STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
25 Sigourney Street Ste 2
Hartford CT 06106-5032

SN 2009(8)

SPECIAL NOTICE

2009 Legislative Changes Affecting the Connecticut Estate Tax and the Connecticut Gift Tax

Purpose: This Special Notice explains the 2009 legislative changes affecting the Connecticut estate tax and the Connecticut gift tax.

Effective Date: Effective as noted below.

Statutory Authority: Conn. Gen. Stat. §12-391(c) to (e), inclusive, and (g); Conn. Gen. Stat. §12-392(a) and (b); Conn. Gen. Stat. §12-398(e), Conn. Gen. Stat. §12-642(a), as amended by 2009 Conn. Pub. Acts 3, §§116, 117, and 118 (June Spec. Sess.); and 2009 Conn. Pub. Acts 8, §§8, 9, 10, 11, and 12 (Sept. Spec. Sess.).

Estate Subject to Connecticut Estate Tax Only If the Amount of the Estate's Connecticut Taxable Estate Exceeds $3.5 Million: For the estate of a decedent dying on or after January 1, 2010, the estate will not be subject to Connecticut estate tax unless the amount of the estate's Connecticut taxable estate exceeds $3.5 million. The estate tax "cliff" has been eliminated so that, for example, if the amount of the estate's Connecticut taxable estate is $4 million, the estate tax is $38,400 (which is equal to $7,200 plus 7.8% of the excess over $3.6 million).

See table below.

Estate Tax Table for Estates of Decedents Dying On or After January 1, 2010

If the Amount of Connecticut Taxable Estate Is:	The Amount of The Estate Tax Is:
Not over $3,500,000	None
Over $3,500,000 but not over $3,600,000	7.2% of the excess over $3,500,000
Over $3,600,000 but not over $4,100,000	$7,200 plus 7.8% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$46,200 plus 8.4% of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$130,200 plus 9.0% of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$220,200 plus 9.6% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$316,200 plus 10.2% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$418,200 plus 10.8% of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$526,200 plus 11.4% of the excess over $9,100,000
Over $10,100,000	$640,200 plus 12% of the excess over $10,100,000

Connecticut Taxable Estate: For the estate of a decedent dying on or after January 1, 2010, the estate's Connecticut taxable estate is the sum of:

- The 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 under Internal Revenue Code §2058); **and**
- The aggregate amount of all Connecticut taxable gifts made by the decedent for all calendar years commencing on or after January 1, 2005.

An estate of a decedent is allowed a credit against the Connecticut estate tax for Connecticut gift taxes paid by the decedent on Connecticut taxable gifts made during all calendar years beginning on or after January 1, 2005. However, the credit may not exceed the amount of the Connecticut estate tax.

Due Date of Estate Tax Changed: For the estate of a decedent dying on or after July 1, 2009, the Connecticut estate tax is payable and **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*, is due on the date that is six months after the date of the decedent's death. Interest payable on an estate tax overpayment begins to accrue on the date that is six months after the date of the decedent's death or the date of the estate tax payment, whichever is later.

For the estate of a decedent dying prior to July 1, 2009, the Connecticut estate tax is payable and Form CT-706/709 is due on the date that is nine months after the date of the decedent's death. Interest payable on an estate tax overpayment begins to accrue on the date that is nine months after the date of the decedent's death or the date of the estate tax payment, whichever is later.

Estates Required to File Form CT-706/709: If the amount of the estate's Connecticut taxable estate is over $3.5 million, Form CT-706/709 is filed with the Department of Revenue Services (DRS) and a copy is filed with the Probate Court for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, with the Probate Court for the district within which real or tangible personal property of the decedent is situated.

Effective October 5, 2009, and applicable to estates of decedents dying on or after January 1, 2010.

Estates Required to File Form CT-706 NT, *Connecticut Estate Tax Return (for Nontaxable Estates)*: If the amount of the estate's Connecticut taxable estate is $3.5 million or less, Form CT-706 NT is filed with the Probate Court for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, with the Probate Court for the district within which real or tangible personal property of the decedent is situated.

Effective October 5, 2009, and applicable to estates of decedents dying on or after January 1, 2010.

Releases of Estate Tax Liens: If the amount of the estate's Connecticut taxable estate is $3.5 million or less, the certificate of release of the Connecticut estate tax lien is issued by the Probate Court. If the amount of the estate's Connecticut taxable estate is over $3.5 million, the certificate of release of the Connecticut estate tax lien is issued by DRS.

Effective October 5, 2009, and applicable to estates of decedents dying on or after January 1, 2010.

Gifts Subject to Connecticut Gift Tax Only If the Aggregate Amount of Connecticut Taxable Gifts Exceeds $3.5 Million: For Connecticut taxable gifts made during a calendar year beginning on or after January 1, 2010, Connecticut gift tax will not be payable unless the aggregate amount of the Connecticut taxable gifts made during all calendar years beginning on or after January 1, 2005, exceeds $3.5 million. The gift tax "cliff" has been eliminated so that, for example, if a donor makes a Connecticut taxable gift during a calendar year beginning on or after January 1, 2010, and the aggregate amount of Connecticut taxable gifts made during all calendar years beginning on or after January 1, 2005, is $4 million, the gift tax is $38,400 (which is equal to $7,200 plus 7.8% of the excess over $3.6 million).

A donor is allowed a credit against the Connecticut gift tax for Connecticut gift taxes paid by the donor on Connecticut taxable gifts made during all calendar years beginning on or after January 1, 2005, provided such credit shall not exceed the amount of the Connecticut gift tax imposed.

See table on next page.

Gift Tax Table for Connecticut Taxable Gifts Made On or After January 1, 2010

If the Aggregate Amount of Connecticut Taxable Gifts Made During All Calendar Years Beginning On or After January 1, 2005 Is:	The Amount of The Gift Tax Is:
Not over $3,500,000	None
Over $3,500,000 but not over $3,600,000	7.2% of the excess over $3,500,000
Over $3,600,000 but not over $4,100,000	$7,200 plus 7.8% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$46,200 plus 8.4% of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$130,200 plus 9.0% of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$220,200 plus 9.6% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$316,200 plus 10.2% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$418,200 plus 10.8% of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$526,200 plus 11.4% of the excess over $9,100,000
Over $10,100,000	$640,200 plus 12% of the excess over $10,100,000

Repeal of Federal Estate Tax Has No Effect On An Estate's Connecticut Estate Tax Liability: For Connecticut estate tax purposes, the Connecticut taxable estate is the sum of two amounts, one of which is the gross estate less allowable deductions as determined under Chapter 11 of the Internal Revenue Code (other than the deduction for state death taxes paid under Section 2058 of the Internal Revenue Code). The other amount is the aggregate amount of all Connecticut taxable gifts made by the decedent for all calendar years beginning on or after January 1, 2005. Conn. Gen. Stat. §12-391(c) provides that, "in the event of repeal of the federal estate tax, then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal." In Pub. L. No. 107-16, Congress repealed the federal estate tax for estates of decedents dying during 2010. Therefore, under Conn. Gen. Stat. §12-391(c), the Internal Revenue Code, for Connecticut estate tax purposes, is the Internal Revenue Code in force on December 31, 2009. While estates of decedents dying during 2010 may or may not be subject to federal estate tax (depending on what action Congress takes), estates of decedents dying during 2010 for which the amount of the Connecticut taxable estate exceeds $3.5 million will be subject to Connecticut estate tax and will be required, unless Congress acts to restore the federal estate tax for estates of decedents dying during 2010, to submit, along with **Form CT-706/709**, a pro forma federal Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return (Rev. September 2009).

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

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.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at **www.ct.gov/DRS** and select *e-alerts* from the left navigation bar.

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