

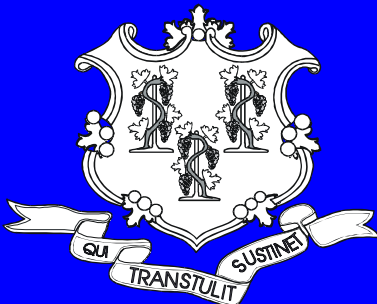
1998 FORM CT-1040

Connecticut Resident Income Tax

Return and Instructions

This booklet
contains:

- Form CT-1040
- Form CT-1040 EXT
- Form CT-1040ES
- Individual Use Tax Worksheet
- Tax Tables
- Tax Calculation Schedule
- Taxpayer Questionnaire



Dear Customer:

I am pleased to report that Connecticut continues to take significant steps to reduce the tax burden on its citizens. In addition to increasing your available property tax credit to \$350, more of your Connecticut taxable income is being taxed at the lower 3 percent rate. Other important income tax changes are highlighted on Page 2. Be sure to read them before completing your return.

I encourage you to review the section, *Which Form Should I Use?* on Page 6 to determine if you qualify to file the shorter Form CT-1040EZ. Detailed information about Connecticut taxes is available on the DRS Web site (see address at bottom of page). You may also download Connecticut forms and instructions from the Web site or obtain Connecticut income tax booklets and forms at locations described on Page 4.

This year, refunds due to taxpayers who file electronically through service providers will be mailed back to them within four days, a record for any tax agency. Direct deposit of refunds is also available for these taxpayers. Taxpayers filing paper returns can expect refunds within ten days, one of the fastest turnarounds in the country. After all, it is your money and we want you to have it as soon as possible.

If you have questions about Connecticut taxes or need help filing your return, please feel free to contact us. Our Taxpayer Services personnel are always ready to assist you. Complete information about reaching us is on the back cover of this booklet.

This year we are pleased to include in this booklet information about **2-1-1**, the new statewide toll-free Infoline number for health and human services, as well as the **HUSKY Plan** for uninsured children and youth. This can be found at the beginning of the Tax Tables.

The award-winning Department of Revenue Services is proud of the quality of service it provides Connecticut taxpayers. To help us serve you better, please complete the Taxpayer Questionnaire on Page 25. As always, I invite your comments and suggestions.

Sincerely,

Gene Gavin
Commissioner

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

SOME IMPORTANT CHANGES

- For taxable years beginning on or after **January 1, 1998**, the **income tax rates for individuals** are:
 - For those filing as *single* or as *married filing separately*, **3%** of the **first \$7,500** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$7,500**;
 - For those filing as *head of household*, **3%** of the **first \$12,000** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$12,000**;
 - For those filing as *married filing jointly*, **3%** of the **first \$15,000** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$15,000**.
- For taxable years beginning on or after **January 1, 1998**, the **maximum income tax credit for property taxes** paid by a resident individual during 1998 to a Connecticut political subdivision on the individual's primary residence or motor vehicle, or both, is **\$350** per income tax return. The property taxes must have first become due during 1998 (or, if the property taxes are payable in two or more installments, the first installment must have first become due during 1998). The credit may be limited based on an individual's Connecticut adjusted gross income and the amount of qualifying property tax payments that were made. For more information and examples, see *Schedule 3 - Credit for Property Taxes Paid on Your Primary Residence or Motor Vehicle, or Both*, on Page 21.
- When calculating their Connecticut adjusted gross income, Connecticut taxpayers who received a rebate under the 1998 Connecticut Tax Rebate Program may subtract from their federal adjusted gross income, any amount of the rebate properly includable in their gross income for federal income tax purposes. For more information, see the instructions for Line 41 on Page 16.
- For taxable years beginning on or after **January 1, 1998**, Connecticut **taxation of social security benefits is limited to 25% of the benefits received**.

Social Security recipients who pay federal income tax on their social security benefits should refer to Line 40, *Social Security Benefit Adjustment Worksheet* on Page 17 for more information.

- Each individual who is a shareholder of an S corporation subject to the Connecticut corporation business tax must include 75% of his or her pro rata share of the S corporation's nonseparately computed income or loss, multiplied by the S corporation's corporation business tax apportionment percentage, in computing Schedule 1 modifications. See instructions for Line 32, on Page 15 or Line 43, on Page 16.
- Distributions to a designated beneficiary from the Connecticut Higher Education Trust Fund (CHET) are exempt from Connecticut income tax to the extent they are includable in federal adjusted gross income of the beneficiary. For more information, see the instructions for Line 46 on Page 18.
- If a request for an extension of time to file an income tax return has been granted, no late payment penalty will be imposed if at least 90% of the tax shown to be due on **Form CT-1040** is paid on or before the original due date of the return and the balance due is paid on or before the extended due date of the return.
- For taxable years beginning on or after **January 1, 1998**, taxpayers who have claimed a credit for income taxes paid to another jurisdiction (including alternative minimum taxes) have 90 days instead of 30 days to file an amended Connecticut income tax return to report changes or corrections made to a return filed in the other jurisdiction.
- The tax credit for income tax imposed by and paid to a province of Canada is repealed, effective for taxable years beginning on or after **January 1, 1998**. However, the tax credit for an alternative minimum tax imposed by and paid to a province of Canada is not repealed.

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (in-state) or **860-297-5962** (anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number beside the topic of your choice.

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OTHER TAXES THAT YOU SHOULD KNOW ABOUT

The information that follows is intended to be a general description of other Connecticut taxes for which you may be liable. More detailed information is available in the forms and publications specified. Failure to pay these taxes, if you are liable for them, may subject you to civil and criminal penalties.

Connecticut Use Tax Reported on Form CT-1040

In general, goods or services that are purchased out-of-state and that would have been subject to the Connecticut sales tax if those goods or services had been purchased from a Connecticut retailer, are subject to the Connecticut use tax. Typically, individuals who have purchased goods from mail order or catalog companies and have had those goods shipped to Connecticut, and individuals who have purchased goods at out-of-state locations and have brought those goods back into Connecticut, are subject to the Connecticut use tax if they did not pay Connecticut sales tax. The Connecticut use tax is computed on the purchase price of the goods or services and must be paid by April 15, 1999, for all purchases subject to the Connecticut use tax made during 1998. Taxpayers who owe use tax must complete **Form CT-1040, Individual Use Tax Worksheet**, on Page 23, or **Form OP-186, Connecticut Individual Use Tax Return**.

Connecticut Gift Tax (Form CT-709)

Gifts made during each calendar year by resident and nonresident individuals are subject to the Connecticut gift tax. Residents are subject to tax on all gifts of intangible property and of real and tangible personal property located in Connecticut. In general, gifts made to any particular donee are not subject to the Connecticut gift tax unless the value of all such gifts to such donee during the calendar year exceeds \$10,000. The tax is computed on the fair market value of the property that was given. The donor is liable for the tax, but if the donor does not pay the tax, it may be collected from the donee. The tax is reported on, and paid upon the filing of **Form CT-709, Connecticut Gift Tax Return**. The return must be filed, and the gift tax paid, on or before April 15 annually for gifts made during the preceding calendar year.

Connecticut Tax for Household Employers

Connecticut rules differ from federal rules. Household employers may not report and pay household employee withholding tax with their Connecticut income tax return. See **SN 96(8), 1996 Legislative Changes Concerning "Nanny Tax" Withholding**.

GENERAL INFORMATION

WHERE CAN I GET HELP?

The Department of Revenue Services, Taxpayer Services Division, can answer questions on how to complete your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). Telecommunications Device for the Deaf (TDD/TT) users **only** may call 860-297-4911.

Assistance is also available from 8:00 a.m. to 5:00 p.m. from any of the Department's offices listed on the back cover of this booklet.

If you visit, be sure to bring:

1. Your **"state copy"** of your federal Forms W-2 or 1099-R; **and**
2. Your **COMPLETED** federal income tax return.

1999 Extended Telephone Hours for Personal Assistance (Option "0"):

| | | |
|----------------|-------------------|--------------------------|
| Tuesday | January 26 | (until 7 p.m.) |
| Thursday | January 28 | (until 7 p.m.) |
| Tuesday | February 2 | (until 7 p.m.) |
| Thursday | February 4 | (until 7 p.m.) |
| Thursday | April 1 | (until 7 p.m.) |
| Saturday | April 3 | (8:30 a.m. - 12:00 p.m.) |
| Thursday | April 8 | (until 7 p.m.) |
| Saturday | April 10 | (8:30 a.m. - 12:00 p.m.) |
| Monday | April 12 | (until 7 p.m.) |
| Tuesday | April 13 | (until 7 p.m.) |

1999 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

| | | |
|-----------------|-----------------|----------------|
| Wednesday | April 14 | (until 8 p.m.) |
| Thursday | April 15 | (until 8 p.m.) |

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

You may obtain forms and publications 24 hours a day from the DRS Web site at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

Connecticut income tax forms may be obtained at any of the Department's offices (listed on the back cover) as well as at most Connecticut post offices, banks, town halls, and public libraries.

Connecticut tax forms may also be obtained by writing to:

DRS Forms Unit
25 Sigourney Street
Hartford CT 06106-5032

or by calling our Forms Unit at 1-800-382-9463(in-state) or 860-297-4753 (anywhere) and press "2." Both numbers are available 24 hours a day.

HOW CAN I GET MY REFUND FASTER?

The Department of Revenue Services issues refund checks as quickly as possible. An incomplete or incorrectly prepared return can delay or reduce your income tax refund. The following tips will help us get your refund to you as quickly as possible.

1. File the appropriate form for your tax situation. Most people may file the simpler **Form CT-1040EZ**, *Connecticut Resident EZ Income Tax Return*. (See *Which Form Should I Use?* on Page 6.) Using this form decreases processing time and helps us process your refund faster.
2. Be sure to check the correct filing status.
3. Make sure a legible **"state copy"** of each federal Form W-2 (Wages) is attached to your Connecticut return. Also attach Forms W-2G (Winnings), 1099-R (Pensions) and any other forms showing Connecticut income tax withheld.
4. Sign your return upon completion. If you and your spouse are filing jointly, both of you must sign.
5. Have your paid preparer sign the return.
6. Use the preprinted label if one is included with this booklet. The information on this label helps us process your return and refund faster.

If you are not using a preprinted label, be sure to include your name(s), mailing address and Social Security Number(s) in the name and address section of your return.
7. Be sure that both you and your spouse file your income tax returns at the same time if you filed joint estimated tax payments but elect to file separate income tax returns. No refund will be processed until both Connecticut returns are received.
8. Use the correct mailing label on the envelope when filing your return. One label is for refund requests or no additional tax due. The other is for payments.

Electronic Filing / On-Line Filing

The Department of Revenue Services participates with the Internal Revenue Service in the joint Federal/State Electronic Filing Program. You can now file electronically if you have a refund, a balance due or no tax due. File this way to speed the processing and direct deposit of your refund. You must contact a tax professional or company that offers electronic filing or on-line filing through the Federal/State Electronic Filing Program.

WHO MUST FILE A CONNECTICUT RETURN?

You are required to file a Connecticut income tax return if you were a resident for the entire year or consent to be treated as a resident for the entire year **and** any of the following is true for the 1998 taxable year:

1. You had Connecticut income taxes withheld; **or**
2. You made estimated tax payments to Connecticut; **or**
3. You meet the gross income test (see below); **or**
4. You had a federal alternative minimum tax liability.

The Gross Income Test

You are required to file a Connecticut income tax return if your **gross income** for 1998 exceeds:

- \$12,000 for a Single or Married person filing separately
- \$19,000 for Head of household
- \$24,000 for Married persons filing jointly

Gross income means all income you received in the form of money, goods, property and services that is not exempt from federal tax **and** any additions to income from **Forms CT-1040 or CT-1040NR/PY**, Schedule 1.

Gross income includes, but is not limited to:

- Compensation for services, including wages, fees, commissions, taxable fringe benefits, and similar items
- Gross income from a business
- Capital gains
- Interest and dividends
- Gross rental income
- Gambling winnings
- Alimony
- Taxable pensions and annuities
- Prizes and awards
- Your share of income from partnerships, S corporations, estates and trusts
- IRA distributions
- Unemployment compensation
- **Federally taxable** social security.

The following examples explain the gross income test:

Example 1: A Connecticut resident whose only income is from a sole proprietorship files a federal Form 1040, reporting the following on Schedule C:

| | |
|--------------|------------------|
| Gross Income | \$100,000 |
| Expenses | (92,000) |
| Net Income | \$8,000 |

Because the **gross** income of \$100,000 exceeds the minimum requirements, this resident is required to file a Connecticut tax return.

Example 2: A Connecticut resident receives \$8,000 in federally nontaxable social security benefits and \$11,000 in interest income. Because nontaxable social security is not part of gross income, **no** Connecticut return must be filed as long as no Connecticut tax was withheld and no estimated tax payments were made.

Example 3: A resident who files as single on a Connecticut income tax return receives \$11,500 in wage income and \$1,000 in federally-exempt interest from California State bonds. The taxpayer's federal gross income with additions from **Form CT-1040**, Schedule 1 (interest on state or local obligations other than Connecticut) is \$12,500. Therefore, a Connecticut return must be filed.

Title 19 Recipients

Title 19 recipients are required to file a Connecticut income tax return if the requirements for *Who Must File a Connecticut Return?* are met. If you were a Title 19 recipient in 1998 **and** Medicaid assisted in

the payment of your long-term care in a nursing or convalescent home in 1998 **and** you do not have the funds to pay your Connecticut income tax, complete **Form CT-19IT** and attach it to the **front** of your Connecticut income tax return. By completing this form you authorize DRS to verify your Title 19 status for 1998 with the Department of Social Services.

How Do I File a Deceased Taxpayer's Return?

A Connecticut income tax return must be filed for a taxpayer who died during the taxable year if the requirements for *Who Must File a Connecticut Return?* are met. It must be signed and filed by his or her executor, administrator or surviving spouse for the portion of the year before the taxpayer's death. The date of the taxpayer's death must be clearly stated at the top of the return. As for federal purposes, a joint return may be filed by a surviving spouse. (Indicate who is deceased and date of death.) Write "**Filing as surviving spouse**" in the deceased spouse's signature block of the return. In the case of the death of both spouses, a final return must be filed by their legal representative. The Connecticut filing status must be consistent with the federal filing status.

Claiming a Refund for a Deceased Taxpayer

If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach federal Form 1310.

Any income received by the estate of the decedent for the portion of the taxable year after the decedent's death, and for succeeding taxable years until the estate is closed, must be reported each year on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*.

Special Information for Nonresident Aliens

In accordance with Conn. Agencies Regs. §12-740-8, a nonresident alien who is a resident of Connecticut, or who is a nonresident of Connecticut but has Connecticut adjusted gross income derived from or connected with sources within this state, shall file a Connecticut income tax return and pay Connecticut income tax even though the nonresident alien is not or may not be required to file a federal income tax return or pay federal income tax. The provisions of any income tax treaty between the United States and another country shall be disregarded for Connecticut income tax purposes, because no such treaty prohibits or restricts the imposition of state and local income taxes. Therefore, for Connecticut income tax purposes, any treaty income as reported on federal Form 1040NR must be entered as a modification increasing federal adjusted gross income on **Form CT-1040**, Schedule 1, Line 36. In other words, a nonresident alien must compute his or her federal adjusted gross income as if he or she were filing a federal Form 1040 and were not a nonresident alien. Enter the words "treaty income" in the space provided. You must attach a copy of your federal Form 1040NR to your Connecticut income tax return whether or not one was actually filed with the Internal Revenue Service. (See *Am I a Resident, Part-year Resident or Nonresident?* on Page 6.)

Taxable Year and Method of Accounting

A taxpayer's taxable year and method of accounting shall be the same as the taxpayer's taxable year and method of accounting for federal income tax purposes.

If a taxpayer's taxable year or method of accounting is changed for federal income tax purposes, the taxable year or method of accounting shall be similarly changed for Connecticut income tax purposes.

WHICH FORM SHOULD I USE?

Can I File Form CT-1040EZ?

Most residents may file the short, simple **Form CT-1040EZ**. You may file **Form CT-1040EZ** if **all** of the following are true:

- You were a resident of Connecticut for the entire year or consent to be treated as a resident for the entire year;
- You are not claiming credit for income taxes paid to another jurisdiction;
- You have no modifications to federal adjusted gross income for Connecticut income tax purposes, **or** your only modification is a federally taxable refund or rebate of state and local income taxes (see *Schedule 1-Modifications to Federal Adjusted Gross Income* on Page 15);
- You do not have a federal alternative minimum tax liability; **and**
- You are not claiming an adjusted net Connecticut minimum tax credit.

If **any** of these statements are **not** true, you must file **Form CT-1040** or **Form CT-1040NR/PY**.

If you owe penalty and interest for a late-filed return and you want to pay the amount with your return, you must file **Form CT-1040**. However, if you file **Form CT-1040EZ**, the Department will bill you for outstanding penalty and interest.

If one spouse is a resident and the other spouse is a part-year resident or nonresident and you file a joint federal income tax return you may not be eligible to file a joint **Form CT-1040EZ**. See *Filing Status* on Page 11 for information.

What is Connecticut Adjusted Gross Income?

For the purpose of completing **Form CT-1040**, Connecticut adjusted gross income is your federal adjusted gross income as reported on Line 33 of your federal Form 1040, Line 18 of your federal Form 1040A, Line 4 of your federal Form 1040EZ, or Line H of your federal TeleFile Tax Record with Connecticut modifications as listed on **Form CT-1040**, Schedule 1.

Am I a Resident, Part-Year Resident or Nonresident?

To determine your residency status and the return you must file for 1998, read the following:

You are a **resident** and you should complete **Form CT-1040EZ** or **Form CT-1040** if:

- Connecticut was your domicile (permanent legal residence) for the entire year of 1998; **or**
- You maintained a permanent place of abode in Connecticut **and** spent a total of more than 183 days in Connecticut during the 1998 taxable year, **and** you are not a part-year resident.

You are a **part-year resident** and you should complete **Form CT-1040NR/PY** if you:

- Changed your permanent legal residence by moving into or out of Connecticut during the taxable year. (See detailed filing instructions contained in the instruction booklet for **Form CT-1040NR/PY**.)

You are a **nonresident** and you should complete **Form CT-1040NR/PY** if you were neither a resident nor a part-year resident for 1998.

Although you and your spouse file jointly for federal purposes, you may be required to file separate Connecticut returns. For more information, see *Filing Status* on Page 11.

IMPORTANT: You may be treated as a nonresident for 1998 even though your domicile was Connecticut if **all** of the following conditions are met:

1. You maintained no permanent place of abode in Connecticut for the entire taxable year of 1998;
2. You maintained a permanent place of abode outside of Connecticut for the entire taxable year of 1998;
3. You spent not more than 30 days in the aggregate in Connecticut during the 1998 taxable year.

Military personnel stationed in Connecticut, but domiciled in another state are considered nonresidents. (See detailed filing instructions contained in the instruction booklet for **Form CT-1040NR/PY**.)

Domicile (permanent legal residence) is the place you intend to have as your permanent home. It is the place you intend to return to whenever you are away. You can have only one domicile although you may have more than one place to live. Your domicile does not change until you move to a new location and definitely intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited time (no matter how long), your domicile does not change. This also applies if you are working in a foreign country.

Permanent place of abode is a residence (a building or structure where a person can live) that you permanently maintain, whether or not you own it, and generally includes a residence owned by or leased by your spouse. A place of abode is not deemed permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose.

Are Military Personnel Required to File?

Military personnel who claim Connecticut as a residence but are stationed elsewhere will be subject to Connecticut income tax. If you enlisted in the service as a Connecticut resident and have not established a new domicile (permanent legal residence) elsewhere, you are required to file a resident income tax return unless you meet all three conditions for being treated as a nonresident listed above.

If your permanent home (domicile) was outside Connecticut when you entered the military, you do not become a Connecticut resident because you are stationed and live in Connecticut. As a nonresident, your military pay is not subject to Connecticut income tax. However, income that you receive from Connecticut sources while you are a nonresident (including your spouse's nonmilitary income) may be subject to Connecticut income tax. (See instructions for a Connecticut nonresident contained in the instruction booklet for **Form CT-1040NR/PY**.)

Example: Lisa is a resident of Florida. She enlisted in the Navy in Florida and was stationed in Groton, Connecticut. She earned \$38,000 in military pay.

If Lisa had no other income...

Military personnel are residents of the state in which they resided when they enlisted. Since Lisa resided and enlisted in Florida, she is considered a resident of Florida and does not have to file a Connecticut return.

If Lisa has a part-time job in Connecticut...

Her Connecticut source income from nonmilitary employment is taxable and must be reported on **Form CT-1040NR/PY**.

Spouses of military personnel who are stationed in Connecticut may be considered residents of this state even if their domicile is elsewhere. (See *Am I a Resident, Part-Year Resident or Nonresident?* on Page 6.)

For further information, see **IP 92(2.5)**, *Connecticut Income Tax Information for Military Personnel and Veterans*.

Combat Zone

The income tax return of any individual in the US Armed Forces serving in a combat zone or injured and hospitalized while serving in a combat zone shall be due 180 days after returning. There will be no penalty or interest charged. For any individual who dies while on active duty in a combat zone or as a result of injuries received in a combat zone, no income tax or return is due for the year of death. A refund of tax paid will be provided to the legal representative of the estate or to the surviving spouse.

Combat zone is an area designated by the President of the United States as a combat zone by executive order. A combat zone also includes an area designated by the federal government as a *qualified hazardous duty area*.

IMPORTANT: Members of the US Armed Forces serving in the peacekeeping efforts in Bosnia and Herzegovina, Croatia or Macedonia, are also eligible for the 180 day extension allowed to individuals serving in a combat zone. Such individuals should print at the top of their return **“Bosnia-Operation Joint Endeavor.”**

WHEN SHOULD I FILE?

Your Connecticut income tax return is due on or before April 15, 1999, and will be considered timely-filed if received or if the date shown by the US. Post Office cancellation mark is on or before this date.

If your taxable year is other than the calendar year, you must file on or before the fifteenth day of the fourth month after the end of your taxable year. If this date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date.

If you file late, you will be subject to penalty and interest. Penalty and interest apply to late filing, late payment and underpayment of tax. If you have an overpayment of income tax or no tax is due but you are required to file a return and you file late, you may be subject to penalty. (See *When Do Penalty and Interest Apply?* on Page 9.)

How Do I Request an Extension of Time to File My Return?

If you are unable to file a timely return, you must file **Form CT-1040 EXT**, *Application for Extension of Time to File*, and pay the amount of tax you expect to owe on or before the original due date for filing your Connecticut income tax return. This form is included in this booklet. Filing this form automatically extends the due date for **six months** (October 15, 1999, for calendar year taxpayers) if federal Form 4868, *Application for Automatic Extension of Time to File US Individual Income Tax Return*, has been filed. (You are not required to attach a copy of the federal extension request to **Form CT-1040 EXT**.)

Form CT-1040 EXT only extends the time to **file** your final return; it **does not** extend the time to **pay** your income tax or individual use tax. (See *When Do Penalty and Interest Apply?* on Page 9.)

US Citizens Living Abroad

If you are a US citizen or resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico, and are unable to file a timely Connecticut income tax return, you must file **Form CT-1040 EXT**. You must also pay the amount of tax that you expect to owe on or before the original due date of the return.

Include with **Form CT-1040 EXT** a statement that you are a US citizen or resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico and that you qualify for a federal automatic two-month extension. If your application is approved, the due date will be extended for six months (October 15, 1999, for calendar year taxpayers). If you are still unable to file your return, and you were granted an additional extension of time to file for federal purposes, you may file your Connecticut return using the federal extension due date. A copy of the federal Form 2350 approval notice must be attached to the front of your Connecticut return.

WHAT IF I CAN'T PAY ALL THE TAX I OWE?

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. Even if you cannot pay all the tax you owe, you should file your return on time and pay as much as you can. Penalty and interest will be assessed on any tax not paid by the original due date. (See *When Do Penalty and Interest Apply?* on Page 9.) If you continue to make payments, you can reduce the amount of interest you would otherwise owe.

Extension of Time to Pay the Tax

You may be eligible for an extension of six months to pay the tax you owe if you can show that it will cause you undue hardship to pay the tax on the date it is due. To receive consideration, you must file **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*, on or before the original due date of the return.

You must attach **Form CT-1127** to the front of your timely-filed Connecticut income tax return or your timely-filed **Form CT-1040 EXT**. As evidence of the need for extension, you must attach: (1) a statement of assets and liabilities, **and** (2) an itemized list of receipts and disbursements for the preceding three months. You must also explain why you are unable to borrow the money to pay the tax.

If an extension of time to pay is granted and full payment of tax is made on or before the end of the extension period, the penalty will be waived. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment from the original due date of the return until the tax is paid in full. Interest charges cannot be waived. You will receive monthly billing statements until the balance is paid in full.

You are required to make full payment of tax on or before the end of the extension period. The Department encourages you to begin making payments as soon as possible which will reduce the interest that you will otherwise owe. Mail payments to:

**DRS Accounts Receivable Unit
PO Box 5088
Hartford CT 06102-5088**

WHAT SHOULD I DO IF I MAKE A MISTAKE OR LEAVE SOMETHING OFF MY RETURN?

If, after filing your income tax return, you receive an additional W-2 or 1099 form or discover that an error was made, **do not** submit a second **Form CT-1040**. You must file **Form CT-1040X**, *Amended Connecticut Income Tax Return*, to report additional tax due or to claim a refund. **Form CT-1040X** must be filed no later than three years after the original due date of the return or, if DRS grants an extension of time to file, no later than three years after the extended due date of the return.

Contributions made to designated funds and overpayments applied to the next year's estimated taxes on the original return are irrevocable and cannot be changed by amendment.

Changes to Your Federal Return

If your income is **changed or corrected** by the Internal Revenue Service or other competent authority, and the change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days after the final determination of your federal income tax liability.

If you **amend** your federal income tax return, and the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days after the date of filing your amended federal income tax return.

Changes to Another State's Return

If you claimed credit on your Connecticut income tax return or **Form CT-6251**, *Connecticut Alternative Minimum Tax Return-Individuals*, for income tax paid to another jurisdiction, and, as the result of your income tax return with that jurisdiction being **changed or corrected** by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount.

If you claimed credit on your Connecticut income tax return or **Form CT-6251**, *Connecticut Alternative Minimum Tax Return-Individuals*, for income tax paid to another jurisdiction, and, as a result of your filing an **amended** income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date of filing your amended income tax return with the other jurisdiction.

IMPORTANT: **Form CT-1040X** is available from the Department. In order to receive the appropriate form, state the year for which you are amending your return when requesting **Form CT-1040X**.

SHOULD I MAKE ESTIMATED TAX PAYMENTS?

A payment of estimated income tax is generally required if your Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **more than \$500**, and you expect your Connecticut income tax withheld to be less than your required annual payment.

Your required annual payment for 1999 is the lesser of:

- **90%** of the income tax shown on your **1999 Connecticut income tax return**; or
- **100%** of the income tax shown on your **1998 Connecticut income tax return**, if you filed a 1998 Connecticut income tax return that covered a 12-month period.

You do **not** have to make estimated income tax payments if:

- You were a Connecticut resident in 1998 and you did not file a 1998 income tax return because you had no Connecticut income tax liability; or
- You were a nonresident or part-year resident with Connecticut source income in 1998 and you did not file a 1998 income tax return because you had no Connecticut income tax liability.

If you were a nonresident or part-year resident and you did not have Connecticut source income in 1998 then you **must** use 90% of the income tax shown on your 1999 Connecticut income tax return as your required annual payment.

Special Rules for Farmers and Fishermen

If you are a farmer or fisherman (as defined in Section 6654(i)(2) of the Internal Revenue Code) who is required to make estimated income tax payments, you will be required to make only one payment. Your installment is due on or before January 15, 2000, for the 1999 taxable year. The required installment is the lesser of 66 2/3% of the Connecticut income tax shown on your 1999 return or 100% of the Connecticut income tax shown on your 1998 return.

A farmer or fisherman who files a 1999 Connecticut income tax return on or before March 1, 2000, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for underpayment of estimated tax.

Farmers and fishermen who use these special rules **must** complete and attach **Form CT-2210**, *Underpayment of Estimated Tax by Individuals, Trusts and Estates*, 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-1040**. For further information, see **IP 97(8.1)**, *Farmer's Guide to Sales and Use and Estimated Income Taxes*.

Annualized Income Installment Method

If your income varies throughout the year, using the annualized income installment method may enable you to reduce or eliminate the amount of your estimated tax payment for one or more periods. For further information, see **IP 93(6.5)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040AES*.

Filing Form CT-1040ES

Use **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*, to make estimated Connecticut income tax payments for 1999. If you made estimated tax payments in 1998, you will receive 1999 coupons in mid-January preprinted with your name, address and social security number. To ensure that your payments are properly credited, be sure to use the preprinted coupons.

1999 Estimated Tax Due Dates

Due dates of installments and the amount of required payments for 1999 calendar year taxpayers are:

| | |
|---------------------------|--|
| April 15, 1999 | 25% of your required annual payment |
| June 15, 1999 | 25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.) |
| September 15, 1999 | 25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.) |
| January 15, 2000 | 25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.) |

If the due date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date. An estimate will be considered timely-filed if received or if the date shown by the US Post Office 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 dates.

If you did not make estimated tax payments in 1998, use **Form CT-1040ES** included in this booklet to make your first estimated income tax payment. If you file this form, additional preprinted coupons will be mailed to you.

To avoid making estimated tax payments, you may request your employer to withhold additional amounts from your wages to cover the taxes on other income. You can make this change by providing your employer with a revised **Form CT-W4, Employee's Withholding or Exemption Certificate**.

Interest on Underpayment of Estimated Tax

If you did not pay enough tax through withholding or estimated payments, or both, by any installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return. Interest is calculated separately for each installment. Therefore, you may owe interest for an earlier installment, even if you paid enough tax later to make up the underpayment. Interest at 1% (.01) per month or fraction of a month shall be added to the tax due until the **earlier of**: April 15, 1999, or the date on which the underpayment is paid.

A taxpayer who files a 1998 income tax return on or before January 31, 1999, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for failing to make the estimated payment due January 15, 1999. (This does not apply to taxpayers paying estimated Connecticut income taxes as farmers or fishermen.)

Filing Form CT-2210

If your 1998 Connecticut income tax (after tax credits) minus Connecticut tax withheld, is more than \$500, you can use **Form CT-2210, Underpayment of Estimated Income Tax by Individuals, Trusts and Estates**, to find out if you paid enough income tax during the year. You can also use this form to calculate interest if you underpaid your estimated tax. **Form CT-2210** and detailed instructions are available from the Department. However, this is a complex form and you may prefer to have the Department calculate the interest for you.

WHEN DO PENALTY AND INTEREST APPLY?

Late Payment or Late Filing

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. The penalty for late payment or underpayment of income or use tax is 10% (.10) of such amount due. Taxpayers who pay 90% (.90) or more of their total income tax due with their extension request by the original due date of the return and pay the remaining balance by the extended due date will avoid penalty for failure to pay the full

amount due by the original due date. In the event that no tax is due, the Commissioner of Revenue Services **may** impose a \$50 penalty for the late filing of any return or report that is required by law to be filed. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment until the tax is paid in full.

Failure to File

If you fail to file your return and the Commissioner of Revenue Services files a return for you, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater.

Failure to Report Federal Changes

If your income is changed or corrected by the Internal Revenue Service or other competent authority for any taxable year, you are required to report such change or correction no later than 90 days after the final determination of your federal income tax liability, if the federal change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability). The change or correction should be reported on **Form CT-1040X**. If you file an amended federal income tax return for any taxable year, you are required to file **Form CT-1040X** no later than 90 days after the date of filing your amended federal income tax return, if the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability). In either case, the penalty for failure to file **Form CT-1040X** within such time is \$50.

Failure to Report State Changes

If you claimed credit for income tax paid to another jurisdiction on your Connecticut income tax return or **Form CT-6251**, and, as a result of your filing an amended income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended Connecticut income tax return. You must file **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date of filing an amended income tax return with the other jurisdiction. If you claimed credit for income tax paid to another jurisdiction on your Connecticut income tax return or **Form CT-6251**, and, as a result of your income tax return with that jurisdiction being changed or corrected by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended Connecticut income tax return. You must file **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount. In either case, the penalty for failure to file **Form CT-1040X** within such time is \$50.

Waiver of Penalty

You may be entitled to a waiver of penalty if the failure to pay tax was due to reasonable cause. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include your name and social security number on all correspondence. Do not include penalty waiver requests with the tax return.

Mail separately to:

DRS Penalty Review Committee
PO Box 5089
Hartford CT 06102 - 5089

Interest cannot be waived. Before a penalty waiver can be granted, the taxpayer must **pay all tax and interest due**.

WHAT HAPPENS AFTER I FILE?

How Long Should Records be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed.

You may need this information to prepare future returns or to amend filed returns.

Copies of Returns

You may request a copy of a previously filed Connecticut income tax return from the Department by completing **Form LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

Information About Refunds

If you have a touch-tone phone, you can check on the status of your refund 24 hours a day by calling **1-800-382-9463** (in-state) or **860-297-5962** (anywhere). Be ready to provide: your Social Security Number (and your spouse's, if filing jointly) and the exact amount of the refund you requested.

You should allow at least eight weeks for your refund to be processed. You are entitled to interest on your overpayment at the rate of 2/3% for each month or fraction of a month between the 90th day following receipt of your claim for a refund or the due date of your return, whichever is later, and the date of notice that your refund is due.

Offset Against Debts

If you are due a refund but have not paid certain obligations to Connecticut state agencies or the Internal Revenue Service, all or part of your overpayment may be used to pay all or part of these outstanding debts or taxes. You will be advised by mail if your refund is reduced for this reason and will be given information directing you to the agency to contact if you wish to appeal. Your refund may also be reduced if you owe penalty and interest on late-filed or underpaid Connecticut income tax returns.

Nonobligated Spouse

When a joint return is filed and only one spouse owes past-due child support or a debt to any Connecticut state agency, the spouse who is not obligated may be eligible to claim a share of a joint income tax refund. A nonobligated spouse who received income in 1998 and who made Connecticut income tax payments (withholding or estimates) for taxable year 1998 may be eligible to claim his or her share of any refund if:

- A joint Connecticut tax return was filed for 1998; **and**
- An overpayment of tax was made.

If you are a nonobligated spouse, you may claim your share of a joint refund by filing **Form CT-8379, Nonobligated Spouse Claim**.

Do not use **Form CT-8379** to claim your share of a Connecticut refund that was applied to federal taxes owed to the Internal Revenue Service. You must contact the IRS Problem Resolution Office in Hartford at 860-240-4179.

INSTRUCTIONS FOR FORM CT-1040

HOW DO I START?

Follow this easy, five-step process to complete your form with a minimum amount of time and effort.

Step One - Complete Your Federal Return

Before you begin, get all your records together, including your federal Forms W-2 (Wages), W-2G (Winnings), 1099-R (Pensions) and other 1099s. First use this information to complete your federal income tax return. The information on your federal return will help you complete your Connecticut return.

Step Two - Complete Your Connecticut Return

Remove the income tax forms from this booklet. One copy is for you to file with the Department of Revenue Services. The other copy is for your records. If you complete the copy for your records first, you will be able to make any necessary corrections and copy your final calculations onto the form you send to the Department of Revenue Services. Keep the copy for your records. You may need information from it when you file your next year's return, make estimated tax payments, or to respond to a question from DRS.

Proceed item by item, reading the instructions for each line item before you enter any amounts. Then copy all information carefully onto the form you intend to file.

Step Three - Order of Attachments

Staple all your W-2 forms or **Form CT-4852** (substitute Form W-2) to the front of the income tax form in the appropriate area marked "**Staple W-2s, W-2Gs and 1099s here.**" Also attach any other forms showing Connecticut income tax withheld.

Paper clip your check or money order in payment of the tax due to the front of the income tax form in the appropriate area marked "**Clip check or money order here.**" Be sure to write your social security number and "1998 CT-1040" on your check or money order.

In addition, if you must file any of the following forms, attach the form(s) to the **front** of your income tax return in the following order:

- **Form CT-19IT, Title 19 Status Release Form**
- **Form CT-1127, Application for Extension of Time for Payment of Income Tax**
- **Form CT-8379, Nonobligated Spouse Claim**

Attach other required forms and schedules to the back of your return or as directed on the form.

Step Four - Check Your Return

Take your time in completing your return. When you have finished, recheck all of your entries and arithmetic.

After you have completed your return, **be sure to sign it** and attach any required schedules, statements or forms.

REMEMBER: Errors Delay Refunds.

Step Five - Mailing Your Return

This package contains one envelope with two pre-addressed labels for mailing your return. Use the correct label to get your return and refund processed faster.

For **REFUND REQUEST** or **NO TAX DUE**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2976
Hartford CT 06104-2976**

For **PAYMENT**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2977
Hartford CT 06104-2977**

NAME AND ADDRESS

All information on **Form CT-1040** should be for the calendar year January 1 through December 31, 1998, or for your fiscal year beginning in 1998. If filing for a fiscal year other than the calendar year, enter the month and day the taxable year began, and the month, day and year that it ended, at the top of the front page.

After you have completed your return and checked it for accuracy, remove the preprinted peel-off label included in this booklet and place it over the name and address blanks of your return. Using the label helps us process your return faster so that you may receive your refund sooner. It also reduces the possibility of error, which could delay your refund.

Make sure the information on the label is correct. Do not use this label if any of the information is incorrect. Print or type the correct information in the name and address blanks on your return.

If there is no preprinted label, print or type the information requested in the space provided at the top of **Form CT-1040**. Be sure your social security number is listed on your return. If you file a joint return, list your social security number and your spouse's social security number in the order they appear on your federal return.

If your return is being completed by someone else, take your booklet to your tax preparer so that the preparer can attach the label to your return.

FILING STATUS

Check the appropriate box to indicate your filing status. For the purpose of **Form CT-1040**, your filing status must match your federal income tax filing status for this year. Consult the information in your federal income tax booklet or call the Internal Revenue Service at 1-800-829-1040 if you are not certain of your filing status for 1998.

What if My Spouse and I are Residents of Different States?

When one spouse is a **Connecticut resident** or a **nonresident** and the other spouse is a **part-year resident**, **EACH** spouse who is required to file a Connecticut income tax return **must** file as "**married filing separate**."

When one spouse is a **Connecticut resident** and the other is a **nonresident**, **EACH** spouse who is required to file a Connecticut income tax return **must** file as "**married filing separate**" **unless**:

- They file jointly for federal income tax purposes; **and**
- They elect to be treated as if both were Connecticut residents for the entire taxable year.

If filing a joint federal return and a separate Connecticut return, enter on Line 1 of **Form CT-1040** only **your** portion of the income included in joint federal adjusted gross income.

ROUNDING OFF TO WHOLE DOLLARS

Generally, you may round off cents to the nearest whole dollar on your return and schedules. However, if you need to add two or more amounts to compute the amount to enter on a line, you must include cents when adding and only round off the total.

Round off 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. For example, \$1.20 should be rounded down to \$1.00, and \$3.50 should be rounded up to \$4.00.

You may round off the amount of tax due as stated in the 1998 Tax Tables or as calculated using the Tax Calculation Schedule.

CAUTION: Rounding off to whole dollars may affect the amounts of your personal exemption and your personal tax credit.

LINE-BY-LINE INSTRUCTIONS

LINE 1 - FEDERAL ADJUSTED GROSS INCOME

Enter your federal adjusted gross income from your 1998 federal income tax return. This will be the amount reported on Line 33 of federal Form 1040, Line 18 of federal Form 1040A, Line 4 of federal Form 1040EZ, or Line H of federal TeleFile Tax Record.

LINE 2 - ADDITIONS

Enter the amount from **Form CT-1040**, Schedule 1, Line 37. (See *Additions to Federal Adjusted Gross Income* on Page 15.)

LINE 3

Add Line 1 and Line 2. Enter the total on Line 3.

LINE 4 - SUBTRACTIONS

Enter the amount from **Form CT-1040**, Schedule 1, Line 47. (See *Subtractions from Federal Adjusted Gross Income* on Page 16.)

LINE 5 - CONNECTICUT ADJUSTED GROSS INCOME

Subtract Line 4 from Line 3 and enter the result on Line 5. This is your Connecticut adjusted gross income.

LINE 6 - INCOME TAX CALCULATION

If the amount on Line 5 is \$12,000 or less, enter zero on Line 6. If the amount is more than \$12,000, calculate your tax using one of the following methods:

Tax Tables - If your Connecticut adjusted gross income is less than or equal to \$102,000, you may use the Tax Tables in the back of this booklet to find your tax. Be sure to use the correct column in the Tax Tables. After you have found the correct tax, enter that amount on Line 6.

Tax Calculation Schedule - You **must** use the Tax Calculation Schedule to figure your tax if your Connecticut adjusted gross income is more than \$102,000. You may also use the Tax Calculation Schedule if your Connecticut adjusted gross income is less than or equal to \$102,000. This schedule is found at the end of this booklet.

LINE 7 - CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

If all or part of the income reported on this return is subject to income tax in another state or specified jurisdiction and you have filed a return and paid income taxes to that jurisdiction, complete Schedule 2 on the back of **Form CT-1040** and enter the amount from Line 56 here. (See *Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions* on Page 18.)

You must attach a copy of your return filed with the other jurisdiction(s) or the credit will be disallowed.

LINE 8

Subtract Line 7 from Line 6. Enter the result on Line 8. If Line 7 is greater than Line 6, enter 0.

LINE 9 - CONNECTICUT ALTERNATIVE MINIMUM TAX

If you were required to pay the federal alternative minimum tax for 1998, you must file **Form CT-6251**, *Connecticut Alternative Minimum Tax Return - Individuals*. Enter the amount shown on Line 26 of **Form CT-6251** on Line 9.

LINE 10

Add Line 8 and Line 9 and enter the total on Line 10.

LINE 11 - CREDIT FOR PROPERTY TAXES PAID ON YOUR PRIMARY RESIDENCE OR MOTOR VEHICLE, OR BOTH

If the amount on Line 10 is zero, skip Lines 11 and 12 and go to Line 13. Complete Schedule 3 on the back of **Form CT-1040** and enter the amount from Line 64 on Line 11. Be certain to include all of the requested information or your credit may be denied. (See *Schedule 3 - Credit for Property Taxes Paid on Your Primary Residence or Motor Vehicle, or Both*, on Page 21.)

IMPORTANT: The credit is limited to the lesser of \$350 or the amount of qualifying property taxes paid. The maximum property tax credit allowed is \$350 per return, regardless of filing status. If you paid more than \$100 in property tax, you may be subject to a limitation based on your Connecticut adjusted gross income. (See *Property Tax Credit Limitation Worksheet* on Page 22.) This credit can be used to offset only your 1998 income tax. You cannot carry this credit forward and it is not refundable.

LINE 12

Subtract Line 11 from Line 10. Enter the result on Line 12. If less than zero, enter 0.

LINE 13 - ADJUSTED NET CONNECTICUT MINIMUM TAX CREDIT

Enter the amount from **Form CT-8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts and Estates*, on Line 13. If you did not pay Connecticut alternative minimum tax in 1994 or thereafter, or if you entered an amount on Line 9 of this form, enter 0.

LINE 14 - CONNECTICUT INCOME TAX

Subtract Line 13 from Line 12. Enter the result on Line 14. If less than zero, enter 0.

LINE 15 - INDIVIDUAL USE TAX

Enter the total use tax due as reported on the *Individual Use Tax Worksheet* located on Page 23. You **must** enter a zero on Line 15 if no Connecticut use tax is due; otherwise you will not have filed a use tax return.

LINE 16 - TOTAL TAX

Add Line 14 and Line 15. Enter the total on Line 16.

LINE 17 - CONNECTICUT TAX WITHHELD

Enter the total income tax withheld for the State of Connecticut as indicated on your copies of W-2, W-2G and 1099 forms. Enter only amounts withheld for the State of Connecticut. The amount withheld should be shown in box 18 of Form W-2, box 14 of Form W-2G, and box 10 of Form 1099-R. If you received a 1998 Form 1099 showing Connecticut income tax withheld on other income you received, such as unemployment compensation, include the amount withheld in the total on Line 17. Do **not** include tax withheld for other states or the Internal Revenue Service. Be sure you staple the "state copy" of all W-2 forms to the front of your return. Also, attach any other forms showing Connecticut tax withheld, otherwise, your claim of amounts withheld will not be allowed. If you have not received a W-2 form from your employer or Form 1099-R from your pension, annuity, retirement or profit sharing plan, you should request **Form CT-4852**

(substitute Form W-2) to report your earnings and withholding. **Attach copies of W-2G and 1099 forms only if they show Connecticut tax withheld.**

IMPORTANT: If the amount on Line 17 does not equal the amounts of Connecticut withholding as reported on Forms W-2, W-2G, 1099 and **Form CT-4852**, your **Form CT-1040** will be returned to you.

LINE 18 - ALL 1998 ESTIMATED TAX PAYMENTS

Enter on Line 18 the total of all Connecticut estimated tax payments, advance tax payments, and any overpayments of Connecticut income tax applied from a prior year. Be sure to include any 1998 estimated payments made in 1999. **Do not** include any refunds received.

LINE 19 - PAYMENTS MADE WITH EXTENSION REQUEST

If you filed **Form CT-1040 EXT**, *Application for Extension of Time to File*, enter on Line 19 the amount you paid with that form.

LINE 20 - TOTAL PAYMENTS

Add Lines 17, 18 and 19. Enter the total on Line 20. This represents the total of all Connecticut tax payments made.

LINE 21 - AMOUNT OVERPAID

If Line 20 is greater than Line 16, subtract Line 16 from Line 20 and enter the result on Line 21. This is the amount of your overpayment. To properly allocate your overpayment, go to Lines 22, 23 and 24. If Line 20 is less than Line 16, go to Line 25.

LINE 22 - AMOUNT OF LINE 21 YOU WANT APPLIED TO YOUR 1999 ESTIMATED TAX

Enter the amount of your 1998 overpayment that you want applied to your 1999 estimated Connecticut income tax. It will be treated as estimated tax paid on April 15, 1999, if your return is filed on time or if you filed a timely request for extension and your return is filed within the extension period. **Your request to apply this amount to 1999 estimated income tax is irrevocable.**

LINE 23 - AMOUNT OF LINE 21 YOU WANT TO CONTRIBUTE

You may contribute all or a portion of your refund to one or more of five designated funds. Check the appropriate box or write in a whole dollar amount for each fund to which you wish to contribute. Add your contributions and enter the total amount on Line 23. **Your contribution is irrevocable.**

You may make a contribution on this return only if you are entitled to a refund. Your contribution is limited to your refund amount. You may, however, also make **direct** contributions by following the instructions below.

WHAT WILL YOUR CONTRIBUTION BE USED FOR?

| AIDS RESEARCH EDUCATION FUND | ORGAN TRANSPLANT FUND | ENDANGERED SPECIES, NATURAL AREA PRESERVES, AND WATCHABLE WILDLIFE FUND | BREAST CANCER RESEARCH AND EDUCATION FUND | SAFETY NET SERVICES FUND |
|--|--|--|---|--|
| <p>This fund was created to assist research, education and community service programs related to Acquired Immune Deficiency Syndrome (AIDS). The fund is administered by the Connecticut Department of Public Health.</p> <p>To contribute directly send to:</p> | <p>This fund was created to assist Connecticut residents in paying all or part of any costs associated with a medically required organ transplant. The fund is administered by the Connecticut Department of Social Services.</p> <p>To contribute directly send to:</p> | <p>This fund was established to help preserve, protect and manage Connecticut's endangered plants and animals, wildlife and their habitats. The fund is administered by the Connecticut Department of Environmental Protection.</p> <p>To contribute directly send to:</p> | <p>This fund was created to assist research, education and community service programs related to Breast Cancer. The fund is administered by the Connecticut Department of Public Health.</p> <p>To contribute directly send to:</p> | <p>This fund was created to protect the children of families whose public assistance benefits ended due to a time limit. The fund is administered by the Connecticut Department of Social Services.</p> <p>To contribute directly send to:</p> |
| <p><i>AIDS Programs, Dept. of Public Health MS#11APV PO Box 340308 Hartford CT 06134-0308</i></p> | <p><i>Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003</i></p> | <p><i>Department of Environmental Protection-Bureau of Administration Financial Management 79 Elm Street Hartford CT 06106-5127</i></p> | <p><i>Connecticut Department of Public Health Breast and Cervical Cancer Early Detection Program MS#11HLS PO Box 340308 Hartford CT 06134-0308</i></p> | <p><i>Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003</i></p> |
| <p>Make check payable to: "Treasurer, State of Connecticut/AIDS Fund"</p> | <p>Make check payable to: "Commissioner of Social Services/Organ Transplant Fund"</p> | <p>Make check payable to: "DEP-Endangered Species/Wildlife Fund"</p> | <p>Make check payable to: "Treasurer, State of Connecticut/Breast Cancer Fund"</p> | <p>Make check payable to: "Commissioner of Social Services/Safety Net Fund"</p> |

LINE 24 - AMOUNT OF LINE 21 YOU WANT REFUNDED TO YOU

Subtract the total of Line 22 and Line 23 from Line 21. Enter the result on Line 24. This is the amount of your refund. Early filers receive their refunds faster. Be sure to affix the **refund label** to the envelope when mailing your return.

IMPORTANT: Your overpayment is applied in the following order: penalty and interest you owe, amounts designated by you to be applied to your 1999 estimated tax, other taxes you may owe the Department of Revenue Services, debts to other Connecticut state agencies, federal taxes you may owe the Internal Revenue Service, and charitable contributions designated by you. Any remaining balance will be refunded to you.

LINE 25 - IF LINE 16 IS GREATER THAN LINE 20, ENTER AMOUNT OF TAX YOU OWE

If Line 16 is greater than Line 20, subtract Line 20 from Line 16 and enter the result on Line 25. This is the amount of tax you owe. (See *Should I Make Estimated Tax Payments?* on Page 8.)

LINE 26 - PENALTY FOR LATE PAYMENT OR LATE FILING

Late Payment Penalty: The penalty for late payment or underpayment of income or use tax is 10% (.10) of such amount due. Taxpayers who pay 90% (.90) or more of their total income tax due with their extension request by the original due date of the return and pay the remaining balance by the extended due date will avoid penalty for failure to pay the full amount due by the original due date.

Late Filing Penalty: In the event that no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

LINE 27 - INTEREST FOR LATE PAYMENT OR LATE FILING

If you fail to pay the tax when due, interest will be charged at the rate of 1% (.01) per month or fraction of a month from the due date until payment is made.

LINE 28 - INTEREST ON UNDERPAYMENT OF ESTIMATED TAX

If Line 14 minus Line 17 is more than \$500, you may owe interest on estimated tax that you either underpaid or paid late. **Form CT-2210, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates***, can help you determine whether you did underestimate and will help you calculate interest. Because this is a complex form you may prefer to have the Department calculate the interest; do **not** file **Form CT-2210**, leave this line blank, and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay your tax or April 15, 1999.

LINE 29 - AMOUNT YOU OWE WITH THIS RETURN

Add Lines 25 through 28. Enter the total on Line 29. This is the total amount you owe. Pay the amount in full with your return. Make your check or money order payable to the "**Commissioner of Revenue Services**". Write your social security number(s) and "**1998 Form CT-1040**" on the front of your check in the lower left corner. Be sure to sign your check and paper clip it to the front of your return. **Do not send cash.**

Failure to file or failure to pay the proper amount of tax when due **will result in the imposition of penalty and interest.** It is to your advantage to file when your return is due whether or not you are able to make full payment.

SIGN HERE

After completing your Connecticut **Form CT-1040**, sign your name and write the date you signed the return. Your spouse must also sign and enter the date if this is a joint return.

PAID PREPARER SIGNATURE

Anyone you pay to prepare your return must sign and date it. A preparer who signs your return must sign it by hand in the space provided. The preparer's federal employer identification number and firm name must also be entered in the space provided.

MAILING YOUR RETURN

Keep a copy of this return for your records. Attach to this return copies of any required schedules and forms. Do **not** attach copies of your federal income tax return or federal schedules.

1. Remove both labels from the envelope flap along the perforation.
2. Choose the correct label for your return, moisten and place it on the return envelope.
3. Affix the correct postage to the envelope, or your return may be late or not delivered.

Do not use these mailing labels to send other correspondence to the Department. Using these labels for other purposes will delay our response to you.

SCHEDULE 1 - MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

See **PS 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*, for help in determining whether you must make a modification.

ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME - ENTER ALL AMOUNTS AS POSITIVE NUMBERS

LINE 30 - 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 and US Virgin Islands.

LINE 31 - EXEMPT-INTEREST DIVIDENDS 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 that are 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 and 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 and US 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 this line.

LINE 32 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED LOSS

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal adjusted gross income.

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax, and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of your pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 32. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the preceding instructions, but substitute 55% for 75%).

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the calendar year*, multiply 90% of your pro rata share of the S corporation's nonseparately computed loss by the S corporation's

Connecticut corporation business tax apportionment percentage and enter this amount on Line 32. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the preceding instructions, but substitute 75% for 90%).

Your pro rata share of the S corporation's nonseparately computed loss will be reported on federal Form 1120S, Schedule K-1 furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If any federal limitations apply, add back only 75% of the net loss (90% of the net loss if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

LINE 33 - TAXABLE AMOUNT OF LUMP-SUM DISTRIBUTIONS FROM QUALIFIED PLANS NOT INCLUDED IN FEDERAL AGI

If you filed federal Form 4972, *Tax On Lump-Sum Distributions*, with your federal Form 1040 to compute the tax on any part of a distribution from a qualified plan, enter **that** part of the distribution on Line 33. Do not enter any part of the distribution reported on Line 11a of federal Form 1040A or Line 16a of federal Form 1040 or on Schedule D of federal Form 1040.

LINE 34 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (that is, the Connecticut fiduciary adjustment) that apply to such income will be shown on **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates**, Schedule B, Column 5. Your share of these modifications should be provided to you by the fiduciary. If your share of these modifications is an amount greater than zero, enter the amount on Line 34. If the amount is less than zero, enter the amount on Line 44.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if greater than zero, on Line 34.

LINE 35 - LOSS ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total losses from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes, whether or not the entire loss is used in computing federal adjusted gross income.

LINE 36 - OTHER

Use Line 36 to report any of the following modifications:

1. Add back any Connecticut income tax deducted on the federal income tax return to arrive at federal adjusted gross income. Do not add back any Connecticut income tax deducted on federal Form 1040, Schedule A.

2. Add back any 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 which were deducted on the federal return to arrive at federal adjusted gross income.
3. Add back any amortizable bond premium on bonds producing interest income exempt from Connecticut income tax which premiums were deducted on the federal return to arrive at federal adjusted gross income.
4. Add back any 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.
5. Add back to the extent deductible in determining federal adjusted gross income, any interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax.
6. Also use Line 36 to report any additions to federal adjusted gross income required for Connecticut income tax purposes which are not listed on Lines 30 through 35.

LINE 37 - TOTAL ADDITIONS

Add Lines 30 through 36. Enter the total on Line 37 and on Line 2 on the front of **Form CT-1040**.

SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME - ENTER ALL AMOUNTS AS POSITIVE NUMBERS

LINE 38 - INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS

Enter the total amount of interest income (to the extent includible in federal adjusted gross income) derived from US government obligations, which federal law prohibits states from taxing (for example, US government bonds such as Saving Bonds Series EE and Series HH, US Treasury bills and notes).

For Series EE US Savings Bonds, you are entitled to include on Line 38 **only** the amount of interest subject to federal income tax after exclusion of the amounts reported on federal Form 8815. In general, the net taxable amount you will report on Schedule B of federal Form 1040 or Schedule 1 of federal Form 1040A.

IMPORTANT: Do not enter the amount of interest income derived from 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 39 - EXEMPT DIVIDENDS FROM CERTAIN QUALIFYING MUTUAL FUNDS DERIVED FROM US GOVERNMENT OBLIGATIONS

Enter the total amount of exempt dividends received from a qualifying mutual fund that are derived from US 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 US government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund.

IMPORTANT: Do not enter the amount of dividend income derived from 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 income derived from these obligations, and this income is taxable for Connecticut income tax purposes.

Example: A qualifying mutual fund pays a dividend of \$100. Of the distribution, 55% is attributable to US Treasury bills and 45% to other investments. The amount that should be reported on Line 39 is \$55.

LINE 40 - SOCIAL SECURITY BENEFIT ADJUSTMENT

If you receive federally taxable social security benefits, you may be able to reduce the amount of these benefits that is subject to Connecticut income tax. Complete the *Social Security Benefit Adjustment Worksheet* on Page 17 and enter the result on Line 40. If you received employer-provided adoption benefits, add to Line C any such benefits reported in box 13 of your 1998 federal Form W-2 to the extent excluded from taxable wages on Line 7 of your 1998 federal Form 1040.

LINE 41 - REFUNDS OF STATE AND LOCAL INCOME TAXES

Enter the amount of taxable refunds of state and local income taxes, *including any Connecticut income tax that was rebated to you during 1998*, that is reported on Line 10 of your federal Form 1040. (If an amount is not reported on Line 10 of your federal Form 1040, or if you filed federal Form 1040A, 1040EZ or federal TeleFile Tax Record, enter zero).

LINE 42 - TIER 1 AND TIER 2 RAILROAD RETIREMENT BENEFITS AND SUPPLEMENTAL ANNUITIES

If you received Tier 1 or Tier 2, or both, railroad retirement benefits and supplemental annuities during 1998, you may deduct the amount included in your federal adjusted gross income. Enter the total amount of Tier 1 and Tier 2 railroad retirement benefits reported on federal Form 1040, Line 16b or Line 20b, or federal Form 1040A, Line 11b or Line 13b. Likewise, enter the amount of railroad unemployment benefits, including sickness benefits paid in lieu of unemployment benefits, to the extent included in your federal adjusted gross income.

LINE 43 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED INCOME

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal adjusted gross income.

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of your pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 43. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the instructions above, but substitute 55% for 75%).

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the*

calendar year, multiply 90% of your pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 43. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the instructions above, but substitute 75% for 90%). Your pro rata share of the S corporation's nonseparately computed income will be reported on federal Form 1120S, Schedule K-1 furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If you have deductible losses from a prior year or other adjustments, subtract only 75% of the net income (90% of the net income if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

LINE 44 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (such as the Connecticut fiduciary adjustment) that apply to such income will be shown on **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates**, Schedule B, Column 5. Your share of these modifications should be provided to you by the fiduciary. If your share of these

modifications is an amount less than zero, enter the amount on Line 44. If the amount is greater than zero, enter the amount on Line 34.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if less than zero, on Line 44.

LINE 45 - GAIN ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total of all gains from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes.

LINE 46 - OTHER

Use Line 46 to report any of the following modifications:

1. Subtract any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but exempt for federal purposes, that is not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
2. Subtract 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, which were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.

| SOCIAL SECURITY BENEFIT ADJUSTMENT WORKSHEET (Line 40) | |
|--|----|
| A. Enter the total amount from Box 5 of all your Forms SSA-1099 and Forms RRB-1099 | A. |
| If Line A is zero or less, stop here and enter 0 on Line 40. Otherwise, go to Line B. | |
| B. Divide Line A above by 2 | B. |
| C. Add the amounts on your federal Form 1040, Lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21; or federal Form 1040A, Lines 7, 8a, 9, 10b, 11b and 12. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099 | C. |
| D. Enter the amount from federal Form 1040 or 1040A, Line 8b | D. |
| E. Add Lines B, C, and D | E. |
| F. Enter total adjustments from federal Form 1040, Line 32 or federal Form 1040A, Line 17 | F. |
| G. Subtract Line F from Line E | G. |
| H. Enter on Line H the amount shown below for your filing status: <ul style="list-style-type: none"> ● Single, head of household, or qualifying widow(er), enter \$25,000 ● Married filing jointly, enter \$32,000 ● Married filing separately, enter 0 (\$25,000 if you lived apart from your spouse for all of 1998) | H. |
| I. Subtract Line H from Line G. If zero or less, enter 0 | I. |
| J. Divide Line I by 2 | J. |
| K. Enter the lesser of Line B or Line J | K. |
| L. Multiply the amount on Line K by 50% (.50) | L. |
| M. Taxable amount of social security benefits as reported on 1998 federal Form 1040, Line 20b or Form 1040A, Line 13b | M. |
| N. Social Security Benefit Adjustment - Subtract Line L from Line M. Enter the amount here and on Form CT-1040 , Line 40. (If Line L is greater than or equal to Line M, enter 0) | N. |

3. Subtract any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax, which premiums were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
4. Subtract the amount of any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.

5. Subtract the amount of any distributions that you received from the Connecticut Higher Education Trust Fund (CHET) as a designated beneficiary to the extent includable in your federal adjusted gross income.

Do **not** use Line 46 to subtract income subject to tax in another jurisdiction or income of a nonresident spouse. (See *Filing Status* on Page 11.)

LINE 47 - TOTAL SUBTRACTIONS

Add Lines 38 through 46. Enter the total on Line 47 and on Line 4 on the front of **Form CT-1040**.

SCHEDULE 2 - CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Use Schedule 2 to claim a credit against your Connecticut income tax liability for income taxes you paid for the taxable year to another state or political subdivision thereof, or 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.

Example: No credit is allowed for taxes paid on dividends or interest income unless derived from property employed in a business or trade carried on in that jurisdiction. Credit is allowed, however, for taxes paid on wages earned for services performed in another jurisdiction.

Taxpayers seeking a credit for alternative minimum taxes paid to another jurisdiction must use **Form CT-6251, Connecticut Alternative Minimum Tax Return-Individuals**, to calculate their alternative minimum tax credit.

No credit shall be allowed for any of the following:

- Income tax paid to a foreign country (including Canada);
- Income tax paid to another jurisdiction, if the taxpayer claimed credit on that other jurisdiction's income tax return for income taxes paid to Connecticut;
- Income tax paid to a Canadian province (including a political subdivision of a Canadian province).

The allowed credit must be separately computed for each jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. **Attach a copy of all income tax returns filed with other jurisdictions to your Connecticut income tax return or the credit will be disallowed.**

Schedule 2 provides two columns, A and B, to compute the credit for two jurisdictions. If you need more than two columns, create a worksheet identical to Schedule 2 and attach it to the back of your **Form CT-1040**.

IMPORTANT: If you are claiming credit for income taxes paid to another state **and** to its political subdivision (i.e. New York State and New York City), follow these rules to determine your credit:

- A. If the **same amount** of income is taxed by both the city and state:
 1. Use only **one** column of Schedule 2 to calculate your credit;
 2. Enter the same income taxed by both city and state in that column on Schedule 2;
 3. Combine the amounts of tax paid to the city and the state and enter the total on Line 54 of that column.

- B. If the **amounts** of income taxed by both the city and state **are not equal**:

1. Use **two** columns on **Form CT-1040, Schedule 2**;
2. Include only the same income taxed by both jurisdictions in the first column;
3. Include the excess income taxed by only one of the jurisdictions in the next column.

Example: Chris and Rob are Connecticut residents who file a married filing joint Connecticut income tax return. Chris and Rob's Connecticut adjusted gross income is \$110,000. Their Connecticut income tax on **Form CT-1040**, Line 6 is \$4,725. Chris works in Connecticut. Rob works for an employer in State X, both within and without City Y, a city in State X. Both State X and City Y impose an income tax. Rob's income sourced in State X is \$55,000 and his income sourced in City Y is \$44,000. (State X and City Y both take into account Rob's entire adjusted gross income in computing the rate at which his income sourced in State X and City Y will be taxed. However, because Rob is not a resident of State X or City Y, the income taxed by State X and City Y is only the income sourced in State X and City Y.) Because the amounts of income taxed by both State X and City Y are not equal, Chris and Rob will use two columns on **Form CT-1040, Schedule 2**. Rob pays an income tax of \$2,600 to State X and an income tax of \$225 to City Y. Chris and Rob's Schedule 2 will be completed as follows:

| LINE 48 | \$110,000 | 00 | | |
|---------|----------------------|----|----------|----|
| | COLUMN A | | COLUMN B | |
| LINE 49 | State X, City Y | | State X | |
| LINE 50 | 44,000 | 00 | 11,000 | 00 |
| LINE 51 | .4000 | | .1000 | |
| LINE 52 | 4,725 | 00 | 4,725 | 00 |
| LINE 53 | 1,890 | 00 | 472 | 50 |
| LINE 54 | 2,305 | 00 | 520 | 00 |
| LINE 55 | 1,890 | 00 | 472 | 50 |
| LINE 56 | TOTAL CREDIT: | | \$2,362 | 50 |

Rob's income tax paid to State X is prorated on Line 54 between Column A and Column B, based upon the fraction of income sourced in State X that is entered in each column. Because 4/5 of the income sourced in State X is reported in Column A, 4/5 of the income tax paid to State X (4/5 x \$2,600 = \$2,080) is included on Line 54, Column A. Added to that amount is the income tax paid to City Y on the income sourced in City Y (\$2,080 + \$225 = \$2,305). The balance of the income tax paid to State X (1/5 x \$2,600 = \$520) is entered on Line 54, Column B.

LINE 48 - MODIFIED CONNECTICUT ADJUSTED GROSS INCOME

Add to Connecticut adjusted gross income from Line 5, any net loss derived from or connected with sources in another jurisdiction(s) where you were subject to income taxation, whether or not income tax was actually paid to the jurisdiction(s). The modified amount is entered on Line 48.

Example: Fred’s Connecticut adjusted gross income of \$60,000 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. He must add the \$20,000 net loss to the \$60,000 and enter the \$80,000 on Line 48.

LINE 49 - TAXING JURISDICTION(S)

If you claim credit for income taxes paid to another state (or a political subdivision of another state), enter on Line 49 the name and the two-letter code of each taxing jurisdiction for which you are claiming credit. These codes are listed below.

STANDARD TWO-LETTER CODES

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

LINE 50 - NON-CONNECTICUT INCOME

Complete the Schedule 2 Worksheet on Page 20 of this booklet to determine the total of non-Connecticut income which is included in your Connecticut adjusted gross income and is reported on another jurisdiction’s income tax return. Enter on Line 50 the amount from Column II, Line 20 of the Worksheet.

LINE 51

Divide the amount on Line 50 by the amount on Line 48. The result cannot exceed 1.0000. (Round to four decimal places.)

LINE 52 - INCOME TAX LIABILITY

Subtract Line 11 from Line 6 and enter the result on Line 52.

IMPORTANT: You **must** first complete **Form CT-1040, Schedule 3, Credit for Property Taxes Paid on your Primary Residence or Motor Vehicle, or Both.** See Page 21 for more information.

LINE 53

Multiply the percentage arrived at on Line 51 by the amount reported on Line 52.

LINE 54 - INCOME TAX PAID TO ANOTHER JURISDICTION

Enter on Line 54 the total amount of income tax paid to another jurisdiction.

Income tax paid means the lesser of your tax liability to that jurisdiction or the tax you paid to that jurisdiction as reported on a return filed with that jurisdiction, but not any penalty or interest. Do not report taxes withheld for that jurisdiction.

LINE 55

Enter on Line 55 the lesser of the amounts reported on Line 53 or Line 54.

LINE 56 - TOTAL CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Add the amounts from Line 55A, Line 55B and Line 55 of any additional worksheets. The amount on Line 56 cannot exceed the amount on Line 53. Enter the total on Line 56 and on Line 7 of **Form CT-1040.**

Attach a copy of all income tax returns filed with other jurisdictions to your Connecticut income tax return or the credit will be disallowed.

SCHEDULE 2 WORKSHEET INSTRUCTIONS

Complete *Schedule 2 - Worksheet* below to determine the portion of your Connecticut adjusted gross income that has been reported by you on an income tax return filed with another jurisdiction, on which you have paid income tax to that other jurisdiction, and for which you are seeking a credit against your Connecticut income tax. *Another jurisdiction* means another state of the United States or a political subdivision of another state (but not the United States or Canada, or a province or political subdivision of Canada). If you paid income tax to more than one jurisdiction, you must complete a separate worksheet for each jurisdiction. Retain this worksheet with your 1998 tax records. Do **not** attach to your tax return.

The federal income tax return line references are to the federal Form 1040. If you file a federal Form 1040A, federal Form 1040EZ, or federal TeleFile Tax Record, use the appropriate lines from those forms.

COLUMN I

Enter in Column I, Lines 1 through 15 of the worksheet, the amounts entered on Lines 7 through 21, respectively, of your federal income tax return.

Enter on Line 17 of the worksheet the amount entered on Line 32 of your federal income tax return.

Enter on Line 19 of the worksheet the **net** amount of your Connecticut modifications to federal adjusted gross income. (Subtract **Form CT-1040**, Schedule 1, Line 47 from Line 37, to arrive at this amount.)

COLUMN II

For each line, enter that portion of the amount entered on the same line of Column I that you reported on an income tax return filed with (and on which income tax was paid to) the other jurisdiction. On Line 19 enter only the portion of Connecticut modifications **directly related** to income sourced in the other taxing jurisdiction. The fact that the other jurisdiction may take into account your entire adjusted gross income (to compute the rate at which your income sourced in that jurisdiction will be taxed) does not mean that you paid income tax to the other jurisdiction on your entire adjusted gross income. Because you are a nonresident of the other jurisdiction, you may be taxed by that jurisdiction only on your income sourced in that jurisdiction.

Example 1: You and your spouse file a joint federal Form 1040 and a joint **Form CT-1040**. Your spouse's wages as an employee working in Rhode Island are \$20,000 and your wages as an employee working in Connecticut are \$25,000. On Line 7 of your federal Form 1040, you and your spouse entered \$45,000. You and your spouse will enter \$45,000 in Column I, Line 1 of the worksheet, and \$20,000 in Column II, Line 1 of the worksheet.

Example 2: You are the sole proprietor of a business conducted at two locations: one in Connecticut and one in Massachusetts. You file Schedule C of federal Form 1040 and **Form CT-1040**. On Line 12 of your federal Form 1040, you entered \$100,000. Of the items of gross income on Schedule C (\$150,000), \$90,000 is derived from the Massachusetts location. Of the items of expenses on Schedule C (\$50,000), \$35,000 is derived from the Massachusetts location. You will enter \$100,000 in Column I, Line 6 of the worksheet, and \$55,000 (\$90,000 - \$35,000) in Column II, Line 6 of the worksheet.

Enter the amount from Column II, Line 20 of the worksheet on **Form CT-1040**, Schedule 2, Line 50.

SCHEDULE 2 WORKSHEET

| Complete this worksheet and enter the amount from Column II, Line 20 on Form CT-1040 , Schedule 2, Line 50. Complete a separate worksheet for each jurisdiction if you paid income tax to more than one jurisdiction. | | <u>Column I</u> | <u>Column II</u> Amount Taxable in Other Taxing Jurisdiction |
|--|-----|-----------------|---|
| 1. Wages, salaries, tips, etc. | 1. | | |
| 2. Taxable interest | 2. | | |
| 3. Ordinary dividends | 3. | | |
| 4. Taxable refunds or rebates of state and local income taxes | 4. | | |
| 5. Alimony received | 5. | | |
| 6. Business income or (loss) | 6. | | |
| 7. Capital gain or (loss) | 7. | | |
| 8. Other gains or (losses) | 8. | | |
| 9. Taxable amount of IRA distributions | 9. | | |
| 10. Taxable amount of pensions and annuities | 10. | | |
| 11. Rental real estate, royalties, partnerships, S corporations, trusts, etc. | 11. | | |
| 12. Farm income or (loss) | 12. | | |
| 13. Unemployment compensation | 13. | | |
| 14. Taxable amount of social security benefits | 14. | | |
| 15. Other income | 15. | | |
| 16. Add Lines 1 through 15 | 16. | | |
| 17. Total federal adjustments to income | 17. | | |
| 18. Federal adjusted gross income (Subtract Line 17 from Line 16) | 18. | | |
| 19. Connecticut modifications (See instructions) | 19. | | |
| 20. Connecticut adjusted gross income (Add Line 18 and Line 19) | 20. | | |

SCHEDULE 3 - CREDIT FOR PROPERTY TAXES PAID ON YOUR PRIMARY RESIDENCE OR MOTOR VEHICLE, OR BOTH

Connecticut residents should complete Schedule 3 to determine the amount of credit (if any) that may be taken against a Connecticut income tax liability. The credit is for property taxes paid during 1998 to a Connecticut political subdivision on a primary residence or a privately owned or leased motor vehicle, or both. If you entered zero on **Form CT-1040**, Line 10, **DO NOT** complete this schedule. For further information, see **IP 97(9.1)**, Q & A: *Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision*.

Which Property Tax Bills Qualify?

Generally, this credit is allowed for property tax bills first becoming **due** during 1998 and **paid** during 1998. This credit is also allowed for second or later installments of property tax paid during 1998, where the first installment first became due during 1998.

Supplemental property tax bills first becoming **due** during 1998 and **paid** during 1998 also qualify for this credit. However, the payment of any delinquent property tax bills or the payment of any interest, fees or charges related to the property tax bill do not qualify for this credit.

A husband and wife who file a joint Connecticut income tax return may consider property tax bills for which the husband or wife, or both, are liable.

Example 1: Susan's primary residence is in a town that allows property taxes to be paid in two installments: July 1, 1997, and January 1, 1998. Susan pays the second installment during 1998. Susan is eligible to claim a credit on her 1998 Connecticut income tax return for her payment of the second installment, but would not be eligible to claim a credit on her 1998 Connecticut income tax return for the second installment if she paid it during 1997.

Example 2: Marie's primary residence is in a town that allows property taxes to be paid in four installments: July 1, 1998, October 1, 1998, January 1, 1999 and April 1, 1999. Marie pays the first two installments during 1998. Marie is eligible to claim a credit on her 1998 Connecticut income tax return for her payment of the first two installments. If Marie pays the third installment during 1998, she is also eligible to claim a credit on her 1998 Connecticut income tax return for her payment of the third installment, but would not be eligible to claim a credit on her 1998 Connecticut income tax return for the third installment if she paid it during 1999.

Maximum Credit Allowed

The **maximum** credit allowed (on your primary residence or motor vehicle, or both) is **\$350** per return, regardless of filing status. If you paid more than \$100 in property tax you may be subject to a limitation based on your Connecticut Adjusted Gross Income (AGI).

Complete the *Property Tax Credit Limitation Worksheet* on Page 22 if your filing status is **Single** and your Connecticut AGI is greater than \$52,500; **Married filing jointly** and your Connecticut AGI is greater than \$100,500; **Married filing separately** and your Connecticut AGI is greater than \$50,250; or **Head of household** and your Connecticut AGI is greater than \$78,500.

This credit cannot exceed the amount of qualifying property taxes paid or the amount of tax entered on **Form CT-1040**, Line 10. To receive this credit, you must complete Schedule 3 in its entirety.

Motor Vehicle Credit Restrictions

The number of motor vehicles eligible for this credit depends on your filing status as shown on the front of your Connecticut income tax return. Anyone whose filing status is *Single*, *Married filing separately* or *Head of household* is limited to the property tax paid on **one** motor vehicle. Those whose filing status is *Married filing jointly* are limited to the property taxes paid on **two** motor vehicles.

Leased Motor Vehicles

The credit is also available to any Connecticut resident who leased a motor vehicle **and** had a written lease agreement for a term of more than one year; **and** the property tax first became due and was paid during 1998 (either by the leasing company or the lessee); **and** the lessee was lawfully in possession of the motor vehicle at the time the taxes first became due.

To determine the amount of property taxes which may be eligible for credit against your Connecticut income tax liability, please refer to your January 1999 billing statement from your leasing company. Your statement will either indicate the amount of property taxes paid on your leased motor vehicle or provide you with a toll-free number that you may call to obtain the necessary information.

If you do not receive a billing statement in January 1999, contact your leasing company for the appropriate property tax information.

SCHEDULE 3 INSTRUCTIONS

COLUMN A - NAME OF CONNECTICUT TAX TOWN OR DISTRICT

Enter the Connecticut town or taxing district to which the qualifying property tax was paid.

COLUMN B - DESCRIPTION OF PROPERTY

Enter the description of the property. If a primary residence, enter the street address. If a motor vehicle, enter the year, make and model.

COLUMN C - LIST OR BILL NUMBER

Enter the list or bill number from your property tax bill.

COLUMN D - DATE PAID

Enter the date that you paid qualifying property taxes.

COLUMN E - AMOUNT PAID

Enter the amount of property taxes paid.

LINE 57 - AMOUNT PAID - PRIMARY RESIDENCE

Enter the amount of property tax paid on your primary residence.

LINE 58 - AMOUNT PAID - AUTO 1

Enter the amount of property tax paid on your motor vehicle.

LINE 59 - AMOUNT PAID - MARRIED FILING JOINTLY ONLY - AUTO 2

Married Filing Jointly Only - Enter the amount of property tax paid on your second motor vehicle.

LINE 60 - TOTAL PROPERTY TAX PAID

Add all amounts from Column E.

LINE 61 - MAXIMUM PROPERTY TAX CREDIT ALLOWED

Maximum Property Tax Credit allowed \$350 (subject to limitation).

LINE 62

Enter the **lesser** of Line 60 or Line 61. If \$100 or less, enter this amount on Line 64 and on the front of **Form CT-1040**, Line 11. If greater than \$100, go to Line 63.

LINE 63 - LIMITATION

Complete the *Property Tax Credit Limitation Worksheet* on Page 22, and enter here the amount from Line 5 of that worksheet.

LINE 64

Subtract Line 63 from Line 62. Enter here and on the front of **Form CT-1040**, Line 11.

LINE 63 - PROPERTY TAX CREDIT LIMITATION WORKSHEET

IMPORTANT: Do not complete this worksheet and claim the amount reported on Line 62 of *Schedule 3, Credit for Property Taxes Paid on Your Primary Residence or Motor Vehicle, or Both*, as your property tax credit on Line 64 if you meet any of the following conditions:

- Your filing status is **Single** and your Connecticut AGI is **\$52,500, or less;**
- Your filing status is **Married filing jointly** and your Connecticut AGI is **\$100,500, or less;**
- Your filing status is **Married filing separately** and your Connecticut AGI is **\$50,250, or less;** or
- Your filing status is **Head of household** and your Connecticut AGI is **\$78,500, or less.**

If your AGI is greater than the amount listed above for your filing status, complete the worksheet below.

| PROPERTY TAX CREDIT LIMITATION WORKSHEET | | |
|--|----|---------------|
| 1. Enter the amount reported on Form CT-1040, Schedule 3, Line 62 | 1. | |
| 2. Credit allowed (not subject to limitation) | 2. | 100.00 |
| 3. Subtract Line 2 from Line 1 | 3. | |
| 4. Enter the decimal amount for your filing status and Connecticut AGI from the Limitation Table exactly as it appears below | 4. | |
| 5. Multiply Line 3 by Line 4. Enter the result here and on Form CT-1040, Schedule 3, Line 63. | 5. | |

PROPERTY TAX CREDIT LIMITATION TABLE

Use your filing status on the front of your tax return and your Connecticut AGI - Form CT-1040, Line 5.

Example 1: If your filing status is Single and your Connecticut AGI is \$54,000, enter .10 on Line 4 above.
 Example 2: If your filing status is Married filing jointly and your Connecticut AGI is \$121,000, enter .30 on Line 4 above.
 Example 3: If your filing status is Single and your Connecticut AGI is \$52,500, do not complete the Worksheet.

| SINGLE | | | MARRIED FILING JOINTLY | | |
|--|-----------------------|-----------------------|---|-----------------------|-----------------------|
| If you are Single <u>and your Connecticut AGI is:</u> | | | If you are Married filing jointly <u>and your Connecticut AGI is:</u> | | |
| More Than | Less Than or Equal to | <u>Decimal Amount</u> | More Than | Less Than or Equal to | <u>Decimal Amount</u> |
| \$0 | \$52,500 | 0 | \$0 | \$100,500 | 0 |
| \$52,500 | \$62,500 | .10 | \$100,500 | \$110,500 | .10 |
| \$62,500 | \$72,500 | .20 | \$110,500 | \$120,500 | .20 |
| \$72,500 | \$82,500 | .30 | \$120,500 | \$130,500 | .30 |
| \$82,500 | \$92,500 | .40 | \$130,500 | \$140,500 | .40 |
| \$92,500 | \$102,500 | .50 | \$140,500 | \$150,500 | .50 |
| \$102,500 | \$112,500 | .60 | \$150,500 | \$160,500 | .60 |
| \$112,500 | \$122,500 | .70 | \$160,500 | \$170,500 | .70 |
| \$122,500 | \$132,500 | .80 | \$170,500 | \$180,500 | .80 |
| \$132,500 | \$142,500 | .90 | \$180,500 | \$190,500 | .90 |
| \$142,500 | and up | 1.00 | \$190,500 | and up | 1.00 |
| MARRIED FILING SEPARATELY | | | HEAD OF HOUSEHOLD | | |
| If you are Married filing separately <u>and your Connecticut AGI is:</u> | | | If you are Head of household <u>and your Connecticut AGI is:</u> | | |
| More Than | Less Than or Equal to | <u>Decimal Amount</u> | More Than | Less Than or Equal to | <u>Decimal Amount</u> |
| \$0 | \$50,250 | 0 | \$0 | \$78,500 | 0 |
| \$50,250 | \$55,250 | .10 | \$78,500 | \$88,500 | .10 |
| \$55,250 | \$60,250 | .20 | \$88,500 | \$98,500 | .20 |
| \$60,250 | \$65,250 | .30 | \$98,500 | \$108,500 | .30 |
| \$65,250 | \$70,250 | .40 | \$108,500 | \$118,500 | .40 |
| \$70,250 | \$75,250 | .50 | \$118,500 | \$128,500 | .50 |
| \$75,250 | \$80,250 | .60 | \$128,500 | \$138,500 | .60 |
| \$80,250 | \$85,250 | .70 | \$138,500 | \$148,500 | .70 |
| \$85,250 | \$90,250 | .80 | \$148,500 | \$158,500 | .80 |
| \$90,250 | \$95,250 | .90 | \$158,500 | \$168,500 | .90 |
| \$95,250 | and up | 1.00 | \$168,500 | and up | 1.00 |

INDIVIDUAL USE TAX WORKSHEET

Complete this worksheet to calculate your use tax liability when filing **Form CT-1040EZ**, **Form CT-1040** and **Form CT-1040NR/PY**. If you require additional lines, you should copy this worksheet.

If you purchased taxable goods or services for use in Connecticut during the calendar year and a Connecticut or out-of-state merchant failed to collect Connecticut sales tax, you must pay the Connecticut use tax. Complete the worksheet below to determine your Connecticut use tax liability.

Enter only those purchases subject to use tax that you have **not** previously reported on **Form OP-186**, *Connecticut Individual Use Tax Return*.

You must list separately on this worksheet any individual item with a purchase price of **\$300 or more** and complete Columns A through G. Although you do not need to list separately any individual item with a purchase price of **less than \$300**, such items are subject to tax and the total of the purchase price of these items should be reported on Line 1, Column D. Enter the total tax for all taxable purchases on Line 2.

Enter the result from Line 2 of this worksheet on **Form CT-1040EZ**, Line 7; **Form CT-1040**, Line 15; or **Form CT-1040NR/PY**, Line 17. **You must attach a copy of this worksheet to your Connecticut income tax return if you are reporting the purchase of any individual item with a purchase price of \$300 or more.**

For further information regarding the *Connecticut Individual Use Tax*, refer to the questions and answers on Page 24.

| COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E | COLUMN F | COLUMN G |
|---|-------------------------------------|------------------------------|----------------|--------------------------------|---|---|
| DATE OF PURCHASE | DESCRIPTION OF ARTICLES OR SERVICES | RETAILER OR SERVICE PROVIDER | PURCHASE PRICE | CT TAX DUE (.06 x Column D) | TAX, IF ANY, PAID TO ANOTHER JURISDICTION | BALANCE DUE (Column E minus Column F but not less than zero) |
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| 1. Total of individual purchases under \$300 not listed above | | | | | | 1. <input style="width: 100%;" type="text"/> |
| Individual Use Tax (Add all amounts for Column G.) Enter here and on Form CT-1040EZ , Line 7; Form CT-1040 , Line 15; or Form CT-1040NR/PY , Line 17. | | | | | | 2. <input style="width: 100%;" type="text"/> |

IMPORTANT: You must enter this amount on your Connecticut income tax return for an individual use tax return to be filed. You **must** enter 0 on the appropriate line of your Connecticut income tax return if no Connecticut use tax is due.

Questions and Answers about the Connecticut Individual Use Tax

For additional information, see **IP 96(10.2), Q and A on the Connecticut Individual Use Tax.**

1. What is the use tax?

When you make a retail purchase in this state, you usually pay 6% sales tax to the seller who in turn pays the tax to the Department of Revenue Services (DRS). Sometimes Connecticut sales tax is not paid to the retailer. In these situations, the use tax must be paid by the purchaser directly to DRS. For example, the purchase of taxable goods or services from an out-of-state mail order company, television shopping channel, or computerized shopping service that is not registered to collect Connecticut sales tax may result in a use tax liability to you. This tax has been in effect since 1947.

2. On what kinds of goods or services must I pay use tax?

You must pay use tax on taxable personal property, whether purchased or leased. Examples of taxable personal property include items of clothing costing \$50 or more, automobiles, appliances, furniture, jewelry, cameras, VCRs, computers and computer software. Some taxable services include repair services to your television, motor vehicle or computer; landscaping services for your home; reupholstering services for your household furniture; or charges for access to on-line computer services, including charges to access the Internet.

3. Are there exemptions from the use tax?

Yes. If you buy goods or services in Connecticut that are exempt from sales tax, they are exempt from the use tax if you buy them out-of-state for use in Connecticut. Some examples are items of clothing that cost less than \$50; newspapers; or magazines by subscription.

4. Do I owe Connecticut use tax on all my out-of-state purchases of taxable goods and services?

No. If all the items you purchased **and brought into** Connecticut at one time total \$25 or less, you do not have to pay Connecticut use tax. The \$25 exemption does **not** apply to items that are **shipped or mailed** to you.

5. What if I buy taxable goods or services in another state and the vendor charges sales tax for the other state?

If the goods or services were purchased for use in Connecticut and the tax paid to the other state is less than the Connecticut tax, you must report and pay the use tax. Your use tax due is the difference between the Connecticut tax and the tax paid to the other state.

EXAMPLE: You purchased a \$1,000 refrigerator in another state, and paid a \$50 tax to that state. If you bought the refrigerator for use in Connecticut, you owe Connecticut use tax. The Connecticut tax of \$60 is reduced to \$10, after allowing \$50 credit for the tax paid to the other state. If no tax was paid to the other state, the Connecticut use tax is \$60.

6. When must individuals pay the use tax?

You must pay the individual use tax when you file an individual income tax return, **Forms CT-1040EZ, CT-1040 or CT-1040NR/PY**, which must be filed by April 15 for purchases you made during the preceding calendar year. If you are not required to file a Connecticut income tax return, you must pay the use tax on **Form OP-186, Connecticut Individual Use Tax Return**. You may file **Form OP-186** for the entire year or you may file several returns throughout the year.

If you are engaged in a trade or business, you must register with DRS for business use tax and report purchases made in connection with your trade or business on **Form OS-114**.

7. What are the penalties and interest for not paying the use tax?

The penalty is 10% (.10) of the tax due. Interest is charged at the rate of 1% (.01) per month from the due date of the tax return. There are also criminal sanctions for willful failure to file a tax return.

8. On what amount should the use tax be calculated?

Calculate the use tax by multiplying the total cost of the taxable goods or services purchased, including separately stated charges, such as shipping and handling, by the tax rate (generally .06).

1998 TAXPAYER QUESTIONNAIRE

Department of Revenue Services, Taxpayer Services Division, PO Box 2987, Hartford CT 06104-2987

A MESSAGE FROM COMMISSIONER GENE GAVIN

Your evaluation of the services provided by the Department of Revenue Services (DRS) will help us serve you better. We appreciate receiving your comments and suggestions at any time, but especially as you complete your income tax return. Please include this questionnaire with your return (**do not staple it to the return**) or mail it to the above address.

1. Please rate your contacts with DRS in the past year.

| | Excellent | Good | Fair | Poor |
|--|-----------|------|------|------|
| DRS Site on the World Wide Web (www.state.ct.us/drs) | | | | |
| Tax-Fax (Fax on-demand using your fax machine) (860-297-5698) | | | | |
| Recorded Tax Information (CONN-TAX Telephone System) | | | | |
| Telephone Assistance From a DRS Representative | | | | |
| Walk-in Assistance at a DRS Office | | | | |
| Tax Seminar/New Business Workshops | | | | |
| Tax Information Publications | | | | |
| Obtaining CT Tax Forms | | | | |
| Other: | | | | |

Please explain your rating for any category if Fair or Poor: _____

2. Check the form you completed for the 1998 taxable year:

- CT-1040EZ
 CT-Telefile
 CT-1040
 CT-1040NR/PY

| | Excellent | Good | Fair | Poor |
|--------------------------------------|-----------|------|------|------|
| Instruction Booklet | | | | |
| Easy to read | | | | |
| Clear explanations | | | | |
| Complete information provided | | | | |
| Form | | | | |
| Easy to complete | | | | |
| Clear line instructions | | | | |
| Presentation | | | | |

Please explain your rating for any category if Fair or Poor: _____

Other comments: _____

3. What additional services should DRS offer in the future? Prioritize the following in the order of their importance to you. (1 = most important)

| | |
|------------------------------|--|
| Credit Card Payments | |
| Expansion of Telefile | |
| On-Line Filing | |
| Other: | |

4. What other suggestions or comments would you like to add?



1998
Connecticut
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Tables

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Website at:
<http://www.state.ct.us/drs>
- Call CONN-TAX:
1-800-382-9463 (in-state) or
1-860-297-5962 (anywhere)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours during January through April are listed on Page 4 of this booklet.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained at any hour of the day seven days a week by using any of the following resources:

- **Internet**
Preview and download forms from the DRS Website (<http://www.state.ct.us/drs>);
- **DRS TaxFax**
Call 860-297-5698 from the handset attached to your fax machine;
- **Telephone**
From a touch-tone phone 24 hours a day call:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-4753 (DRS Forms Unit) and select Option 2

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle Street
203-579-6251

HAMDEN *

2105 State Street
203-789-7516

HARTFORD

25 Sigourney Street
860-297-5962

NORWICH *

2 Cliff Street
860-889-2669

WATERBURY *

91 Schraffts Drive
203-596-4310

* These offices will be moving in 1999. To verify the address, please call before you visit.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the state's tax programs.

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032