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INFORMATIONAL PUBLICATION

**Q & A: Income Tax Credit for Property Taxes Paid
to a Connecticut Political Subdivision**

Purpose: This Informational Publication answers commonly asked questions about the income tax credit for property taxes paid to a Connecticut political subdivision.

Effective Date: Effective for the taxable year beginning on January 1, 2017, and ending on December 31, 2017.

Statutory Authority: Conn. Gen. Stat. §12-704c, as amended by 2015 Conn. Pub. Acts 244, §70.

1. What is the income tax credit for property taxes paid to a Connecticut political subdivision? If you are a Connecticut resident and made qualifying property tax payments on your eligible property, you may be able to claim a credit against your 2017 Connecticut income tax liability. In order to qualify for the property tax credit, you, or your spouse if married filing jointly, must be 65 years of age or older during the taxable year, or you must have claimed at least one dependent on your federal income tax return. The maximum income tax credit for taxes paid to Connecticut municipalities remains at \$200. The phase out thresholds for all filing statuses remain at the 2016 levels.

2. What is eligible property? Eligible property is your primary residence (if owned by you), or your privately owned or leased motor vehicle. See Questions 9 and 10.

3. What are qualifying property tax payments? Qualifying property tax payments are payments of property taxes on your eligible property that:

- You made during 2017 to a Connecticut political subdivision and for which you are liable or, if you file a joint return with your spouse, for which you, your spouse, or both of you, are liable; **and**

- First became due during 2017, including supplemental property taxes on a motor vehicle that first became due during 2017. Where property taxes are due and payable in two or more installments, each installment is first due on the date designated by the Connecticut political subdivision. The late payment of any property tax bills or the payment of any interest, fees, or charges related to the property tax bill do not qualify for the credit. See Question 11 for tax payments on qualifying property.

If a Connecticut political subdivision designates that an installment is due and payable during 2017, the installment is first due during 2017 and qualifies for the credit if paid during 2017.

Example 1: Lisa received a property tax bill for a motor vehicle listed on her town's October 1, 2015, grand list. The bill was payable in two installments; July 1, 2016, and January 1, 2017. If Lisa paid the January 1, 2017, installment during 2017, she would claim it on her 2017 income tax return. If she prepaid it during 2016, she is not eligible to claim it on her 2017 return, but she may have been eligible to claim it on her 2016 return.

If a Connecticut political subdivision designates a property tax installment as due and payable during 2018, but an earlier installment of that property tax first became due during 2017, you may choose to treat the 2018 installment as first becoming due during 2017 if you paid it during 2017. On the other hand, if you paid the 2018 installment during 2018, you may not use the payment to calculate the 2017 property tax credit, but you may use the payment to calculate the 2018 property tax credit.

Example 2: Mary received a property tax bill for a motor vehicle listed on her town's October 1, 2016, grand list. The bill was payable in two installments, July 1, 2017, and January 1, 2018. Mary is eligible to take credit for both installments on her 2017 income tax return if she paid both installments during 2017. If

Mary waits until 2018 to pay her second installment, she is not eligible to claim it on her 2017 return, but she may be eligible to claim it on her 2018 return.

Example 3: John received a property tax bill for a motor vehicle listed on his town's October 1, 2013, grand list. The bill was payable in two installments; July 1, 2014, and January 1, 2015. He paid this property tax bill, plus interest, during 2017. He is not eligible to claim the property tax or the interest on his 2017 return.

Payments of property taxes on your privately leased motor vehicle are also qualifying property tax payments if you or the leasing company made payments of property taxes that first became due during 2017 to a Connecticut political subdivision

4. What is a Connecticut political subdivision? It is a Connecticut city or town or any tax district in a Connecticut city or town.

5. What limitations apply to the credit? The amount of the property tax credit you are allowed to claim is reduced depending on your Connecticut AGI and the amount of property taxes you paid to a Connecticut municipality.

You must complete *Schedule 3* on your **Form CT-1040, Connecticut Resident Income Tax Return**, to calculate the amount of credit you are allowed. You may also use the Property Tax Credit Calculator on the Department of Revenue Services (DRS) website at www.ct.gov/DRS by selecting *Forms, Current Year Forms, Income Tax Forms*, and then scroll down to *Property Tax Calculator*.

6. May I claim the credit if I did not make qualifying property tax payments to a Connecticut political subdivision during 2017?

No. The property tax credit is based on qualified payments made during 2017.

7. I am a volunteer firefighter living in a Connecticut town that abates a certain amount of the property tax otherwise owed by volunteer firefighters. How does the property tax abatement affect my eligibility to claim the Connecticut income tax credit for property taxes paid to a Connecticut town? You are not eligible to claim the Connecticut income tax credit for the portion of your property tax credit that was abated by your town. You are eligible to claim the Connecticut income tax credit for the portion of your property tax that was not abated. The same rules apply if you were a volunteer in an emergency medical

response organization and were living in a Connecticut town that abated a certain amount of the property tax otherwise owed by these volunteers.

8. May I claim the credit if I did not have a 2017 Connecticut income tax liability? No. If your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10 is zero, you are not eligible for a credit. The credit is not refundable and may not be carried forward.

9. What is my primary residence? Your primary residence is your principal place of abode. To qualify for the credit, the title to your primary residence must be in your name (or, if you, along with another person, or persons own the residence, the title must be in your names) and your primary residence must be located within Connecticut. If you rent your primary residence from someone else, you cannot claim the credit even if your landlord bills you for the property taxes. Likewise, you may not claim the credit for property taxes you pay on a second home, vacation home, or investment property even if located in Connecticut.

10. What is my privately owned or leased motor vehicle? It is a motor vehicle, as defined by Conn. Gen. Stat. §14-1, which includes cars, motorcycles, trucks, and any other vehicle suitable for operation on a highway and can be registered for motor vehicle registration purposes, whether or not the vehicle is registered. For example, a motor home or an antique car that could be registered for motor vehicle purposes (whether or not it is registered) and is suitable for operation on a highway is a motor vehicle. A motor vehicle is considered your privately owned motor vehicle if the title to the motor vehicle is in your name or, if you along with another person or persons own the vehicle, the title is in both your names. A motor vehicle is considered your privately leased motor vehicle if the lease for the motor vehicle identifies you as the lessee, or if the motor vehicle is leased to you along with another person, the lease identifies you both as the lessee.

If you lease a motor vehicle from a leasing company or anyone else, you are eligible to claim the credit even if the leasing company pays the property taxes on your leased motor vehicle. However, all of the following conditions must be met:

- You had a written lease agreement for a term of more than one year;
- You or the leasing company made qualifying property tax payments during 2017; **and**

- You lawfully possessed the motor vehicle when the taxes first became due.

11. How do I know the amount of qualifying property tax payments on my leased motor vehicle?

Qualifying property tax payments made during 2017 either by you or the leasing company are eligible for the credit (See Question 10.). To determine the amount of property taxes eligible for the credit, refer to the January 2018 billing statement from your leasing company. If your statement does not indicate the amount of property taxes paid on your leased motor vehicle during 2017, contact your leasing company for the appropriate property tax information.

12. If I am married, how does my income tax filing status affect the amount of the credit?

The Connecticut filing status options are single, married filing jointly, married filing separately, head of household, and qualifying widow(er) with dependent child.

Joint Return

If you and your spouse are both Connecticut residents and file a joint federal income tax return, you and your spouse must file a joint Connecticut income tax return. You may claim as a credit the lesser of; \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10. If you, your spouse, or both of you, own (whether as joint tenants with right of survivorship or as tenants in common) your primary residence or own or lease your motor vehicle, you may claim the credit on your 2017 Connecticut income tax return as long as you, your spouse, or both of you, made qualifying property tax payments during 2017.

Separate Returns

If you and your spouse are Connecticut residents and you file separate federal income tax returns, you must file separate Connecticut income tax returns. You may claim as a credit on your separate Connecticut income tax return the lesser of; \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10 and your spouse may also claim a credit on their separate Connecticut income tax return of the lesser of; \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10.

Tax Payments on Qualifying Property

Your property tax payments on your primary residence may be qualifying property tax payments but only if you own your primary residence. Your property tax payments on your motor vehicle may be qualifying property tax payments but only if you own or lease

your motor vehicle. Otherwise, your property tax payments would not be qualifying property tax payments.

Your spouse's property tax payments on your primary residence may be qualifying property tax payments but only if your primary residence is also your spouse's primary residence and your spouse owns the primary residence. Your spouse's property tax payments on your motor vehicle may be qualifying property tax payments but only if your spouse owns or leases your motor vehicle. Otherwise, your spouse's property tax payments would not be qualifying property tax payments.

If you and your spouse own your primary residence together, or if you and your spouse own or lease your motor vehicle together, see Question 13.

13. What if I own my primary residence or my privately owned motor vehicle with another person?**Joint Tenancy**

If the property is joint tenancy (with right of survivorship) property, each joint tenant is liable for the full amount of the property tax and is eligible to claim a property tax credit of the lesser of; \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10.

Example 4: You and your sister own a motor vehicle as joint tenants with a right of survivorship. You and your sister receive a property tax bill for \$600 first due on July 1, 2017. You paid \$525 of that bill during 2017 and your sister paid \$75 of that bill during 2017. On your 2017 Connecticut income tax return, your filing status is single and you report Connecticut adjusted gross income less than \$49,500.

On your sister's 2017 Connecticut income tax return, her filing status is single and she reports Connecticut adjusted gross income less than \$49,500.

While you made qualifying property tax payments of \$525, your credit may not exceed \$200. You may claim as a credit the lesser of \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10.

Your sister made qualifying property tax payments of \$75 and may claim as a credit the lesser of \$75 or the amount of her Connecticut income tax liability as reported on her 2017 Form CT-1040, Line 10.

Tenancy in Common

If the property is tenancy in common property, each tenant in common is liable for the property taxes but

only to the extent of that person's interest in the property.

Each is eligible to claim as a credit the lesser of; \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10.

Example 5: You and your cousin each own an undivided one-half interest as tenants in common in a house that is a primary residence for both of you. You and your cousin receive a property tax bill for \$600 first due on July 1, 2017, from a Connecticut municipality on that property. You paid \$350 of that bill during 2017 and your cousin paid \$125 of that bill during 2017 and \$125 of that bill during 2018. On your 2017 Connecticut income tax return, your filing status is single and you report Connecticut adjusted gross income less than \$49,500. On your cousin's 2017 Connecticut income tax return, his filing status is single and he reports Connecticut adjusted gross income less than \$49,500.

While you made property tax payments of \$350, only \$300 was a qualifying property tax payment. Each tenant in common is liable for the property taxes but only to the extent of that person's interest in the property, so you are liable for only half (\$300) of the property tax bill (\$600). You may claim as a credit the lesser of \$200, or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10.

While your cousin made property tax payments of \$250, only \$125 was a qualifying property tax payment because your cousin paid only \$125 during 2017. Your cousin may claim as a credit the lesser of \$125 or the amount of his Connecticut income tax liability as reported on his 2017 Form CT-1040, Line 10.

14. May I claim the credit if I used a building both as my primary residence and for some other purpose? Yes, but only a portion of the property tax payments on the building are qualifying property tax payments. If your circumstances are the same as those described in either of the following examples, you must calculate the portion of the property tax payments on the building that are qualifying tax payments.

Example 6: Herb used part of a building he owned as his primary residence for the entire taxable year and the rest of the building as rental property for the entire taxable year. Only a portion of the property tax payments on the building are qualifying property tax payments. Herb must calculate the portion of property tax payments on the building that are qualifying property tax payments.

Example 7: Jennifer used a building she owned as her primary residence for part of the year and to carry on a trade or business (and not as her primary residence) for the rest of the year. Only a portion of the property tax payments on the building are qualifying property tax payments. Jennifer must calculate the portion of property tax payments on the building that are qualifying property tax payments.

To calculate the amount of property taxes on the building eligible for the credit, multiply the property taxes you paid during the taxable year on the building by the following fraction. The **numerator** of the fraction is the amount of property taxes you paid during the taxable year on the building and that is deductible from your federal adjusted gross income on federal *Schedule A*, Itemized Deductions. The **denominator** of the fraction is the sum of the amount of property taxes you paid during the taxable year on the building and that is deductible from your:

- Federal gross income as a trade, business, or rental property expense; **and**
- Federal adjusted gross income on federal *Schedule A*, Itemized Deductions.

The result is the portion of the property tax payments on the building that are qualifying property tax payments.

15. If the amount of my property tax credit is more than my tax liability for the taxable year, can I receive the excess as a refund or credit carry forward? No. The maximum credit allowed is the lesser of \$200 or the amount of your Connecticut income tax liability as reported on your 2017 Form CT-1040, Line 10 and any excess may not be refunded or carried forward.

16. May I claim the credit on more than one privately owned or leased motor vehicle? If your filing status for Connecticut income tax purposes is filing jointly or qualifying widow(er) with dependent child, you may include qualifying property tax payments on up to two motor vehicles you own or lease.

If your filing status for Connecticut income tax purposes is single, filing separately, or head of household, you may include qualifying property tax payments on only one motor vehicle you own or lease even if you sell a motor vehicle and purchase (or lease) a replacement motor vehicle during the taxable year and only own (or lease) one motor vehicle at any time during the taxable year.

17. May I claim the credit if I pay property taxes on another person's primary residence or privately owned or leased motor vehicle?

No, unless that other person is your spouse and you and your spouse are required to file a joint Connecticut income tax return. See Question 12.

18. Are property tax payments made by a cooperative housing corporation qualifying property tax payments made by a tenant-shareholder? Yes, if all of the following conditions are met:

- A tenant-shareholder's apartment in the building owned by the cooperative housing corporation must be the tenant-shareholder's primary residence;
- The cooperative housing corporation must have made payments during 2017 to a Connecticut political subdivision of property taxes that first became due during 2017 and those taxes must have been allowable as a deduction to the cooperative housing corporation under Internal Revenue Code (IRC) §164; **and**
- The tenant-shareholder must have paid to the cooperative housing corporation during 2017 his or her proportionate share of those property taxes.

Qualifying tax payments made by the tenant-shareholder may not exceed the tenant-shareholder's proportionate share of the real estate taxes allowable as a deduction to the tenant-shareholder under IRC §216 for the tenant-shareholder's 2017 taxable year. The tenant-shareholder should retain with his or her records the notice received from the cooperative housing corporation concerning the tenant-shareholder's proportionate share of the real estate taxes and the date when property tax payments were made by the cooperative housing corporation to the Connecticut political subdivision.

19. May a nonresident or a part-year resident claim the credit? No. Only full-year Connecticut resident individuals are eligible. Resident trusts or estates also are not eligible.

20. What records should I keep to substantiate the credit I claimed? A receipt from the Connecticut political subdivision, a billing statement from your leasing company, your canceled check in payment of property tax, or a federal Form 1098, Mortgage Interest Statement, from your bank or mortgage company (if property tax is included in your monthly mortgage payments) is sufficient to support your claim for credit. Do not attach these records to your tax return. Keep these records for at least three

years from the due date (or, if you request an extension of time to file your return, from the extended due date) of your return.

21. What if I am not a calendar year taxpayer for federal income tax purposes? Most individuals use the calendar year as their taxable year for federal income tax purposes and, therefore, for Connecticut income tax purposes. If you use a fiscal year other than the calendar year as your taxable year for federal income tax purposes, you must also use that fiscal year for Connecticut income tax purposes. You may claim the credit for property taxes that first became due during your taxable year beginning in 2017 and that you paid during your taxable year beginning in 2017.

Wherever this Informational Publication refers to 2017, substitute your taxable year beginning in 2017.

22. What if I am not a cash basis taxpayer for federal income tax purposes? Most individuals are cash basis taxpayers for federal income tax purposes and, therefore, for Connecticut income tax purposes. If you are an accrual basis taxpayer for federal income tax purposes, you are also an accrual basis taxpayer for Connecticut income tax purposes. You may claim the credit for property taxes for which you are liable (because you own a primary residence or a privately owned motor vehicle or lease a privately leased motor vehicle) and that first became due and were paid during 2017.

Effect on Other Documents: Informational Publication 2016(18), Q & A: Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision, is modified and superseded and may not be relied upon for taxable years beginning on or after January 1, 2017.

Effect of This Document: An Informational Publication issued by the DRS addresses frequently-asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential): Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

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IP 2017(23)
Tax Affected
Income Tax
Issued: 01/30/2018