



Connecticut Income Tax Information for Armed Forces Personnel and Veterans

Purpose: This publication:

- Explains how Connecticut income tax laws apply to members of the U.S. armed forces on active duty;
- Defines the requirements for Connecticut residency status for members of the armed forces and their families and the taxability of the types of income they receive;
- Explains how to file a Connecticut income tax return and special conditions that apply to certain types of service;
- Explains the tax liability for year of death; **and**
- Explains how Connecticut income tax laws apply to veterans of the U.S. armed forces.

Effective Date: Effective for taxable years beginning on or after January 1, 2007.

Definitions: Definitions for Connecticut income tax purposes include:

A **combat zone** is an area designated by the President of the United States as a combat zone by executive order. A combat zone also includes an area designated by the federal government as a qualified hazardous duty area.

If you served in a combat zone or if you were injured and hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone, see Page 2 for instructions for filing a Connecticut income tax return.

Resident: You are a resident if you are domiciled in Connecticut unless you meet the Group A or Group B exceptions (see Page 4) or if you are not domiciled in Connecticut, but maintain a permanent place of abode in Connecticut and spend, in the aggregate, more than 183 days of the taxable year in Connecticut.

Nonresident: You are a nonresident if you are not a resident as defined above or if you meet the Group A or Group B exemptions. See Page 4.

Part-Year Resident: You are a part-year resident if you changed your domicile (permanent place of abode) during the taxable year so neither Connecticut nor another jurisdiction was your domicile for the entire taxable year. A part-year resident is subject to tax on all income earned during the residency portion of his or her taxable year and on income from Connecticut sources during the nonresident portion of the taxable year.

Domicile and permanent place of abode: To determine your resident status for Connecticut income tax purposes, you must consider where your domicile was before you entered the armed forces and where you maintained a permanent place of abode during the taxable year.

Your **domicile** (permanent legal residence) is the place you intend to have as your permanent home. It is the place you intend to return to whenever you are away. You can have only one domicile although you may have more than one place to live. This also applies if you are working in a foreign country.

Your domicile does not change until you move to a new location and definitely intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited period of time (no matter how long), your domicile does not change. Armed forces assignments do not generally affect your domicile.

A **permanent place of abode** is a residence (a building or structure where a person can live) that you permanently maintain, whether or not you own it, and generally includes a residence owned by or leased to your spouse. A place of abode is not considered permanent if you maintain it only during a temporary stay for the accomplishment of a particular purpose.

The determination of whether an individual in the armed forces maintains a permanent place of abode outside Connecticut does not depend solely upon whether the individual lives on or off base. Other factors include the type and location of quarters occupied by the individual and how and by whom the quarters are maintained.

A temporary duty assignment does not change your permanent place of abode.

Barracks, bachelor officer's quarters, quarters on a ship, or any structure that contains only dormitory-type quarters and not facilities ordinarily found in a dwelling, such as facilities for cooking and bathing, generally do not qualify as a permanent place of abode.

Veterans: Disability pensions and any other benefits granted for relief of injuries or disabled veterans, as well as tuition payments, subsistence allowances, and any other benefits paid to or on account of a veteran or beneficiary under the laws relating to veterans are treated the same for Connecticut income tax purposes as for federal income tax purposes. If these amounts are excludable from gross income for federal income tax purposes, they are not subject to Connecticut income tax.

If you are a Connecticut resident, your armed forces pension is subject to Connecticut income tax to the same extent it is taxable for federal income tax purposes. If you are a nonresident of Connecticut, your armed forces pension is not Connecticut-sourced income.

For taxable years beginning on or after January 1, 2008, Connecticut law allows an individual, in computing his or her Connecticut adjusted gross income, to subtract from federal adjusted gross income 50% of the income received from the U.S. government as retirement pay for a retired member of the armed forces of the United States or the National Guard.

Serving in a Combat Zone or in a Contingency Operation: An area generally becomes a *combat zone* and ceases to be a combat zone on the dates the President of the United States designates by executive order. A *contingency operation* is an armed forces operation generally designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing force. A contingency operation exists if the military operation results in the call-up to, or retention on, active duty of members of the uniformed services during a war or national emergency declared by the President or Congress.

If you are a member of the armed forces or support personnel who served or are currently serving in a combat zone or qualified hazardous duty area as designated by the President of the United States by executive order, or are serving in contingency operation as designated by the Secretary of Defense, or are injured and hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone, or contingency operation, the following tax relief provisions apply to you.

Extension of time to file return: Your Connecticut income tax return is due 180 days after the later of:

- The last day of service in a combat zone or contingency operation or the last day the area is designated as a combat zone or contingency operation; **or**
- The last day of continuous hospitalization inside or outside the state as a result of wounds, disease, or injury incurred while serving in a combat zone or contingency operation.

Spouses of armed forces personnel and civilians supporting the armed forces in these regions who are away from their permanent duty stations but are not within the designated combat zone or contingency operations are also eligible for the extension. Individuals requesting an extension under combat zone or contingency operations provisions should print both the name of the combat zone or contingency operation and the operation they served with at the top of their Connecticut return. This is the same combat zone or contingency operation name that they were instructed to print on their federal income tax return.

The same time extensions that apply to filing your return also extend the date for you and for the Department of Revenue Services (DRS) to perform the following acts:

- Pay Connecticut income tax and any use tax reportable on your Connecticut income tax return. See **Informational Publication 2007(27), Q & A on the Connecticut Individual Use Tax**;
- File a written protest with the Appellate Division of DRS for a proposed assessment or proposed disallowance;
- Take an appeal to the Superior Court for the Judicial District of New Britain from any final determination or disallowance by the Commissioner of Revenue Services;
- File an amended Connecticut income tax return reporting an overpayment to be refunded or credited to you;
- Conduct an audit and make an assessment of any income tax by DRS;
- Give or make any notice or demand by DRS for payment of any income tax; **and**
- Collection by DRS of any tax due.

If DRS is unaware that you are entitled to an extension due to military service in a combat zone or contingency operation and you receive a notice of examination or of any action covered by these provisions, contact DRS or your military Legal Assistance Office. No penalties or interest will be imposed for failure to file a return or pay taxes during the extension period.

Special Pay: Because combat pay and hostile fire or imminent danger special pay are not taxable for federal income tax purposes, they are not subject to Connecticut income tax.

Decedents: For any individual who dies while on active duty in a combat zone or as a result of injuries received in a combat zone:

- No income tax or return is due for the year of death or for any prior taxable year on or after the first day serving in a combat zone.
- Any tax due for those years which is unpaid at the date of death, including interest, additions to tax, and penalties, if any, will not be assessed. If assessed, the assessment will be abated, and if collected, it will be refunded to the legal representative of the estate.
- If any tax was previously paid for those years, the tax will be refunded to the legal representative of the estate or to the surviving spouse upon the filing of a return on behalf of the decedent.

In filing the return on behalf of the decedent, the legal representative or the surviving spouse should enter zero tax due and attach a statement to the return along with a copy of the death certificate. If the surviving spouse and the decedent filed a joint return for the year of death, only the decedent's part of the tax liability is eligible for the refund. To determine the decedent's portion of the joint liability, the surviving spouse must allocate income, deductions, and Connecticut additions and subtraction modifications in the same manner they would have been allocated if the spouses had filed separate returns.

Nonresident Members Whose Armed Forces Pay Is Their Only Source of Income: If your permanent legal residence (domicile) was outside Connecticut when you entered the armed forces, you do not become a Connecticut resident because you are stationed and live in Connecticut.

If you or, if married, you and your spouse, have no income other than your armed forces pay, you and, if applicable, your spouse, are not subject to Connecticut income tax and are not required to file a Connecticut income tax return because you have no Connecticut-sourced income. See Examples 4A and 5A on Page 6.

Nonresident Members With Connecticut Source Income: If you have other income, in addition to your armed forces pay and that income is Connecticut-sourced, the rate at which your other income is taxed for Connecticut income tax purposes has been affected by the enactment by Congress of the Servicemembers Civil Relief Act, Pub. L. No. 109-189. To benefit from this enactment, you compute your Connecticut adjusted gross income by subtracting your armed forces pay, to the extent includible in your federal adjusted gross income, from your federal adjusted gross income. This benefit is available only if you are a nonresident of Connecticut or if, under either the Group A or Group B Exception (see Page 4), you are treated as a nonresident of Connecticut although domiciled in Connecticut.

However, other income you or your spouse receive from Connecticut sources while you are a nonresident, including your or your spouse's non-armed forces income, is subject to Connecticut income tax. For example, if you are employed in Connecticut during your off-duty hours, your non-armed forces wages are subject to Connecticut income tax. If you have income or gain from property located in Connecticut or from a business, trade, or profession carried on in Connecticut, this income or gain is also subject to Connecticut income tax.

Spouses of armed forces personnel who are stationed in Connecticut may be considered residents of this state even if their domicile is elsewhere. If your spouse has a permanent place of abode in Connecticut **and** spends more than 183 days in the state in the taxable year, he or she is a resident for Connecticut income tax purposes and must file **Form CT-1040EZ**, *Connecticut Resident EZ Income Tax Return*, or **Form CT-1040**, *Connecticut Resident Income Tax Return*, or electronically file his or her Connecticut income tax return. See *Special Rules on Filing Status for Spouses* and Examples 4B and 5B on Page 6.

Special Rules on Filing Status for Spouses

Your civilian spouse's residency or nonresidency may be affected by where you, the armed forces spouse, are stationed if you reside together. Generally, your spouse is considered a resident of Connecticut if:

- Connecticut was your spouse's domicile for the entire taxable year; **or**
- Your spouse was domiciled elsewhere during the taxable year but maintained a permanent place of abode in Connecticut, spent in the aggregate more than 183 days in Connecticut during the taxable year, **and** your spouse was not a part-year resident.

Your spouse is considered a nonresident if your spouse's domicile was in a jurisdiction other than Connecticut:

- For the entire taxable year and your spouse did not maintain a permanent place of abode in Connecticut; **or**
- During the entire taxable year and, if your spouse maintained a permanent place of abode in Connecticut, your spouse did not spend in the aggregate more than 183 days in Connecticut during the taxable year.

Your spouse is considered a part-year resident if your spouse changed his or her domicile (permanent legal residence) during the taxable year so that neither Connecticut nor another jurisdiction was your spouse's domicile for the entire year.

If you and your spouse are both Connecticut residents, your Connecticut filing status must match your filing status reported on your federal income tax return for the taxable year.

If you and your spouse are both nonresidents of Connecticut and both of you have income derived from Connecticut sources, your Connecticut filing status must match your filing status reported on your federal income tax return for the taxable year. However, if only one spouse has Connecticut source income, the Connecticut filing status of the spouse who is required to file a Connecticut income tax return is married filing separately unless:

- Your filing status reported on your federal income tax return is married filing jointly; **and**
- You both elect to be treated as if you both had Connecticut source income for the taxable year.

If both conditions are met, you and your spouse file a joint **Form CT-1040NR/PY**, *Connecticut Nonresident or Part-Year Resident Income Tax Return*.

If either you or your spouse is a Connecticut resident and the other spouse is a nonresident, the Connecticut filing status of each spouse who is required to file a Connecticut income tax return is married filing separately unless:

- Your filing status reported on your federal income tax return is married filing jointly; **and**
- You both elect to be treated as if you both were Connecticut resident for the taxable year.

If both conditions are met, you and your spouse file a joint Form CT-1040.

If you or your spouse is a Connecticut resident or a nonresident and the other spouse is a part-year resident, the Connecticut filing status of each spouse who is required to file a Connecticut income tax return is married filing separately.

If both you and your spouse are part-year residents and your change of domicile occurs on the same day during the taxable year, your Connecticut filing status must match your filing status reported on your federal income tax return for the taxable year.

If both you and your spouse are part-year residents, and your change of domicile does not occur on the same day during the taxable year, the Connecticut filing status of each spouse who is required to file a Connecticut income tax return is married filing separately. See Examples 4 and 5 on Page 6.

Part-Year Resident Members: If you have no income other than your armed forces pay, whether you are required to file a Connecticut income tax return depends on how much of your armed forces pay is received during the residency portion of the taxable year. If you have other income, however, the rate at which your other income is taxed for Connecticut income tax purposes has been

affected by the enactment by Congress of the Servicemembers Civil Relief Act, Pub. L. No. 108-189. To benefit from this enactment, you compute your Connecticut adjusted gross income by subtracting your armed forces pay, to the extent includible in your federal adjusted gross income and to the extent received during the nonresidency portion of your taxable year, from your federal adjusted gross income.

Residents: If you are a Connecticut resident in the armed forces (and not treated as a nonresident under either the Group A Exception or Group B Exception) and you meet either of the following conditions for the taxable year, you must file a resident return if:

- You had Connecticut income tax withheld or made estimated Connecticut income tax payments; **or**
- Your federal gross income plus any income that is federally exempt, but subject to Connecticut income tax exceeds:
 - \$12,750** if your filing status is single;
 - \$12,000** if your filing status is married filing separately;
 - \$19,000** if your filing status is head of household; **or**
 - \$24,000** if your filing status is married filing jointly, or qualifying widow(er) with dependent child.

If your permanent residence (domicile) was Connecticut when you entered the armed forces, but you were later assigned to another state or country, your domicile does not change. You are still a Connecticut resident and you are required to file Form CT-1040EZ or Form CT-1040 and pay any tax due unless you meet all three conditions under either the Group A or Group B Exceptions.

Group A Exception

1. You did not maintain a permanent place of abode in Connecticut for the entire taxable year;
2. You maintained a permanent place of abode outside Connecticut for the entire taxable year; **and**
3. You spent a total of 30 days or less in the aggregate in Connecticut during the taxable year.

If you are domiciled in Connecticut and meet all three conditions in Group A, you are treated as a nonresident and to claim a refund of any Connecticut income tax withheld in error, you must file Form CT-1040NR/PY and attach an explanation that contains all of the following:

1. A statement that you did not maintain a permanent place of abode in Connecticut during the taxable year;
2. The location and a description of the permanent place of abode you maintained outside Connecticut and the beginning and ending dates of your stay there; **and**
3. The exact number of days you spent in Connecticut during the taxable year.

Group B Exception

1. Within any period of 548 consecutive days (the 548-day period), you are present in a foreign country (or countries) for at least 450 days;
2. During the 548-day period, you are not present in Connecticut for more than 90 days and you do not maintain a permanent place of abode in Connecticut at which your spouse (unless the spouse is legally separated) or minor children are present for more than 90 days; **and**
3. During the nonresident portion of the taxable year in which the 548-day period begins and during the nonresident portion of the taxable year in which the 548-day period ends, you are present in Connecticut for a number of days which does not exceed an amount that bears the same ratio to 90 as the number of days contained in the nonresident portion of the taxable year bears to 548.

The following calculation illustrates the Group B Exception:

Number of days in the nonresident portion	x	90	=	Maximum days allowed in Connecticut
548				

If you are domiciled in Connecticut, but meet all three conditions in Group B, you are treated as a nonresident. To claim a refund of any Connecticut income tax withheld in error, you must file Form CT-1040NR/PY (for each taxable year within the 548-day period) and attach a statement that explains how you met each of the Group B exceptions listed.

See **Special Notice 2000(17)**, *2000 Legislation Affecting the Connecticut Income Tax ("548-Day Rule" and Claim of Right Credit)*.

Examples for Group A Exception

Example 1: Steve was a resident of Connecticut when he joined the Army and has not established a new domicile. He does not maintain a permanent place of abode in Connecticut. He visited his parents' home in Connecticut for only two weeks during the taxable year. He lives in dormitory-type housing at his permanent duty assignment in Texas.

Steve did not meet all three conditions under the Group A Exception to be treated as a nonresident because dormitory-type housing does not qualify as a permanent place of abode. Therefore, Steve is a resident of Connecticut for income tax purposes and must file a Connecticut resident income tax return.

Example 2: Moira was a Connecticut resident when she entered the Navy and has not established a new domicile. Her permanent duty assignment is San Diego, California, where she rented an apartment for the entire taxable year.

She did not visit Connecticut during the taxable year and she does not have a permanent place of abode in Connecticut.

Renting or owning an apartment or house for the entire taxable year at a permanent duty assignment qualifies as maintaining a permanent place of abode outside Connecticut. Additionally, Moira did not maintain a permanent place of abode in Connecticut or spend more than 30 days in Connecticut during the taxable year.

Therefore, although Moira is still domiciled in Connecticut, she meets all three conditions under the Group A Exception for being treated as a nonresident for the taxable year.

Example for Group B Exception

Example 3: Jill is domiciled in Connecticut. During the period November 2, 2005, through May 3, 2007 (a period of 548 consecutive days), Jill was present in a foreign country 480 days.

During the period, Jill was present in Connecticut a total of 65 days, nine days during the period November 2, 2005, through December 31, 2005; 41 days during 2006; and 15 days during the period January 1, 2007, through May 3, 2007.

Because Jill was present in a foreign country 480 days, she meets the first requirement. Jill also meets the second requirement because she was present in Connecticut a total of 65 days during the 548-day period which is less than the maximum of 90 days allowed.

To decide if she meets the third requirement, Jill must determine if the number of days present in Connecticut during the period November 2, 2005, through December 31, 2005 (60 days), exceeds the maximum number of days allowed for the nonresident portion of the taxable year within which the 548-day period began.

The maximum number of days Jill may be present in Connecticut during the period November 2, 2005, through December 31, 2005, is ten as determined by the following computation:

$$\frac{60}{548} = \frac{d}{90}$$

$$90 \times \frac{60}{548} = d \quad d = 10 \quad [9.85]$$

Because Jill was present in Connecticut nine days during the period November 1, 2005, through December 31, 2005, she did not exceed the maximum of ten days allowed for this period.

Jill must also determine if the number of days she was present in Connecticut during the period January 1, 2007, through May 3, 2007, exceeds the maximum allowed for the nonresident portion of the taxable year within which the 548-day period ended. The maximum number of days she may be present in Connecticut during the period January 1, 2007, through May 3, 2007, is 20 as determined by the following computation:

$$\frac{123}{548} = \frac{d}{90}$$

$$90 \times \frac{123}{548} = d \quad d = 20 \quad [20.2]$$

Because Jill was present in Connecticut 15 days during the period January 1, 2007, through May 3, 2007, she did not exceed the maximum of 20 days allowed for this period.

Jill meets all the requirements of the Group B Exception. Therefore, she must file as a part-year resident individual for the 2005 taxable year, as a nonresident individual for the 2006 taxable year, and as a part-year resident individual for the 2007 taxable year.

Examples for Nonresidents Who Are Members of the Armed Forces

Example 4: Bob was domiciled in Florida when he entered the Navy. Bob was stationed in Groton, Connecticut, for eight months during the 2007 taxable year. Sue, Bob's wife, is also domiciled in Florida but lived in Groton with Bob in a house they rented during the entire time he was stationed there. For the 2007 taxable year, Bob's Navy pay includible in his federal adjusted gross income is \$38,000.

Bob is not a resident of Connecticut because armed forces personnel are considered residents of the state in which they resided when they enlisted. Sue is a resident of Connecticut because she maintained a permanent place of abode in Connecticut and spent more than 183 days in Connecticut during the taxable year. Where one spouse is a resident and the other spouse is a nonresident, they are not permitted to file a joint Connecticut income tax return even if they elected to file a joint federal income tax return unless they both elect to be treated as residents.

A. They had no other income. Bob is not required to file Form CT-1040NR/PY as a married individual filing separately because he has no Connecticut source income. Sue is not required to file Form CT-1040 as a married individual filing separately because she has no income.

B. Bob had wages of \$10,000 from a Connecticut job during his off-duty hours. Bob's wages from his Connecticut job are Connecticut source income and subject to Connecticut income tax. Because Bob has Connecticut source income and meets the gross income test, he is required to file Form CT-1040NR/PY. Bob subtracts his Navy pay includible in his federal adjusted gross income (\$38,000) from his federal adjusted gross income (\$48,000) in computing his Connecticut adjusted gross income (\$10,000). In completing Form CT-1040NR/PY, Bob enters his federal adjusted gross income on Line 1 and his Navy pay on Schedule 1, *Modifications to Federal Adjusted Gross Income*, Line 51. He enters "Exempt Military Pay" as the explanation beside Line 51. Bob carries his total subtraction modifications on Line 52 to Line 4 on the front of the form.

- If Bob files Form CT-1040NR/PY as a married individual filing separately, he does not owe any Connecticut income tax because his Connecticut adjusted gross income is less than or equal to \$12,000.
- If Bob and Sue file jointly for federal income tax purposes for the 2007 taxable year and elect to be treated as if both were Connecticut residents, Bob and Sue file Form CT-1040 and report all their income whether or not it is from a Connecticut source. Bob's Navy pay is not subtracted from federal adjusted gross income and, along with his civilian wages, is subject to Connecticut income tax.

C. Sue had wages of \$29,000 and interest income of \$1,000. Because Sue lived in Connecticut for more than 183 days during the taxable year, she is a resident and must file a Connecticut resident income tax return and report all her income whether or not it is from a Connecticut source.

- If Sue files Form CT-1040 as a married individual filing separately, she includes only her income on Form CT-1040, Line 1 (her share of the joint income reported on Line 1 of the federal return if they filed a joint return). Her income includes any income she earned in her own name and her share of any joint income, such as interest income from a joint bank account, received in 2007.
- If Bob and Sue file jointly for federal income tax purposes for the 2007 taxable year and elect to be treated as if both were Connecticut residents, Bob and Sue file Form CT-1040 and report all their income, whether or not it is from a Connecticut source. Bob's Navy pay is not subtracted from federal adjusted gross income and, along with his civilian wages, is subject to Connecticut income tax.

Example 5: Jim was domiciled in Texas when he entered the Navy. Jim was stationed in Groton, Connecticut, during the entire 2007 taxable year. Ann, Jim's wife, is also domiciled in Texas but lived in Groton with Jim in an apartment they rented during five months of the 2007 taxable year. For the 2007 taxable year, Jim's Navy pay includible in his federal adjusted gross income was \$42,000.

Jim is not a resident of Connecticut because armed forces personnel are considered residents of the state in which they resided when they enlisted. Ann is not a resident of Connecticut because, although she maintained a permanent place of abode in Connecticut, she did not spend more than 183 days in Connecticut during the taxable year.

A. They had no other income. Jim and Ann are not required to file a Connecticut income tax return because they have no Connecticut source income.

B. Jim had income of \$16,000 from a trade or business carried on in Connecticut during his off-duty hours. Jim's income from his trade or business is Connecticut source income and is subject to Connecticut income tax. Because Jim has Connecticut source income and

meets the gross income test, he is required to file Form CT-1040NR/PY. Jim subtracts his Navy pay includible in his federal adjusted gross income (\$42,000) from his federal adjusted gross income (\$58,000) in computing his Connecticut adjusted gross income (\$16,000).

- If Jim files Form CT-1040NR/PY as a married individual filing separately, he is subject to Connecticut income tax on his Connecticut adjusted gross income of \$16,000. Jim follows the instructions in Example 5B to calculate his Connecticut adjusted gross income. He enters the \$16,000 of Connecticut source income on Form CT-1040NR/PY, Line 6, and follows the instructions in the booklet to calculate the tax.
- If Jim and Ann file jointly for federal income tax purposes for the 2007 taxable year and elect to file Form CT-1040NR/PY as married individuals filing jointly (although only Jim has Connecticut source income), Jim's Navy pay includible in his federal adjusted gross income (\$42,000) is subtracted from their federal adjusted gross income (\$58,000) in computing their Connecticut adjusted gross income (\$16,000). They do not have any Connecticut income tax because their Connecticut adjusted gross income (\$16,000) is less than or equal to \$24,000.

C. Ann had wages of \$29,000 from a Connecticut job and interest income of \$1,000. Because Ann's domicile or legal residence is in Texas and she lived in Connecticut for 183 days or less during the taxable year, she is a nonresident. Because Ann has Connecticut source income and meets the gross income test, she is required to file Form CT-1040NR/PY.

- If Ann files Form CT-1040NR/PY as a married individual filing separately, she is subject to Connecticut income tax on her Connecticut source income of \$29,000. Ann follows the instructions in Example 6B to calculate her Connecticut adjusted gross income. She enters the \$29,000 of Connecticut source income on Form CT-1040NR/PY, Line 6, and follows the instructions in the booklet to calculate the tax.
- If Jim and Ann file jointly for federal income tax purposes for the 2007 taxable year and elect to file Form CT-1040NR/PY as married individuals filing jointly (although only Ann has Connecticut source income), Jim's Navy pay includible in his federal adjusted gross income (\$42,000) is subtracted from their federal adjusted gross income (\$72,000) in computing their Connecticut adjusted gross income (\$30,000). They owe Connecticut income tax on their Connecticut source income of \$29,000. Jim and Ann follow the instructions in Example 6B to calculate their Connecticut adjusted gross income. They then enter the \$29,000 of Connecticut source income on Form CT-1040NR/PY, Line 6, and follow the instructions in the booklet to calculate the tax.

Example 6: John was domiciled in Connecticut when he entered the Air Force. John was stationed in Houston, Texas, for the entire 2007 taxable year and meets all three conditions under the Group A Exception to be treated as a nonresident. For the 2007 taxable year, John's Air Force pay includible in his federal adjusted gross income is \$24,000.

A. John had no other income. In certain circumstances, armed forces personnel may not be treated as residents of Connecticut even though they are domiciled in Connecticut when they enlist in the armed forces. Because John was domiciled in Connecticut when he entered the Air Force, he would normally be considered a resident of Connecticut. However, since he meets all three conditions under the Group A Exception to be treated as a nonresident, he does not have to file a Connecticut return.

B. John recognized a gain of \$20,000 from the sale of property in Connecticut during the taxable year. John's gain from the sale of property in Connecticut is Connecticut source income and is subject to Connecticut income tax. Because John has Connecticut source income and meets the gross income test, he is required to file Form CT-1040NR/PY. John subtracts his Air Force pay includible in his federal adjusted gross income (\$24,000) from his federal adjusted gross income (\$44,000) in computing his Connecticut adjusted gross income (\$20,000). In completing Form CT-1040NR/PY, John enters his federal adjusted gross income on Line 1 and his Air Force pay on Schedule 1, *Modifications to Federal Adjusted Gross Income*, Line 51. He enters "Exempt Military Pay" as the explanation beside Line 51. John carries his total subtraction modifications on Line 52 to Line 4 on the front of the form. John owes Connecticut income tax on his Connecticut source income of \$20,000. John follows the instructions in the booklet to calculate the tax.

Withholding and Payment of Estimated Income

Tax: If you are a Connecticut resident, your armed forces pay is subject to Connecticut income tax withholding. You should complete **Form CT-W4, Employer's Withholding and Exemption Certificate**, and provide it to your armed forces finance officer so the correct amount of Connecticut income tax is withheld from your pay. However, if you are a nonresident during the taxable year (or a resident treated as a nonresident under either the Group A or Group B Exception), you may request that no Connecticut income tax be withheld from your armed forces pay by entering Withholding Code "E" on Form CT-W4, Line 1, and filing the form with your armed forces finance officer. Do not send Form CT-W4 to DRS. If you expect to owe \$1,000 or more in Connecticut income tax after subtracting Connecticut income tax withheld during the taxable year, you should make estimated Connecticut income tax payments or increase your Connecticut income tax withholding. See **Informational Publication 2008(7), Is**

My Connecticut Withholding Correct?, or **Informational Publication 2006(24)**, *Estimated Connecticut Income Taxes*. Use **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*, to make estimated Connecticut income tax payments.

When to File Your Return: As a member of the armed forces, you must file your return at the same time and in the same manner as any other taxpayer. File your return as soon as possible but no later than the filing deadline of April 15, 2008. Military and support personnel serving in a combat zone, qualified hazardous duty area, or contingency operation, see *Serving in a Combat Zone or in a Contingency Operation* on Page 2.

Extension of Time to File Returns: If you cannot meet the April 15, 2008, deadline and need to extend the time for filing your return, you must file **Form CT-1040 EXT**, *Application for Extension of Time to File*. The time to file your return will be extended six months.

File Form CT-1040 EXT on or before the due date for filing your return. Form CT-1040 EXT must be accompanied by full payment of tax due because filing Form CT-1040 EXT does not extend the time for payment of tax.

U.S. Citizens Living Abroad: If you are a U.S. citizen or resident living outside the United States and Puerto Rico or in the armed forces of the United States serving outside the United States and Puerto Rico and are unable to file a timely Connecticut income tax return, you must file Form CT-1040 EXT. You must also pay the amount of tax due on or before the original due date of the return. Include with Form CT-1040 EXT a statement that you are a U.S. citizen or resident living outside the United States and Puerto Rico or in the armed forces of the United States serving outside the United States and Puerto Rico and that you qualify for a federal automatic extension. If your application is approved, the due date will be extended for six months. If you are still unable to file your return and you were granted an additional extension of time to file for federal purposes, you may file your Connecticut return using the federal extension due date. A copy of the federal Form 2350 approval notice must be attached to the front of your Connecticut return.

Group B Exception: If you believe that you will ultimately meet all three requirements of the Group B Exception and you need additional time to file your return, you may apply for a further extension of time to file by attaching a letter to a subsequently filed Form CT-1040 EXT explaining why additional time to file is being requested. This request must be made before the expiration of the original extension.

Interest and Penalties: In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.

If you do not pay the tax when due, you will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full.

If you did not pay enough tax through withholding or estimated payments, or both, by any installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return.

Interest on underpayments or late payments of tax cannot be waived.

The penalty for late payment or underpayment of income is 10% of the tax due. If a request for an extension of time has been granted, you can avoid a penalty for failure to pay the full amount due by the original due date if you pay:

- At least 90% of the income tax shown to be due on the return on or before the original due date of the return; **and**
- The balance due with the return on or before the extended due date.

If no tax is due, DRS may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

If you do not file your return and DRS files a return for you, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater.

If you are serving in a combat zone or in a contingency operation, see *Serving in a Combat Zone or in a Contingency Operation* on Page 2.

Civil Unions: Effective for taxable years beginning on or after January 1, 2006, parties to a civil union recognized under Connecticut law (civil union partners) **must file** their Connecticut income tax returns as if they were entitled to the same filing status accorded spouses under the Internal Revenue Code. For more information on civil unions recognized under Connecticut law, visit the Attorney General's website at www.ct.gov/ag for Attorney General Opinion 2005-024.

Related Forms and Publications: See the current edition of the following forms and publications for more information:

- **Informational Publication 2006(24)**, *Estimated Connecticut Income Taxes*
- **Informational Publication 2008(7)**, *Is My Connecticut Withholding Correct?*
- **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*
- **Connecticut Telefile Tax Return**
- **Form CT-1040EZ**, *Connecticut Resident EZ Income Tax Return and Instructions*
- **Form CT-1040**, *Connecticut Resident Income Tax Return and Instructions*
- **Form CT-1040NR/PY**, *Connecticut Nonresident or Part-Year Resident Income Tax Return and Instructions*

Effect on Other Documents: Informational Publication 2007(22), *Connecticut Income Tax Information for Armed Forces Personnel and Veterans*, supersedes **Informational Publication 2006(23)**, *Connecticut Income Tax Information for Armed Forces Personnel and Veterans*, which may not be relied upon for taxable years beginning on or after January 1, 2007.

Effect on 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** (Connecticut calls outside the Greater Hartford calling area only), **or**
- **860-297-5962** (from anywhere)

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

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

- **Internet:** Visit the DRS website at www.ct.gov/DRS to preview and download forms and publications; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or **860-297-4753** (from anywhere).

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns, tax payments, and electronic bill payments:** Use the *Taxpayer Service Center (TSC)* to file a variety of tax returns and extensions, as well as to pay taxes or bills over the Internet. Visit the DRS website at www.ct.gov/DRS and click on the *TSC* logo or on *File/Register OnLine* for a complete list of taxes that can be electronically filed and paid.
- **For income tax returns, extensions, estimated payments, and electronic bill payments:** Use the *Taxpayer Service Center (TSC)* to file personal income tax returns and extensions, or to make estimated payments and electronic bill payments over the Internet. Visit the DRS website at www.ct.gov/DRS and click on the *TSC* logo or on *File/Register OnLine*.

DRS E-News Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-News** is easy to sign up for – visit www.ct.gov/DRS and follow the directions. Subscription services are available for employer’s withholding tax, *TSC-BUS* Online Filing Alerts, News – Press Releases, and Top 100 Delinquency List.