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SPECIAL NOTICE

2015 Legislative Changes Affecting Income Tax Withholding and the Income Tax

Withholding Information for Employers: The Department of Revenue Services (DRS) recently released revised 2015 withholding tables and withholding calculation rules to reflect the changes discussed in this announcement. As stated in **TPG-211, Withholding Calculation Rules (Rev. 08/2015)**, these new withholding tables must be used by August 31, 2015.

- **For married taxpayers filing jointly or qualifying widow(er)** with Connecticut taxable income over \$500,000 but not over \$1,000,000, the tax rate is 6.9%; on any amount over \$1,000,000, the tax rate is 6.99%.
- **For trusts and estates**, the tax rate is 6.99%.

Conn. Gen. Stat. §12-700(a), as amended by 2015 Conn. Pub. Acts 244, § 66.

Due Date for Submitting Form W-2 to DRS: Effective June 30, 2015, all employers, including household employers, are required to submit the state copy of federal **Form W-2, Wage and Tax Statement**, along with **Form CT-W3, Connecticut Annual Reconciliation of Withholding**, or **Form CT-W3 HHE, Connecticut Annual Reconciliation of Withholding for Household Employers**, as applicable, to the Department of Revenue Services (DRS) by January 31.

Personal Tax Exemption for Single Filers:

The scheduled increase in the personal tax exemption for single filers is delayed by one year. The personal exemption for single filers in effect for 2014 will remain in effect for the 2015 taxable year. The increase in the exemption amount is now scheduled to occur starting with the 2016 taxable year.

Conn. Gen. Stat. § 12-702(a)(2)(H) and (I), as amended by 2015 Conn. Pub. Acts. 244, § 67.

Conn. Gen. Stat. § 12-706(b), as amended by 2015 Conn. Pub. Acts 5, § 126 (June Spec. Sess.).

Increase in the Number of Income Tax Brackets and Income Tax Rates: Effective January 1, 2015, the current 6.7% top income tax rate increased to 6.9%. There is an additional new income tax rate of 6.99%. These changes affect certain taxpayers as follows:

Personal Tax Credit for Single Filers:

The scheduled increase in the personal tax credit for single filers is delayed by one year. The personal tax credit for single filers in effect for 2014 will remain in effect for the 2015 taxable year. The increase in the personal tax credit is now scheduled to occur starting with the 2016 taxable year.

Conn. Gen. Stat. § 12-703(a)(2)(H) and (I), as amended by 2015 Conn. Pub. Acts 244, § 68.

- **For taxpayers filing single and married filing separately**, with Connecticut taxable income over \$250,000 but not over \$500,000, the tax rate is 6.9%; on any amount over \$500,000, the tax rate is 6.99%.
- **For taxpayers filing as a head of household** with Connecticut taxable income over \$400,000 but not over \$800,000, the tax rate is 6.9%; on any amount over \$800,000, the tax rate is 6.99%.

Increase in the Tax Recapture Amount:

For taxable years beginning on or after January 1, 2015, the tax recapture amounts increased for taxpayers whose Connecticut adjusted gross income (AGI) exceeds certain thresholds. The recapture amounts are as follows:

- **For taxpayers filing single or married filing separately:** \$90 for each \$5,000 (or fraction of \$5,000), by which the taxpayer's Connecticut AGI exceeds \$200,000, up to a maximum amount of \$2,700, plus an additional \$50 for each \$5,000 (or fraction of \$5,000), by which the taxpayer's Connecticut AGI exceeds \$500,000, up to a maximum amount of \$450. The maximum total recapture amount is \$3,150.
- **For taxpayers filing as head of household:** \$140 for each \$8,000 (or fraction of \$8,000), by which the taxpayer's Connecticut AGI exceeds \$320,000, up to a maximum amount of \$4,200, plus an additional \$80 for each \$8,000 (or fraction of \$8,000), by which the taxpayer's Connecticut AGI exceeds \$800,000, up to a maximum amount of \$720. The maximum total recapture amount is \$4,920.
- **For married taxpayers filing jointly or qualifying widow(er):** \$180 for each \$10,000 (or fraction of \$10,000), by which the taxpayer's Connecticut AGI exceeds \$400,000, up to a maximum amount of \$5,400, plus an additional \$100 for each \$10,000 (or fraction of \$10,000), by which the taxpayer's Connecticut AGI exceeds \$1,000,000, up to a maximum amount of \$900. The maximum total recapture amount is \$6,300.

Conn. Gen. Stat. § 12-700(a), as amended by 2015 Conn. Pub. Acts 244, § 66.

Withholding Information for Employees:

Although the changes to the income tax affect all income you earn this year, there is no requirement for employers to do catch-up withholding to make up for the months in which withholding was calculated under the prior law.

Please use **Informational Publication 2015 (7.1), *Is My Connecticut Withholding Correct***, to estimate your 2015 Connecticut income tax liability, and, if your withholding will not be sufficient, do one of the following:

- Ask your employer to withhold additional income tax by completing a new **Form CT-W4, *Employee's Withholding Certificate***; or
- Make estimated payments electronically using the Taxpayer Service Center (TSC) or by using **Form CT-1040ES, *2015 Estimated Connecticut Income Tax Payment Coupon for Individuals***.

You may be charged interest if you do not pay enough tax through withholding, estimated tax payments, or both. Please note, if you can show that the underpayment is solely the result of the tax law changes in 2015 Conn. Pub. Acts 244, then the underpayment interest will not apply.

Conn. Gen. Stat. §12-722, as amended by 2015 Conn. Pub. Acts 5, § 435 (June Spec. Sess.).

Military Retirement Pay: For taxable years beginning on or after January 1, 2015, one hundred percent of military retirement pay is exempt from Connecticut personal income tax.

Conn. Gen. Stat. § 12-701(a)(20)(B), as amended by 2015 Conn. Pub. Acts 244, § 65.

Income Tax Exemption for Teacher Pensions:

For taxable years beginning on or after January 1, 2015, subtract the following percentage of a pension received from the Connecticut teacher's retirement system when calculating Connecticut adjusted gross income, provided such pension was properly included in gross income for federal income tax purposes:

For taxable year beginning:

- January 1, 2015: 10 percent (10%)
- January 1, 2016: 25 percent (25%)
- January 1, 2017 and each taxable year thereafter: 50 percent (50%)

Conn. Gen. Stat. § 12-701(a)(20)(B), as amended by 2014 Conn. Pub. Acts 47, § 50.

Earned Income Tax Credit:

The scheduled increase in the earned income tax credit for Connecticut resident individuals is delayed by two years. The Connecticut earned income tax credit in effect for 2014 (27.5% of the federal earned income tax credit) will remain in effect for the 2015 and 2016 taxable years. The increase to 30% of the federal earned income tax credit is now scheduled to occur starting with the 2017 taxable year.

Conn. Gen. Stat. §12-704e, as amended by 2015 Conn. Pub. Acts 244, § 69.

Property Tax Credit:

For taxable year 2015, the maximum income tax credit for taxes paid to a Connecticut municipality (property taxes) remains at \$300, but for single taxpayers the phase-out threshold decreased to \$47,500.

For taxable year 2016, the maximum income tax credit for taxes paid to a Connecticut municipality decreases from \$300 to \$200. The \$200 will phase out as follows:

- Single taxpayers: 15% for every \$10,000 of Connecticut adjusted gross income over \$49,500;
- Married taxpayers filing jointly: 15% for every \$10,000 of Connecticut adjusted gross income over \$70,500;
- Head of household taxpayers: 15% for every \$10,000 of Connecticut adjusted gross income over \$54,500;
- Married taxpayers filing separately: 15% for every \$5,000 of Connecticut adjusted gross income over \$35,250.

Conn. Gen. Stat. § 12-704c, as amended by 2015 Conn. Pub. Acts 244, § 70.

Relief from Joint Tax Liability: You may now seek equitable relief even if you are beyond the two year time limit for innocent spouse relief or separation of liability relief.

For equitable relief requests, the ten year time limit applicable to federal equitable relief requests will be applicable to Connecticut equitable relief requests. This change is applicable to all pending and future requests for equitable relief.

Please note, the time limit for requesting innocent spouse relief or separation of liability relief has not changed and remains at two years from the date on which the DRS begins collection activities against the person requesting relief.

Conn. Gen. Stat. § 12-702a, as amended by 2015 Conn. Pub. Acts 5, § 124 (June Spec. Sess.).

Effect on Other Documents: The DRS is in the process of identifying those documents affected by the legislative changes described herein, and will update those publications as soon as practicable.

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 DRS.

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: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

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 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.

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 and select *Sign up for e-alerts* under *How Do I?* on the gold navigation bar.
