

# 2016 FORM CT-1041

This booklet contains information and instructions about the following forms:

- Form CT-1041
- Schedule CT-1041B
- Schedule CT-1041C
- Schedule CT-1041FA
- Form CT-1041 EXT
- Form CT-1041ES
- Form CT-1041 K-1T
- Schedule CT-1041 K-1
- Schedule CT-1041WH

Tax information is available on the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS)

# Connecticut Income Tax Return for Trusts and Estates

- Resident Trusts and Estates
- Nonresident Trusts and Estates
- Part-Year Resident Trusts



Form CT-1041 can be filed through the Connecticut Federal/State Electronic Filing Modernized e-file (MeF) Program.

## Direct Deposit

Choose **direct deposit** for your Connecticut income tax refund.

See *Line 18 - Amount to Be Refunded*, on Page 17.

File **Form CT-1041**, **Form CT-1041EXT**, or **Form CT-1041ES** using the *TSC*.

More Department of Revenue Services (DRS) tax information is listed on the back cover.

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## What's New

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### Extension of Time to File Form CT-1041

Under a new federal law, the extension for the returns of trusts filing Form 1041 is a 5 ½ -month period ending on September 30 for calendar year taxpayers. DRS will conform to the federal extended period and extended due date applicable to filers of Form CT-1041.

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### Angel Investor Tax Credit

Effective for taxable years beginning on or after January 1, 2016, an angel investor may sell, assign, or transfer all or part of the Angel Investor Tax Credit to another taxpayer once. The PE member or shareholder and the buyer assignee or transferee **must** obtain a new certificate from Connecticut Innovations, Inc. Additionally, an angel investor can continue to seek this tax credit through Connecticut Innovations, Inc., until June 30, 2019. The program was previously scheduled to sunset on June 30, 2016.

You **must** complete **Form CT-AIT**, *Angel Investor Tax Credit*, if you are selling, assigning, or transferring the credit. You **must** also complete this form if you have obtained the Angel Investor Tax Credit through a purchase, assignment, or transfer.

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### Pass-through Entities

**Single Sales Factor Apportionment and Market-Based Sourcing:** Effective for taxable years beginning on or after January 1, 2017, a business, trade, profession or occupation carried on in Connecticut and outside of Connecticut must apportion its income using a single factor gross income percentage.

These multistate businesses are required to utilize market-based sourcing for purposes of determining their gross income percentage. Businesses must source receipts from the sales of services and intangible property on a market basis. Receipts from the rental, lease, or license of tangible personal property are sourced according to the location of the property. Receipts from the sale of tangible personal property continue to be sourced based upon the location of the purchaser. Businesses that cannot reasonably determine where their receipts should be sourced under the statutory rules may petition the Commissioner to use an alternate method that reasonably approximates such sourcing rules.

Sales of intangible property and tangible personal property are excluded from the apportionment calculation (numerator and denominator) if such property is not held by the company primarily for sale to customers in the ordinary course of the company's trade or business. If receipts from the sale of tangible personal property are excluded from the sales factor, the net gain from such sale should be allocated to the state where the property is located and is not subject to apportionment.

Net income from the sale, rental, lease, or license of real property is allocated to the location of the real property, and the gross receipts from these transactions are excluded from the apportionment calculation.

DRS is preparing guidance regarding market-based sourcing and will post this guidance on its website as soon as it becomes available.

### Determination of nonresident partner's, shareholder's or beneficiary's share of income within Connecticut:

Effective for taxable years beginning on or after January 1, 2017, nonresident partners, shareholders, or beneficiaries must determine their share of income derived from or connected with sources within Connecticut according to the statutory apportionment provisions of Conn. Gen. Stat. §12-711, as amended by May Spec. Sess. P.A. 16-3, section 200, rather than according to Conn. Agencies Regs. §12-711(c)-3 and 12-711(c)-4 to the extent such regulations are inconsistent with the revisions to Conn. Gen. Stat. §12-711(c).

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### Internal Revenue Code section 457A Reporting Requirements of Deferred Compensation

#### The Tax Extenders and Alternative Minimum Tax Relief Act of 2008 enacted Internal Revenue Code section 457A.

For federal income tax purposes, this section applies to deferred compensation paid to any service provider under a nonqualified deferred compensation plan of a nonqualified entity that is attributable to services performed after December 31, 2008. The compensation is includible in gross income when there is no substantial risk of forfeiture of the rights to such compensation.

Deferred compensation attributable to services performed before January 1, 2009 **must** be reported on or before taxable year 2017, or, if the deferred compensation is

subject to a substantial risk of forfeiture beyond 2017, then it **must** be reported in the taxable year in which the compensation is no longer subject to a substantial risk of forfeiture.

Service providers includes an individual, corporation, subchapter S corporation, partnership, personal service corporation, and noncorporate entity that would be a personal service corporation if it were a corporation, qualified service corporation, and noncorporate entity that would be a qualified service corporation if it were a corporation.

Pursuant to Conn. Gen. Stat. §12-711(a), compensation from nonqualified deferred compensation plans attributable to services performed within Connecticut, including compensation required to be included in federal gross income under section 457A of the Internal Revenue Code (I.R.C.), is subject to Connecticut income tax. Thus, if you are a service provider to whom I.R.C. §457A applies, you **must** report such income as Connecticut sourced.

Consult your tax advisor to determine whether I.R.C. §457A applies to you.

## Timely Filed Returns – April 18, 2017

**The 2016 Connecticut income tax return (and payments) will be considered timely if filed on Tuesday, April 18, 2017.**

In 2017, the due date for filing a Connecticut income tax return (April 15) falls on a Saturday. The next business day is Monday, April 17, which is a legal holiday in the District of Columbia (Emancipation Day). Therefore, for filing purposes the next business day is Tuesday, April 18, 2017.

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## Other Taxes for Which the Trust or Estate May Be Liable

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The following information is a general description of other Connecticut taxes for which a trust or estate may be liable. Failure to pay these or any other taxes may subject the trust or estate to civil and criminal penalties.

### Connecticut Income Tax Withholding

Any trust or estate that maintains an office or transacts business in Connecticut (regardless of the location of the payroll department) and is an employer for federal income tax withholding purposes must withhold Connecticut income tax from Connecticut wages as defined in Conn. Agencies Regs. §12-706(b)-1. See **Informational Publication 2017(1)**, *Connecticut Employer's Tax Guide - Circular CT*.

To register for Connecticut income tax withholding, as well as most other Connecticut taxes administered by DRS, the

fiduciary of the trust or estate must complete **Form REG-1**, *Business Taxes Registration Application*. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to register online. If the trust or estate already has a Connecticut Tax Registration Number, the fiduciary may register for any additional taxes for which the trust or estate is liable by contacting the DRS at **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); or **860-297-5962** (from anywhere).

### Controlling Interest Transfer Taxes

A tax is imposed on the transfer of a controlling interest in an entity where the entity owns, directly or indirectly, an interest in Connecticut real property. This tax is reported on **Form AU-330**, *Controlling Interest Transfer Taxes*. See **Special Notice 2003(11)**, *2003 Legislation Affecting the Controlling Interest Transfer Tax*.

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# Definitions

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For Connecticut income tax purposes, an *estate* is either a resident estate or a nonresident estate. A *trust* is either a resident trust, nonresident trust, or part-year resident trust. **The residence of the fiduciary or the beneficiary does not affect the status of a trust or estate as resident or nonresident.**

*Fiduciary* applies to a person who occupies a position of special confidence toward others, such as a trustee, executor, or administrator. A fiduciary is a person who holds in trust property in which another person has a beneficial interest or who receives and controls the income of another.

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Any reference to “you” in this booklet refers to the fiduciary.

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*Resident estate* is where a decedent was a resident of Connecticut at the time of his or her death. A resident estate also includes a bankruptcy estate of an individual who at the beginning of the bankruptcy case is a Connecticut resident.

*Nonresident estate* is an estate that is not a resident estate for any part of the year.

*Trust* means an arrangement ordinarily created either by a will or by an inter vivos declaration where a trustee or trustees take title to property to protect or conserve it for beneficiaries and classified and treated as a trust for federal income tax purposes.

*Testamentary trust* is a trust or portion of a trust created by the will of a decedent.

*Inter vivos trust* is a trust created other than by the will of a decedent.

*Electing small business trust (ESBT)* has the same meaning as for federal income tax purposes.

*Resident trust* means:

- A testamentary trust or a portion of the trust if the decedent was a resident individual at the time of death.
- An inter vivos trust or a portion of the trust consisting of the property of:
  1. A person who was a resident of this state at the time the property was transferred to the trust if the trust was then irrevocable;
  2. A person who, if the trust was revocable at the time the property was transferred to the trust and has not subsequently become irrevocable, was a resident of this state at the time the property was transferred to the trust; or
  3. A person who, if the trust was revocable when the property was transferred to the trust but the trust has subsequently become irrevocable, was a resident of this state at the time the trust became irrevocable.

For this purpose, a trust is **revocable** if it is subject to a power, exercisable immediately or at any future time, to revert title in the person (the grantor) whose property constitutes the trust. A trust becomes **irrevocable** when the possibility that the power may be exercised has ended.

An irrevocable inter vivos trust consisting of property of a grantor who is a resident of this state when the property was transferred to the trust remains irrevocable and a resident trust.

The criteria used to determine whether a decedent or grantor is a resident of this state, for Connecticut income tax purposes, are the same criteria used to determine whether an individual is a resident of this state.

*Nonresident trust* is a trust that is not a resident trust for any part of the year.

*Part-year resident trust* is a trust that meets the definition of resident trust or nonresident trust for only part of the year.

*Grantor trust* is a legal trust under applicable state law that is not recognized as a separate taxable entity for income tax purposes because the grantor or other substantial owners have not relinquished complete dominion and control over the trust.

*Connecticut alternative minimum tax* is a tax imposed on certain individuals, trusts, and estates in addition to their regular income tax. Fiduciaries who have a federal alternative minimum tax liability are subject to the Connecticut alternative minimum tax. The tax rate is the lesser of 19% of adjusted federal tentative minimum tax **or** 5½% of adjusted federal alternative minimum taxable income. For information on how to calculate the adjusted federal alternative minimum taxable income of an inter vivos trust with one or more nonresident, noncontingent beneficiaries, see *Connecticut Taxable Income for Certain Inter Vivos Trusts* on Page 8.

The *residency status of each beneficiary* is determined as of the last day of the trust or estate’s taxable year.

*Distributable net income (DNI)* has the same meaning as for federal income tax purposes.

*Noncontingent beneficiary* is a beneficiary whose interest is not subject to a condition precedent and includes every individual to whom a trustee of an inter vivos trust during the taxable year: 1) is required to currently distribute income or corpus, or both; or 2) properly pays or credits income or corpus, or both; or 3) may, in the trustee’s discretion, distribute income or corpus, or both. Noncontingent beneficiary includes every beneficiary to whom or to whose estate any of the trust’s income for the taxable year must be distributed at a specified future date or event **and** every beneficiary who has the unrestricted lifetime or testamentary power, exercisable currently or at some future specified date or event, to withdraw any of the trust’s income for the taxable year or to appoint the income to any person including the estate of the beneficiary. This also applies to a noncontingent beneficiary which is a trust or an estate. Wherever reference is made to an individual who is a noncontingent beneficiary, that reference includes a trust or estate that is a noncontingent beneficiary, but does not include a corporation that is a noncontingent beneficiary.

*Contingent beneficiary* is an individual (or trust or estate) who is a beneficiary, but not a noncontingent beneficiary of a resident inter vivos trust.

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# General Information

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## How to Get Help

The DRS is ready to help you get answers to Connecticut tax questions. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) or call **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) or **860-297-5962** (from anywhere) during business hours, 8:30 a.m. to 4:30 p.m. For walk-in assistance, visit a DRS office listed on the back cover. If you visit, bring:

- **Schedule CT K-1, Copy 2** of federal Forms W-2, and any other form showing Connecticut income tax withheld; **and**
- The **completed** federal Form 1041, U.S. Income Tax Return for Estates and Trusts.

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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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## Where to File

### File Electronically

Generally, **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, **Form CT-1041 EXT**, *Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates*, and **Form CT-1041ES**, *2017 Estimated Connecticut Income Tax Payment Coupon for Trusts and Estates*, can be filed electronically through the DRS **Taxpayer Service Center (TSC)**. The **TSC** allows taxpayers to electronically file, pay, and manage state tax responsibilities. Visit [www.ct.gov/TSC](http://www.ct.gov/TSC) to make electronic transactions or administer your tax account online. If you file electronically, you are expected to pay electronically at the time of filing.

### Modernized e-file

DRS accepts **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, through the Connecticut Federal/State Electronic Filing Modernized e-file (MeF) Program.

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## Mailing Addresses for Form CT-1041

For all CT-1041 tax forms with or without payment enclosed:

Department of Revenue Services  
PO Box 2934  
Hartford, CT 06104-2934

For payments without tax forms:

Department of Revenue Services  
PO Box 5088  
Hartford, CT 06102-5088

To ensure proper posting of your payment, write “2016 Form CT-1041” and the Federal Employer Identification Number (FEIN), if applicable, or SSN (optional), on the front of your check.

Make check payable to Commissioner of Revenue Services. Do not send cash. DRS may submit your check to your bank electronically.

## Who Must File Form CT-1041

The fiduciary of a Connecticut **resident trust** or **estate** or part-year resident trust must file Form CT-1041 if the trust or estate:

- Is required to file a federal Form 1041 for the taxable year; **or**
- Had any Connecticut taxable income for the taxable year.

The fiduciary of a **nonresident trust** or **estate** must file Form CT-1041 if the trust or estate:

- Had income derived from or connected with sources within Connecticut;
- Incurred a net operating loss for Connecticut income tax purposes, but not for federal income tax purposes; **or**
- Incurred a net passive activity loss or net capital loss for Connecticut income tax purposes, but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes.

Nonresident trusts or estates that are members of a partnership or S corporation that receive Connecticut-sourced income from pass-through entities, and where the Connecticut income tax was paid on their behalf by the pass-through entity, are required to file Form CT-1041.

Income derived from or connected with sources within Connecticut includes income:

- Attributable to ownership or disposition of real or tangible personal property within Connecticut including but not limited to the income from the rental or sale of the property;
- Gains and losses from the sale or disposition of an interest in an entity that owns real property in Connecticut. See *Sale or Disposition of an Interest in an Entity that Owns Property in Connecticut*, on Page 8 and **Special Notice 2014(5)**, *2014 Legislative Changes Affecting the Income Tax*.
- Attributable to compensation for services performed in Connecticut or income from a business, trade, profession, or occupation carried on in Connecticut;
- From a partnership doing business in Connecticut;
- From an S corporation doing business in Connecticut;
- From a trust or estate with income derived from or connected with sources within Connecticut; **or**
- From reportable Connecticut Lottery winnings. Winnings from the Connecticut Lottery, including Powerball, are reportable if the winner was issued a federal Form W-2G by the Connecticut Lottery Corporation. In general, the Connecticut Lottery Corporation is required to issue a federal Form W-2G to a winner if the Connecticut Lottery winnings, including Powerball, are \$600 or more and at least 300 times the amount of the wager. See **Informational Publication 2015(23)**, *Connecticut Income Tax Treatment of State Lottery Winnings Received by Residents and Nonresidents of Connecticut*.

A trust or estate carries on a business, trade, profession, or occupation within Connecticut if:

- It maintains or operates desk space, an office, shop, store, warehouse, factory, agency, or other place in Connecticut where its affairs are systematically and regularly carried on; **or**
- Business activities are conducted in Connecticut with a fair measure of permanency and continuity for livelihood or profit as distinguished from isolated or incidental transactions.

### Grantor Trust

A grantor trust not required to file federal Form 1041 should not file Form CT-1041. A grantor trust required to file federal Form 1041 **must** file Form CT-1041 in the same manner. Check *Grantor type trust filing federal Form 1041*, in the *Type of Entity* section on Form CT-1041 and create a separate statement with the Connecticut-sourced income for all nonresident grantors. Attach both the federal and Connecticut statements to the Form CT-1041 for nonresident grantors. The Connecticut statement is not necessary for resident grantors.

If Form CT-1041 is filed electronically, retain these statements for three years from the date of filing the return. The statements must be provided to DRS upon request.

### Federal Form 1041-A and 5227 Filers

A fiduciary required to file federal Form 1041-A or federal Form 5227, or both, is not required to file Form CT-1041. However, the fiduciary must give appropriate information to the beneficiaries to enable them to complete their individual Connecticut income tax returns. The fiduciary must disclose to the nonresident beneficiaries the amount of income derived from or connected with Connecticut sources.

### Connecticut Minimum Tax Credit

A fiduciary claiming a 2016 Connecticut minimum tax credit on **Form CT-8801**, *Credit for Prior Year Connecticut Minimum Tax for Individuals, Trusts, and Estates*, must also complete Schedule CT-IT Credit in order to calculate any carryforward amount.

### Connecticut Tax Returns for Individuals

Every fiduciary who acts for an individual whose entire income is in his or her control (for example, a guardian or conservator for an incompetent person) must file a return for a resident individual on **Form CT-1040**, *Connecticut Resident Income Tax Return*, or for a nonresident or part-year resident on **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*. In these cases, the fiduciary must pay the tax due.

### Tax Returns for Decedents

The executor, administrator, or other representative of a taxpayer who died during the taxable year must file Form CT-1040 or Form CT-1040NR/PY depending upon the decedent's resident status.

### Schedule CT-1041WH

**Schedule CT-1041WH**, *Connecticut Income Tax Withholding* is required to be completed to take credit for any Connecticut income tax withheld.

### Change of Residence of the Grantor of a Revocable Trust

If the grantor of a revocable trust changes his or her domicile from or to Connecticut between the time of transfer of the property to the trust and the time it becomes irrevocable, the residence of the trust is considered changed at the date it ceases to be revocable. In this case the fiduciary must, for the taxable year in which the change of status of the trust occurs, file **Schedule CT-1041FA**, *Fiduciary Allocation*. The change of residency of a beneficiary does not affect the status of the trust.

### Connecticut Taxable Income for Certain Inter Vivos Trusts

If any resident trust or portion of a resident trust other than a testamentary trust has one or more nonresident, noncontingent beneficiaries, the Connecticut taxable income of the trust is the sum of all income derived from or connected with sources within this state **and** that portion of all other income derived by applying a fraction to all other income. The numerator of the fraction is the number of resident, noncontingent beneficiaries and the denominator is the total number of noncontingent beneficiaries.

### Fiduciary Adjustment for Lump Sum Distributions

In determining the fiduciary adjustment, the fiduciary is required to include as an addition modification the total amount of a lump-sum distribution for the taxable year, if such distribution is not already included in the federal taxable income prior to distributions to beneficiaries.

### Sale or Disposition of an Interest in an Entity that Owns Property in Connecticut

In determining the income, gain, loss and deduction derived from or connected with Connecticut sources, a nonresident trust must include certain gains and losses from the sale or disposition of an interest in an entity that owns real property in Connecticut.

**Entity** means a partnership, limited liability company, or S corporation.

All or a portion of the gain or loss from a nonresident trust's sale or disposition of an interest in an entity is considered to be derived from Connecticut sources if the entity owns real property in Connecticut that has a fair market value that equals or exceeds 50% of all the assets of the entity on the date of sale or disposition of the nonresident's interest.

In determining the fair market value of the entity's assets on the date of sale, only the assets that the entity owned for at least two years prior to the date of sale or disposition of the person's interest in the entity are used.

Determine the gain or loss derived from Connecticut sources from the sale or disposition of an interest by using the apportionment formula. The gain or loss factor of the apportionment formula is computed by dividing the fair market value of all real property located in Connecticut owned by the entity on the date of sale or disposition of the individual's interest and the fair market value of all assets of the entity on the date of the sale or disposition.

This also applies to nonresident trusts that are partners or shareholders in an entity and to tiered entities. If an individual sells or disposes of an interest in an entity that is part of a tiered structure of entities, it applies to the sale or disposition if any entity in the tiered structure owns real property located in Connecticut.

This does not affect the existing tax treatment of gain and loss passed through to partners and shareholders where the entity itself sells real property located in Connecticut.

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## How Part-Year Resident Trusts Are Taxed

The income of a part-year resident trust derived from or connected with sources within Connecticut is the sum of the following:

1. The trust's share of Connecticut taxable income for the period of residence computed as if the taxable year for federal income tax purposes was limited to the period of residence;
2. The trust's share of Connecticut taxable income derived from or connected with sources within Connecticut for the period of nonresidence determined as if the taxable year for federal income tax purposes was limited to the period of nonresidence; **and**
3. The amount of special accruals. See *Special Accruals*, on Page 10.

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## Connecticut Income Taxation of Bankruptcy Estates

### Cases under Chapter 7 or Chapter 11 of the Bankruptcy Code

The passage by Congress of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA) has harmonized the state income tax treatment of bankruptcy estates with the federal income tax treatment of bankruptcy estates. Where the debtor is an individual, the commencement of a case under Chapter 7 or Chapter 11 of the Bankruptcy Code creates a bankruptcy estate for federal and Connecticut income tax purposes.

The estate's Connecticut income tax liability is computed on its Connecticut taxable income, but the starting point in computing the estate's Connecticut taxable income is its federal taxable income. In computing the estate's Connecticut taxable income, not all items of income or gain taxable to the estate for federal income tax purposes are taxable for Connecticut income tax

purposes and not all items of loss and deduction allowable to the estate for federal income tax purposes are allowable for Connecticut income tax purposes. The computation of an estate's Connecticut fiduciary adjustment takes into account items of income taxable for federal income tax purposes but not for Connecticut income tax purposes or vice versa and items of deduction allowable for federal income tax purposes but not for Connecticut income tax purposes or vice versa. An estate's share of the Connecticut fiduciary adjustment is added to or subtracted from the estate's federal taxable income in computing its Connecticut taxable income. In the case of the bankruptcy estate of a debtor who is an individual, the estate's share of the Connecticut fiduciary adjustment is 100%. The estate is also subject to the Connecticut alternative minimum tax if applicable.

The rates at which Connecticut income tax is imposed on the bankruptcy estate of a debtor who is an individual are the rates generally applicable to estates under Chapter 229 of the Connecticut General Statutes. Except as otherwise provided by BAPCPA, the time and manner of filing tax returns are determined under the Connecticut Income Tax Act. While the federal taxable income of a bankruptcy estate of a debtor who is an individual is computed on a federal Form 1040, with federal Form 1041 being used only as a transmittal for the estate's federal Form 1040, the Connecticut taxable income of the bankruptcy estate of a debtor who is an individual is computed on Form CT-1041. Therefore, where Form CT-1041 is filed for a bankruptcy estate, references on Form CT-1041 to federal taxable income (from federal Form 1041, Line 22) are references to the federal taxable income computed on the estate's federal Form 1040. To determine whether the trustee of a bankruptcy estate is required to file Form CT-1041, see *Who Must File Form CT-1041*, on Page 7.

**Note:** In a case under Chapter 11 of the Bankruptcy Code where the debtor is an individual, earnings from services performed by the debtor after the commencement of the case and income from property acquired by the debtor after the commencement of the case (but before, in each instance, the case is closed, dismissed, or converted to a case under Chapter 7, 12, or 13 of the Bankruptcy Code, whichever occurs first) are, in general, includible in the estate's gross income rather than in the debtor's gross income for federal and Connecticut income tax purposes. See Internal Revenue Service (IRS) Notice 2006-83, Individual Chapter 11 Debtors, I.R.B. 2006-40 (October 2, 2006), for more details. This provision does not apply to a case under Chapter 7 of the Bankruptcy Code where the debtor is an individual.

### Cases under Chapter 12 or Chapter 13 of the Bankruptcy Code

No Form CT-1041 must be filed where a case under Chapter 12 or Chapter 13 of the Bankruptcy Code has been commenced.

## Connecticut Income Taxation of Debtors Who Are Individuals

### Taxation of a debtor who is an individual in a case under Chapter 7 or Chapter 11 of the Bankruptcy Code

The income, gain, loss, and deduction taxed to and claimed by the estate for federal income tax purposes will not be taxed to and claimed by the debtor for federal income tax purposes. The Connecticut income tax liability of a debtor who is an individual is computed on his or her Connecticut adjusted gross income, but the starting point in computing the debtor's Connecticut adjusted gross income is his or her federal adjusted gross income. In computing the debtor's Connecticut adjusted gross income, not all items of income or gain taxable to the debtor for federal income tax purposes are taxable for Connecticut income tax purposes and not all items of loss and deduction allowable to the debtor for federal income tax purposes are allowable for Connecticut income tax purposes. To determine whether the debtor is required to file a Connecticut income tax return (Form CT-1040 if a resident individual or Form CT-1040NR/PY if a nonresident or part-year resident individual), see the filing instructions in the booklets for those returns.

Debtors in a case under Chapter 11 of the Bankruptcy Code should review the preceding *Note*, on Page 9.

### Taxation of a debtor who is an individual in a case under Chapter 12 or Chapter 13 of the Bankruptcy Code

Where the debtor is an individual, the commencement of a case under Chapter 12 or Chapter 13 of the Bankruptcy Code does not create a bankruptcy estate for federal or Connecticut income tax purposes. The Connecticut income tax liability of a debtor who is an individual is computed on his or her Connecticut adjusted gross income, but the starting point in computing the debtor's Connecticut income tax liability is the amount of his or her federal adjusted gross income. In computing the debtor's Connecticut adjusted gross income, not all items of income, gain, loss, or deduction taxed to and claimed by the debtor for federal income tax purposes are taxed to and claimed by the debtor for Connecticut income tax purposes. To determine whether the debtor is required to file a Connecticut income tax return (Form CT-1040 if a resident individual, or Form CT-1040NR/PY if a nonresident or part-year resident individual), see the filing instructions in the booklets for those returns.

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### Qualified Funeral Trusts (QFT)

A trustee that makes the election to be taxed as a QFT for federal income tax purposes and files federal Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts, will file Form CT-1041 in the same manner as any other inter vivos trust. See *Form CT-1041 Quick-File Requirements*, on Page 16. If you do not meet the Quick-File Requirements, see *Form CT-1041 Line Instructions*, on Page 16. The trustee should write "QFT election" at the top of the front of Form CT-1041.

In the case of a QFT, wherever reference is made in this booklet and on Form CT-1041 to federal Form 1041, Line 22, substitute federal Form 1041-QFT, Line 12.

## Composite Return

A trustee that files one aggregate federal Form 1041-QFT for all QFTs of which he or she is the trustee must provide an attachment with Form CT-1041 to provide the following information:

- The number of QFTs included in the aggregate return;
- The name, address, and Social Security Number (SSN) of the grantor(s) for each QFT; **and**
- All corresponding beneficiaries for each QFT.

A trustee may file one aggregate Form CT-1041 for all Connecticut resident QFTs. The trustee must be able to provide to DRS, upon request, detailed information for each separate QFT that would have been reported on **Schedule CT-1041B**, *Fiduciary Adjustment Allocation*, Part 1, and if applicable, Schedule CT-1041B, Part 2, **Schedule CT-1041C**, *Connecticut Taxable Income Calculation*, and Schedule CT-1041FA. A trustee may file one aggregate Form CT-1041 for all nonresident QFTs that have Connecticut-sourced income. The trustee must be able to provide to DRS, upon request, detailed information for each separate QFT that would have been reported on Schedule CT-1041B, Part 1, and Schedule CT-1041FA, Parts 3, 2, and 1.

A trustee filing Form CT-1041-QFT electronically should retain a copy any attachments/schedules for three years from the date of the filing. The attachments/schedules must be provided to DRS upon request.

### Reporting for a Portion of a Resident Trust

If a QFT has both resident and nonresident grantors, the trustee will show how the resident percentage is arrived at for the QFT. This percentage should be multiplied by the federal taxable income to arrive at the amount to report on Schedule CT-1041C, Line 4.

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### Special Accruals

A part-year resident trust must recognize and report items of income, gain, loss, or deduction on the accrual basis regardless of the method of accounting normally used. In general, an item of income is subject to special accrual if the right to receive it is fixed and the amount to be paid is determinable with reasonable accuracy at the time the trust changes residency status.

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**Example:** A part-year resident trust sold property on an installment basis prior to changing from a resident trust to a nonresident trust and accrued the entire gain on the sale of that property to the residency portion of the year.

If the trust became a Connecticut resident trust during the taxable year, it must accrue to the nonresidency portion of the year any item of income, gain, loss, or deduction which under an accrual method of accounting would be reportable at the time it changed its residence. No accrual is required or allowed for items of income, gain, loss, or deduction derived from or connected with sources within Connecticut.

If the trust ceases to be a Connecticut resident trust, it must accrue any item of income, gain, loss, or deduction which

under an accrual method of accounting would be reportable at the time the residence was changed. This includes income or gain it elected to report on the installment basis.

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## Surety Bond in Lieu of Special Accruals

The fiduciary may elect to defer payment of Connecticut income tax on items of special accrual by filing a surety bond with DRS for an amount not less than the additional Connecticut income tax that would be payable if no surety bond or other security were filed. If you choose this option, you must file Form CT-1041 for the taxable year when the trust changed its residence and include a separate statement showing the nature and amount of each item of accrual as of the date of change of residence, together with a computation of the additional Connecticut income tax that would be due if the election to file a surety bond had not been made.

A fiduciary filing Form CT-1041 electronically should retain a copy of the statement for three years from the date of the filing. The statement must be provided to DRS upon request.

For more information on the requirements for a surety bond, contact DRS and request a copy of Conn. Agencies Regs. §12-717(c)(4)-1. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print **Form CT-12-717A**, *Change of Resident Status - Special Accruals Connecticut Surety Bond Form*, and **Form CT-12-717B**, *Change of Resident Status - Special Accruals Other Acceptable Security Form*.

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## Taxable Year and Method of Accounting

The fiduciary of a trust or estate must use the same taxable year and method of accounting for Connecticut income tax purposes used for federal income tax purposes.

If the taxable year or method of accounting is changed for federal income tax purposes, the same changes must be made for Connecticut income tax purposes. If a return for a period of less than 12 months is filed for federal income tax purposes, the fiduciary must also file a short period return for Connecticut income tax purposes.

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## When to File Form CT-1041

Form CT-1041 is normally due on or before April 15. If the due date falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed if filed by the next business day.

In 2017, the due date for filing a Connecticut Trust and Estates Income Tax Return (April 15) falls on a Saturday, the next business day (Monday) is a legal holiday in the District of Columbia (Emancipation Day), therefore, for filing purposes the next business day is Tuesday, April 18, 2017.

If the trust or estate is not a calendar year filer, the return is due no later than the fifteenth day of the fourth month following the close of the taxable year.

The return will meet the timely filed and timely payment rules if it is electronically submitted by midnight on the due date or if the U.S. Postal Service cancellation date or the date recorded or marked by a designated private delivery service (PDS) using a designated type of service is on or before the due date. Not all services provided by these designated PDSs qualify.

Not all services provided by these designated PDSs qualify. This list is subject to change. See **Policy Statement 2016(4)**, *Designated Private Delivery Services and Designated Types of Service*, for a current list of qualified PDSs.

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## Using the 2016 Form CT-1041 for a Taxable Year Beginning in 2017

The 2016 Form CT-1041 may be used for a taxable year beginning in 2017 if:

1. The trust or estate has a taxable year of less than 12 months that begins and ends in 2017; **and**
2. The 2017 Form CT-1041 is not available by the time the trust or estate is required to file its tax return. However, the trust or estate must enter the beginning and ending dates of the taxable year on the 2016 Form CT-1041 and incorporate any tax law changes effective for taxable years beginning on or after January 1, 2017.

The fiduciary must attach an explanatory note to the front of the return if the return is for a short year beginning and ending in 2017. A fiduciary filing Form CT-1041 electronically should retain a copy of the explanatory note for three years from the date of the filing. The statement must be provided to DRS upon request.

If you file your return late or do not pay all the tax due with your return, see *Interest and Penalties*, on Page 13 to determine if you must report interest and penalty with this return.

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## Extension Requests

### Extension of Time to File

If the trust or estate cannot meet the filing deadline, the fiduciary must file **Form CT-1041 EXT** and pay all of the tax the trust or estate expects to owe on or before the due date. Form CT-1041 EXT is included in this booklet. Filing this form will automatically extend the due date for **five and one half (5 1/2) months** for calendar year taxpayers, if a federal Form 7004, Application for Automatic Extension of Time to File Certain Business Income, Information, and Other Returns, has been filed. If federal Form 7004 was not filed, the fiduciary can apply for a five and one half (5 1/2) months extension for calendar year taxpayers, to file Form CT-1041 provided there is reasonable cause for the request. You are not required to attach a copy of the federal extension request to Form CT-1041 EXT.

Form CT-1041 EXT only extends the time to **file** Form CT-1041; it **does not** extend the time to pay the tax due. See *Interest and Penalties*, on Page 13 if you do not pay all the tax due with your request for extension.

If the fiduciary is unable to request an extension because of illness, absence, or other good cause, any person standing in a close personal or business relationship to the fiduciary (including an attorney, accountant, or enrolled agent) may sign the request on the fiduciary's behalf. This person is considered a duly authorized agent for this purpose provided the request states the reason(s) for a signature other than that of the fiduciary and states the relationship existing between the fiduciary and the signer.

If you expect to owe no additional Connecticut income tax in the 2016 taxable year after taking into account any Connecticut income tax withheld or estimated income tax payments you made, or both, and you have requested an extension of time to file your 2016 federal income tax return, you are not required to file Form CT-1041 EXT.

### Extension of Time to Pay the Tax

The fiduciary may be eligible for a six-month extension of time to pay the tax due if it can be shown that paying the tax by the due date will cause undue hardship. The fiduciary may request an extension by filing **Form CT-1127, Application for Extension of Time for Payment of Income Tax**, on or before the due date of the original return.

Attach Form CT-1127 to the front of Form CT-1041 or Form CT-1041 EXT and send it on or before the due date. As evidence of the need for extension, the fiduciary must attach:

- A statement of assets and liabilities;
- An itemized list of receipts and disbursements for the preceding three months; **and**
- An explanation of why the fiduciary cannot borrow money to pay the tax due.

If an extension of time to pay is granted and the fiduciary pays all the tax due by the end of the extension period, a penalty will not be imposed. However, interest will accrue on any unpaid tax from the original due date. The fiduciary should make payments as soon as possible to reduce the interest the trust or estate would otherwise owe.

## Payment Options

### Pay Electronically

Visit [www.ct.gov/TSC](http://www.ct.gov/TSC) to use the **Taxpayer Service Center (TSC)** to make a direct tax payment. After logging into the **TSC**, select *Individuals* from the *Main Menu* and choose *Trusts and Estates*. Then, select the *Trusts and Estate* form you wish to file. If you are making a payment with your request, you must authorize DRS to electronically withdraw the payment from your bank account (checking or savings) on a date you select up to the due date. Tax not paid on or before the due date will be subject to penalty and interest.

### Pay by Mail

See *Mailing Addresses for Form CT-1041*, on Page 7.

## Estimated Tax Payments

Generally a payment of estimated Connecticut income tax is required if the Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **\$1,000 or more** and it is expected the Connecticut income tax withheld will be less than the required annual payment.

Except as provided below, a trust created in 2016 must use 90% of the income tax shown on the 2016 Form CT-1041 as the required annual payment.

### Exceptions

**Decedent's Estates:** For any taxable year ending before the date that is two years after a decedent's death, the decedent's estate is not required to make estimated payments and no underpayment interest will be charged.

**Certain Grantor Trusts:** For any taxable year ending before the date that is two years after a decedent's death, a trust is not required to make estimated payments and no underpayment interest will be charged if:

- The trust was created under IRC §§671 through 679, inclusive, as owned by the decedent and will receive the residue of the decedent's estate under the will; **or**
- If no will is admitted to probate, the trust is primarily responsible for paying debts, taxes, and expenses of administration.

## 2017 Estimated Tax Due Dates

Due dates of installments and the amount of required payments for 2017 calendar year taxpayers are:

|                           |  |
|---------------------------|--|
| <b>April 15, 2017 *</b>   | 25% of your required annual payment  |
| <b>June 15, 2017</b>      | 25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.)  |
| <b>September 15, 2017</b> | 25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.)  |
| <b>January 15, 2018</b>   | 25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.) |

An estimate is considered timely filed if received on or before the due date, or if the date shown by the U.S. Postal Service cancellation mark is on or before the due date. Taxpayers who report on other than a calendar year basis should use their federal estimated tax installment due dates. If the due date falls on a Saturday, Sunday, or legal holiday, the return will be considered timely if filed by the next business day.

\* The April 15, 2017 estimated payment will be considered timely if made on Tuesday, April 18, 2017.

## Required Annual Payment

The required annual income tax payment for the 2017 taxable year is the lesser of:

- **90%** of the income tax shown on the **2017 Connecticut income tax return**; or
- **100%** of the income tax shown on the **2016 Connecticut income tax return** if the fiduciary filed a 2016 Connecticut income tax return that covered a full 12-month period.

The fiduciary is not required to make estimated income tax payments if:

- The trust or estate was a resident trust or estate during the entire 2016 taxable year and did not file a 2016 Connecticut income tax return because the trust or estate had no Connecticut income tax liability; **or**
- The estate or trust was a nonresident estate or nonresident or part-year resident trust with Connecticut-sourced income during the 2016 taxable year and did not file a 2016 Connecticut income tax return because the estate or trust had no Connecticut income tax liability.

If a nonresident estate or trust or part-year resident trust did not have Connecticut-sourced income in 2016, the fiduciary must use 90% of the income tax shown on the 2017 Connecticut income tax return as the required annual payment.

A trust created in 2017 must use 90% of the income tax shown on the 2017 Form CT-1041 as the required annual payment.

Use **Form CT-1041ES**, *Estimated Connecticut Income Tax for Trusts and Estates*, to make estimated Connecticut income tax payments for 2017.

## Guidelines for Banking Institutions

Banking institutions that wish to file multiple estimated Connecticut income tax payments, see **Informational Publication 2009(26)**, *A Guide for Filers of Multiple Form CT-1041ES*.

## Annualized Income Installment Method

If the trust or estate income varies throughout the year, the trust or estate may be able to reduce or eliminate the amount of an estimated tax payment for one or more periods by using the annualized income installment method. See **Informational Publication 2015(17)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040 AES*, and **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*.

## Special Rules for Farmers and Fishermen

If the trust or estate had income from farming or fishing as provided in IRC §6654(i)(2), the required installment is the lesser of 66⅔% of the Connecticut income tax shown on the 2017 Form CT-1041 return or 100% of the Connecticut income tax shown on the 2016 Form CT-1041 if a 2016 Form CT-1041 was filed and it covered a 12-month period.

If the trust or estate is required to make 2017 estimated income tax payments, you must do one of the following:

- Pay the required installment on or before January 15, 2018; **or**
- File Form CT-1041 for 2017 on or before March 1, 2018, and pay the full amount computed on the return. In this case do not make estimated tax payments for 2017.

Farmers or fishermen who use these special rules must complete and attach Form CT-2210 to their Connecticut income tax return to avoid being billed for interest on the underpayment of estimated income tax. Form CT-2210, Part I, Box D, must be checked as well as the box for Form CT-2210 on the front of Form CT-1041. See **Informational Publication 2010(16)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax*, or **Informational Publication 2009(14)**, *Fisherman's Guide to Sales and Use Taxes and Estimated Income Tax*.

## Interest on Underpayment of Estimated Tax

If the fiduciary did not pay enough tax through withholding or estimated payments, or both, by any installment due date, interest may be charged. This is true even if the trust or estate is due a refund on the income tax return. Interest is calculated separately for each installment. Therefore, interest may be owed for an earlier installment even if the fiduciary paid enough tax later to make up the underpayment. Interest at 1% per month or fraction of a month will be added to the tax due until the earlier of April 15, 2017, or the date on which the underpayment is paid.

A fiduciary who files a 2016 Connecticut income tax return on or before January 31, 2017, and pays the amount computed on the return as payable in full on or before that date will not be charged interest for failing to make the estimated payment due January 15, 2017.

## Filing Form CT-2210

The trust or estate may be charged interest if the 2016 Connecticut income tax, after tax credits, minus Connecticut tax withheld, is \$1,000 or more. Use Form CT-2210 to calculate interest on the underpayment of estimated tax. Form CT-2210 and detailed instructions are available from DRS. However, this is a complex form and you may prefer to have DRS calculate the interest and send you a bill.

## Interest and Penalties

### Interest

In general, interest applies 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, the trust or estate will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full.

If the fiduciary did not pay enough tax through withholding or estimated payments, or both, by any installment due date, interest may be charged. This is true even if the trust or estate is due a refund when the income tax return is filed. See *Interest on Underpayment of Estimated Tax*.

## Penalty for Late Payment or Late Filing

The penalty for underpayment of tax is 10% of the tax not paid on or before the original due date of the return. If a request for an extension of time has been granted, the trust or estate can avoid a penalty for failure to pay the full amount due by the original due date if the fiduciary:

- Pays 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**
- Pays the balance due with the return on or before the extended due date.

The Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report required by law to be filed even if no tax is due.

## Penalty for Failure to File

If the fiduciary does not file the return and DRS files a return for the trust or estate, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater. If the fiduciary was required to file an amended Form CT-1041 and failed to do so, a penalty may be imposed. See *Amended Return*, on Page 32.

## Waiver of Penalty

To make a penalty waiver request, taxpayer's must complete and submit **Form DRS-PW**, *Request for Waiver of Civil Penalty*, to the DRS Operations Bureau/Penalty Waiver. Taxpayers may mail Form DRS-PW to the address listed below or fax it to the Operations Bureau/Penalty Waiver at **860-297-5727**.

Department of Revenue Services  
Operations Bureau/Penalty Waiver  
PO Box 5089  
Hartford CT 06102-5089

DRS will not consider a penalty waiver request unless it is accompanied by a fully completed and properly executed Form DRS-PW. For detailed information about the penalty waiver process, see **Policy Statement 2015(4)**, *Requests for Waiver of Civil Penalties*.

## Refund Information

Get the refund faster by filing electronically and choosing direct deposit. Complete Lines 18a, 18b, and 18c to have the refund directly deposited into a checking or savings account.

If any of the bank information supplied for direct deposit does not match or the applicable bank account is closed prior to the deposit of the refund, the refund will automatically be mailed.

## Recordkeeping

Keep a copy of the tax return, worksheets you used, and records of all items appearing on the return (such as Forms W-2 and 1099) until the statute of limitations expires for that return. Usually, this is three years from the date the return was due or filed, whichever is later. You may need this information to prepare future returns or to file amended returns.

## Copies of Returns

Copies of previously-filed Connecticut income tax returns may be requested from DRS by completing **LGL-002**, *Request for Disclosure of Tax Return or Tax Return Information*. Requests are normally processed in three weeks.

## Order in Which to Complete Form CT-1041 and Schedules

For trusts or estates that do not meet the Quick-File Requirements, see *Form CT-1041 Quick-File Requirements*, on Page 16 for verification.

Complete Form CT-1041 and the schedules for resident and nonresident estates, full-year resident and nonresident trusts, and part-year resident trusts in the following order:

- 1. Resident trust or estate with resident beneficiaries:**
  - *Schedule A*;
  - Schedule CT-1041B, Part 1;
  - Schedule CT-1041C;
  - The front of Form CT-1041; **and**
  - Form CT-1041 Schedule I, Parts 1 and 2, as necessary.
- 2. Resident estate or full-year resident testamentary trust with any nonresident beneficiaries or a full-year resident inter vivos trust with nonresident, contingent beneficiaries but without nonresident, noncontingent beneficiaries:**
  - *Schedule A*;
  - Schedule CT-1041B, Part 1;
  - Schedule CT-1041FA, Parts 3 and 2;
  - Schedule CT-1041C;
  - The front of Form CT-1041; **and**
  - Form CT-1041 Schedule I, Parts 1 and 2, as necessary.
- 3. Full-year resident inter vivos trust with nonresident, noncontingent beneficiaries:**
  - *Schedule A*;
  - Schedule CT-1041B, Parts 1 and 2;
  - Schedule CT-1041FA, Parts 3 and 2;
  - Schedule CT-1041C;
  - The front of Form CT-1041; **and**
  - Form CT-1041 Schedule I, Parts 1 and 2, as necessary.
- 4. Nonresident estate, full-year nonresident trust, or part-year resident inter vivos trust without nonresident, noncontingent beneficiaries:**
  - *Schedule A*;
  - Schedule CT-1041B, Part 1;
  - Schedule CT-1041FA, Parts 3, 2, and 1;
  - The front of Form CT-1041; **and**
  - Form CT-1041 Schedule I, Parts 1 and 2, as necessary.

**5. Part-year resident inter vivos trust with nonresident, noncontingent beneficiaries:**

- *Schedule A*;
- Schedule CT-1041B, Parts 1 and 2;
- Schedule CT-1041FA, Parts 3, 2, and 1;
- The front of Form CT-1041; **and**
- Form CT-1041 Schedule I, Parts 1 and 2, as necessary.

**Form CT 8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts, and Estates*, and **Schedule CT-IT Credit**, *Income Tax Credit Summary*, must be

completed as necessary for all types of trusts and estates that expect a credit or credit carryforward of alternative minimum tax paid in a prior year.

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**Requirement to Attach Copies of Federal Forms**

Taxpayers completing a paper Form CT-1041 are required to attach a copy of completed federal Form 1041, U.S. Income Tax Return for Trusts and Estates.

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## Instructions for Form CT-1041

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### Filing Year

All information on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, should be for the calendar year January 1 through December 31, 2016, or any fiscal year beginning in 2016. If filing for a fiscal year or short taxable year, enter the month and day the taxable year began and the month, day, and year it ended at the top of Page 1.

### Federal Employer Identification Number (FEIN)

DRS no longer processes income tax returns for trusts and estates without an FEIN. You can no longer write "applied for" in the FEIN field. You must have applied for and been issued an FEIN before you file a return. However, if you have not received the FEIN by April 15 for the calendar year filers or for noncalendar year filers by the fifteenth day of the fourth month following the close of the taxable year, file the return without the FEIN and pay the tax due. DRS will contact you upon receipt of the return and will hold the return until you receive the FEIN and forward the information to DRS. For information on how to obtain an FEIN, contact the IRS. See the back cover.

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### Name, FEIN, and Address

Enter the name and FEIN of the trust or estate and the name and address of the fiduciary in the spaces on Page 1 of the return.

Enter the name and FEIN of the trust or estate in the spaces provided on all applicable schedules.

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### Type of Return

Check the applicable box if:

- The trust or estate has been terminated and this is a final return; **or**
- This is an amended return. Attach a statement explaining the reason for filing an amended return.

### Resident Status

Enter the date the trust or estate was created and the date the trust or estate was terminated, if applicable, in the space provided.

Check only one applicable box to identify the residency status of the trust or estate.

The trust would be a **part-year resident trust** if:

- It was revocable when property was transferred to it but has become irrevocable subsequently; **and**
- The residency status of the grantor, whether as a resident or nonresident individual, during the taxable year the trust became irrevocable differs from the residency status of the grantor during the taxable year that property was transferred to the trust.

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### Type of Entity

Check the applicable box to identify the type of trust or estate. Also check the appropriate box to indicate if the trust was created by the will of the decedent or is an inter vivos trust.

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### Rounding Off to Whole Dollars

You must round off cents to the nearest whole dollar on your return and schedules. If you do not round, DRS will disregard the cents.

Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents and round off **only** the total.

**Example:** Add two amounts (\$1.29 + \$3.21) to compute the total (\$4.50) to enter on a line. \$4.50 is rounded to \$5.00 and entered on the line.

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### Negative Numbers

When entering a negative number, you must precede the number with a minus sign or bracket the amount.

## Form CT-1041 Quick-File Requirements

The fiduciary of a resident estate or full-year resident trust may Quick-File Form CT-1041 if the resident estate or full-year resident trust has no:

- Nonresident beneficiaries;
- *Schedule A*;
- Connecticut alternative minimum tax;
- Income tax credit reported on **Schedule CT-IT Credit, Income Tax Credit Summary**; and
- Federal election to be treated as an Electing Small Business Trust (ESBT).

A trustee that files one aggregate federal Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts, for all qualified funeral trusts (QFT) may Quick-File one aggregate Form CT-1041 for all Connecticut resident QFTs as long as all grantors and all beneficiaries of every QFT are Connecticut residents.

## Form CT-1041 Quick-File Line Instructions

### Line 1 - Connecticut Taxable Income

Enter federal taxable income of a trust or estate from federal Form 1041, Line 22. If you are the trustee of the bankruptcy estate of a debtor who is an individual in a case under Chapter 7 or Chapter 11 of the Bankruptcy Code, you may, in computing the estate's federal taxable income, deduct the exemption amount under IRC §151(d)(1), but may not deduct the personal exemption under IRC §642(b).

### Line 2 - Connecticut Income Tax

Multiply Line 1 by 6.99% and enter the result.

### Line 3 - Allocated Connecticut Income Tax

Do not complete Line 3.

### Line 4 - Credit for Income Tax Paid to Qualifying Jurisdictions

#### Resident Estates and Full-Year Resident Trusts Only

Enter the amount from *Worksheet A, Credit for Income Taxes Paid to Qualifying Jurisdictions*, Line 8, on Page 19. You must attach a copy of all income tax returns filed with qualifying jurisdictions to the back of the Form CT-1041 or the credit will be disallowed.

If the trust or estate files Form CT-1041 electronically, copies of all income tax returns filed with qualifying jurisdictions should be retained for three years from the date of filing. The forms must be provided to DRS upon request.

### Line 5

Subtract Line 4 from Line 2. If Line 4 is greater than Line 2, enter "0."

### Line 6 - Connecticut Alternative Minimum Tax

Do not complete Line 6.

### Line 7

Enter the amount from Line 5.

### Line 8 - Allowable Credits

Do not complete Line 8.

### Line 9 - Connecticut Income Tax

Enter the amount from Line 7.

### Lines 10 through 23

To complete Lines 10 through 23, see *Form CT-1041 Line Instructions*, below.

Also see *Who Must Sign the Return, Paid Preparer Signature* on Page 18, and *Mailing the Return* on Page 18.

## Form CT-1041 Line Instructions

For trusts or estates that do not meet the Quick-File Requirements.

### Line 1 - Connecticut Taxable Income Resident Estate or Full-Year Resident Trust Only

Enter the amount from *Schedule CT-1041C, Connecticut Taxable Income*, Line 14.

### Line 2 - Connecticut Income Tax Resident Estate or Full-Year Resident Trust Only

Multiply Line 1 by 6.99% and enter the result.

### Line 3 - Allocated Connecticut Income Tax Nonresident Estates or Trusts and Part-Year Resident Trusts Only

Enter the amount from *Schedule CT-1041FA, Fiduciary Allocation*, Part 1, Line 12.

### Line 4 - Credit for Income Tax Paid to Qualifying Jurisdictions

#### Resident Estates and Full or Part-Year Resident Trusts Only

Enter the amount from *Worksheet A*, Line 8. You must attach a copy of all income tax returns filed with qualifying jurisdictions to the back of the Form CT-1041 or the credit will be disallowed.

If the trust or estate files Form CT-1041 electronically, copies of all income tax returns filed with qualifying jurisdictions should be retained for three years from the date of filing. The forms must be provided to DRS upon request.

See *Credit for Income Taxes Paid to Qualifying Jurisdictions* on Page 18 and *Instructions for Worksheet A, Credit for Income Taxes Paid to Qualifying Jurisdiction*, on Page 19.

### Line 5

#### Resident Estates and Trusts

Subtract Line 4 from Line 2.

#### Part-Year Resident Trusts

Subtract Line 4 from Line 3. If the result is zero or less, enter "0."

### Line 6 - Connecticut Alternative Minimum Tax

If the trust or estate was required to pay federal alternative minimum tax for 2016, you must file *Form CT-1041 Schedule I*,

*Connecticut Alternative Minimum Tax Computation of Trusts or Estates*. Enter the amount from Form CT-1041 Schedule I, Part 1, Line 23. To obtain Form CT-1041 Schedule I, see *Forms and Publications* on Page 7.

### Line 7

Add Line 5 and Line 6 and enter the total.

### Line 8 - Allowable Credits

Enter the amount from the appropriate line of Schedule CT-IT Credit. If you did not pay Connecticut alternative minimum tax in a prior year or you entered an amount on Line 6 of this form, enter "0."

### Line 9 - Connecticut Income Tax

Subtract Line 8 from Line 7 and enter the result.

### Line 10 - Connecticut Income Tax Withheld

**Schedule CT-1041WH**, *Connecticut Income Tax Withholding* is required to be completed to take credit for any Connecticut income tax withheld.

Enter the total from Schedule CT-1041WH, Line 3. The trust or decedent's estate must enter any Connecticut income tax withheld on Schedule CT-1041WH, even if the related income is distributed to the beneficiary.

### Line 11 - Estimated Tax Paid

Enter the total of all 2016 estimated income tax payments and any 2015 income tax overpayment credited to 2016. Be sure to include any 2016 estimated income tax payments made in 2017.

### Line 12 - Payments Made With Extension Request

If you filed **Form CT-1041 EXT**, *Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates*, for 2016, enter the amount you paid with Form CT-1041 EXT.

If this is an amended return, also include the amount paid with the original return.

### Line 13 - Total Payments

Add Lines 10, 11, and 12 and enter the total.

### Line 14 - Amount Overpaid

If Line 13 is greater than Line 9, subtract Line 9 from Line 13 and enter the result. This is the amount of the overpayment. To properly allocate the overpayment, go to Lines 15 and 18. If Line 13 is less than Line 9, go to Line 19.

### Line 15 - Amount of Line 14 to Be Applied to 2017 Estimated Tax

Enter the amount of the 2016 overpayment you wish to apply to the 2017 Connecticut estimated income tax. It will be treated as an estimate filed on April 15, 2017, if the return is filed on time or if you filed a timely request for extension and the return is filed within the extension period. For fiscal year filers, it will be treated as an estimate filed on the fifteenth day of the fourth month of the 2017 taxable year.

Your decision to apply this amount to 2017 estimated income tax is irrevocable.

### Line 16 - Balance of Overpayment

Subtract Line 15 from Line 14 and enter the result.

### Line 18 - Amount to Be Refunded

Enter the amount from Line 16. This is the amount of the refund.

Get the refund faster by choosing direct deposit. Complete Lines 18a, 18b, and 18c to have the refund directly deposited into a checking or savings account.

The image shows a check form with the following fields and labels:

- Name of Depositor
- Street Address
- City, State, Zip Code
- Date
- No. 101
- Pay to the Order of
- \$
- Name of your Bank
- Street Address
- City, State, Zip Code
- 092125789 (circled, labeled "Routing Number" with an arrow)
- 091 025 025413 (circled, labeled "Account Number" with an arrow)
- 0101

Enter the nine-digit bank routing number and the bank account number in Lines 18b and 18c. The bank routing number is normally the first nine-digit number printed on the check or savings withdrawal slip. The bank account number generally follows the bank routing number. Do not include the check number as part of the account number. Bank account numbers can be up to 17 characters.

If any of the bank information supplied for direct deposit does not match, or the applicable bank account is closed prior to the deposit of the refund, the refund will automatically be mailed.

Federal banking rules require DRS to request information about foreign bank accounts (Line 18d) when the taxpayer requests the direct deposit of a refund into a bank account. If the refund is to be deposited into a bank outside of the United States, DRS will mail the refund.

### Line 19 - Amount of Tax Due

If Line 9 is greater than Line 13, subtract Line 13 from Line 9 and enter the result.

### Line 20 - Penalty for Late Payment or Filing

If you are making a late payment or filing the return after the due date of the return, see *Penalty for Late Payment or Late Filing* on Page 13.

### Line 21 - Interest for Late Payment

If you fail to pay the tax when due, see *Interest* on Page 13.

### Line 22 - Interest on Underpayments of Estimated Tax

If Line 9 minus Line 10 is \$1,000 or more, the trust or estate may owe interest on estimated income tax you either underpaid or paid late. **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*, can help you find out if you did underestimate and help you calculate the interest.

If you prefer to have DRS calculate the interest, do not file Form CT-2210; leave Line 22 blank and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay the tax or April 15, 2017.

### Line 23 - Amount Due

Add Lines 19 through 22 and enter the total. Pay the amount in full with the return. Pay the tax electronically or make check payable to **Commissioner of Revenue Services**. Write “**2016 Form CT-1041**” and the FEIN on the front of the check. DRS may submit your check to your bank electronically.

### Who Must Sign the Return

The fiduciary or an officer representing the fiduciary must sign and date Form CT-1041 on the back of the return.

### Paid Preparer Signature

A paid preparer must sign and date Form CT-1041. Paid preparers must also enter their Preparer Tax Identification Number (PTIN) or Social Security Number (SSN), their firm’s address, FEIN, and telephone number in the spaces provided.

### Alternative Signature Methods

DRS conforms to IRS Notice 2004-54, which provides for alternative preparer signature procedures for federal income tax paper returns that paid practitioners prepare on behalf of their clients. Specifically, income tax return preparers may sign original returns, amended returns, or requests for filing extensions by rubber stamp, mechanical device, or computer software program. These alternative methods of signing must include either a facsimile of the individual preparer’s signature or the individual preparer’s printed name.

Income tax return preparers who use alternative methods of signing must provide all of the other preparer information that is required on returns and extensions, such as the name, address, relevant employer identification number, the preparer’s individual identification number (social security number or preparer tax identification number), and phone number.

Paid preparers can follow the same procedure with respect to paper Connecticut income tax returns prepared on behalf of their clients. This procedure only applies to preparers’ signatures. It does not affect other signature requirements for taxpayers, and does not apply to documents other than tax returns.

### Mailing the Return

See *Where to File*, on Page 7. If you file a paper return, make a copy of this return for the records of the trust or estate. Attach copies of any required schedules and forms to this return as listed on Page 2 of Form CT-1041.

### Credit for Income Taxes Paid to Qualifying Jurisdictions

Resident estates, full-year resident trusts, and part-year resident trusts use *Worksheet A* on Page 19 to calculate a credit against the Connecticut income tax liability for income taxes

paid for the taxable year to another state, a political subdivision of that state, or to the District of Columbia. Credit may only be claimed if the income on which taxes were paid was derived from or connected with sources within the qualifying jurisdiction. For part-year resident trusts, the credit is allowed only for that portion of the taxable year in which a taxpayer was a Connecticut resident trust.

No credit is allowed for any of the following:

- Income tax payments made to a qualifying jurisdiction on income not included in Connecticut taxable income;
- Income tax paid to a jurisdiction that is not a qualifying jurisdiction including a foreign country or its provinces (for example, Canada and Canadian provinces);
- Alternative minimum tax paid to a qualifying jurisdiction;
- Income tax paid to a qualifying jurisdiction if the fiduciary claimed credit on that other jurisdiction’s income tax return for income taxes paid to Connecticut; **or**
- Penalties or interest on income taxes the fiduciary paid to a qualifying jurisdiction.

The allowable credit must be separately computed for each qualifying jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. If you need more than two columns, you should create an identical worksheet. Attach a copy of all income tax returns filed with qualifying jurisdictions to the back of your Form CT-1041 or the credit will be disallowed.

If the trust or estate files Form CT-1041 electronically, copies of all income tax returns filed with qualifying jurisdictions should be retained for three years from the date of filing. The forms must be provided to DRS upon request.

If you are claiming credit for income taxes paid to another state **and** to one of its political subdivisions, follow these rules to determine your credit:

1. If the **same amount** of income is taxed by both the city and state:
  - A. Use only **one** column of the worksheet to calculate your credit;
  - B. Enter the same income taxed by both the city and state on Line 2 on the worksheet; **and**
  - C. Combine the amounts of tax paid to the city and the state on that income and enter the total on Line 6.
2. If the **amounts** of income taxed by both the city and state **are not the same**:
  - A. Use two columns on the worksheet;
  - B. Enter only the income taxed by both jurisdictions on Line 2 in the first column; **and**
  - C. Enter the excess income taxed by only one of the jurisdictions in the next column.

The credit claimed cannot exceed the amount of tax due to Connecticut on that portion of income taxed in another jurisdiction.

# Worksheet A - Credit for Income Taxes Paid to Qualifying Jurisdictions

## Resident estates and full or part-year resident trusts only

1. Connecticut taxable income ..... 1.  
Enter name of each qualifying jurisdiction.....
2. Non-Connecticut income included on Line 1 above ..... 2.
3. Divide Line 2 by Line 1 (may not exceed 1.0000). ..... 3.
4. Connecticut tax liability ..... 4.
5. Multiply Line 3 by Line 4. .... 5.
6. Income tax paid to a qualifying jurisdiction (See instructions.) .... 6.
7. Enter the lesser of Line 5 or Line 6. .... 7.
8. Total Credit: Add the amount on Line 7 for each column. .... 8.

| Column A | Column B |
|----------|----------|
|          |          |
|          |          |
| •        | •        |
|          |          |
|          |          |
|          |          |
|          | .00      |

## Instructions for Worksheet A, Credit for Income Taxes Paid to Qualifying Jurisdiction

### Line 1 - Connecticut Taxable Income of Resident Trust or Estate

Enter:

1. The Connecticut taxable income from Form CT-1041, Line 1; **and**
2. Any net loss derived from or connected with sources in one or more qualifying jurisdiction(s) where you were subject to income taxation whether or not income tax was actually paid to the jurisdiction(s).

**Example:** Taxpayer B, a resident trust, has taxable income of \$70,000, which includes income of \$15,000 from business activities conducted in Massachusetts and a net loss of \$15,000 from a business conducted in Rhode Island. The fiduciary of this trust must add the \$15,000 net loss to the \$70,000 and enter \$85,000 on Line 1.

### Part-Year Resident Trust

Enter the amount from Schedule CT-1041FA, Part 1, Line 9, with the following exceptions:

1. Add to the amount from Schedule CT-1041FA, Part 1, Line 9, any **net** loss derived from or connected with sources in one or more qualifying jurisdiction(s) where you were subject to income taxation whether or not income tax was actually paid to the jurisdiction(s); **and**
2. For the period the trust is a Connecticut resident trust, add back any item of loss or deduction and subtract any item of income or gain that is an item of special accrual.

Enter the modified amount on Line 1 of the worksheet.

**Example:** Taxpayer L, a part-year resident trust, has taxable income from its residency period of \$60,000, which includes income of \$15,000 from business activities conducted in Massachusetts and a net loss of \$20,000 from a business conducted in Rhode Island. The fiduciary of this trust must add the \$20,000 net loss to the \$60,000 and enter \$80,000 on Line 1.

## Standard Two-letter Codes

|                         |                      |                       |
|-------------------------|----------------------|-----------------------|
| Alabama..... AL         | Kentucky.....KY      | North Carolina.... NC |
| Arizona..... AZ         | Louisiana.....LA     | North Dakota.....ND   |
| Arkansas..... AR        | Maine.....ME         | Ohio.....OH           |
| California..... CA      | Maryland.....MD      | Oklahoma.....OK       |
| Colorado..... CO        | Massachusetts.....MA | Oregon.....OR         |
| Delaware..... DE        | Michigan.....MI      | Pennsylvania..... PA  |
| District of Columbia DC | Minnesota.....MN     | Rhode Island.....RI   |
| Georgia..... GA         | Mississippi.....MS   | South Carolina.... SC |
| Hawaii..... HI          | Missouri.....MO      | Tennessee..... TN     |
| Idaho..... ID           | Montana.....MT       | Utah.....UT           |
| Illinois..... IL        | Nebraska.....NE      | Vermont..... VT       |
| Indiana..... IN         | New Jersey.....NJ    | Virginia.....VA       |
| Iowa..... IA            | New Mexico.....NM    | West Virginia..... WV |
| Kansas..... KS          | New York.....NY      | Wisconsin..... WI     |

## Line 2 - Non-Connecticut Income Resident Trust or Estate

Enter the total non-Connecticut income included on Line 1 and reported on another jurisdiction's income tax return.

### Part-Year Resident Trust

Enter the total non-Connecticut income for the period of Connecticut residency included on Line 1 and reported on another jurisdiction's income tax return.

For the period the trust is a Connecticut resident trust, add back any item of loss or deduction and subtract any item of income or gain that is an item of special accrual.

## Line 3

### Resident and Part-Year Resident Trust

Divide Line 2 by Line 1. The result cannot exceed 1.0000. Round to four decimal places.

## Line 4 - Connecticut Income Tax Liability Resident Trust or Estate

Enter the Connecticut tax liability as shown on Form CT-1041, Line 2.

### Part-Year Resident Trust

Enter the allocated Connecticut income tax liability as shown on Schedule CT-1041FA, Line 12. To determine the Connecticut income tax liability of a part-year resident trust, the tax applies

to the income derived from or connected with sources within this state. The income derived from or connected with sources within this state for a part-year resident trust is the sum of the trust's Connecticut taxable income during the residency portion of the taxable year and the trust's income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year.

### Line 5

Multiply Line 3 by Line 4 and enter the result.

### Line 6 - Income Tax Paid to Qualifying Jurisdictions Resident Trust or Estate

Enter the total amount of **income tax paid** to a qualifying jurisdiction for the taxable year. For full-year and part-year resident inter vivos trusts with nonresident, noncontingent beneficiaries, apply the percentage of resident noncontingent beneficiaries from Schedule CT-1041B, Part 2, Line 4, to the amount of total tax paid to each qualifying jurisdiction for the taxable year.

**Income tax paid** means the lesser of the tax liability to that jurisdiction or the tax the trust or estate paid to that jurisdiction, excluding any penalty or interest, as reported on a return filed with that jurisdiction. Do not report taxes withheld for the qualifying jurisdiction.

#### Part-Year Resident Trust

Enter the total amount of **income tax paid** to a qualifying jurisdiction for the period of Connecticut residency only.

**Income tax paid** means the lesser of the trust's tax liability to the qualifying jurisdiction or the tax the trust paid to that jurisdiction, excluding any penalty or interest, as reported on a return filed with that jurisdiction. Do not report taxes withheld for the qualifying jurisdiction.

If the tax the trust paid to that jurisdiction was also based on income earned during the nonresidency period, prorate the amount of tax for which you are claiming credit. The proration is based upon the relationship that the income earned in that jurisdiction during the period of Connecticut residency bears to the total amount of income the trust earned in that jurisdiction in the taxable year.

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**Example:** Taxpayer H, a part-year resident trust, conducted business in Rhode Island all year and paid \$1,200 in Rhode Island tax in 2015. The trust's total Rhode Island income for 2015 was \$20,000 of which \$15,000 was earned while the trust was a Connecticut resident trust. The income tax paid to Rhode Island during the Connecticut residency period is:

$$\frac{\$15,000}{\$20,000} \times \$1,200 = \$900$$

The fiduciary of this trust should enter \$900 on Line 6.

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### Line 7

Enter the lesser of Line 5 or Line 6.

### Line 8 - Total Credit for Income Taxes Paid to Qualifying Jurisdictions

Add the amounts from Line 7A, Line 7B, and Line 7 of any additional worksheets. The amount on Line 8 cannot exceed the amount on Line 5. Enter the total here and on Form CT-1041, Line 4.

Attach a copy of the income tax return filed with each qualifying jurisdiction to the Connecticut income tax return or the credit will be disallowed.

If the trust or estate files Form CT-1041 electronically, copies of all income tax returns filed with qualifying jurisdictions should be retained for three years from the date of filing. The forms must be provided to DRS upon request.

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### Income Tax Credits

A trust or estate must use **Schedule CT-IT Credit, Income Tax Credit Summary**, to claim the angel investor tax credit or Connecticut minimum tax credit.

These tax credits are applicable against the income tax. For more information about additional requirements and limitations to these credits, see **Special Notice 2010(3), 2010 Legislative Changes Affecting the Income Tax**; **Special Notice 2012(6), 2012 Legislative Changes Affecting the Income Tax**; or contact Connecticut Innovations Inc.

The Angel Investor Tax Credit may be claimed by the shareholders or partners of an S corporation or an entity treated as a partnership for federal income tax purposes. If the entity is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company owner provided the owner is a person subject to Connecticut income tax.

#### Angel Investor Tax Credit

The Angel Investor Tax Credit is available to investors who meet the requirements of Conn. Gen. Stat. §12-704d, as amended by Conn. Pub. Acts 16-3 (May Spec. Session.) §183. An angel investor **must** apply to Connecticut Innovations, Inc. (CII) to reserve the credit and **must** receive an Angel Investor Tax Credit Certificate from CII before claiming the credit on the income tax return.

The credit is for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. The credit is equal to 25% of such investor's cash investment provided the total tax credits allowed to any one investor shall not exceed \$250,000 and shall be claimed in the taxable year in which the cash investment was made.

The credit cannot be used against the withholding tax liability imposed under Conn. Gen. Stat. §12-707 and cannot exceed the amount of income tax imposed under Chapter 229 of the Connecticut General Statutes for the taxable year.

Tax credits cannot be reserved for any investments made on or after July 1, 2019. Any tax credit claimed but not applied against the income tax liability may be carried forward for the five immediately succeeding taxable years until the full credit has been applied.

Effective for taxable years commencing on or after January 1, 2016, the Angel Investor Tax Credit may be assigned, transferred, or sold once. You **must** complete **Form CT-AIT**, *Angel Investor Tax Credit*, if you are selling, assigning, or transferring the credit. You **must** also complete this form if you have obtained the Angel Investor Tax Credit through a purchase, assignment, or transfer.

Attach Form CT-AIT to the back of your paper return. **You must file a paper Form CT-1041 when you complete Form CT-AIT.**

### Worksheet B - Worksheet for Schedule CT-IT Credit

Trust or estates may allocate all or a portion of the Angel Investor Tax Credit between the trust or estate and the beneficiaries. If all or a portion of the tax credit is allocated to the beneficiaries, the trust or estate must complete *Worksheet B, Worksheet for Schedule CT-IT Credit*, below prior to completing Schedule CT-IT Credit. Attach a copy of the worksheet to the trust or estate's Form CT-1041.

### Instructions for Worksheet B, Worksheet for Schedule CT-IT Credit

Select the credit claimed. Check only one box. Complete one worksheet for each credit and attach a copy to the trust or estate's Form CT-1041.

#### Column A

Enter the name of each beneficiary as on **Schedule CT-1041B**, *Fiduciary Adjustment Allocation*, Part I. If there are more than four beneficiaries, create a supplemental schedule. Enter the information on Line 5.

#### Column B

Enter the identifying number of each beneficiary from Schedule CT-1041B, Part 1.

#### Column C

Enter the percentage of federal distributable net income from Schedule CT-1041B, Part 1, Column 4.

#### Column D

Enter on Line 7, Column D, the total of each of the following credits:

#### Angel Investor Tax Credit

Enter the credit amount reported to the trust or estate on Schedule CT K-1, Schedule CT-1041 K-1, or the credit certificate issued by Connecticut Innovations Inc.

#### Insurance Reinvestment Fund Tax Credit

Enter the credit reported on **Form CT-IRF**, *Insurance Reinvestment Fund Tax Credit*.

Multiply Line 7, Column D, by the percentage in Column C for each beneficiary. Enter the amount in Column D for each respective beneficiary and trust or estate's portion of the credit.

Enter the amount from Line 6, Column D, on Schedule CT-IT Credit as follows:

- Angel Investor Tax Credit: Line 6, Column C.
- Insurance Reinvestment Fund Tax Credit: Use this amount to complete Form CT-IRF.

Enter the amount of each beneficiary's share of credit, from Column D to **Schedule CT-1041 K-1**, *Beneficiary's Share of Certain Connecticut Items*, Part III.

## Worksheet B - Worksheet for Schedule CT-IT Credit

Select the tax credit claimed:

Angel Investor

Insurance Reinvestment Fund

| Column A   | Column B   | Column C  | Column D             |
|--|--|---|----------------------|
| Name of Beneficiary<br>List in the same order as on<br>Schedule CT-1041B, Part 1 | Identifying Number<br>of Each Beneficiary<br>(SSN or FEIN) | Percentage of<br>Federal<br>Distributable Net<br>Income (DNI) | Credit Amount Earned |
| 1.   |  |   |                      |
| 2.   |  |   |                      |
| 3.   |  |   |                      |
| 4.   |  |   |                      |
| 5.   | From supplemental schedule                                 |   |                      |
| 6.   | Trust or estate  |   |                      |
| 7.   | Total Schedule CT-IT Credit                                |   | 100%                 |

## Connecticut Fiduciary Adjustment

Use *Schedule A* to compute the Connecticut fiduciary adjustment, which is then allocated among the trust or estate and its beneficiaries in Schedule CT-1041B, Part 1. The fiduciary adjustment is the net amount of the additions and subtractions enumerated on *Schedule A*, which relate to items of income, gain, loss, or deduction of the trust or estate.

### Amount Paid or Set Aside for Charitable Purposes

When calculating the fiduciary adjustment on *Schedule A*, do not include the modifications for any amount paid or set aside for a charitable purpose during the taxable year. See instructions for federal Form 1041-A, U.S. Information Return Trust Accumulation of Charitable Amounts, and federal Form 5227, Split-Interest Trust Information Return, for information on charitable deductions.

### Member of a Pass-Through Entity

If the trust or estate has income as a member of a pass-through entity, any additions or subtractions that apply to the income should be included on *Schedule A*. You may obtain the trust's or estate's share of the entity's items from **Schedule CT K-1, Member's Share of Certain Connecticut Items**.

### Beneficiary of Another Trust or Estate

If the trust or estate is a beneficiary of another trust or estate, you may generally obtain the trust or estate's share of the fiduciary adjustment to be included on *Schedule A* from Schedule CT-1041 K-1 provided by the other trust or estate.

The trust or estate must make the additions and subtractions for its taxable year within which the taxable year of any S corporation, partnership, or trust or estate of which it is a shareholder, partner, or beneficiary, respectively, ends.

## Entering Additions and Subtractions

Enter on Line 11 any expense related to the amounts entered on *Schedule A*, Lines 1 through 4, to the extent deductible in determining federal taxable income prior to the deductions related to distributions to beneficiaries. Do not net the expenses against the amounts entered on Lines 1 through 4.

Enter on Line 5 any expense related to the amounts entered on *Schedule A*, Lines 7 through 10, to the extent deductible in determining federal taxable income prior to the deductions related to distributions to beneficiaries. Do not net the expenses against the amounts entered on Lines 7 through 10.

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**Example:** To the extent deductible in determining federal taxable income prior to the deductions relating to distributions to beneficiaries, interest expenses on indebtedness incurred to purchase:

1. State and local government bonds, the interest from which is subject to Connecticut income tax but exempt from federal income tax, is entered on Line 11 and not netted against the amount entered on Line 1.
  2. U.S. government bonds, the interest from which is subject to federal income tax but exempt from Connecticut income tax, is entered on Line 5 and not netted against the amount entered on Line 7.
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# Instructions for Schedule A

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See **Policy Statement 2005(2)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments, or Municipalities*, to determine if you are required to make an adjustment.

## Additions to Federal Taxable Income

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Enter all amounts as positive numbers.

### Line 1 - Interest on State and Local Government Obligations Other Than Connecticut

Enter the total amount of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

### Line 2 - Exempt-Interest Dividends Received From a Mutual Fund Derived From State or Municipal Government Obligations Other Than Connecticut

Enter the total amount of exempt-interest dividends received from a mutual fund derived from state and municipal government obligations other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut or other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on Line 2.

### Line 3 - Loss on Sale of Connecticut State and Local Government Bonds

Enter the total amount of losses from the sale or exchange of notes, bonds, or other obligations of the State of Connecticut or its municipalities.

### Line 4 - Connecticut Income Tax Payments Deducted in Determining Federal Taxable Income

Add back any Connecticut income tax paid or accrued to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

### Line 5 - Other

Use Line 5 to add back any:

1. Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for the production) or collection of income exempt from Connecticut income tax to the extent deductible in

determining federal taxable income prior to deductions relating to distributions to beneficiaries;

2. Amortizable bond premium on bonds producing interest income exempt from Connecticut income tax to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries;
3. Interest or dividend income on obligations or securities of any authority, commission, or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes;
4. Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries;
5. Domestic production activity deduction (IRC §199): This modification is allowed to the extent the amount is deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries; **or**
6. Add the total amount of a lump-sum distribution for the taxable year, if such distribution is not already included in the federal taxable income prior to distributions to beneficiaries.

### Line 6 - Total Additions

Add Lines 1 through 5.

## Subtractions From Federal Taxable Income

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Enter all amounts as positive numbers.

### Line 7 - Interest on U.S. Government Obligations

Enter the total of any interest income (to the extent includable in federal taxable income) derived from U.S. government obligations which federal law prohibits states from taxing (for example, U.S. government bonds such as Savings Bonds Series EE and Series HH or U.S. Treasury bills and notes).

Do not enter the amount of interest earned on Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing interest income derived from these obligations and this interest income is taxable for Connecticut income tax purposes. Do not enter the amount of interest paid to you on any federal income tax refund.

### Line 8 - Exempt Dividends From Certain Mutual Funds Derived From U.S. Government Obligations

Enter the total amount of exempt dividends received from a qualifying mutual fund derived from U.S. government

obligations. A mutual fund is a qualifying fund if, **at the close of each quarter of its taxable year**, at least 50% of the value of its assets consists of U.S. government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund. See *Line 7 - Interest on U.S. Government Obligations*.

### **Line 9 - Gain on Sale of Connecticut State and Local Government Bonds**

Enter the total amount of all gains from the sale or exchange of notes, bonds, or other obligations of the State of Connecticut or its municipalities.

### **Line 10 - Refunds of Connecticut Income Tax**

Enter the amount of taxable refunds of Connecticut income tax reported on federal Form 1041, Line 8.

### **Line 11 - Other**

To the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, use Line 11 to subtract:

- Any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but not taxable for federal purposes;
- Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut but exempt from federal income tax;
- Any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax; **or**
- Any interest income from notes, bonds, or other obligation of the State of Connecticut included in federal adjusted gross income. This modification includes any Build America Bond tax credit amount if the Build America Bond, as described in Section 1531 of the American Recovery and Reinvestment Act of 2009, was issued by the State of Connecticut or a Connecticut political subdivision and only to the extent the credit amount is treated as interest includible in gross income for federal income tax purposes.

Do **not** use Line 11 to subtract income subject to tax in another jurisdiction. See *Worksheet A, Credit for Income Taxes Paid to Qualifying Jurisdictions*, Line 4, on Page 19.

### **Line 12 - Total Subtractions**

Add Lines 7 through 11.

### **Line 13 - Connecticut Fiduciary Adjustment**

Subtract Line 12 from Line 6. Enter here and on Schedule CT-1041B, Part 1, Line f, Column 5. This amount may be positive or negative.

If you have a Connecticut fiduciary adjustment, complete Schedule CT-1041B, Part 1, to calculate the trust or estate's and each beneficiary's share of the Connecticut fiduciary adjustment.

Schedule CT-1041B, Part 2, should only be completed by full-year resident or part-year resident inter vivos trusts with any nonresident, noncontingent beneficiaries to calculate the percentage of resident, noncontingent beneficiaries. The status of the beneficiaries is determined as of year end.

### **Form CT-1041, Questions A, B, and C**

The fiduciary **must** complete Form CT-1041, Questions A, B, and C. All inter vivos trusts claiming a resident, noncontingent beneficiary percentage on Schedule CT-1041B, Part 2, **must** complete Form 1041, Question A, or this percentage could be disallowed.

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# Instructions for Schedule CT-1041B

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## Part 1 - Shares of Connecticut Fiduciary Adjustment

Part 1 shows the distribution of the Connecticut fiduciary adjustment among the beneficiaries and the trust or estate. The shares of the beneficiaries and of the trust or estate in *Schedule A, Connecticut Fiduciary Adjustment*, Line 13, of **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates**, are in proportion to their respective shares of federal distributable net income of the trust or estate.

Report on Part 1 the names and addresses of all beneficiaries, both resident and nonresident, to whom income is distributable whether or not the income is taxable to the nonresident beneficiaries. **Complete this section even if there is no distribution to the beneficiaries.**

### Columns 1 and 2

Enter the name, address, and identifying number (SSN or FEIN) of each beneficiary of the trust or estate. If the mailing address differs from the home address, give both. If a beneficiary is a nonresident, check the appropriate box to the right of the beneficiary's name. If there are more than four beneficiaries, attach a schedule identical to Part 1 for the additional beneficiaries.

### Column 3

Enter the respective share of federal distributable net income of each beneficiary and of the trust or estate on the appropriate lines. Entries must be made for all resident and nonresident beneficiaries.

If the distributable net income of a trust or estate for the taxable year is zero or less than zero, each beneficiary's share in the Connecticut fiduciary adjustment is in proportion to that beneficiary's share of the income of the trust or estate for the taxable year and any other amounts properly paid or credited or required to be distributed during the taxable year. Any balance of the fiduciary adjustment not allocable to any beneficiary is allocated to the trust or estate.

### Column 4

Determine the percentage interest of each beneficiary and of the trust or estate in federal distributable net income of the trust or estate based upon amounts in Column 3. Enter that percentage on the appropriate line of Column 4.

### Column 5

Enter the amount of the Connecticut fiduciary adjustment from *Schedule A*, Line 13, as the total on Line f, Column 5. The share of each beneficiary and of the trust or estate in the total amount is determined by multiplying the total fiduciary adjustment by the Column 4 percentage.

If the trust or estate has no federal distributable net income, each beneficiary's share in the fiduciary adjustment must be in proportion to his or her share of the trust or estate income for the taxable year under local law or the governing instrument, which is required to be distributed currently, and any amounts of the income distributed during the year. Any balance of the fiduciary adjustment not allocable to beneficiaries must be allocated to the trust or estate. If the shares in the Connecticut fiduciary adjustment are apportioned in accordance with this paragraph, show the apportionment in a schedule attached to the return.

The fiduciary must provide each beneficiary with a **Schedule CT-1041 K-1, Beneficiary's Share of Certain Connecticut Items**, with the fiduciary adjustment to be included in *Schedule 1 of Form CT-1040, Connecticut Resident Income Tax Return*, or **Form CT-1040NR/PY, Connecticut Nonresident and Part-Year resident Income Tax Return**.

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## Part 2 - Percentage of Resident, Noncontingent Beneficiaries

Complete Part 2 to calculate the resident, noncontingent beneficiary percentage of a full-year resident or part-year resident inter vivos trust with nonresident, noncontingent beneficiaries. These trusts are taxed on income derived from or connected with sources within Connecticut and all other income earned during the period of residency multiplied by the resident, noncontingent beneficiary percentage. The percentage is a fraction. The numerator is the total number of resident, noncontingent beneficiaries and the denominator is the sum of both resident, noncontingent and nonresident, noncontingent beneficiaries. An example follows the line instructions. For an explanation of inter vivos trust and noncontingent beneficiary, see *Definitions* on Page 6.

### Line 1

Enter the number of resident, noncontingent beneficiaries if any.

### Line 2

Enter the number of nonresident, noncontingent beneficiaries.

### Line 3

Add Line 1 and Line 2.

### Line 4

Divide Line 1 by Line 3 and enter the result as a decimal. Round to four decimal places.

If the trust is a full-year resident inter vivos trust, enter this decimal on **Schedule CT-1041C, Connecticut Taxable Income Calculation**, Line 11.

If the trust is a part-year resident inter vivos trust, enter this decimal on **Schedule CT-1041FA, Fiduciary Allocation**, Part 1, Line 5.

**Example:** Mr. Jones, a Connecticut resident, established an irrevocable trust in 2002 for the benefit of his three grandchildren, Beneficiaries A, B, and C. Since the trust consists of property transferred from a Connecticut resident, the trust is considered a resident trust. Because the trust was not created by the will of the decedent, the trust is an inter vivos trust. The trust agreement permits the trustee to distribute income or corpus, or both, to all three beneficiaries during the year. This makes all three beneficiaries noncontingent beneficiaries. Beneficiaries A and B are Connecticut residents, but Beneficiary C is a Vermont resident. Since there are one or more nonresident, noncontingent beneficiaries, the fiduciary of this trust must complete Schedule CT-1041B, Part 2, as follows:

|   |        |
|---|--------|
| 1. Indicate the number of resident noncontingent beneficiaries, if any. | 2      |
| 2. Indicate the number of nonresident noncontingent beneficiaries.      | 1      |
| 3. Add Lines 1 and 2.   | 3      |
| 4. Divide Line 1 by Line 3 and enter decimal to four places.            | 0.6667 |

The decimal on Line 4, rounded to four decimal places, is entered on Schedule CT-1041C, Line 11.

If the trust in the example is a part-year resident trust, the amount on Line 4 is entered on Schedule CT-1041FA, Part 1, Line 5.

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# Instructions for Schedule CT-1041C

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Verify line references from federal Form 1041, U.S. Income Tax Return for Estates and Trusts, at the time you complete this schedule.

Resident estates or full-year resident trusts must complete this schedule to calculate Connecticut taxable income.

Resident estates or full year resident trusts with nonresident beneficiaries must complete and attach a Connecticut ESBT tax computation attachment, if applicable.

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## Resident Trust or Estate With or Without Nonresident Beneficiaries

Each **resident estate** or **full-year resident trust**, except for Quick-Filers, must select the applicable box pertaining to the status of its beneficiaries. Inter vivos trusts with nonresident, noncontingent beneficiaries calculate Connecticut taxable income differently than other trusts. See *Connecticut Taxable Income for Certain Inter Vivos Trusts* on Page 8.

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### Type of Trust or Estate

#### Line 1

##### **Resident trust or estate without nonresident beneficiaries**

Check the box and complete Lines 4 through 6 and Line 14.

#### Line 2

##### **Resident estate or a resident testamentary trust with one or more nonresident beneficiaries or an inter vivos trust with nonresident, contingent beneficiaries but without nonresident, noncontingent beneficiaries**

Check the box, complete Schedule CT-1041FA, Fiduciary Allocation, Parts 2 and 3, and complete Lines 4 through 6 and Line 14.

#### Line 3

##### **Resident inter vivos trust with one or more nonresident, noncontingent beneficiaries**

Check the box and complete Schedule CT-1041FA, Parts 2 and 3. Then complete Lines 4 through 14.

#### Line 4 - Federal Taxable Income

Enter the amount of federal taxable income from federal Form 1041, Line 22, and the federal ESBT taxable income. Attach federal ESBT tax computation attachment to the return.

#### Line 5 - Trust or Estate's Share of Connecticut Fiduciary Adjustment

Enter the fiduciary's share of the Connecticut fiduciary adjustment from **Schedule CT-1041B**, *Fiduciary Adjustment Allocation*, Part 1, Line e, Column 5. This may be a positive or negative number.

#### Line 6 - Connecticut Gross Taxable Income as Modified

Add Line 4 and Line 5.

Full-year resident inter vivos trusts with one or more nonresident, noncontingent beneficiaries, complete Lines 7 through 14. All others go to Line 14.

#### Line 7 - Trust or Estate's Share of Income From Connecticut Sources

Enter the trust or estate's share of income derived from or connected with sources within Connecticut from Schedule CT-1041FA, Part 2, Line e, Column 3, and from the Connecticut ESBT tax computation attachment. Attach the Connecticut ESBT tax computation attachment to the return.

#### Line 8a

Enter the amount from Schedule CT-1041FA, Part 3, Line 4, Column B.

#### Line 8b

Enter the amount from Schedule CT-1041FA, Part 3, Line 18, Column B.

#### Line 8c

Subtract Line 8b from Line 8a.

#### Line 9 - Income From Connecticut Sources as Modified

Add Line 7 and Line 8c.

#### Line 10 - Connecticut Taxable Income From Non-Connecticut Sources as Modified

Subtract Line 9 from Line 6.

#### Line 11 - Percentage of Resident, Noncontingent Beneficiaries

Enter the decimal, rounded to four places, from Schedule CT-1041B, Part 2, Line 4.

#### Line 12 - Connecticut Taxable Portion of Non-Connecticut-Sourced Income

Multiply Line 10 by Line 11.

#### Line 13 - Connecticut Taxable Income of a Resident Inter Vivos Trust With One or More Nonresident, Noncontingent Beneficiaries

Add Line 9 and Line 12.

#### Line 14 - Connecticut Taxable Income

If the taxpayer is a resident inter vivos trust with one or more nonresident, noncontingent beneficiaries, enter the amount from Line 13. Otherwise, enter the amount from Line 6.

The amount on Line 14 must also be entered on Form CT-1041, Line 1.

# Instructions for Schedule CT-1041FA

Verify line references from federal Form 1041, at the time you complete this schedule

Connecticut ESBT tax computation attachment, if applicable, and Schedule CT-1041FA must be completed and attached to Form CT-1041 filed for a:

1. Nonresident trust or estate having income derived from or connected with sources within Connecticut;
2. Part-year resident trust;
3. Resident trust or estate with a nonresident beneficiary; **or**
4. Resident inter vivos trust with one or more nonresident, noncontingent beneficiaries.

Refer to the front page of Schedule CT-1041FA to determine which parts must be completed and in what order.

## Part 1 - Computation of Connecticut Tax of a Nonresident Estate or Trust and Part-Year Resident Trust

### Line 1 - Federal Taxable Income

Enter the federal taxable income from federal Form 1041, Line 22, and from the federal ESBT tax computation attachment. Attach the federal ESBT tax computation attachment to the return.

### Line 2 - Trust or Estate's Share of Connecticut Fiduciary Adjustment

Enter the amount from Schedule CT-1041B, Part 1, Line e, Column 5. This may be a positive or negative number.

### Line 3 - Gross Taxable Income as Modified

Add Line 1 and Line 2.

### Line 4 - Connecticut Taxable Income From Connecticut Sources

Part-year resident inter vivos trusts with nonresident, noncontingent beneficiaries complete Schedule CT-1041FA-Line 4 Worksheet, Lines a through i, below. All others, enter Subtotal from Line c on Schedule CT-1041FA, Part 1, Line 4, and from the Connecticut ESBT tax computation attachment

and go to Schedule CT-1041FA, Line 9. Attach Connecticut ESBT tax computation attachment to the return.

The amount entered on Line c includes the trust or estate's share of distributable net income and certain gains derived from or connected with Connecticut sources for the residency and nonresidency portions of the taxable year. The share for the residency portion of the taxable year may include income not from Connecticut sources. If so, complete Lines d through i to determine the amount to be subtracted from the amount entered on Line c.

To determine the Connecticut taxable income of the trust or estate from Connecticut sources, complete the worksheet below.

Complete Lines 5 through 8 only for part-year resident inter vivos trusts with nonresident, noncontingent beneficiaries.

### Line 5 - Percentage of Resident, Noncontingent Beneficiaries

Enter the decimal rounded to four places from Schedule CT-1041B, Part 2, Line 4.

### Line 6 - Connecticut Taxable Income From Non-Connecticut Sources During the Residency Portion of the Taxable Year as Modified

Enter the amount from *Schedule CT-1041FA - Line 4 Worksheet*, Line h, below.

### Line 7 - Connecticut Taxable Portion of Non-Connecticut-Sourced Income

Multiply Line 6 by Line 5 and enter the result.

### Line 8 - Connecticut Taxable Income of a Part-Year Resident Inter Vivos Trust With Nonresident, Noncontingent Beneficiaries

Add Line 4 and Line 7.

### Line 9

For a part-year resident inter vivos trust with nonresident, noncontingent beneficiaries, enter the amount from Line 8. Otherwise, enter the greater of Line 3 or Line 4.

| Schedule CT-1041FA - Line 4 Worksheet  |     |
|--|-----|
| a. Trust or estate's share of income from Connecticut sources from Schedule CT-1041FA, Part 2, Line e, Column 3, and Connecticut ESBT tax computation attachment.              |     |
| b. Subtract the amount on Schedule CT-1041FA, Part 3, Line 18, Column B, from the amount on Part 3, Line 4, Column B. Enter result here.                                       |     |
| c. Subtotal: Add Line a and Line b.  | .00 |
| d. Enter the portion of the amount on Schedule CT-1041FA, Part 3, Line 24, Column B, that was non-Connecticut-sourced income during the residency portion of the taxable year. |     |
| e. Enter the percentage from Schedule CT-1041B, Part 1, Line e, Column 4.  |     |
| f. Multiply Line d by Line e.  | .00 |
| g. Enter the portion of Line b that was non-Connecticut-sourced income during the residency portion of the taxable year.   |     |
| h. Subtotal: Add Line f and Line g.  |     |
| i. Total: Subtract Line h from Line c and enter the result here and on Schedule CT-1041FA, Part 1, Line 4.   | .00 |

## Line 10 - Connecticut Income Tax

Multiply Line 9 by 6.99% and enter the result. If Line 9 is zero or less, enter "0."

## Line 11

**Part-year resident inter vivos trusts with one or more nonresident, noncontingent beneficiaries:**

If Line 9 is greater than zero, enter 1.0000.

If Line 9 is zero or less, enter "0."

**All others:**

If Line 4 is greater than zero and Line 4 is greater than or equal to Line 3, enter 1.0000.

If Line 4 is greater than zero and less than Line 3, divide Line 4 by Line 3 and enter the result as a decimal. Round to four decimal places.

If Line 4 is zero or less, enter "0."

## Line 12 - Allocated Connecticut Tax

Multiply Line 10 by Line 11. Enter the result here and on Form CT-1041, Line 3.

## Part 2 - Trust or Estate's and Beneficiary's Share of Income From Connecticut Sources

The federal distributable net income derived from or connected with sources within Connecticut (Part 3, Line 24, Column B) is allocated in Part 2 to the trust or estate and its beneficiaries in proportion to their respective shares in the federal distributable net income of the trust or estate. Do not complete Part 2 if Part 3, Line 24, Column B, is zero.

### Columns 1 and 2

Using Schedule CT-1041B, Part 1, Columns 3 and 4, enter the respective amount and percentage of federal distributable net income of each beneficiary and of the trust or estate on the appropriate lines of Columns 1 and 2. List beneficiaries in the same order as used on Schedule CT-1041B, Part 1, Column 1. The entries on Schedule CT-1041B, Part 1, Columns 3 and 4, and Schedule CT-1041FA, Part 2, Columns 1 and 2, are identical.

For resident beneficiaries, their entire distributable share of trust or estate income, not just the portion derived from or connected with Connecticut sources, is included in their Connecticut adjusted gross income.

### Column 3

Enter on the Total line of Column 3 the amount entered on Part 3, Line 24, Column B.

Determine the share of each nonresident beneficiary or of the trust or estate of a nonresident estate or trust or part-year resident trust in the total amount by multiplying the total in Column 3 by the percent in Column 2. For part-year resident trusts, the amounts in Column 3 for nonresident beneficiaries should not include amounts received during the residency portion of the taxable year not derived from or connected with sources within Connecticut.

The fiduciary must provide each nonresident beneficiary with a **Schedule CT-1041 K-1, Beneficiary's Share of Certain**

*Connecticut Items*, to include on his or her Form CT-1040NR/PY, **Schedule CT-SI, Nonresident or Part-Year Resident Schedule of Income From Connecticut Sources.**

## Part 3 - Details of Federal Distributable Net Income and Amounts of Income Derived From or Connected With Sources Within Connecticut

Enter in Column A the amount reported on federal Form 1041 as modified for the applicable items reported on *Schedule A*. For information on federal amounts which may be modified, such as the gain or loss on the sale of Connecticut state and local government bonds, see *Instructions for Schedule A* on Page 23. Enter in Column B the portion of each amount in Column A that is income or deductions derived from or connected with sources within Connecticut.

### Passive Activity Loss Limitations

In completing Column B, recompute any deduction for passive activity losses to determine the amounts that would be allowed if the federal taxable income took into account only items of income, gain, loss, or deduction of income derived from or connected with sources within Connecticut.

### Part-Year Resident Trusts Only

For a part-year resident trust, include in Column B all income during the residency portion of the taxable year and all income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year. If the trust was a part-year resident trust, include in Column B all items of special accruals. See *Special Accruals* on Page 10.

Part-year resident inter vivos trusts with one or more nonresident, noncontingent beneficiaries should create a worksheet for Schedule CT-1041FA, Part 3, Column B. This worksheet should indicate the amount from Column B attributable to non-Connecticut-sourced income during the residency portion of the taxable year. Use this determination to complete the worksheet for Schedule CT-1041FA, Part 1, Line 4.

### Line 1 and Line 2 - Interest Income and Dividends

Report on Line 1 and Line 2, Column B, income from interest and dividends included in Column A from a trade or business carried on in Connecticut. Also include amounts which relate to items of income, gain, loss, or deduction of the trust or estate derived from or connected with sources within Connecticut. Include in Column A and, if applicable, Column B interest on state and local obligations other than Connecticut and exempt-interest dividends on state and local obligations other than Connecticut.

However, do not include in Column A or Column B any income exempt from state taxes under the laws of the United States or of Connecticut, such as interest on U.S. government bonds or dividends from qualifying mutual funds derived from U.S. government obligations. A mutual fund is a qualifying fund if at the close of each quarter of its taxable year at least 50% of the value of its assets consists of U.S. government obligations.

**Line 3 - Business Income (Loss)**

Enter in Column B the net income (loss) from a trade or business carried on in Connecticut by the trust or estate. If business is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the business, enter on Line 3, Column B, the net income (loss) from business carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the business, refer to **Schedule CT-1040BA, Nonresident Business Apportionment**, for instructions on how to determine the portion related to the Connecticut business operations. This form is available on the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS).

**Line 4 - Capital Gain (Loss)**

Enter in Column B the amount of capital gain (loss) from income derived from or connected with sources within Connecticut.

**Line 5 - Rents, Royalties, Pass-Through Entities (Partnerships, S Corporations), and Other Trusts and Estates**

Include in Column B net rents and royalties from:

1. Real property situated in Connecticut whether or not used in or connected with a business;
2. Tangible personal property not used in or connected with a business if the property has an actual location in Connecticut; **and**
3. Tangible and intangible personal property used in or connected with a trade or business carried on in Connecticut by the trust or estate.

If the estate or trust received a federal Schedule K-1 and a Schedule CT K-1 from a partnership, S corporation, or other pass-through entity, use the corresponding lines on Form CT-1041FA to report the income from the pass-through entity (for example, interest, dividends, capital gains).

**Line 6 - Farm Income (Loss)**

Enter in Column B the net income (loss) from farming carried on in Connecticut by the trust or estate. If farming is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the farm, enter on Line 6, Column B, the net income (loss) from farming carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the farm, refer to Schedule CT-1040BA for instructions on how to determine the portion related to the Connecticut business operations.

**Line 7 - Ordinary Gain (Loss)**

Enter in Column B the amount of any ordinary gain (loss) from federal Form 4797 derived from or connected with sources within Connecticut.

**Line 8 - Other Income**

Enter in Column B any income derived from or connected with sources within Connecticut not reportable elsewhere in Part 3.

**Line 9**

Add Lines 1 through 8.

**Lines 10 through 14**

Enter in Column B only that portion of each item of deduction reported in Column A that relates to income derived from or connected with sources within Connecticut as reported in Column B on Lines 1 through 8.

**Line 15**

Enter in Column B other deductions from Connecticut sources not already included on Schedule CT-1041FA, Part 3, Lines 10 through 14, Column B.

Include on Line 15, Column A, the deduction allowed to trusts and estates under I.R.C. §642(b). To determine the amount of the I.R.C. §642(b) deduction to report in Column B, use the following calculation:

$$\frac{\text{Part 3, Line 9, Column B}}{\text{Part 3, Line 9, Column A}} \times \text{I.R.C. §642(b) deduction amount}$$

**Line 16**

Add Lines 10 through 15.

**Line 17 - Adjusted Total Income (Loss)**

Subtract Line 16 from Line 9 and enter the result.

For Lines 18 through 24, enter in Column B only that portion of Column A that relates to Connecticut sources.

**Line 18**

Enter on Line 18, Column A, the amount from federal Form 1041, Schedule B, Line 5.

**Line 19**

Enter on Line 19, Column A, the amount from federal Form 1041, Schedule B, Line 5 (long term and short term capital gain portion only).

**Line 20**

Enter on Line 20, Column A, the amount from federal Form 1041, Schedule B, Line 4.

**Line 21**

If the amount on Line 4 of this schedule is a loss, enter that amount on Line 21, Column A, as a positive figure. Otherwise, enter "0."

**Line 22**

Add Lines 17 through 21.

**Line 23**

If Line 4 of this schedule is a gain, enter that amount. Otherwise, enter "0."

**Line 24 - Distributable Net Income**

Subtract Line 23 from Line 22. Enter the amount from Part 3, Line 24, Column B, on Part 2, Total line, Column 3.

## Amended Return

Use **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, to amend a previously-filed Connecticut income tax return for trusts and estates. Check the *Amended Return* box on the front of Form CT-1041. Enter the amount paid with the original return on Line 12. If an amended Form CT-1041 is filed to have an overpayment of Connecticut income tax refunded or credited, it must be filed before the Connecticut statute of limitations expires. Generally, the Connecticut statute of limitations for refunding or crediting any Connecticut income tax overpayment expires three years after the due date of the return, but if a timely request for

an extension of time to file a return was filed, the statute of limitations expires three years after the extended due date of the return or three years after the date of filing the return, whichever is earlier. If an amended return is not timely filed, a penalty may be imposed. If additional tax is due, interest will apply. See *Interest and Penalties* on Page 13.

Do not file an amended Form CT-1041 to have an overpayment refunded instead of applied to next year's estimated tax. The elections you made on the original return cannot be changed by filing an amended Form CT-1041.

The following circumstances require the filing of an amended Form CT-1041. **Attach** a statement explaining the reason for filing an amended return.

### An amended Form CT-1041 must be filed by paper return.

|  |  |
|--|--|
| 1. The IRS or federal courts change or correct the federal income tax return and the change or correction results in the trust's or estate's Connecticut income tax being overpaid or underpaid.   | <b>File no later than 90 days after the final determination.</b> If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate even if the Connecticut statute of limitations has otherwise expired.   |
| 2. The fiduciary of the trust or estate filed a timely amended federal income tax return and the amendment results in the Connecticut income tax being overpaid or underpaid.  | <b>File no later than 90 days after the final determination.</b> If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination, any Connecticut income tax overpayment resulting from filing the timely amended federal income tax return will be refunded or credited to the trust or estate even if the Connecticut statute of limitations has otherwise expired.   |
| 3. The fiduciary claimed a credit for income tax paid to a qualifying jurisdiction on the original income tax return and the tax officials or courts of that qualifying jurisdiction made a change or correction to the income tax return and the change or correction results in the Connecticut income tax being overpaid or underpaid by increasing or decreasing the amount of the allowable credit. | <b>File no later than 90 days after the final determination.</b> If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination and the fiduciary claimed credit for income tax paid to a qualifying jurisdiction on the original income tax return, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate even if the Connecticut statute of limitations has otherwise expired. |
| 4. The fiduciary claimed a credit for income tax paid to a qualifying jurisdiction on the original income tax return and the fiduciary filed a timely amended income tax return with that qualifying jurisdiction and the amendment results in the Connecticut income tax being overpaid or underpaid by increasing or decreasing the amount of the allowable credit.                                    | <b>File no later than 90 days after the final determination.</b> If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination and the fiduciary claimed credit for income tax paid to a qualifying jurisdiction on the original income tax return, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate even if the Connecticut statute of limitations has otherwise expired. |
| 5. None of the above circumstances apply, but the fiduciary made a mistake or omission on the Connecticut income tax return and the mistake or omission results in the Connecticut income tax being overpaid or underpaid.   | <b>File no later than three years after the due date of the return,</b> or if you filed a timely request for an extension of time to file, three years after the date of filing the return or three years after the extended due date, whichever is earlier.   |



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|  |   |   |  |                                      |  |  |         |
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| Internet   | <p align="center"><b>Tax Information</b></p> <p>The <i>TSC</i> includes a comprehensive <i>FAQ</i> database with an extensive searchable archive. Search by category, tax type, keyword, or phrase.</p>   | <p align="center"><b>Forms and Publications</b></p> <p>Connecticut forms and publications may be viewed, downloaded, or printed by visiting <a href="http://www.ct.gov/DRS">www.ct.gov/DRS</a> the DRS website.</p> | Internet   |                                      |  |  |         |
| Phone  | <p>For telephone assistance, call DRS at <b>800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only); or <b>860-297-5962</b> (from anywhere).</p>  | <p><b>800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only) and select <b>Option 2</b>; or <b>860-297-4753</b> (from anywhere).</p>   | Phone  |                                      |  |  |         |
| E-Mail   | <p>Send routine tax questions to <a href="mailto:drs@po.state.ct.us">drs@po.state.ct.us</a> (do not send account related inquiries). For account-related questions, including bill and refund inquiries, use the <b>Secure Mailbox</b> feature by logging into the DRS electronic <i>TSC</i>.</p>   | <p>Email requests, including your name, address (street, city, state, and ZIP code), and the name or number of the tax product to <a href="mailto:ctforms.drs@po.state.ct.us">ctforms.drs@po.state.ct.us</a></p>    | E-Mail   |                                      |  |  |         |
| Walk-In  | <p>Free personal taxpayer assistance and forms are available by visiting our offices. Walk-in assistance at all DRS locations is available Monday through Friday, 8:30 a.m. to 4:30 p.m. (arrive by 4:00 p.m.). Directions to DRS offices are available using the DRS phone menu or by visiting the DRS website. If you require special accommodations, please advise the DRS representative. All calls are answered at our main office in Hartford, not at the field offices.</p> <table border="0" data-bbox="162 1680 1299 1785"> <tr> <td><b>Bridgeport</b><br/>10 Middle St</td> <td><b>Hartford</b><br/>450 Columbus Blvd</td> <td><b>Norwich</b><br/>401 West Thames St<br/>Building 700</td> <td><b>Waterbury</b><br/>55 West Main St<br/>Suite 100</td> </tr> </table> |   | <b>Bridgeport</b><br>10 Middle St                | <b>Hartford</b><br>450 Columbus Blvd | <b>Norwich</b><br>401 West Thames St<br>Building 700 | <b>Waterbury</b><br>55 West Main St<br>Suite 100 | Walk-In |
| <b>Bridgeport</b><br>10 Middle St  | <b>Hartford</b><br>450 Columbus Blvd  | <b>Norwich</b><br>401 West Thames St<br>Building 700  | <b>Waterbury</b><br>55 West Main St<br>Suite 100 |                                      |  |  |         |
| <p align="center"><b>Federal Tax Information</b></p> <p>For questions about <b>federal taxes</b>, visit <a href="http://www.irs.gov">www.irs.gov</a> or call the Internal Revenue Service (IRS) at 800-829-1040. To order <b>federal tax forms</b>, call 800-829-3676.</p> |   | <p align="center"><b>Statewide Services</b></p> <p>Visit the <i>ConneCT</i> website at <a href="http://www.ct.gov">www.ct.gov</a> for information on statewide services and programs.</p>                           |  |                                      |  |  |         |