place of amusement, entertainment, or recreation. Charges over \$5.00 to motion picture shows are subject to 6% admissions tax.

Certain venues are specifically exempt from admissions tax. Productions featuring live entertainment by actors or musicians at non-profit theaters and playhouses exempt under I.R.C. §501 are exempt from the tax. Also exempt from the tax are admission charges of \$5.00 or less to motion picture shows and admission charges to carnivals, amusement rides, and establishments whose admissions charges would have been subject to the cabaret tax.

Motor Vehicle Fuels Tax

A tax is imposed on motor vehicle fuels used to propel motor vehicles on public roads and highways. The rate on gasoline is 25¢ per gallon; the rate on gasohol is 24¢ per gallon; and the rate for diesel fuel is 26¢ per gallon.

Motor Vehicle Fees

Effective January 1, 2004, the two-year registration fee for passenger cars is \$75. Upon renewal, there is an additional \$10 Clean Air Act fee for all classes of motor vehicles. Operator licenses are issued every four years for \$43. For more information, call the Department of Motor Vehicles (DMV) at 1-800-842-8222 (in-state) or 860-263-5700 (from anywhere), or visit the DMV web site at www.ct.gov/dmv

Boat Registration Fees

There is an annual registration fee for boats in lieu of a local property tax. For information, contact the DMV at 1-800-842-8222 (in-state) or 860-263-5700 (from anywhere).

Effect on Other Documents: Informational Publication 2004(24) modifies and supersedes **Informational Publication 2003(33)**, *Personal Taxes*.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at www.ct.gov/DRS
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
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Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
 - **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
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