

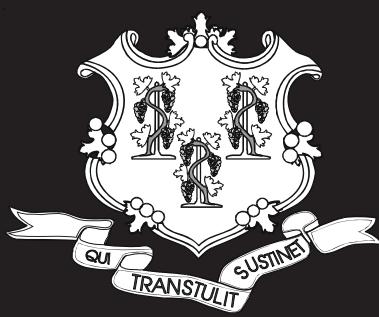
# 2007

## FORM

### CT-706/709

#### This booklet contains:

- Form CT-706/709
- Form CT-706/709 EXT
- Schedule  
CT-709 Farmland



# Connecticut Estate and Gift Tax Return and Instructions

Dear Taxpayer:

The 2007 CT-706/709, *Connecticut Estate and Gift Tax Return*, and instructions contained in this booklet explain what taxpayers must do to conform to the state's gift and estate tax laws. *Schedule B* on the return is where taxpayers must report all Connecticut taxable gifts given since January 1, 2005, even if no gift tax is due. Taxable gifts continue to accumulate over the lifetime of the giver; however, tax is not payable until the collective total of taxable gifts and taxable estate is valued at more than \$2 million. These and other details are included in this booklet. Please read it carefully.

Providing taxpayers with clear, accurate information helps the Department of Revenue Services (DRS) achieve its mission of voluntary taxpayer compliance. If you have questions about filing this return, or any Connecticut taxes issues, you can reach DRS Taxpayer Services staff by email, phone, or letter. The back cover of this booklet lists all the ways you can access this Agency. The DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) contains new frequently-asked questions, which are available anytime to provide you helpful facts, forms, and publications. The website also contains information about various electronic filing options available for personal and business taxes.

We welcome your comments and ideas about how we can improve our products and better serve the public.

Sincerely,

Pam Law  
Commissioner of Revenue Services

Taxpayer information is available on our website:  
**[www.ct.gov/DRS](http://www.ct.gov/DRS)**

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

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## Some Important Information

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### Civil Unions

Chapter 815f of the Connecticut General Statutes authorizes same-sex couples to enter into civil unions and grants to parties in a civil union recognized under Connecticut law (civil union partners) the same benefits and protections under Connecticut law that are granted to spouses in a marriage. This treatment first applies for Connecticut gift tax purposes to gifts made on or after January 1, 2006, and first applies for Connecticut estate tax purposes to estates of decedents dying on or after January 1, 2006.

For gifts made on or after January 1, 2006, and for estates of decedents dying on or after January 1, 2006, the following Connecticut gift and estate tax provisions, which are available to spouses in a marriage, are available to civil union partners:

**Marital deduction:** A Connecticut marital deduction is allowable for property passing from a donor or decedent to his or her civil union partner to the same extent that property transferred to a husband or wife or surviving spouse is allowable as a marital deduction, provided the requirements of Internal Revenue Code (I.R.C.) §2523 for gifts and §2056 for bequests are otherwise met.

Because civil unions are not recognized for federal tax purposes, civil union partners who elect a marital deduction for Connecticut gift tax or estate tax purposes are required to submit with the **Form CT-706/709, Connecticut Estate and Gift Tax Return**, filed with the Department of Revenue Services (DRS): (1) a pro forma federal Form 709 or Form 706, completed as if federal tax law allowed a marital deduction to civil union partners, which reflects the marital deductions taken by the civil union partners; and (2) a copy of the federal Form 709 or Form 706 (whichever is applicable) that was actually filed with the Internal Revenue Service (IRS).

**Joint property:** Civil union partners are allowed to include in the gross estate of a decedent one-half the value of certain joint interests in the same manner that a husband and wife are permitted this treatment, provided the interest in property otherwise meets the requirements of I.R.C. §2040(b)(2).

**Gift Splitting:** Spouses are eligible for federal gift tax purposes to elect to gift-split. Where spouses elect to gift-split, all gifts made by one spouse to another person or persons are considered as made one-half by the donor and one-half by the donor's spouse. This same election is available for Connecticut gift tax purposes to civil union partners.

Because civil unions are not recognized for federal tax purposes, civil union partners who elect to gift-split for Connecticut gift tax purposes are required to submit with the Form CT-706/709 that is filed with DRS: (1) a pro forma federal Form 709, completed as if federal law allowed civil union partners to gift-split, which reflect the gift-splitting elected by the civil union partners; and (2) copies of the federal Forms 709 that were actually filed with the IRS.

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### Connecticut Gift Tax Overview

The Connecticut gift tax continues to apply to **Connecticut taxable gifts**, which are federal taxable gifts made by a resident or nonresident of Connecticut on or after January 1, 2005:

- For a Connecticut resident, the taxable gifts include real property or tangible personal property located in Connecticut as well as intangible personal property wherever located; **and**
- For a nonresident of Connecticut, the taxable gifts include only real property or tangible personal property located in Connecticut.

A Connecticut gift tax return must be filed to report all Connecticut taxable gifts made in any calendar year on or after January 1, 2005, even though Connecticut gift tax may not be due. Prior to January 1, 2005, a donor was not required to file a Connecticut gift tax return if tax was not due. For calendar years beginning January 1, 2005, Connecticut gift tax is payable only when the aggregate amount of all Connecticut taxable gifts made by the donor (during his or her lifetime), on or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount of Connecticut taxable gifts, including the first \$2 million.

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### Connecticut Estate Tax Overview

Resident and nonresident estates are now liable for the Connecticut estate tax if their Connecticut taxable estate is more than \$2 million. A **resident estate** is an estate of a decedent who at the time of death was domiciled in Connecticut. A **nonresident estate** is an estate of a decedent who at the time of death was not domiciled in Connecticut, but owned real or tangible personal property in Connecticut.

The **Connecticut taxable estate** is the sum of:

- A. The total value of the decedent's federal gross estate, less allowable deductions (other than the deduction for state death taxes paid under I.R.C. §2058); **and**
- B. The aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during all calendar years beginning on or after January 1, 2005.

## Tax Table for Form CT-706/709

**Tax Table for Gifts Made On or After January 1, 2005,  
and for Estates of Decedents Dying On or After January 1, 2005**

Value of Gifts or Estate		Column C Tax on Column A	Column D Tax rate on excess over Column A
Column A Over	Column B But not over		
\$0	\$2,000,000	None	None
2,000,000	2,100,000	5.085% of the excess over \$0	
2,100,000	2,600,000	\$106,800	8.0%
2,600,000	3,100,000	146,800	8.8%
3,100,000	3,600,000	190,800	9.6%
3,600,000	4,100,000	238,800	10.4%
4,100,000	5,100,000	290,800	11.2%
5,100,000	6,100,000	402,800	12.0%
6,100,000	7,100,000	522,800	12.8%
7,100,000	8,100,000	650,800	13.6%
8,100,000	9,100,000	786,800	14.4%
9,100,000	10,100,000	930,800	15.2%
Over \$10,100,000		\$1,082,800 plus 16% of the excess over \$10,100,000	

If A plus B exceeds \$2 million, Connecticut estate tax is payable on the sum (including the first \$2 million). These estates must file Form CT-706/709 with DRS. A copy of Form CT-706/709 must also be filed with the appropriate probate court.

For a nonresident estate, if A plus B exceeds \$2 million, Connecticut estate tax is first calculated on the sum (including the first \$2 million). The tax calculated is then multiplied by a fraction. See line instructions for *Schedule E - Computation of Tax for Nonresident Decedent Estate* on Page 20.

If A plus B is \$2 million or less, Connecticut estate and gift tax is not due. However, estates must file **Form CT-706 NT, Connecticut Estate Tax Return (for Nontaxable Estate)**, with the probate court for the district in which the decedent resided at the date of death; or, if the decedent died as a nonresident of Connecticut, with the probate court for the district in which the decedent's real property or tangible personal property is located. **Do not file Form CT-706 NT with DRS.**

# General Information

## How to Get Help

DRS is ready to help you and offers several resources where you can get answers to your Connecticut tax questions. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) or for personal assistance, see the back cover of this booklet for a list of DRS walk-in offices, telephone numbers and business hours. If you visit, you must bring your completed federal Form 706 or federal Form 709.

Personal telephone assistance is available Monday through Friday, 8:30 a.m. to 4:30 p.m. Call CONN-TAX, the DRS information line, or visit the DRS website for details.

## How to Get Forms and Publications

Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications anytime. Forms are also available during regular business hours at any of the DRS walk-in offices and the other sources listed on the back cover of this booklet.

The forms mentioned in these instructions are also available from any of the Connecticut probate courts.

## Recordkeeping

Keep a copy of your tax return, worksheets you used, and records of all items appearing on the return. You may need this information to prepare future returns or to file amended returns.

## Copies of Returns

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

## Rounding Off to Whole Dollars

You must round off cents to the nearest whole dollar on your return and schedules. Round down to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents and round off **only** the total. If you do not round, DRS will disregard the cents.

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

## Private Delivery Services

Your return will meet the timely filed and timely payment rules if the U.S. Postal Service cancellation date, or the date recorded or marked by a designated private delivery service (PDS), is on or before the due date. Not all services provided by the designated PDSs qualify.

The designated PDSs and designated types of service at the time of publication are:

DHL Worldwide Express (DHL)	Federal Express (FedEx)
<ul style="list-style-type: none"><li>• <i>DHL Same Day Service</i></li><li>• <i>DHL Next Day 10:30 am</i></li><li>• <i>DHL Next Day 12:00 pm</i></li><li>• <i>DHL Next Day 3:00 pm</i></li><li>• <i>DHL 2nd Day Service</i></li></ul>	<ul style="list-style-type: none"><li>• <i>FedEx Priority Overnight</i></li><li>• <i>FedEx Standard Overnight</i></li><li>• <i>FedEx 2 Day</i></li><li>• <i>FedEx International Priority</i></li><li>• <i>FedEx International First</i></li></ul>
United Parcel Service (UPS)	United Parcel Service (UPS)
	<ul style="list-style-type: none"><li>• <i>UPS Next Day Air</i></li><li>• <i>UPS Next Day Air Saver</i></li><li>• <i>UPS 2nd Day Air</i></li><li>• <i>UPS 2nd Day Air A.M.</i></li><li>• <i>UPS Worldwide Express Plus</i></li><li>• <i>UPS Worldwide Express</i></li></ul>

This list is subject to change. To verify the names of designated PDSs and designated types of service, check the DRS website or call DRS. See **Policy Statement 2005(4), Designated Private Delivery Services and Designated Types of Service**.

## Where to File

Mail your return to:

**Department of Revenue Services  
PO Box 2978  
Hartford CT 06104-2978**

## Interest and Penalties

In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.

### Interest

If you do not pay the tax when due, you will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full.

Interest on underpayment or late payment of tax cannot be waived.

### Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of the tax is 10% of the tax due or \$50, whichever is greater.

If no tax is due, DRS may impose a \$50 penalty for the late filing of any return or report required by law to be filed with DRS.

## **Penalty for Failure to File**

If you do not file your return and DRS files a return for you, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater. If you were required to file an amended Form CT-706/709 and failed to do so, you will be subject to a penalty.

## **Waiver of Penalty**

The penalty may be waived if the failure to file or pay tax on time was due to reasonable cause. Interest cannot be waived. Before a penalty waiver can be granted, all tax and interest must be paid. All requests must:

- Be in writing and contain a clear and complete explanation;
- Include the decedent's or donor's name and Social Security Number (SSN);
- Include the name of the original form filed or billing notice received;

- Include the taxable filing period; **and**
- Include documentation supporting your explanation.

Attach the penalty waiver request to the **front** of the tax return or mail it separately with a copy of the tax return to:

**Department of Revenue Services  
Penalty Waiver Unit  
PO Box 5089  
Hartford CT 06102- 5089**

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## **Declaration**

Anyone signing the return is declaring that the return and any accompanying schedules are true, complete, and correct to the best of the signatory's knowledge. The penalty for willfully delivering a false return or document to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both. The declaration of a paid preparer other than the taxpayer is based on all information of which the preparer has any knowledge.

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## **Getting Started**

The Connecticut estate and gift taxes are filed on the same return, **Form CT-706/709, Connecticut Estate and Gift Tax Return**. The return is divided into three sections.

The first section applies to filing the gift tax portion of the return. The second section applies to filing the estate tax portion of the return. Your circumstances determine which section you complete. The third section is used to calculate the payment or refund amount.

### **Section 1- Gift Tax**

This section is used to report gifts made by a donor during calendar year 2007. If the donor died during the calendar year in which the gifts were made, complete Section 2 and **not** Section 1.

### **Section 2 - Estate Tax**

This section is used for the estate of a decedent dying during calendar year 2007. Gifts made by the decedent during the calendar year the decedent died are reportable in this section and **not** in Section 1.

## **Section 1 - Gift Tax**

### **Steps to Completing Section 1 - Gift Tax**

#### **Before You Start**

Form CT-706/709 is an annual return and covers the entire calendar year. File your 2007 Form CT-706/709 on or before April 15, 2008.

Form CT-706/709 covers **all** gifts exceeding the annual exclusion amounts that you made to **all** donees during the calendar year. Do not file a separate Form CT-706/709 for each gift or for each donee.

If the donor died during the calendar year in which the gifts were made, do **not** complete Section 1. Go to **Section 2 - Estate Tax**, beginning on Page 17.

#### **No Joint Returns**

If you and your spouse are each required to file Form CT-706/709, you must each file a separate Form CT-706/709. You and your spouse cannot file a joint Form CT-706/709.

#### **Step One – Determine whether you are required to file a federal gift tax return.**

Determine whether you are required to file federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, by following the instructions for federal Form 709.

If you are not required to file federal Form 709, **stop here**. You are not required to complete Form CT-706/709, Section 1.

#### **Step Two – Determine whether you are required to file a Connecticut gift tax return.**

If you are required to file federal Form 709, use the information on that return to determine whether you are required to file Form CT-706/709.

If you are a **resident** individual, you are required to file Form CT-706/709 if:

- You made a gift of real or tangible personal property located in Connecticut or made a gift of intangible property and the amount of your Connecticut taxable gifts (the amount entered on your Form CT-706/709, *Schedule A*, Line 9) is more than \$0; **or**
- You made a gift of Connecticut farmland and valued it in accordance with Conn. Gen. Stat. §12-646a. See **Schedule CT-709 Farmland**.

If you are a **nonresident** individual, you are required to file Form CT-706/709 if:

- You made a gift of real or tangible personal property located in Connecticut and the amount of Connecticut taxable gifts (the amount entered on your Form CT-706/709, *Schedule A*, Line 9) is more than \$0; **or**
- You made a gift of Connecticut farmland and valued it in accordance with Conn. Gen. Stat. §12-646a. See **Schedule CT-709 Farmland**.

## Residence

For purposes of the Connecticut gift tax:

**Resident** means any individual who is domiciled in Connecticut at the time he or she made gifts.

**Nonresident** means any individual who is not domiciled in Connecticut at the time he or she made gifts.

**Domicile** is the place which an individual intends to be his or her permanent home and to which such individual intends to return whenever absent.

## Person Responsible for Filing Return and Paying Tax

If Form CT-706/709 must be filed, the donor is responsible for filing Form CT-706/709 and paying the tax due.

If a donor becomes legally incompetent or dies before filing the return, the donor's guardian, conservator, executor, or administrator is responsible for filing the return. If there is no duly qualified executor or administrator, the donor's heirs, legatees, devisees, or distributees are required to pay the tax to the extent of the value of their inheritances, bequests, devises, or distributive shares of the donor's estate.

If the gift tax is not paid when due, each donee is personally liable for the tax to the extent of the value of the gift received.

## Financial Disability

If you, as the donor, are financially disabled as defined in I.R.C. §6511(h)(2), the statute of limitations for having an overpayment of Connecticut gift tax refunded to you is extended for as long as you are financially disabled. You are financially disabled if you are unable to manage your own affairs by reason of a medically determinable physical or mental impairment that has lasted or can be expected to last for a continuous period of not less than 12 months. You are not financially disabled during any period your spouse or any other person is authorized to act on your behalf in financial matters.

## When to File

In general, Form CT-706/709 is due on or before April 15 of the year following the year the gifts were made unless an extension for filing Form CT-706/709 is granted.

If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

## Extension Requests

You may request an extension of time to file your Form CT-706/709 by filing **Form CT-706/709 EXT, Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension**. If you request an extension of time to file your federal gift tax return, you do not have to provide an explanation for requesting an extension of time to file your Form CT-706/709. If you do not request an extension of time to file your federal gift tax return, you must provide an explanation for requesting an extension of time to file your Form CT-706/709.

Payment of all of the Connecticut gift tax you expect to owe must accompany Form CT-706/709 EXT. Filing Form CT-706/709 EXT only extends the time to file your Connecticut tax return; it does not extend the time to pay Connecticut gift tax. If the payment accompanying your Form CT-706/709 EXT is less than the gift tax reported on your Form CT-706/709, you will owe interest and penalty. See *Interest and Penalties* on Page 5.

If a taxpayer is unable to request an extension because of illness, absence, or other good cause, any person standing in a close personal or business relationship to the taxpayer (including an attorney, accountant, or enrolled agent) may file the request on the taxpayer's behalf.

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## Comparison Between Federal Gift Tax and Connecticut Gift Tax

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### **Gifts**

A gift is a transfer of property or interest in property without adequate consideration. For Connecticut gift tax purposes, a transfer is only treated as a gift if it is treated as a gift for federal gift tax purposes. Some transfers treated as gifts for federal gift tax purposes are not treated as gifts for Connecticut gift tax purposes. For example, real property located outside Connecticut is not subject to the Connecticut gift tax. Gifts to which the Connecticut gift tax applies are gifts of real property and tangible personal property located in Connecticut (whether the donor is a resident of Connecticut or a nonresident of Connecticut) and gifts of intangible personal property (but only where the donor is a resident of Connecticut).

### **Exclusions and Deductions**

For federal gift tax purposes, the first \$12,000 of gifts to a donee during the calendar year of a present interest in property is excluded from the total amount of gifts. There is no annual exclusion for gifts of future interests. A present interest in property is an unrestricted right to the immediate use, possession, or enjoyment of property or the income from the property. For Connecticut gift tax purposes, the same first \$12,000 of gifts to a donee during the calendar year of a present interest in property that was excluded for federal gift tax purposes is excluded from the total amount of gifts, but only if that same first \$12,000 of gifts to the donee is gifts to which the Connecticut gift tax applies.

For federal gift tax purposes, the first \$125,000 of gifts made to a spouse who is not a U.S. citizen during the calendar year of a present interest in property is excluded from the total amount of gifts. For Connecticut gift tax purposes, the same first \$125,000 of gifts to a spouse who is not a U.S. citizen during the calendar year of a present interest in property that was excluded for federal gift tax purposes is excluded from the total amount of gifts, but only if that same first \$125,000 of gifts to the spouse is gifts to which the Connecticut gift tax applies.

For federal gift tax purposes, deductions are allowed for gifts to charitable organizations or to a spouse who is a U.S. citizen. For Connecticut gift tax purposes, deductions are allowed for gifts to charitable organizations or to a spouse who is a U.S. citizen, but only if those gifts are gifts to which the Connecticut gift tax applies.

### **Valuation**

In general, the valuation rules used for federal gift tax purposes are also used for Connecticut gift tax purposes. These rules include the special valuation rules of I.R.C. §§2701 to 2704, where they apply. Generally, the special valuation rules apply if a donor transfers certain property to a member of his or her family and, immediately after the transfer, retains or is deemed to have retained an interest in the property. For example, certain gifts of real property in which the donor retains a life estate and transfers a remainder interest to a member of his or her family are subject to the special valuation rules. Where the special valuation rules apply, the value of the retained interest is disregarded in determining the value of the gift made to the family member. See I.R.C. §2702. If a gift of farmland is made, the donor may elect to use a valuation method other than the federal valuation rules. See *Gifts of Farmland* on Page 10.

**Example:** During calendar year 2007, Mary conveys title to her house to her three children and either retains a life use for herself on the deed, or does not retain a life use for herself on the deed but continues to occupy the residence. Mary does not receive any money or other type of consideration for the house from her children. Mary has made a gift of a future interest to her children. Because this is a gift of a future interest to her lineal descendants, it is subject to the special valuation rules (I.R.C. §§2702 et seq.). The value of Mary's gift determined under the special valuation rules is the property's fair market value (less encumbrances). Because this is a gift of a future interest, annual exclusions do not apply.

### **Gift Splitting**

For federal gift tax purposes, if both spouses consent to gift split, all gifts made to third parties during the calendar year, whether made by one spouse alone or made partly by each spouse, are considered made one-half by each spouse (only if at the time of the gift each spouse is a citizen or resident of the U.S.). For federal purposes, the first \$24,000 of gifts of a present interest in property to a donee by consenting spouses during the calendar year are excluded from the total amount of gifts. To gift split:

- Spouses must be married to each other at the time the gifts were made for gift splitting to apply. If they are subsequently divorced during the year, they may still gift split for gifts made while they were married so long as neither marries anyone else during the year;

- Spouses must both be citizens or residents of the United States on the date of the gift; **and**
- One spouse may not create a general power of appointment in the other spouse over the property transferred.

The executor or administrator for a deceased spouse's estate, or the guardian of a legally incompetent spouse, may sign the consent. The consent of an executor or administrator is not effective for gifts made by the surviving spouse during that portion of the calendar year his or her spouse was deceased.

For Connecticut gift tax purposes, a husband and wife who have both consented to gift split for federal gift tax purposes are deemed to have both consented to gift split for Connecticut gift tax purposes and are required to gift split for Connecticut gift tax purposes. The rules that apply to determine whether and which gifts may be gift split for federal gift tax purposes also apply for Connecticut gift tax purposes. If a husband and wife have not both consented to gift split for federal gift tax purposes, they may not gift split for Connecticut gift tax purposes.

The Connecticut gift tax liability of the spouses deemed to have consented to gift split is joint and several. Joint and several means one or both parties can be held responsible to pay the full amount of the tax due.

### No Joint Gift Tax Return

A married couple may **not** file a joint gift tax return for either federal gift tax purposes or Connecticut gift tax purposes.

### Applicable Credit Amount

An applicable credit amount of \$1 million is allowed against the federal gift tax. There is no comparable credit allowable against the Connecticut gift tax. However, Connecticut gift tax is payable only once the aggregate amount of Connecticut taxable gifts made by the donor (during his or her lifetime) during all calendar years beginning on or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount, including the first \$2 million.

### Example of Computation of Federal and Connecticut Gift Taxes

Beth Smith, a Connecticut resident, makes the following gifts during calendar year 2007:

1. To her daughter Lynn, land located in New York with a fair market value of \$20,000 on 2/15/2007.
2. To her son Steven, \$25,000 in cash on 3/30/2007.
3. To her daughter Karen, land located in Rhode Island with a fair market value of \$20,000 on 1/15/2007 and shares of stock with a fair market value of \$10,000 on 3/25/2007.

4. To a charitable organization, tangible personal property located in Massachusetts with a fair market value of \$20,000 on 4/15/2007.

Beth will make the following entries on Schedule A of the federal and Connecticut gift tax returns:

Federal Schedule A			
Col. A	Col. B	Col. E	Col. H
Item No.	Donee Information Gift Description	Date of Gift	Net Transfer
1*	Lynn Smith Land in New York	2/15/2007	\$20,000
2	Steven Smith Cash	3/30/2007	\$25,000
3*	Karen Smith Land in Rhode Island	1/15/2007	\$20,000
4	Karen Smith Stock	3/25/2007	\$10,000
5*	Charity Tangible Property in MA	4/15/2007	\$20,000
Total Value of Gifts			\$95,000

\* These items are not includable on the Connecticut *Schedule A*. Gifts of real or tangible personal property located outside of Connecticut are not Connecticut gifts.

The value of the gifts Beth made to her children and to the charitable organization during calendar year is \$95,000. However, the total amount of gifts is only \$47,000. This is because all gifts were of a present interest in property allowing Beth a \$12,000 annual exclusion for each donee.

The amount of Beth's taxable gifts for federal purposes is \$39,000 because a deduction is allowed for the gift to the charitable organization. Beth must file a federal gift tax return for calendar year 2007.

Connecticut Schedule A			
Col. A	Col. B	Col. D	Col. G
Item No.	Donee Information Gift Description	Date of Gift	Net Transfer
1**	Steven Smith Cash	3/30/2007	\$25,000
2	Karen Smith Stock	3/25/2007	\$10,000
Total Value of Gifts			\$35,000
Line No.			
1	Total gifts		\$35,000
2	Total annual exclusion**		\$12,000
3	Subtract Line 2 from Line 1		\$23,000
4-8	Deductions		\$0
9	Current Year Taxable Gifts		\$23,000

\*\*Beth is only allowed one annual exclusion of \$12,000 for the \$25,000 gift to Steven. Beth is not allowed a \$12,000 annual exclusion for her gift to Karen because the first \$12,000 of gifts to Karen during calendar year 2007 of a present interest in property was not a gift to which the Connecticut gift tax applied (land located in Rhode Island).

Beth must also complete Form CT-706/709, Section 1 and Section 3.

Assuming Beth made no Connecticut taxable gifts during calendar years 2005 and 2006, the \$23,000 of Connecticut taxable gifts made during calendar year 2007 reduces her unified exemption for Connecticut estate and gift tax of \$2 million to \$1,977,000.

## Gifts of Farmland

### **Transfers of Farmland or Change of Classification**

If land classified as farmland under Conn. Gen. Stat. §12-107c is transferred to a donee who is a lineal descendant or that descendant's spouse, the land may be valued based on its current use as farmland. If within ten years of the transfer the donee transfers this farmland to a person other than the donee's lineal descendant or his or her descendant's spouse, or the land is no longer classified as farmland, the donee will be liable for the difference between the tax that was due from the donor and the tax that would have been due if the land was valued at its fair market value.

A **lineal descendant** is a person in the direct line of descent, such as a child or grandchild. A lineal descendant does not include a corporation, partnership, or trust.

The donor who claims special valuation on a gift of farmland must provide a copy of **Schedule CT-709 Farmland** to the donee so the donee knows the amount of any additional tax that may become due.

### **Due Date of Additional Tax Liability**

If within ten years a gift of farmland is transferred to a person other than the donee's lineal descendant or his or her descendant's spouse, or the land is no longer classified as farmland under Conn. Gen. Stat. §12-107c, the donee must submit to DRS a copy of Schedule CT-709 Farmland the original donor provided to the donee. The additional tax entered on Schedule CT-709 Farmland, Line F, must be paid no later than 60 days following the transfer or the change in classification. The donee must provide a written statement indicating when the land was transferred to a person other than the donee's lineal descendant or that

descendant's spouse or, if the land is no longer classified as farmland under Conn. Gen. Stat. §12-107c, when the classification of the land was changed.

Attach a check for the additional tax to a copy of Schedule CT-709 Farmland provided by the donor to the donee and the donee's written statement.

Mail to:

**Department of Revenue Services  
PO Box 2978  
Hartford CT 06104-2978**

The check should be payable to: **Commissioner of Revenue Services**.

If the tax is not paid on time, the penalty is 10% of the balance due or \$50, whichever is greater. Interest is charged on the underpayment of the tax at the rate of 1% per month or fraction of a month.

The Commissioner may, for good cause, extend the time for payment of the tax if the descendant or the descendant's spouse files a written application with the Commissioner on or before the 60-day period expires. If the land was transferred to the donee's lineal descendant or his or her descendant's spouse, the Commissioner may, for good cause, extend the time for payment of the tax if the descendant or the descendant's spouse files a written application with the Commissioner on or before the 60-day period expires.

### **Recordkeeping**

For gifts of farmland, you must provide a copy of Schedule CT-709 Farmland to your donee(s) and advise your donee(s) to keep the copy for ten years.

# **Gift Tax Instructions for Form CT-706/709**

## **General Instructions**

- Write the donor's name, address, SSN, and legal residence in the space provided.
- Check the applicable residency box.
- Check the box for **Amended Return** if you are filing an amended return.
- If the donor died during calendar year 2007, skip Section 1 and proceed to Section 2. Gifts made in the calendar year of the decedent's death must be reported in Section 2.

## **Line Instructions**

### **Section 1 - Gift Tax Computation**

#### **Line 1**

Enter the amount from Form CT-706/709, *Schedule A*, Line 9. This is the amount of Connecticut taxable gifts for the current year.

#### **Line 2**

Enter the total from *Schedule B*, Column B.

#### **Line 3**

Add Line 1 and Line 2.

#### **Line 4**

Calculate the Connecticut gift tax by using the *Tax Table for Form CT-706/709* on Page 4 and enter the amount on Line 4 and Section 3, Line 13. You must make an entry even if the amount is zero.

### **Section 2 - Estate Tax Computation**

#### **Lines 5 through 12**

Leave blank.

### **Section 3 - Calculation of Total Tax, Penalty, and Interest**

#### **Line 13**

Enter the amount from Section 1, Line 4.

#### **Line 14**

Enter total from *Schedule B*, Column C.

#### **Line 15**

Leave blank.

#### **Line 16**

Enter amount from Line 14.

#### **Line 17**

Subtract Line 16 from Line 13. If less than zero, enter "0."

#### **Line 18**

**Prior payments:** Include amount paid on **Form CT-706/709 EXT, Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension**, Line 1.

**Amended returns:** Include amount paid with your original return.

#### **Line 19**

If the amount on Line 18 is greater than Line 17, enter the amount overpaid.

#### **Line 20**

If the amount on Line 17 is greater than Line 18, enter the balance of tax due.

#### **Line 21 and Line 22**

If you are making a late payment or filing the return after the due date, see *Interest and Penalties* on Page 5.

#### **Line 23**

Add Lines 20, 21, and 22. This is your balance due.

## **Payment Information**

Pay the amount on Line 23 with this return. **Do not send cash.**

Make your check payable to: **Commissioner of Revenue Services**. Write "2007 Form CT-706/709" on the front of your check in the lower left corner. Write your SSN on the front of your check. This ensures accuracy and timeliness in processing your payment.

DRS may submit your check to your bank electronically.

## **Who Must Sign the Return**

The donor must sign and date Form CT-706/709. If the donor becomes legally incompetent or dies before filing the gift tax return, the donor's guardian, conservator, executor, or administrator, as the case may be, may sign the return on the donor's behalf.

## **Paid Preparer Information**

Anyone you pay to prepare your return must sign and date it. Paid preparers must also enter their SSN or Preparer Tax Identification Number (PTIN), their firm's Federal Employer Identification Number (FEIN), and their firm's name and address in the spaces provided.

## **Mailing Your Return**

Retain a copy of this return for your records. Attach to this return a complete copy of federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, including **all** attachments, and other documents. See *Form CT-706/709 Gift Tax Attachments* on Page 15.

Mail to:

**Department of Revenue Services  
PO Box 2978  
Hartford CT 06104-2978**

## Schedule A – Overview

### General Instructions

The information for each gift on *Schedule A* should generally be identical to the information reported on federal Form 709, Schedule A. However, only those gifts to which the Connecticut gift tax applies should be reported on Form CT-706/709, *Schedule A*. For gifts of land classified as farmland under Conn. Gen. Stat. §12-107c, the land's value as farmland may differ from that reported on federal Form 709, Schedule A. See *Gifts of Farmland* on Page 10. If the total amount of Connecticut gifts of present interests to any donee is more than \$12,000 in the calendar year, you must enter all gifts you made during the year to or on behalf of that donee.

If the total amount of Connecticut gifts to a donee is \$12,000 or less, do not enter on *Schedule A* any gifts you made to that donee unless the Connecticut gift is of a future interest or of a present interest where the annual exclusion does not apply to the Connecticut gift.

You must always enter all gifts of future interests you made during the calendar year regardless of value. There is no annual exclusion for gifts of future interests. See *Gifts* on Page 8.

### Contributions to Qualified State Tuition Programs

An election may be made under I.R.C. §529(c)(2)(B) to treat any transfers made this year to a qualified state tuition program as made ratably over a five-year period beginning this year. See the instructions for Line 14 on Page 14.

### Gifts to Your Spouse

Enter gifts to your spouse on *Schedule A* if:

- You gave a gift of a terminable interest to your spouse;
- You gave a gift of a terminable future interest to your spouse; **or**
- Your spouse was not a citizen of the United States at the time of the gift.

Do **not** enter gifts to your spouse on *Schedule A* if all the terminable interests you gave to your spouse qualify as life estates with power of appointment.

However, if you gave your spouse **any** terminable interest that does not qualify as a life estate with power of appointment, you must report on *Schedule A* **all** gifts of terminable interests you made to your spouse during the year.

### **Gift Splitting With Your Spouse**

You are **not** permitted to gift split for Connecticut gift tax purposes if you do not consent to gift split for federal tax purposes.

You are **required** to gift split for Connecticut gift tax purposes if you consent to gift split for federal gift tax purposes.

Enter on *Schedule A* the entire value of every gift you made during that portion of the calendar year you were married even if the gift's value will be less than \$12,000. See *Gift Splitting* on Page 8.

If you elected gift splitting and your spouse made gifts, list those gifts in the space below "Gifts made by spouse" on separate return.

### **Terminable Interests**

Generally, you cannot take the marital deduction if the gift to your spouse is a terminable interest. In most cases, a terminable interest is nondeductible if someone other than the donee spouse will have an interest in the property following the termination of the donee spouse's interest.

Some examples of terminable interests are:

- A life estate;
- An estate for a specified number of years; **or**
- Any other property interest that after a period of time may terminate or fail.

If you transfer an interest to your spouse as sole joint tenant with yourself or as a tenant by the entirety, the interest is not considered a terminable interest just because the tenancy may be severed.

### **Life Estate With Power of Appointment**

You may deduct, without a federal election, a gift of a terminable interest if **all** four of the following requirements are met:

1. Your spouse is entitled for life to all of the income from the entire interest;
2. The income is paid yearly or more often;
3. Your spouse has the unlimited power, while he or she is alive or by will, to appoint the entire interest in all circumstances; **and**
4. No part of the entire interest is subject to another person's power of appointment (except to appoint it to your spouse).

If either the right to income or the power of appointment given to your spouse pertains only to a **specific portion** of the property interest, the marital deduction is allowed only to the extent that the rights of your spouse meet all four of the conditions above. For example, if your spouse is to

receive all of the income from the entire interest, but only has a power to appoint one-half of the entire interest, then only one-half qualifies for the marital deduction.

### **Election to Deduct Qualified Terminable Interest Property (QTIP)**

You may elect, for federal gift tax purposes, to deduct a gift of a terminable interest if it meets requirements 1, 2, and 4 on the previous page, even though it does not meet requirement 3.

If you make this federal election, you must check the box on *Schedule A*, Line 16. You may not check the box if you did not make the election for federal gift tax purposes.

### **Charitable Remainder Trusts**

If you made a gift to a charitable remainder trust and your spouse is the only noncharitable beneficiary other than you, the interest you gave to your spouse is not considered a terminable interest gift and, therefore, should not be reported on Form CT-706/709, *Schedule A*.

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## **Schedule A - Column Instructions**

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### **Column A**

Assign each gift made during the year a number.

### **Column B**

List each donee and all gifts made in chronological order.

If a transfer results in gifts to two people (for example, a life estate to one, remainder to another), the gifts must be listed separately.

Describe each gift in enough detail so that the donee and the property can be easily identified.

### **Column C**

Show the adjusted basis you would use for federal income tax purposes if the gift were sold or exchanged. Generally, this means cost plus improvements less applicable depreciation, amortization, and depletion.

The adjusted basis for Connecticut gift tax purposes is the same as the adjusted basis for federal gift tax purposes.

### **Column E**

Enter the fair market value of the gift at the date the gift is made. The *fair market value* is the price at which the property would change hands between a willing buyer and a willing seller, when neither is forced to buy or sell, and both have reasonable knowledge of all relevant facts. See *Gifts of Farmland* on Page 10.

### **Column F**

Enter one-half of the Column E amount in this column **only** if you have chosen to split gifts with your spouse.

### **Column G**

If you are **not** gift splitting, carry Column E amounts to Column G.

If you are gift splitting, subtract Column F from Column E and enter the difference in Column G.

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## **Schedule A - Line Instructions**

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### **Line 1**

Add the value of all gifts listed in *Schedule A*, Column G, and enter the sum on Line 1.

The first \$125,000 of gifts made to a spouse who is not a U.S. citizen during the calendar year of a present interest in property is excluded from the Connecticut total amount of gifts.

### **Line 2**

Enter the total annual exclusions you are claiming for the gifts listed on *Schedule A*, Line 1. The **first \$12,000 or less** of gifts to any donee during the calendar year of a present (not future) interest in property is excluded.

If you split a gift with your spouse, the annual exclusion you claim against the gift may not be more than your half of the gift.

### **Line 3**

Subtract Line 2 from Line 1 and enter the balance on Line 3. This is the total amount of gifts before the calculation of the marital deduction and charitable deduction.

### **Line 4**

Enter on Line 4 all of the gifts to your spouse you entered on *Schedule A* and for which you are claiming a marital deduction. **Do not enter any gift you did not include on Schedule A.** Indicate on the line provided which numbered items from *Schedule A* are gifts to your spouse for which you are claiming the marital deduction.

When determining the annual exclusion amount do not count any donee more than once. The annual exclusion is per donee and **not** per gift.

However, if the first \$12,000 of gifts to any donee involves tangible personal property or real property located outside Connecticut, no annual exclusion is available for Connecticut gift tax purposes for gifts to that donee.

Do not enter on Line 4 any gifts to your spouse if your spouse was not a U.S. citizen at the time of the gift. There is no marital deduction for gifts to a spouse who is not a U.S. citizen. However, an annual exclusion may apply. See *Gifts* on Page 8.

#### **Line 5**

Enter the amount of the annual exclusions claimed for the gifts you entered on Line 4.

#### **Line 6**

Subtract Line 5 from Line 4 and enter the balance on Line 6. This is the marital deduction that can be claimed for the year.

#### **Line 7**

If you are claiming a deduction for charitable gifts, enter your total charitable, public, or similar gifts (minus exclusions allowed) on Line 7. Enter on the line provided the item number(s) of the gift(s) from *Schedule A* you are deducting on Line 7. You may deduct from the total amount of gifts made during the calendar year all gifts you gave to or for the use of:

- The United States, a state or political subdivision of a state, or the District of Columbia for exclusively public purposes;
- Any corporation, trust, community chest, fund, or foundation organized and operated only for religious, charitable, scientific, literary, or educational purposes, or to prevent cruelty to children or animals, or to foster national or international amateur sports competition (if none of its activities involve providing athletic equipment unless it is a qualified amateur sports organization) as long as no part of the earnings benefits any one person, no substantial propaganda is produced, and no lobbying or campaigning for any candidate for public office is done;
- A fraternal society, order, or association operating under a lodge system if the transferred property is to be used only for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; **or**
- Any war veterans' organization organized in the United States (or any of its possessions) or any of its auxiliary departments of local chapters or posts as long as no part of any of the earnings benefits any one person.

**Do not enter any gift you did not include on Schedule A.**

#### **Line 8**

Add Line 6 and Line 7 and enter the amount on Line 8. This is the total of the marital deduction and the charitable gift deduction.

#### **Line 9**

Subtract Line 8 from Line 3. Enter this amount on Line 9 and on Section 1, Line 1.

#### **Line 10**

If you and your spouse consented for federal gift tax purposes to consider all the gifts made during the calendar year as made one-half by each spouse, and as a result, are required to gift split for Connecticut gift tax purposes, check the box marked **Yes** and enter the consenting spouse's name and SSN on the applicable lines.

The consent may generally be signed any time after the end of the calendar year. However, two exceptions are:

1. The consent may not be signed after April 15 following the end of the year in which the gift was made. If neither you nor your spouse has filed a federal gift tax return for the year on or before that date, the consent must be made on the first federal gift tax return for the year filed by either of you.; **and**
2. The consent may not be signed after a notice of deficiency for federal gift tax for the year has been sent to either you or your spouse.

The executor or administrator for a deceased spouse or the guardian for a legally incompetent spouse may consent.

The consent is effective for the entire calendar year. Therefore, all gifts made by both you and your spouse to third parties during the calendar year while you were married must be split. See *Gift Splitting* on Page 8.

#### **Line 11**

Indicate whether your spouse is a U.S. citizen. If **No**, indicate if any property was transferred to him or her during the calendar year.

#### **Line 12**

If you were married to one another for the entire calendar year, check the **Yes** box. If you were married for only part of the year, check the **No** box.

Also, check the box that explains the change in your marital status during the year and give the date you were married, divorced, or widowed.

#### **Line 13**

Check this box if you are making a gift of land classified as farmland under Conn. Gen. Stat. §12-107c to a lineal descendant or that descendant's spouse and you are using a value based on its current use as farmland. Attach an appraisal or other document showing an adequate explanation of value based upon its current use and *Schedule CT-709 Farmland*. If no appraisal is attached to show how the property is valued, explain in detail how it was determined.

#### **Line 14**

Check this box if, for federal gift tax purposes, you elected to treat certain contributions made during calendar year 2007 to qualified state tuition programs as being made

ratably over a five-year period. If your total contributions during calendar year 2007 are:

Less than or equal to \$60,000:

- Report 20% of your total contributions on your 2007 Form CT-706/709; **and**
- Report 20% of your total contributions on your Form CT-706/709 for calendar years 2008, 2009, 2010, and 2011.

More than \$60,000:

- Report on your 2007 Form CT-706/709 the amount in excess of \$60,000 plus \$12,000 (20% of \$60,000); **and**
- Report \$12,000 (20% of \$60,000) on your Form CT-706/709 for calendar years 2008, 2009, 2010, and 2011.

**Example:** In year 1, when the annual exclusion amount under I.R.C. §2503(b) is \$12,000, *P* makes a contribution of \$65,000 to a qualified state tuition program for the benefit of *P*'s child. *P* elects under I.R.C. §529(c)(2)(B) to account for the gift ratably over a five-year period beginning with the calendar year of contribution. *P* is treated as making an excludible gift of \$12,000 in each of years 1 through 5 and a taxable gift of \$5,000 is reported in year 1.

#### **Line 15**

Check the box if you are a party to a civil union recognized under Connecticut law.

#### **Line 16**

Check the box if you elected under I.R.C. §2523(f) to include gifts of qualified terminable interest property as gifts to your spouse for which a marital deduction was claimed under I.R.C. §2523. Enter the item numbers (from Form CT-706/709, *Schedule A*) of the gifts for which you made this election on the space provided.

#### **Line 17**

Check the box if you elected under I.R.C. §2523(f)(6) **not** to treat as qualified terminable interest property any joint and survivor annuity where only you and your spouse have the right to receive payments before the death of the last of you to die. Enter the item numbers from Form CT-706/709, *Schedule A*, for the annuity(ies) for which you made this election in the space provided.

Any annuities entered in the space provided on Line 17 may not be entered on *Schedule A*, Line 8. Any annuities not listed in the space provided on Line 17 must be entered on *Schedule A*, Line 4. If there is more than one joint and survivor annuity, the election under I.R.C. §2523(f)(6) may, but is not required to, cover all of them. Once made, the election is irrevocable.

## **Schedule B - General Instructions**

You must report Connecticut taxable gifts made on or after January 1, 2005, but before January 1, 2007, on *Schedule B*.

#### **Column A**

Enter the calendar years in which the gifts were made.

#### **Column B**

For gifts made during each of the calendar years 2005 and 2006, enter the amounts from the 2005 and 2006 Forms CT-706/709, Section 1, Line 1.

#### **Column C**

For gifts made during each of the calendar years 2005 and 2006, enter the amounts from the 2005 and 2006 Form CT-706/709, Section 3, Line 17.

## **Form CT-706/709 Gift Tax Attachments**

- Attach a complete copy of federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, including all attachments.
- A donor claiming special valuation on a gift of farmland **must** attach Schedule CT-709 Farmland to provide the fair market value of the farmland, based on its highest and best use value at the time of the gift. The donor must also provide a copy of Schedule CT-709 Farmland to the donee(s).
- For each gift of a life insurance policy, attach a copy of federal Form 712, Life Insurance Statement.

For single premium or paid-up policies, where the surrender value of the policy exceeds its replacement

cost, the true economic value of the policy is greater than the amount shown on federal Form 712, Line 59. In these situations, you should report the true economic value of the policy.

- For gifts of stock of closely held or inactive corporations, attach the balance sheet for the period nearest the date of the gift, statements of net earnings or operating results and dividends paid for each of the five preceding years, and a concise statement of the method of valuation.
- Attach any other documents, such as appraisals, required for adequate explanation of value. If no appraisal is attached to show how property is valued, explain in detail how value was determined.

- If claiming a civil union partner deduction, you must attach a completed pro forma federal Form 709 completed as if federal tax law allowed a marital deduction to civil union partners and a copy of the federal Form 709 that was actually filed with the IRS.

Remember to fill out all required returns and schedules and attach all required information or your return will be incomplete.

## **Amended Gift Tax Returns**

Use Form CT-706/709 to amend a return you already filed. Include a statement explaining why the return is being amended and check the “Amended Return” box on the front of the return. Enter the amount paid with the original return on Line 18.

The following circumstances require filing an amended Form CT-706/709 for gift tax:

<b>1. The IRS or federal courts change or correct the federal gift tax return, and the change or correction results in the Connecticut gift tax being overpaid or underpaid.</b>	<b>File no later than 90 days after the final determination.</b> If you file an amended Form CT-706/709 no later than 90 days after the final determination, any Connecticut gift tax overpayment resulting from the final determination will be refunded even if the Connecticut statute of limitations has otherwise expired.
<b>2. The donor files a timely amended federal gift tax return, and the amendment results in the Connecticut gift tax being overpaid or underpaid.</b>	<b>File no later than 90 days after the date of filing the timely amended federal gift tax return.</b> If you file an amended Form CT-706/709 no later than 90 days after the date of filing the timely amended federal gift tax return, any Connecticut gift tax overpayment resulting from filing the timely amended federal gift tax return will be refunded even if the Connecticut statute of limitations has otherwise expired.
<b>3. The donor made a mistake or omission on Form CT-706/709, and the mistake or omission results in the Connecticut gift tax being overpaid or underpaid.</b>	<b>File no later than three years after the due date for which the overpayment was made.</b>

## Section 2 - Estate Tax

### Steps to Completing Section 2 - Estate Tax

Use these instructions to file Form CT-706/709, *Connecticut Estate and Gift Tax Return*, for estates of decedents dying during calendar year 2007. For estates of decedents dying before January 1, 2005, see **Informational Publication 2004(25), Q & A on Succession, Estate, and Generation-Skipping Transfer Taxes**.

### Which Estates Must File With DRS

Form CT-706/709 must be filed for:

- Every resident decedent, where the decedent's Connecticut taxable estate exceeds \$2 million; **and**
- Any nonresident decedent whose gross estate includes any real property or tangible personal property located in Connecticut, where the decedent's Connecticut taxable estate exceeds \$2 million.

The decedent's *Connecticut taxable estate* is the sum of:

- A. The decedent's gross estate, as valued for federal estate tax purposes, less allowable federal estate tax deductions (other than the federal estate tax deduction for state death taxes paid); **and**
- B. The aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during all calendar years beginning on or after January 1, 2005.

If the total of A plus B exceeds \$2 million, Form CT-706/709 must be filed with DRS. A copy must be filed with the probate court for the district in which the decedent was a Connecticut resident; or if the decedent was a nonresident of Connecticut, a copy with the probate court for the district in which the decedent owned real property or tangible personal property in Connecticut.

### Which Estates Must Not File With DRS

If the total of A plus B is \$2 million or less, the estate must file Form CT-706 NT, *Connecticut Estate Tax Return (for Nontaxable Estates)*, with the probate court for the district in which the decedent was a Connecticut resident; or the probate court for the district in which the decedent owned real property or tangible personal property within Connecticut, if the decedent was a nonresident of Connecticut. **Do not file Form CT-706 NT with DRS.**

### Residence

For purposes of the Connecticut Estate Tax:

**Resident** means the estate of any individual who is domiciled in Connecticut at the time of his or her death.

**Nonresident** means the estate of any individual who is not domiciled in Connecticut at the time of his or her death.

**Domicile** is the place which an individual intends to be his or her permanent home and to which such individual intends to return whenever absent.

If the decedent is claimed to be a nonresident, the estate must also file Form C-3, *State of Connecticut Domicile Declaration*, either with DRS or the probate court depending on which has jurisdiction over the estate.

### Release of Estate Tax Lien Required for Sale of Connecticut Real Property

For an estate required to file Form CT-706/709, that includes a decedent's interest in Connecticut real property, prior to the sale of the interest in the Connecticut real property, its fiduciary or Connecticut attorney **must** request a release of the estate tax lien provided in Conn. Gen. Stat. §12-398 (d), by filing a completed Form CT-4422 UGE, *Application for Certificate Releasing Connecticut Estate Tax Lien*, and a completed Form CT-792 UGE, *Certificate Releasing Connecticut Estate Tax Lien*, with DRS. If the estate's payment of the estate tax is sufficiently provided for, DRS will issue to the fiduciary or Connecticut attorney its signed and sealed Form CT-792 UGE evidencing the discharge of the estate tax lien.

### Executor

The term **executor** means the executor, personal representative, or administrator of the decedent estate. If none of these is appointed, qualified, and acting in this state, a survivor or transferee in possession of estate assets may be appointed by the probate court for the district in which the decedent resided, or if the decedent was a nonresident of this state, in the probate court in which the decedent's Connecticut real property or tangible personal property, or both, was located.

### When to File

Form CT-706/709 for Connecticut estate tax is due within nine months after the date of the decedent's death unless an extension of time to file is requested. Use Form CT-706/709 EXT, *Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension*, to apply for an extension of time to file.

Payment of the estate tax is due within nine months after the date of the decedent's death unless an extension of time **to pay** has been granted.

### Who Must File

The executor(s) of the estate must sign and date Form CT-706/709. If there is more than one executor, all must sign the return and all are liable for tax, interest, and penalty. See *Executor* above.

### Amended Estate Tax Returns

Use Form CT-706/709 to amend a return you already filed. Include a statement explaining why the return is being amended and check the "Amended Return" box on the front of the return. Enter the amount paid with the original return on Line 18.

# Estate Tax Instructions for Form CT-706/709

## General Instructions

On the front of the return under the Section 2 heading, you must enter the decedent's date of death and the Connecticut Probate Court having jurisdiction over this estate. Failure to report this information will delay processing of this return.

Gifts made in the same calendar year as the decedent's death must be reported in Section 2 and **not** Section 1 of this return.

## Credits

Connecticut resident estates are allowed a credit against the estate tax for:

- Connecticut gift tax previously paid by the decedent (during his or her lifetime) on or after January 1, 2005; **and**
- Death taxes (estate, inheritance, legacy, or succession taxes) paid to any other state or the District of Columbia.

When used in this booklet, the word *state* also means the District of Columbia.

Nonresident estates are allowed a credit against the estate tax for Connecticut gift tax previously paid by the decedent (during his or her lifetime) on or after January 1, 2005.

See **Special Notice 2005(10)**, *2005 Legislation Amending the Connecticut Gift Tax and the Connecticut Estate Tax, and Repealing the Succession Tax*.

## Supporting Documentation

For this return to be considered complete, you must attach complete copies of federal Forms 706 and 709 (if applicable), including all supplemental documents. You must attach a death certificate and for a nonresident estate **Form C-3, State of Connecticut Domicile Declaration**.

If claiming a civil union partner deduction, you must attach a completed pro forma federal Form 706 completed as if federal tax law allowed a marital deduction to civil union partners. Attach a signed copy of the federal Form 706 actually filed with the IRS.

## Line Instructions

### Section 1 - Gift Tax Computation

#### Lines 1 through 4

Leave blank.

### Section 2 - Estate Tax Computation

#### Line 5

Enter the total gross estate for federal estate tax purposes from federal Form 706, Part 2, Line 1.

#### Line 6

Enter the allowable estate tax deductions from *Schedule C*, Line 4. Estates must complete *Schedule C* to calculate the allowable estate tax deductions. See *Schedule C - Estate Tax Deduction Computation* on Page 19.

#### Line 7

Subtract Line 6 from Line 5 and enter the difference.

#### Line 8

Enter the current year Connecticut taxable gifts made by the decedent from *Schedule A*, Line 9. If the decedent made Connecticut taxable gifts during the 2007 calendar year, those gifts must be reported on *Schedule A*. See *Schedule A - Overview* on Page 12.

#### Line 9

Enter total from *Schedule B*, Column B.

#### Line 10

Add Lines 7, 8, and 9 and enter the sum.

If the amount on Line 10 is \$2 million or less, no estate tax is due and you are **not** required to file this return. Instead you must file **Form CT-706 NT** with the appropriate Connecticut Probate Court. **Do not file Form CT-706 NT with DRS**.

If the Line 10 amount is greater than \$2 million, go to Line 11.

#### Line 11

Calculate the Connecticut estate tax by using the *Tax Table for Form CT-706/709* on Page 4. If the decedent was a Connecticut resident at the time of his or her death, enter here and on Line 13.

#### Line 12

**Nonresident decedent estates only:** Enter the tax due amount from *Schedule E*, Line 5. Enter here and on Line 13. See *Schedule E - Computation of Tax for Nonresident Decedent Estate* on Page 20.

### Section 3 - Calculation of Total Tax, Penalty, and Interest

#### Line 13

**For resident decedent estates only:** Enter tax due from Line 11; **or**

**For nonresident decedent estates only:** Enter the tax due from Line 12.

#### Line 14

Enter total from *Schedule B*, Column C.

#### Line 15

**Resident decedent estates only:** Enter amount from *Schedule D*, Part 2, Line 14.

#### Line 16

Add Line 14 and Line 15.

**Line 17**

Subtract Line 16 from Line 13 and enter the difference. If less than zero, enter zero "0."

**Line 18**

**Prior payment amount:** Include amount paid on Line 2 of Form CT-706/709 EXT.

**Amended returns:** Include amount paid with your original return.

**Line 19**

If the amount on Line 18 is greater than Line 17, enter the amount overpaid.

**Line 20**

If the amount on Line 17 is greater than Line 18, enter the balance of tax due.

**Line 21 and Line 22**

If you are making a late payment or filing the return after the due date, see *Interest and Penalties* on Page 5.

**Line 23**

Add Lines 20, 21, and 22. This is your balance due.

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**Payment Information**

Pay the amount on Line 23 with this return. **Do not send cash.**

Make your check payable to: **Commissioner of Revenue Services**. Write "2007 Form CT-706/709" on the front of

your check in the lower left corner. Write the decedent's SSN on the front of your check. This ensures accuracy and timeliness in processing your payment.

DRS may submit your check to your bank electronically.

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**Paid Preparer Information**

Anyone you pay to prepare your return must sign and date it. Paid preparers must also enter their SSN or Preparer Tax Identification Number (PTIN), their firm's Federal Employer Identification Number (FEIN), and their firm's name and address in the spaces provided.

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**Mailing Your Return**

Retain a copy of this return for your records. Attach to this return a complete copy of federal Forms 706 and 709, if applicable, including **all** attachments.

Mail to:

**Department of Revenue Services**

**PO Box 2978**

**Hartford CT 06104-2978**

A copy of this return must be filed with the appropriate Connecticut Probate Court.

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**Schedule Instructions for Form CT-706/709****Schedule C - Estate Tax Deduction****Line 1**

Enter the allowable estate tax deductions for federal estate tax purposes excluding any deduction for state death taxes (estate, inheritance, legacy, or succession taxes) paid. Generally, this is the amount on federal Form 706, Part 2, Line 2, less any state death taxes that were paid and are included in that amount.

**Line 2**

Leave blank.

**Line 3**

Civil union partners only. Enter amount from Part 5, Line 20 of the pro forma federal Form 706.

**Line 4**

Add Line 1 and Line 3. Enter here and on Section 2, Line 6.

**Line 5**

If for federal estate tax purposes an election was made to treat a trust or other property of the decedent's gross estate as qualified terminable interest property (QTIP) under I.R.C. §2056(b)(7), check **Yes**.

If the decedent estate did not file a federal Form 706, or if the decedent estate filed a federal Form 706 but did not make a QTIP election under I.R.C. §2056(b)(7), check **No**. If **Yes**, skip Line 6 and go to Line 7.

**Line 6**

If an election is being made for Connecticut estate tax purposes only to have a trust or other property of the decedent's gross estate treated as QTIP, check **Yes**.

In addition, a copy of Schedule M of federal Form 706 must be attached to the return. Write "CT-706/709" on the top of Schedule M.

**Line 7**

If for federal estate tax purposes, the decedent's gross estate contains any I.R.C. §2044 property (QTIP from a prior gift or estate), check **Yes**. If the decedent estate did not file a federal Form 706, or if the decedent estate filed a federal Form 706 but the decedent's gross estate, for federal estate tax purposes, does not contain any I.R.C. §2044 property check **No**. If **Yes**, skip Line 8.

**Line 8**

If the decedent's gross estate, for Connecticut estate tax purposes only, contains any I.R.C. §2044-type property

from a prior estate that made a QTIP election for Connecticut estate tax purposes only, check Yes.

**I.R.C. §2044-type property** means property that would have qualified as I.R.C. §2044 property from a prior estate had a QTIP election under I.R.C. §2056(b)(7) been made by the prior estate.

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## **Schedule D - Estate Tax Credits (Resident Estates Only)**

### **Part 1 - Credit for Real or Tangible Personal Property Located in Another State and Subject to Death Tax of That State**

#### **Line 1**

Enter the tax due amount from Section 2, Line 11.

#### **Lines 2a through 2d**

Enter the name of each state and tax amount paid to that state for any death taxes (estate, inheritance, legacy, or succession taxes) for which a credit is being claimed. Do not include interest or penalty paid to those states. Attach a copy of each state tax return for which a credit is being claimed to Form CT-706/709.

#### **Line 2**

Add Lines 2a through 2d. If necessary, attach additional sheets and include amounts in total.

#### **Line 3**

Enter the total gross estate for federal estate tax purposes from Section 2, Line 5.

#### **Line 4**

Enter the value for federal estate tax purposes of the real or tangible personal property included on Line 3 that is located in states identified on Lines 2a through 2d.

#### **Line 5**

Divide Line 4 by Line 3. Round to four decimal places.

#### **Line 6**

Multiply Line 1 by Line 5.

#### **Line 7**

Enter the smaller of Line 2 or Line 6 on Line 7 and in Part 2, Line 13.

### **Part 2 - Credit for Real or Tangible Personal Property Located in Another State and Not Subject to Death Tax of That State**

#### **Line 8**

Enter the tax due amount from Section 2, Line 11.

#### **Lines 9a through 9d**

Enter the name of each state and the value for federal estate tax purposes of real or tangible personal property located in that state which is not subject to death taxes of the state.

*Schedule D*, Part 2, applies to real or tangible personal property located in other states that do **not** by statute impose death taxes. In addition, it also applies to real or tangible personal property located in other states that by statute impose death taxes, but the property of this particular estate is not subject to those death taxes.

#### **Line 9**

Add Lines 9a through 9d. If necessary, attach additional sheets and include amounts in total.

#### **Line 10**

Enter the total gross estate for federal estate tax purposes from Section 2, Line 5.

#### **Line 11**

Divide Line 9 by Line 1. Round to four decimal places.

#### **Line 12**

Multiply Line 8 by Line 11.

#### **Line 13**

Enter amount from Part 1, Line 7.

#### **Line 14**

Add Line 12 and Line 13. Enter the amount in Section 3, Line 15.

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## **Schedule E - Computation of Tax for Nonresident Decedent Estate**

#### **Line 1**

Enter the tax due from Section 2, Line 11.

#### **Line 2**

Enter the total gross estate for federal estate tax purposes from Section 2, Line 5.

#### **Line 3**

Enter the amount of the gross estate for federal estate tax purposes that is attributable to real property and tangible personal property located in Connecticut.

#### **Line 4**

Divide Line 3 by Line 2. Round to four decimal places.

#### **Line 5**

Multiply Line 1 by Line 4. This is the amount of the tax due for a nonresident estate. Enter the result here and in Section 2, Line 12.

# CONNECTICUT TAX ASSISTANCE

	For Tax Information	Forms and Publications																		
	DRS Website: <b>www.ct.gov/DRS</b>																			
<b>Internet</b>																				
<b>Telephone</b>	<b>CONN-TAX</b> <ul style="list-style-type: none"> <li>• <b>1-800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only); or</li> <li>• <b>860-297-5962</b> (from anywhere).</li> </ul> <p>TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.</p>	<b>FORMS BY PHONE</b> <ul style="list-style-type: none"> <li>• <b>1-800-382-9463</b> (Connecticut calls outside the Greater Hartford calling area only) and select <b>Option 2</b> from a touch-tone phone; or</li> <li>• <b>860-297-4753</b> (from anywhere).</li> </ul>																		
<b>Write</b>	<b>Department of Revenue Services</b> <b>Taxpayer Services Division</b> <b>25 Sigourney Street</b> <b>Hartford CT 06106-5032</b>																			
<b>Walk-in Offices *</b>	<table border="1"> <thead> <tr> <th>Location</th> <th>Address</th> <th>Phone **</th> </tr> </thead> <tbody> <tr> <td><b>Bridgeport</b></td> <td>10 Middle Street</td> <td>203-336-7890</td> </tr> <tr> <td><b>Norwich</b></td> <td>2 Cliff Street</td> <td>860-425-4123</td> </tr> <tr> <td><b>Hamden</b></td> <td>3074 Whitney Avenue, Building #2</td> <td>203-287-8243</td> </tr> <tr> <td><b>Waterbury</b></td> <td>55 West Main Street, Suite 100</td> <td>203-805-6789</td> </tr> <tr> <td><b>Hartford *</b></td> <td>25 Sigourney Street</td> <td>860-297-5962</td> </tr> </tbody> </table>	Location	Address	Phone **	<b>Bridgeport</b>	10 Middle Street	203-336-7890	<b>Norwich</b>	2 Cliff Street	860-425-4123	<b>Hamden</b>	3074 Whitney Avenue, Building #2	203-287-8243	<b>Waterbury</b>	55 West Main Street, Suite 100	203-805-6789	<b>Hartford *</b>	25 Sigourney Street	860-297-5962	
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	<p>* Office hours for the Hartford office are Monday through Friday, 8:00 a.m. to 5:00 p.m; all other locations have office hours, Monday through Friday, 8:30 a.m. to 4:30 p.m.</p>	** All calls are answered at our Customer Service Center, not at the local office.																		
<b>Federal Tax Information</b> For questions about <b>federal taxes</b> , contact the Internal Revenue Service (IRS) at 1-800-829-1040 or visit: <a href="http://www.irs.gov">www.irs.gov</a> To order <b>federal tax forms</b> , call: 1-800-829-3676.		<b>Statewide Services</b> For information on statewide services and programs, visit the State of Connecticut ( <i>CT.gov</i> ) website: <a href="http://www.ct.gov">www.ct.gov</a>																		

## Department of Revenue Services

State of Connecticut

25 Sigourney Street

Hartford CT 06106-5032