



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

25 Sigourney Street Ste 2  
Hartford CT 06106-5032

SN 2011(12)

SPECIAL NOTICE

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## 2011 Legislative Changes Affecting the Income Tax

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**Purpose:** This Special Notice describes changes made to the income tax during the 2011 session of the Connecticut General Assembly.

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**Effective Date:** Effective for taxable years beginning on or after January 1, 2011.

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**Statutory Authority:** Conn. Gen. Stat. §12-700(a), as amended by 2011 Conn. Pub. Acts 6, §107; 2011 Conn. Pub. Acts 6, §§108 and 109; 2011 Conn. Pub. Acts 6, §110, as amended by 2011 Conn. Pub. Acts 1, §§3, 4 and 14 (June Special Session); Conn. Gen. Stat. §12-704c, as amended by 2011 Conn. Pub. Acts 6, §111; Conn. Gen. Stat. §12-35f, as amended by 2011 Conn. Pub. Acts 61, §54; Conn. Gen. Stat. §12-707, as amended by 2011 Conn. Pub. Acts 61, §58; Conn. Gen. Stat. §12-733, as amended by 2011 Conn. Pub. Acts 61, §59; 2011 Conn. Pub. Acts 140, §§30, 31, and 32; and 2011 Conn. Pub. Acts 13, §1.

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**Increase in the Number of Income Tax Brackets and Income Tax Rates:** For taxable years beginning on or after January 1, 2011, individuals are subject to the following rates if their filing status is:

**Single:** At a 3% rate on the first \$10,000 of Connecticut taxable income; at a rate of 5% on the excess over \$10,000, but not over \$50,000; at a rate of 5.5% on the excess over \$50,000, but not over \$100,000; at a rate of 6% on the excess over \$100,000, but not over \$200,000; at a rate of 6.5% on the excess over \$200,000, but not over \$250,000; and at a rate of 6.7% on the excess over \$250,000.

**Filing separately:** At a 3% rate on the first \$10,000 of Connecticut taxable income; at a rate of 5% on the excess over \$10,000, but not over \$50,000; at a rate of 5.5% on the excess over \$50,000, but not over \$100,000; at a rate of 6% on the excess over \$100,000, but not over \$200,000; at a rate of 6.5% on

the excess over \$200,000, but not over \$250,000; and at a rate of 6.7% on the excess over \$250,000.

**Head of household:** At a 3% rate on the first \$16,000 of Connecticut taxable income; at a rate of 5% on the excess over \$16,000, but not over \$80,000; at a rate of 5.5% on the excess over \$80,000, but not over \$160,000; at a rate of 6% on the excess over \$160,000, but not over \$320,000; at a rate of 6.5% on the excess over \$320,000, but not over \$400,000; and at a rate of 6.7% on the excess over \$400,000.

**Filing jointly or qualifying widow(er):** At a 3% rate on the first \$20,000 of Connecticut taxable income; at a rate of 5% on the excess over \$20,000, but not over \$100,000; at a rate of 5.5% on the excess over \$100,000, but not over \$200,000; at a rate of 6% on the excess over \$200,000, but not over \$400,000; at a rate of 6.5% on the excess over \$400,000, but not over \$500,000; and at a rate of 6.7% on the excess over \$500,000.

Trusts and estates pay tax at a flat rate of 6.7%.

*Conn. Gen. Stat. §12-700(a), as amended by 2011 Conn. Pub. Acts 6, §107.*

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**Phase-Out of the 3% Rate:** For taxable years beginning on or after January 1, 2011, the 3% rate is phased out for individuals with Connecticut adjusted gross income (Connecticut AGI) over the following thresholds.

**\$56,500 for single:** The amount to which the 3% tax rate applies is reduced by \$1,000 for each \$5,000 (or part of \$5,000) by which the taxpayer's Connecticut AGI exceeds \$56,500.

**\$50,250 for filing separately:** The amount to which the 3% tax rate applies is reduced by \$1,000 for each \$2,500 (or part of \$2,500) by which the taxpayer's Connecticut AGI exceeds \$50,250.

**\$78,500 for head of household:** The amount to which the 3% tax rate applies is reduced by \$1,600 for each \$4,000 (or part of \$4,000) by which the taxpayer's Connecticut AGI exceeds \$78,500.

**\$100,500 for filing jointly or qualifying widow(er):** The amount to which the 3% tax rate applies is reduced by \$2,000 for each \$5,000 (or part of \$5,000) by which the taxpayer's Connecticut AGI exceeds \$100,500.

The amount not taxed at the 3% rate is taxed at the 5% rate.

*Conn. Gen. Stat. §12-700(a), as amended by 2011 Conn. Pub. Acts 6, §107.*

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**Recapture Tax Amount for Taxpayers in Higher Income Brackets:** For taxable years beginning on or after January 1, 2011, a taxpayer whose Connecticut adjusted gross income (Connecticut AGI) exceeds the income thresholds specified below, in addition to computing his or her Connecticut income tax liability using the applicable tax rates, and in addition to applying the 3% phase-out provision, is required to add to the tax otherwise computed, the following recapture amount of tax as follows.

**Single:** \$75 for each \$5,000 (or part of \$5,000) by which the taxpayer's Connecticut AGI exceeds \$200,000. The maximum recapture amount is \$2,250.

**Filing separately:** \$75 for each \$5,000 (or part of \$5,000) by which the taxpayer's Connecticut AGI exceeds \$200,000. The maximum recapture amount is \$2,250.

**Head of household:** \$120 for each \$8,000 (or part of \$8,000) by which the taxpayer's Connecticut AGI exceeds \$320,000. The maximum recapture amount is \$3,600.

**Filing jointly or qualifying widow(er):** \$150 for each \$10,000 (or part of \$10,000) by which the taxpayer's Connecticut AGI exceeds \$400,000. The maximum recapture amount is \$4,500.

*Conn. Gen. Stat. §12-700(a), as amended by 2011 Conn. Pub. Acts 6, §107.*

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**Revisions to the Withholding Tables and Withholding Calculation Rules:** As required, the Commissioner of Revenue Services has revised the withholding tables and the withholding calculation

rules to take into account the new tax rates, the 3% phase-out provision and the recapture tax provision.

Because the new rates and additional tax provisions are retroactive to January 1, 2011, the withholding tables include, and the withholding calculation rules take into account, catch-up withholding.

The withholding tables and the withholding calculation rules are effective August 1, 2011, and have been posted on the Department of Revenue Services (DRS) website.

*2011 Conn. Pub. Acts 6, §108.*

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**Third and Fourth Quarter Estimated Payments:**

A taxpayer required to make estimated payments for taxable year 2011 is required to make the third and fourth quarter payments due September 15, 2011, and January 15, 2012, respectively, using the new rates, the 3% phase-out and recapture provisions. Instructions have been posted on the DRS website.

*2011 Conn. Pub. Acts 6, §109.*

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**Connecticut Earned Income Tax Credit:** For taxable years beginning on or after January 1, 2011, a Connecticut resident taxpayer may claim an earned income tax credit (CT-EITC) against the Connecticut income tax due for the taxable year.

The amount of the CT-EITC is 30% of the earned income tax credit claimed and allowed on the federal income tax return for the same taxable year.

A Connecticut resident individual who files a federal joint return but who is required to file a separate Connecticut income tax return may claim the CT-EITC calculated as follows:

30% of federal earned income tax credit X	Resident individual federal AGI as reported on the Connecticut individual return
	Married couple's federal AGI as reported on the joint federal return

If the CT-EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

*2011 Conn. Pub. Acts 6, §110, as amended by 2011 Conn. Pub. Acts 1, §§3, 4 and 14 (June Special Session).*

**Property Tax Credit Changes:** The maximum property tax credit is reduced from \$500 to \$300.

The maximum property tax credit is phased out based on the taxpayer's filing status and the taxpayer's Connecticut adjusted gross income. The phase-out rate was increased from 10% to 15% for every \$10,000 in additional Connecticut AGI over \$56,500 for taxpayers filing as single; for every \$5,000 in additional Connecticut AGI over \$50,250 for married taxpayers filing separately; for every \$10,000 in additional Connecticut AGI over \$78,500 for taxpayers filing as head of household; and for every \$10,000 in additional Connecticut AGI over \$100,500 for taxpayers filing a joint return.

*Conn. Gen. Stat. §12-704c, as amended by 2011 Conn. Pub. Acts 6, §111.*

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**Notice of Tax Refund Offset:** The Commissioner is required to notify a taxpayer of an offset request received from another state only if the taxpayer is otherwise entitled to a Connecticut tax refund. The Commissioner is not required to include with the notice a copy of the certification received from the other state.

*Conn. Gen. Stat. §12-35f, as amended by 2011 Conn. Pub. Acts 61, §54.*

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**Successor Liability Applicable to Connecticut Income Tax Withholding:** Successor liability, which previously only applied to sales and use taxes, admissions and dues tax and cigarette tax, has been expanded to apply to income tax withholding.

See **Informational Publication 2011(16)**, *Successor Liability for Sales and Use Taxes, Admissions and Dues Tax, and Connecticut Income Tax Withholding*, for more details.

*Conn. Gen. Stat. §12-707, as amended by 2011 Conn. Pub. Acts 61, §58.*

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**Six-Year Statute of Limitations for Making a Deficiency Assessment Applies to Employers and Pass-Through Entities:** A notice of proposed deficiency assessment under Conn. Gen. Stat. §12-733(b)(1) and (b)(2) may be mailed to the taxpayer not later than six years after the date on which the return is filed.

DRS has six years after the date on which a withholding tax return is filed to make a deficiency assessment against an employer who omits from Connecticut wages an amount properly includible that is more than 25% of the Connecticut wages stated on its Connecticut withholding tax return. Any amount which is omitted from the withholding tax return but which is disclosed in the return or in a statement attached to the return is not taken into account in determining the 25% threshold.

DRS has six years after the date on which a composite return (Form CT-1065/CT-1120SI) is filed for making a deficiency assessment against a pass-through entity that omits from Connecticut adjusted gross income derived from or connected with Connecticut sources an amount properly includible that is more than 25% of the Connecticut adjusted gross income derived from or connected with sources within Connecticut of any of its nonresident members stated on its return. Any amount that is omitted from the return but which is disclosed in the return or in a statement attached to the return is not taken into account in determining the 25% threshold.

*Conn. Gen. Stat. §12-733, as amended by 2011 Conn. Pub. Acts 61, §59.*

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**Learn Here, Live Here Program:** This program allows certain graduates of a Connecticut public institution of higher education or from a vocational-technical school, graduating on or after January 1, 2014, to elect up to \$2,500 per year of his or her Connecticut income tax liability to be set aside into a first-time homebuyer account. The graduate must have qualified as an in-state student and paid the in-state tuition rate.

At any time within a ten-year period after graduation, the participant may withdraw the amount set aside and must use it as a down payment on the purchase of a first home in Connecticut. Any remaining balance not withdrawn by the participant will become part of the General Fund.

After receiving the payment, the participant is required to live in Connecticut a minimum of five years. If, after receiving payment, the participant ceases to live in Connecticut at any time up to a specified number of years, the participant must repay a percentage of the amount received as follows: one year: 100%; two years: 80%; three years: 60%; four years: 40%; five years: 20%. After five years there is no repayment obligation. The repayment amounts will become part of the General Fund.

This program may be established by the Commissioner of Economic and Community Development in consultation with the Commissioner of Revenue Services.

*2011 Conn. Pub. Acts 140, §§30, 31, and 32.*

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**Connecticut Lottery Winners and Delinquent**

**Taxpayers:** DRS is required to provide to the Connecticut Lottery Corporation a list of delinquent taxpayers who have a tax liability where a period of over 30 days has elapsed following the date on which the taxes were due and the taxes are not the subject of a timely administrative appeal to DRS or a timely-filed appeal pending before any court.

On or after January 1, 2012, the Connecticut Lottery Corporation will check the name of any person who submits a lottery claim of \$5,000 or more against the delinquent taxpayer list provided by DRS. If there is a match, the Connecticut Lottery Corporation shall deduct and withhold from the lottery prize payment payable to such person, the amount of the tax liability specified on such delinquent taxpayer list.

*2011 Conn. Pub. Acts 13, §1.*

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**Effect on Other Documents:** None affected.

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**Effect of This Document:** A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

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

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- **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:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) and select *e-alerts* from the left navigation bar.

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