



General Assembly

Substitute Bill No. 6174

January Session, 2019



AN ACT EXEMPTING SOCIAL SECURITY BENEFITS FROM STATE INCOME TAX AND STUDYING THE EFFECT OF THE EXEMPTION ON TAXPAYER MIGRATION OUT OF STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective from passage and applicable to taxable*
4 *years commencing on or after January 1, 2019*):

5 (B) There shall be subtracted therefrom:

6 (i) To the extent properly includable in gross income for federal
7 income tax purposes, any income with respect to which taxation by
8 any state is prohibited by federal law;

9 (ii) To the extent allowable under section 12-718, exempt dividends
10 paid by a regulated investment company;

11 (iii) To the extent properly includable in gross income for federal
12 income tax purposes, the amount of any refund or credit for
13 overpayment of income taxes imposed by this state, or any other state
14 of the United States or a political subdivision thereof, or the District of
15 Columbia;

16 (iv) To the extent properly includable in gross income for federal
17 income tax purposes and not otherwise subtracted from federal

18 adjusted gross income pursuant to clause (x) of this subparagraph in
19 computing Connecticut adjusted gross income, any tier 1 railroad
20 retirement benefits;

21 (v) To the extent any additional allowance for depreciation under
22 Section 168(k) of the Internal Revenue Code for property placed in
23 service after September 27, 2017, was added to federal adjusted gross
24 income pursuant to subparagraph (A)(ix) of this subdivision in
25 computing Connecticut adjusted gross income, twenty-five per cent of
26 such additional allowance for depreciation in each of the four
27 succeeding taxable years;

28 (vi) To the extent properly includable in gross income for federal
29 income tax purposes, any interest income from obligations issued by or
30 on behalf of the state of Connecticut, any political subdivision thereof,
31 or public instrumentality, state or local authority, district or similar
32 public entity created under the laws of the state of Connecticut;

33 (vii) To the extent properly includable in determining the net gain
34 or loss from the sale or other disposition of capital assets for federal
35 income tax purposes, any gain from the sale or exchange of obligations
36 issued by or on behalf of the state of Connecticut, any political
37 subdivision thereof, or public instrumentality, state or local authority,
38 district or similar public entity created under the laws of the state of
39 Connecticut, in the income year such gain was recognized;

40 (viii) Any interest on indebtedness incurred or continued to
41 purchase or carry obligations or securities the interest on which is
42 subject to tax under this chapter but exempt from federal income tax,
43 to the extent that such interest on indebtedness is not deductible in
44 determining federal adjusted gross income and is attributable to a
45 trade or business carried on by such individual;

46 (ix) Ordinary and necessary expenses paid or incurred during the
47 taxable year for the production or collection of income which is subject
48 to taxation under this chapter but exempt from federal income tax, or

49 the management, conservation or maintenance of property held for the
50 production of such income, and the amortizable bond premium for the
51 taxable year on any bond the interest on which is subject to tax under
52 this chapter but exempt from federal income tax, to the extent that
53 such expenses and premiums are not deductible in determining federal
54 adjusted gross income and are attributable to a trade or business
55 carried on by such individual;

56 (x) (I) For taxable years commencing prior to January 1, 2019, for a
57 person who files a return under the federal income tax as an
58 unmarried individual whose federal adjusted gross income for such
59 taxable year is less than fifty thousand dollars, or as a married
60 individual filing separately whose federal adjusted gross income for
61 such taxable year is less than fifty thousand dollars, or for a husband
62 and wife who file a return under the federal income tax as married
63 individuals filing jointly whose federal adjusted gross income for such
64 taxable year is less than sixty thousand dollars or a person who files a
65 return under the federal income tax as a head of household whose
66 federal adjusted gross income for such taxable year is less than sixty
67 thousand dollars, an amount equal to the Social Security benefits
68 includable for federal income tax purposes;

69 (II) For taxable years commencing prior to January 1, 2019, for a
70 person who files a return under the federal income tax as an
71 unmarried individual whose federal adjusted gross income for such
72 taxable year is fifty thousand dollars or more, or as a married
73 individual filing separately whose federal adjusted gross income for
74 such taxable year is fifty thousand dollars or more, or for a husband
75 and wife who file a return under the federal income tax as married
76 individuals filing jointly whose federal adjusted gross income from
77 such taxable year is sixty thousand dollars or more or for a person who
78 files a return under the federal income tax as a head of household
79 whose federal adjusted gross income for such taxable year is sixty
80 thousand dollars or more, an amount equal to the difference between
81 the amount of Social Security benefits includable for federal income tax

82 purposes and the lesser of twenty-five per cent of the Social Security
83 benefits received during the taxable year, or twenty-five per cent of the
84 excess described in Section 86(b)(1) of the Internal Revenue Code;

85 (III) For the taxable year commencing January 1, 2019, and each
86 taxable year thereafter, for a person who files a return under the
87 federal income tax as an unmarried individual whose federal adjusted
88 gross income for such taxable year is less than [seventy-five] one
89 hundred thousand dollars, or as a married individual filing separately
90 whose federal adjusted gross income for such taxable year is less than
91 [seventy-five] one hundred thousand dollars, or for a husband and
92 wife who file a return under the federal income tax as married
93 individuals filing jointly whose federal adjusted gross income for such
94 taxable year is less than one hundred twenty-five thousand dollars or a
95 person who files a return under the federal income tax as a head of
96 household whose federal adjusted gross income for such taxable year
97 is less than one hundred twenty-five thousand dollars, an amount
98 equal to the Social Security benefits includable for federal income tax
99 purposes; and

100 (IV) For the taxable year commencing January 1, 2019, and each
101 taxable year thereafter, for a person who files a return under the
102 federal income tax as an unmarried individual whose federal adjusted
103 gross income for such taxable year is [seventy-five] one hundred
104 thousand dollars or more, or as a married individual filing separately
105 whose federal adjusted gross income for such taxable year is [seventy-
106 five] one hundred thousand dollars or more, or for a husband and wife
107 who file a return under the federal income tax as married individuals
108 filing jointly whose federal adjusted gross income from such taxable
109 year is one hundred twenty-five thousand dollars or more or for a
110 person who files a return under the federal income tax as a head of
111 household whose federal adjusted gross income for such taxable year
112 is one hundred twenty-five thousand dollars or more, an amount equal
113 to the difference between the amount of Social Security benefits
114 includable for federal income tax purposes and the lesser of twenty-

115 five per cent of the Social Security benefits received during the taxable
116 year, or twenty-five per cent of the excess described in Section 86(b)(1)
117 of the Internal Revenue Code;

118 (xi) To the extent properly includable in gross income for federal
119 income tax purposes, any amount rebated to a taxpayer pursuant to
120 section 12-746;

121 (xii) To the extent properly includable in the gross income for
122 federal income tax purposes of a designated beneficiary, any
123 distribution to such beneficiary from any qualified state tuition
124 program, as defined in Section 529(b) of the Internal Revenue Code,
125 established and maintained by this state or any official, agency or
126 instrumentality of the state;

127 (xiii) To the extent allowable under section 12-701a, contributions to
128 accounts established pursuant to any qualified state tuition program,
129 as defined in Section 529(b) of the Internal Revenue Code, established
130 and maintained by this state or any official, agency or instrumentality
131 of the state;

132 (xiv) To the extent properly includable in gross income for federal
133 income tax purposes, the amount of any Holocaust victims' settlement
134 payment received in the taxable year by a Holocaust victim;

135 (xv) To the extent properly includable in gross income for federal
136 income tax purposes of an account holder, as defined in section 31-
137 51ww, interest earned on funds deposited in the individual
138 development account, as defined in section 31-51ww, of such account
139 holder;

140 (xvi) To the extent properly includable in the gross income for
141 federal income tax purposes of a designated beneficiary, as defined in
142 section 3-123aa, interest, dividends or capital gains earned on
143 contributions to accounts established for the designated beneficiary
144 pursuant to the Connecticut Homecare Option Program for the Elderly
145 established by sections 3-123aa to 3-123ff, inclusive;

146 (xvii) To the extent properly includable in gross income for federal
147 income tax purposes, any income received from the United States
148 government as retirement pay for a retired member of (I) the Armed
149 Forces of the United States, as defined in Section 101 of Title 10 of the
150 United States Code, or (II) the National Guard, as defined in Section
151 101 of Title 10 of the United States Code;

152 (xviii) To the extent properly includable in gross income for federal
153 income tax purposes for the taxable year, any income from the
154 discharge of indebtedness in connection with any reacquisition, after
155 December 31, 2008, and before January 1, 2011, of an applicable debt
156 instrument or instruments, as those terms are defined in Section 108 of
157 the Internal Revenue Code, as amended by Section 1231 of the
158 American Recovery and Reinvestment Act of 2009, to the extent any
159 such income was added to federal adjusted gross income pursuant to
160 subparagraph (A)(xi) of this subdivision in computing Connecticut
161 adjusted gross income for a preceding taxable year;

162 (xix) To the extent not deductible in determining federal adjusted
163 gross income, the amount of any contribution to a manufacturing
164 reinvestment account established pursuant to section 32-9zz in the
165 taxable year that such contribution is made;

166 (xx) To the extent properly includable in gross income for federal
167 income tax purposes, (I) for the taxable year commencing January 1,
168 2015, ten per cent of the income received from the state teachers'
169 retirement system, (II) for the taxable years commencing January 1,
170 2016, January 1, 2017, and January 1, 2018, twenty-five per cent of the
171 income received from the state teachers' retirement system, and (III)
172 for the taxable year commencing January 1, 2019, and each taxable year
173 thereafter, fifty per cent of the income received from the state teachers'
174 retirement system or the percentage, if applicable, pursuant to clause
175 (xxi) of this subparagraph;

176 (xxi) To the extent properly includable in gross income for federal
177 income tax purposes, except for retirement benefits under clause (iv) of

178 this subparagraph and retirement pay under clause (xvii) of this
179 subparagraph, for a person who files a return under the federal income
180 tax as an unmarried individual whose federal adjusted gross income
181 for such taxable year is less than seventy-five thousand dollars, or as a
182 married individual filing separately whose federal adjusted gross
183 income for such taxable year is less than seventy-five thousand dollars,
184 or as a head of household whose federal adjusted gross income for
185 such taxable year is less than seventy-five thousand dollars, or for a
186 husband and wife who file a return under the federal income tax as
187 married individuals filing jointly whose federal adjusted gross income
188 for such taxable year is less than one hundred thousand dollars, (I) for
189 the taxable year commencing January 1, 2019, fourteen per cent of any
190 pension or annuity income, (II) for the taxable year commencing
191 January 1, 2020, twenty-eight per cent of any pension or annuity
192 income, (III) for the taxable year commencing January 1, 2021, forty-
193 two per cent of any pension or annuity income, (IV) for the taxable
194 year commencing January 1, 2022, fifty-six per cent of any pension or
195 annuity income, (V) for the taxable year commencing January 1, 2023,
196 seventy per cent of any pension or annuity income, (VI) for the taxable
197 year commencing January 1, 2024, eighty-four per cent of any pension
198 or annuity income, and (VII) for the taxable year commencing January
199 1, 2025, and each taxable year thereafter, any pension or annuity
200 income;

201 (xxii) The amount of lost wages and medical, travel and housing
202 expenses, not to exceed ten thousand dollars in the aggregate, incurred
203 by a taxpayer during the taxable year in connection with the donation
204 to another person of an organ for organ transplantation occurring on
205 or after January 1, 2017;

206 (xxiii) To the extent properly includable in gross income for federal
207 income tax purposes, the amount of any financial assistance received
208 from the Crumbling Foundations Assistance Fund or paid to or on
209 behalf of the owner of a residential building pursuant to sections 8-442
210 and 8-443; [, and]

211 (xxiv) To the extent properly includable in gross income for federal
212 income tax purposes, the amount calculated pursuant to subsection (b)
213 of section 12-704g for income received by a general partner of a
214 venture capital fund, as defined in 17 CFR 275.203(l)-1, as amended
215 from time to time; and

216 (xxv) To the extent any portion of a deduction under Section 179 of
217 the Internal Revenue Code was added to federal adjusted gross income
218 pursuant to subparagraph (A)(xiv) of this subdivision in computing
219 Connecticut adjusted gross income, twenty-five per cent of such
220 disallowed portion of the deduction in each of the four succeeding
221 taxable years.

222 Sec. 2. (*Effective from passage*) The Commissioner of Revenue Services
223 shall study any change in migration out of the state of taxpayers sixty-
224 two years of age and older after Social Security benefits are fully
225 exempted from income tax for certain income brackets pursuant to
226 section 12-701 of the general statutes, as amended by this act. Not later
227 than July 1, 2020, the commissioner shall file a report in accordance
228 with the provisions of section 11-4a of the general statutes with the
229 joint standing committee of the General Assembly having cognizance
230 of matters relating to finance, revenue and bonding. The report shall
231 include, but not be limited to: (1) Any change in migration of such
232 taxpayers out of state from the effective date of this section to the
233 taxable year commencing January 1, 2020, (2) any change in state tax
234 revenue related to any decrease in migration of such taxpayers, (3) any
235 projected impact on state revenues in fiscal years 2021 to 2025,
236 inclusive, of fully exempting Social Security benefits from state income
237 tax for residents in certain income brackets, and (4) projected impact
238 on state revenues in fiscal years 2021 to 2025, inclusive, of fully
239 exempting Social Security benefits from state income tax for residents
240 in all income brackets.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2019</i>	12-701(a)(20)(B)
Sec. 2	<i>from passage</i>	New section

Statement of Legislative Commissioners:

In section 2, "(NEW)" was removed before the effective date for accuracy.

AGE *Joint Favorable Subst. -LCO*