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STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2007(24)

INFORMATIONAL PUBLICATION

Connecticut Tax Tips for Senior Citizens

Purpose: This publication is designed to acquaint senior citizens with Connecticut taxes. It includes information on income tax and sales and use taxes as well as gift, estate, real estate conveyance, and local property taxes. To order forms or publications or to get help, see Page 6.

Income Tax

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

Income Tax Return: For calendar year filers, the Connecticut income tax return is due on or before **April 15** of the next calendar year. You may be required to file an income tax return even if you do not owe any tax. Information on filing requirements is included in all Connecticut income tax instruction booklets. Residents must file **Form CT-1040**, *Connecticut Resident Income Tax Return*, **Form CT-1040EZ**, *Connecticut Resident EZ Income Tax Return*, or **Connecticut Telefile Tax Return**. Nonresidents and part-year residents must file **Form CT-1040NR/PY**, *Connecticut Nonresident or Part-Year Resident Income Tax Return*.

Income Subject to Tax: Generally, income **included** in your federal adjusted gross income is subject to Connecticut income tax and income **excluded** from your federal adjusted gross income is **not** subject to Connecticut income tax. For example, interest from Connecticut state or local bonds is not subject to federal or Connecticut income tax. Likewise, the gain from the sale of your primary residence is subject to Connecticut income tax only to the extent it is subject to federal income tax.

Modifications to Federal Adjusted Gross Income: Certain income is treated differently for Connecticut income tax purposes than it is for federal income tax purposes.

You must make the appropriate modifications to your federal adjusted gross income to compute your Connecticut adjusted gross income (AGI) if you have:

- Social security benefits;
- Refunds of state and local income taxes;
- Interest or dividend income from U.S. government obligations, for example, U.S. Savings Bonds or Treasury Notes;
- Interest income from bonds issued by another state;
- Gain (loss) on the sale of Connecticut state and local government bonds;
- Interest earned on contributions to accounts established for a designated beneficiary under the Connecticut Homecare Option Program for the Elderly;
- Contributions to a CHET account or accounts; **or**
- Any other allowable addition or subtraction modification.

Allowable modifications are explained in the instruction booklet for Form CT-1040 and Form CT-1040NR/PY. See the section for *Schedule 1*.

Beginning with taxable year 2008, a retired member of the armed forces of the United States or National Guard will be allowed to subtract 50% of the income received from the U.S. government as retirement pay.

You generally cannot use the Connecticut Telefile Tax Return or Form CT-1040EZ if you are required to make a modification to federal adjusted gross income. You must use Form CT-1040 or Form CT-1040NR/PY.

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

- \$10,000 of Connecticut taxable income for single filers, married taxpayers filing separately, and civil union 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, civil union taxpayers filing jointly, and qualifying widow(er) with dependent child.

The remaining income is taxed at 5%.

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

Maximum personal exemption amounts are:

\$12,000 married filing separately or civil union filing separately

For every \$1,000 (or part of \$1,000) of Connecticut adjusted gross income over \$24,000, the personal exemption amount is reduced by \$1,000.

\$12,750 single filers (\$13,000 for the 2008 taxable year)

For every \$1,000 (or part of \$1,000) of Connecticut adjusted gross income over \$25,500, the personal exemption amount is reduced by \$1,000.

\$19,000 head of household

For every \$1,000 (or part of \$1,000) of Connecticut adjusted gross income over \$38,000, the personal exemption amount is reduced by \$1,000.

\$24,000 married filing jointly, civil union filing jointly, or qualifying widow(er) with dependent child

For every \$1,000 (or part of \$1,000) of Connecticut adjusted gross income over \$48,000, the personal exemption amount is reduced by \$1,000.

Credit for Income Taxes Paid to a Qualifying Jurisdiction: If you are a **resident** of Connecticut and any part of your income was taxed by a **qualifying jurisdiction**, or if you are a **part-year resident** of

Connecticut and any part of your income earned during the residency portion of your taxable year was taxed by a **qualifying jurisdiction**, you may be able to claim a credit against your Connecticut income tax liability for qualifying income tax payments you have made. See the current instruction booklet for Form CT-1040 and Form CT-1040 NR/PY.

Computing Your Income Tax: The example below shows how to compute the income tax liability for a resident married couple filing jointly. The tax is rounded to the nearest whole dollar.

| | |
|--------------------------------|-----------------|
| CT adjusted gross income | \$45,000 |
| Personal exemption | <u>-24,000</u> |
| CT taxable income | \$21,000 |

Calculation of Tax

| | |
|----------------------------|--------------|
| Income taxable at 3% | \$20,000 |
| Tax rate (.03) | <u>x .03</u> |
| Tax | \$600 |

| | |
|----------------------------|--------------|
| Income taxable at 5% | \$1,000 |
| Tax rate (.05) | <u>x .05</u> |
| Tax | \$50 |

Total tax \$650

Personal tax credit

Total tax of \$650 x 15% from Table C in the Form CT-1040 Connecticut resident income tax instructions booklet.....(\$98)

Tax due before subtracting any property tax credit **\$552**

Property Tax Credit: A property tax credit is also available to resident individuals for property taxes paid to a Connecticut political subdivision on a primary residence, 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.

The maximum property tax credit is \$500 per return for the 2007 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. The amount of credit is reduced by 10% for each \$10,000 or fraction of \$10,000 increase in Connecticut AGI. The property tax credit AGI limitation for any taxpayer who files as an unmarried individual has increased to \$55,500.

A husband and wife or civil union partners who file a joint Connecticut income tax return may include

property bills for which each spouse is individually or jointly liable. If you are claiming a property tax credit, you must complete and attach the property tax schedule to your return or the Department of Revenue Services (DRS) will disallow your credit.

See **Informational Publication 2007(21)**, *Q & A: Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision*.

Social Security Benefit Adjustment: Social Security recipients who pay federal income tax on their benefits may be able to reduce the amount of benefits taxable for Connecticut income tax purposes by completing the *Schedule 1, Social Security Benefit Adjustment Worksheet*, included with Form CT-1040 or Form CT-1040NR/PY. The instructions for *Schedule 1* may not apply if you meet any of the following exceptions:

- You made a contribution to a traditional IRA for the taxable year and you or your spouse were covered by a retirement plan as an employee or through self-employment.
- You repaid any benefits during the taxable year and the total repayments reported on your Form SSA-1099, box 4, were more than the total benefits reported on your Form SSA-1099, box 3.
- You filed federal Form 2555, Form 2555-EZ, Form 4563, or Form 8815, or excluded employer-provided adoption benefits or income from sources within Puerto Rico.

If you meet any of these exceptions, see **Announcement 2007(6)**, *Taxability of Social Security Benefits for Connecticut Income Tax Purposes*.

Social Security recipients whose filing status is single, married filing separately, or civil union filing separately and whose federal adjusted gross income is **less than \$50,000**; or married filing jointly, civil union filing jointly, qualifying widow(er) with dependent child, or head of household and whose federal adjusted gross income is **less than \$60,000**, are not subject to Connecticut income tax on federally taxable Social Security benefits.

Withholding From Your Pension: If you are a resident and receive a pension, you may be able to have Connecticut income tax withheld from your pension payments. Contact your pension payer and ask for **Form CT-W4P**, *Withholding Certificate for Pension or Annuity Payments*. Retired federal civil service employees must contact the U. S. Office of

Personnel Management (USOPM) to start, stop, or change Connecticut income tax withholding. Call USOPM at 1-800-409-6528 to use the automated request system or 1-202-606-0500 to speak with a representative.

If you are a nonresident and receive a pension, your pension is not subject to Connecticut income tax even if a former employer pays you a pension for services performed while you were employed in Connecticut.

Estimated Income Tax Filing Requirements:

You must make estimated Connecticut income tax payments if your Connecticut income tax due after tax credits minus Connecticut income tax withheld is **\$1,000 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 of the current year, and January 15 of the next year.

However, if your income varies throughout the year, you may be able to reduce or eliminate the amount of one or more estimated payments by using the annualized installment method. See the instructions for **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*.

Sales and Use Taxes

Retail sales or leases of tangible personal property and certain services are subject to sales and use taxes at a 6% rate. Computer and data processing services are taxable at a 1% rate.

Some items and services not subject to sales or use taxes include:

- All newspapers, magazines by subscription;
- Internet access services;
- Clothing and footwear items costing under \$50 each;
- Current United States and Connecticut flags;
- Diabetic supplies such as test strips and tablets, lancets and glucose monitoring equipment, and repair and replacement parts for the equipment;
- Doctor, dentist, medical laboratory, lawyer, and travel agent fees;
- Eyeglasses, dentures, hearing aids, and hearing aid batteries;
- Instruction classes such as knitting, sewing, dog obedience, music, ballroom dancing, etc.;
- Adult diapers and disposable pads for incontinence;

- Most non-prescription over-the-counter drugs for humans or animals used internally or externally. This includes vitamins or mineral concentrates; dietary supplements; natural or herbal medicines; eye, ear, or nose medications; antacids; cough, cold, asthma, and allergy products; antihistamines; analgesics; antibiotic, antibacterial, antiviral, and antifungal medicines; laxatives; antidiarrheal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; and emetics or antiemetics. Cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps, and deodorants are taxable;
- Support hose specially designed to aid in the circulation of blood purchased by persons with a medical need for the hose;
- Oxygen and oxygen equipment, customized trusses and braces, crutches, walkers, wheelchairs, and inclined stairway chairlifts, and repair and replacement part services for the equipment;
- Canes;
- Prescription drugs, syringes, and needles;
- Repair services and repair and replacement parts for artificial limbs, artificial eyes, hearing aids, and other equipment used to support vital life functions;
- Telephone equipment designed exclusively for deaf or blind people;
- Closed circuit television equipment used as reading aids by visually impaired persons;
- Equipment for people with physical disabilities installed in motor vehicles and repair and replacement parts for the equipment;
- Electricity and gas for residential use;
- Fuel for residential heating or cooking such as oil, propane, kerosene, wood, coal, and charcoal;
- Fabric, thread, buttons, zippers, trim, and similar materials for noncommercial sewing used to make clothing;
- Shoe repair services;
- Yarn for noncommercial use;
- Items purchased with federal food stamps;
- Food purchased in supermarkets such as beer, wine, and all alcoholic beverages are taxable. Candy, gum, soda, and all other carbonated beverages are also taxable;
- Food products sold through coin-operated vending machines;
- Meals delivered to homes of elderly persons and provided by special programs, such as “Meals on Wheels;”
- Sales of food, meals, candy, confectionery, and beverages to persons in health care facilities. Health

care facilities include assisted living facilities, senior centers, day care centers, hospitals, residential care homes, convalescent homes, nursing homes, and rest homes;

- Labor for many home repairs and services including plumbing, electrical, refuse removal, septic cleaning services, painting, staining, paving, roofing, wallpapering, siding, and exterior sheet metal work;
- Landscaping and horticulture services, window cleaning, and maintenance services when rendered at the residence of a person eligible to receive, and currently receiving, total disability benefits under the Social Security Act;
- Repair and maintenance services to vessels and fabrication labor to existing vessels;
- Other nontaxable services, including animal grooming and boarding services, laundry, hair styling, towing, and real estate and jewelry appraisal;
- Vegetable seeds;
- Bicycle helmets;
- Firearm safety devices;
- Personal property used in a burial or cremation with a value of up to \$2,500;
- Caskets used for burial or cremation; **and**
- Compact fluorescent light bulbs.

Discounts: When a senior citizen discount or other discount is offered on a taxable item, the sales tax is applied to the discounted price.

Coupons: A coupon entitles a purchaser to an immediate reduction in the sales price of an item when the coupon is presented to a retailer. No additional action is required of the purchaser.

Sales and use taxes are calculated on the sales price after reducing the price by the value of any coupons presented. Any additional value assigned by the retailer, such as to double or triple the coupon, is also excluded from the sales price.

For example, if the original price of an item is \$3.00 and you present a coupon for 50 cents off the item, the taxable price is \$2.50. The total price of the item, including the sales tax, is \$2.65.

In contrast, rebates do not reduce the taxable sales price of an item being purchased. See **Policy Statement 2007(5)**, *Sales Tax Treatment of Coupons, Scan Cards, Cash Equivalents, Promotional Items and Rebates*.

Use Tax: When the seller of goods or provider of taxable services does not collect the sales tax, you must pay use tax. You must file a use tax return annually to report purchases of taxable goods or services on which you have not paid Connecticut sales tax.

If you purchased goods from mail order or catalog companies and had the goods shipped to Connecticut, you must pay Connecticut use tax if you did not pay Connecticut sales tax. If you purchased goods at out-of-state locations for use in Connecticut and the tax paid is less than the Connecticut tax, you must pay the difference between the Connecticut tax and the tax paid in the other state. 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 must pay the use tax for purchases you made during the prior calendar year on or before April 15 on either your Connecticut income tax return or on **Form OP-186, Connecticut Individual Use Tax Return**. In general, the use tax rate for taxable goods and services is 6%.

Local Property Taxes

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.

Veteran Exemption: A variable, annual property 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 for any of the above.

Estate Tax

For estates of decedents dying before January 1, 2005: Visit the DRS website at www.ct.gov/DRS for more information.

For estates of decedents dying on or after January 1, 2005: Resident and nonresident estates are liable for the Connecticut estate tax if the amount of the Connecticut taxable estate is more than \$2 million. A resident estate is an estate of a decedent who at the time of death was domiciled in Connecticut.

The Connecticut taxable estate is the sum of:

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

If the sum exceeds \$2 million, Connecticut estate tax is payable on the sum including the first \$2 million. These estates must file **Form CT-706/709, Connecticut Estate and Gift Tax Return**, with DRS. A copy of Form CT-706/709 must also be filed with the appropriate Connecticut probate court.

If the sum is \$2 million or less, Connecticut estate and gift tax is not due. However, estates must file **Form CT-706 NT, Connecticut Estate Tax Return (For Nontaxable Estates)**, with the Connecticut probate court for the district in which the decedent resided at the date of death or, if the decedent died as a nonresident of Connecticut, with the Connecticut probate court for the district in which the decedent's real property or tangible personal property is located.

See **Special Notice 2005(10), 2005 Legislation Repealing the Succession Tax and Amending the Connecticut Gift Tax and the Connecticut Estate Tax**.

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-706/709.

The Connecticut gift tax applies to Connecticut taxable gifts, which are also federal taxable gifts, made by a resident or nonresident of Connecticut on or after January 1, 2005:

- For a donor who is a Connecticut resident, the taxable gifts include real property or tangible personal property located in Connecticut as well as intangible personal property wherever located; **and**
- For a donor who is a nonresident of Connecticut, the taxable gifts include only real property or tangible personal property located in Connecticut.

A Connecticut gift tax return must be filed to report all Connecticut taxable gifts made in any calendar year on or after January 1, 2005, even though Connecticut gift tax may not be due. Connecticut gift tax is payable only when the aggregate amount of all Connecticut taxable gifts made by the donor during his or her lifetime, on

or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount of Connecticut taxable gifts, including the first \$2 million.

See **Special Notice 2005(10)**, *2005 Legislation Repealing the Succession Tax and Amending the Connecticut Gift Tax and the Connecticut Estate Tax*.

Real Estate Conveyance Tax

A state and municipal real estate conveyance tax is imposed on deeds conveying an interest in realty where the consideration for the interest in property equals or exceeds \$2,000. A deed for no consideration or for less than \$2,000 in consideration is exempt from real estate conveyance tax but may be subject to the gift tax. A deed of the principal residence of a person receiving property tax benefits for the elderly is exempt from the state real estate conveyance tax but subject to the municipal real estate conveyance tax.

Generation-Skipping Transfer Tax

The Connecticut generation-skipping transfer tax does not apply to generation-skipping transfers after December 31, 2004.

Succession Tax

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

Effect on Other Documents: Informational Publication 2007(24) modifies and supersedes **Informational Publication 2006(18)**, *Connecticut Tax Tips for Senior Citizens*.

Effect of This Document: An Informational Publication issued by the Department of Revenue Services (DRS) 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.

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

- **Internet:** Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms; **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 call **860-297-4753** (from anywhere)

Paperless Filing/Payment 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*.

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