

Instructions for Forms CT-12-717A and CT-12-717B Change of Resident Status – Special Accruals

If you move out of Connecticut, you must accrue on your Connecticut part-year resident return, for the taxable year that you move, any items of income, gain, loss, or deduction that under an accrual method of accounting would be reportable at the time you changed your residence. These accruals are required even if you would normally report the items on another accounting basis. You must also accrue to Connecticut the items of tax preference subject to the Connecticut alternative minimum tax (**Form CT-6251, Connecticut Alternative Minimum Tax Return – Individuals**). These special accruals are required under Conn. Gen. Stat. §12-717(c)(1).

If you had a right to receive the income without restriction or contingencies on or before the date of the change of residence, this income is accruable at the time you changed your residence even if the income is actually received after you move out of Connecticut. Examples of accruable items of income are: 1) the unrealized income from an installment sale made while you were a resident; **and** 2) payments you will receive from a lottery you won while you were a resident.

Other items that may be accruable include bonuses (if the amount to be received is fixed and determinable on or before the date of the change of residence) and severance pay (if the amount to be received is fixed and determinable on or before the date of the change of residence).

You can elect not to make the special accruals on your Connecticut part-year resident return for the year you move if: 1) you file a surety bond (Form CT-12-717A) or other acceptable security (Form CT-12-717B) in an amount equal to or greater than the amount of additional Connecticut income tax that would be due if the accrued items were included on your Connecticut part-year resident return; **and** 2) you include the accruable amounts as received on your Connecticut nonresident return for subsequent taxable year or years as if no change of resident status occurred.

Instructions for Form CT-12-717A, *Change of Resident Status – Special Accruals, Connecticut Surety Bond Form*.

Form CT-12-717A must be:

- Executed by a surety company registered with and under the supervision of the Connecticut Insurance Department;
- Approved by the Department of Revenue Services (DRS);
- In the amount of deferred Connecticut income tax (the amount of additional Connecticut income tax that would be due if the accrued items were included in your part-year Connecticut return; **and**
- Accompanied by a statement that shows the nature and amount of each item of accrued income, gain, loss, or deduction and each Connecticut item of tax preference as of the date of the change of residence. With the statement, include a computation of the additional Connecticut income tax which would be due if the election had not been made and if the accrued items were properly included in Connecticut adjusted gross income during the residency portion of the taxable year on the Connecticut part-year resident income tax return.

Filing Form CT-12-717A

Complete Form CT-12-717A and forward by registered mail to: Department of Revenue Services, Attention: Director, Operations Division, 450 Columbus Blvd, Hartford CT 06103-1837. If filing a joint return, include both names. Enter your Social Security Number(s) in the space provided.

When filing **Form CT-1040NR/PY, Connecticut Nonresident and Part-Year Resident Income Tax Return**, or **Form CT-1041,**

Connecticut Income Tax Return for Trusts and Estates, for the taxable year in which the change of resident status occurred, attach a copy of this form to the return.

Instructions for Form CT-12-717B, *Change of Resident Status – Special Accruals, Other Acceptable Security Form*.

In place of filing a surety bond (Form CT-12-717A), you may file other security acceptable to DRS. The following security is accepted:

- Bank passbooks and certificates of deposit;
- Irrevocable standby letters of credit made payable to DRS; **or**
- Federal Form W-2G, *Certain Gambling Winnings*, issued by the Connecticut Lottery Corporation.

Bank passbooks and certificates of deposit offered as collateral must be in an amount not less than the amount of the deferred Connecticut income tax and must represent money on deposit with a financial institution approved by DRS. Certificates of deposit must have a maturity date at least one year after the date of filing with DRS. Additionally, bank passbooks and certificates of deposit offered must be:

- Registered or maintained in the name of the taxpayer;
- Accompanied by a signed, undated withdrawal slip;
- Accompanied by a letter prepared on the letterhead of the financial institution and signed by an officer, identifying the passbooks or certificates of deposit by account number and confirming that withdrawal of principal from the passbook or certificate of deposit offered as collateral will not be permitted without written consent from DRS. The letter must also state that any right of setoff the financial institution may possess against the taxpayer will be subordinate to the interest of DRS in the passbook or certificate of deposit offered as collateral; **and**
- Accompanied by a properly completed letter of transmittal in a form as DRS may require advising that the proceeds of the passbook accounts or certificates of deposit may be withdrawn by DRS and applied against the Connecticut income tax due.

Any interest accruing on passbooks or certificates of deposit belongs to the taxpayer and may be withdrawn.

Standby letters of credit offered as collateral must be:

- Irrevocable for a period of time determined by DRS;
- Made payable to the Connecticut Department of Revenue Services;
- Written for the amount of deferred Connecticut income tax rounded up to the next higher thousand dollars;
- Issued or confirmed by a bank approved by DRS; **and**
- Contain other payment terms acceptable to DRS.

Lottery Winners: A copy of federal Form W-2G showing Connecticut income tax was withheld on Connecticut Lottery winnings is considered acceptable security. A copy of federal Form W-2G must be attached to Form CT-1040NR/PY.

Filing Form CT-12-717B

Complete Form CT-12-717B and forward by registered mail with the security described above to: Department of Revenue Services, Attention: Director, Operations Division, 450 Columbus Blvd, Hartford CT 06103-1837. If filing a joint return, include both names. Enter your Social Security Number(s) in the space provided.

When filing Form CT-1040NR/PY or Form CT-1041 for the taxable year in which the change of resident status occurred, attach a copy of this form to the return.