

Form S-1 Instructions for Filing Succession Tax Return

GENERAL INFORMATION

A succession tax return must be filed for all deceased **residents** of the State of Connecticut and for all deceased **nonresidents** owning real or tangible personal property located in Connecticut, **even if no tax is due**.

Use **Form S-1** for estates where succession tax may be due because the **gross value** of property passing to any class of beneficiary is **greater than** the exemption for the class. (The exemptions for each class are outlined on the tax tables, available on the DRS Web Site, from the Inheritance Tax Section, or from the Probate Court.) Use **Form S-1** for taxable estates and estates that include deductions to be considered nontaxable. If the **gross value** of property passing to all classes of beneficiaries is **less than** the exemption for those classes, use **Form S-2** instead.

If the decedent is claimed to be a **nonresident** of Connecticut, the fiduciary of the decedent's estate must file **Form C-3, State of Connecticut Domicile Declaration**, with the Department of Revenue Services (DRS). If the Probate Court judge certifies that there is no succession tax due, and the estate is not required to file federal form 706, *United States Estate (and Generation Skipping Transfer) Tax Return*, the Domicile Declaration is filed only when requested by DRS.

HOW TO GET ASSISTANCE

Use these instructions to complete **Form S-1, Succession Tax Return**. If you have any questions, you may contact the Inheritance/Estate Tax Section at 860-297-5737, Monday through Friday, 8:00 a.m. to 5:00 p.m.

HOW TO GET ADDITIONAL FORMS

You can obtain Connecticut succession and estate tax forms and tax tables at any Connecticut Probate Court.

Forms and publications are also available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.

WHO MUST FILE

The administrator or executor of the decedent's estate must complete and file **Form S-1, Succession Tax Return**. If there is no administrator or executor, then the survivor or transferee must file the succession tax return.

WHEN AND WHERE TO FILE

Form S-1 must be filed in duplicate with the Probate Court within 6 months of the decedent's death. For more information, see the section entitled Extensions of Time to File or Pay.

If the decedent was a Connecticut resident, the return must be filed in the Probate Court for the district in which the decedent resided at death. If the decedent was a nonresident of Connecticut at death, the return must be filed with the Probate Court for the district within which the reportable property is located.

Attach a certified copy of the death certificate to each copy of the tax return. The Probate Court will furnish a certified copy of the decedent's Last Will and Testament to the Commissioner of Revenue Services.

SIGNING THE RETURN

The executor or administrator of the decedent's estate must sign both copies of the return. If there is no administrator or executor, then the survivor or transferee must sign the return. If there is more than one fiduciary, all must sign the return.

PAYMENT REQUIREMENTS

The succession tax is payable within 6 months of the decedent's date of death. The taxpayer must pay the tax directly to the Commissioner of Revenue Services within 6 months of the decedent's death unless DRS has granted an extension of time. Interest continues to accrue even if an extension of time to file or pay was granted.

Late payments are applied first to any outstanding interest and then to the tax due. Interest accrues at the rate of 1% (.01) a month or fraction of a month on all late payments and deficiencies. The Commissioner of Revenue Services has no statutory authority to waive interest. Conn. Gen. Stat. §12-367b allows installment payments for closely held businesses.

Make your check payable to the "**Commissioner of Revenue Services**" and send it directly to:

State of Connecticut
Department of Revenue Services
Inheritance Tax Section
PO Box 2972
Hartford CT 06104-2972

Please write the decedent's name, Social Security Number, and Connecticut tax file number, if available, on the check to ensure that the payment is applied to the correct account.

EXTENSIONS OF TIME TO FILE OR PAY

You may request an extension of time to file or pay, or both. To request an extension of time to file or pay, you must write to DRS no later than 6 months from the date of death and state the reasons for the extension. You will only be notified if your request is denied. If the Commissioner approves the extension, interest continues to accrue.

AMENDED RETURN

If you are filing an amended return, use **Form S-4, Amendment to Succession Tax Return**. Prior to the final tax computation, the succession tax return may be amended either as to taxability or value, or both. Generally, no amendment is accepted, except for after-discovered assets, if the computation of the tax is final.

CERTIFICATE OF NO TAX

Generally, the Probate Court is responsible for issuing the "Certificate of No Tax."

PREPARING AND COMPLETING THIS RETURN

- Complete the Identification section, Schedule 1, and all other appropriate schedules for each estate;
- If the answer to any question on Schedule 2, Lines 5 through 25, is "yes," complete the schedule referred to in that question. See the instructions for the appropriate schedule.
- If you do not have to report a portion of the gross estate on a schedule, do not complete that schedule. Check "no" on Schedule 2 for the appropriate schedule.
- If the estate is taxable, or if there is any possibility that the estate may become taxable, you should claim deductions on Schedule 12 even if the return shows no tax liability.
- Variations: Explain in detail under "Description of Property" any variance between the values shown on this return and those reported on the inventory filed with the Probate Court;
- Complete each column on the appropriate schedule for each item reported;
- Attach additional sheets if necessary to supply all the information.

Documentary Proofs: Attach a copy of the written instrument (trust instruments, deeds, insurance and annuity contracts, pension, and profit-sharing plans) showing any transfer that may be taxable to **each** copy of **Form S-1**. However, if the transfer shown is an annuity, pension plan, or similar contract with an insurance company, you may submit a statement summarizing the contents of the contract instead of the contract.

Appraisals and Supporting Financial Data: Attach the following to each copy of the tax return when you file the returns with the Probate Court:

- All written appraisals the estate relied on; and
- All financial data and written agreements that must be filed with the schedules of this return.

Attachments relating to a specific schedule should be attached to the back of the tax return.

Correct Return: Although you may file a return, you do not meet the statutory requirements for filing a **correct** return unless you include **all** of the information required.

REPORTABLE ASSETS AND VALUES — SCHEDULE 3

You must report on the return all property in which the decedent had any interest on the date of death, at its fair market value. Assets that must be reported on the return include:

If the decedent was a resident of Connecticut:

- Tangible personal property* located in Connecticut;
- Real property located in Connecticut;
- All intangible personal property** wherever located.

If the decedent was **not** a resident of Connecticut:

- Tangible personal property* located in Connecticut;
- Real property located in Connecticut.

* Tangible personal property includes, for example: antiques, art collections, automobiles, boats, clothing, coin collections, household furniture and furnishings, jewelry, stamp collections, etc.

** Intangible personal property includes, for example: bank accounts, cash, stocks, bonds, pensions, copyrights, interest in estates of other decedents, royalties, mortgages, notes, partnerships, remainder interest in trusts and estates, unincorporated businesses, etc.

Exceptions

- Insurance on the life of the decedent is not subject to the succession tax. Insurance owned by the decedent on the life of another is taxable.
- Proceeds of a wrongful death action are not subject to the succession tax.

When an asset is reported on the return, the estate may claim that the asset is either not taxable or only partially taxable. The entire value of the asset on the date of death must be reported on the appropriate schedule in the column headed "Total Value at Date of Death". In the column "Value (or Amount) Conceded Taxable," report only the value claimed as taxable. Enter the word "**None**" under "Value (or Amount) Conceded Taxable" if you are reporting an asset that is claimed not taxable.

DETERMINATION OF BENEFICIARY CLASS

You can use the information below to determine the beneficiary class or refer to the Alphabetical Listing of Relationship of Beneficiary to Decedent. A person is a:

Class AA beneficiary if he or she is the decedent's spouse. The marriage must be recognized under Connecticut law. The tax tables do not cover the net taxable estate passing to a Class AA beneficiary because, for estates of decedent's dying on or after July 1, 1998, these transfers are not subject to succession tax.

Class A beneficiary if he or she is the decedent's parent, grandparent, adoptive parent, and a natural or adopted descendant of the decedent such as a daughter, son, grandchild, or great-grandchild.

Class B beneficiary if he or she is the decedent's brother or sister (full or half), a natural or adopted descendant of a brother or sister (niece or nephew related to the decedent by blood or adoption), stepchild, or a daughter-in-law or son-in-law to the decedent, spouse or unremarried widow(er) of the decedent's natural or adopted child.

Class C beneficiary if he or she is not a Class AA beneficiary, a Class A beneficiary, or a Class B beneficiary. For example, a Class C beneficiary may include the decedent's cousin, uncle, aunt, sister-in-law, brother-in-law, stepbrother, stepsister, or step-grandchild, niece or nephew related by marriage, as well as unrelated individuals, and associations or corporations that do not qualify as exempt organizations.

Exempt Organizations: The tax tables do not cover the net taxable estate passing to any charitable, educational, literary, scientific, historical, religious, or government-related organization that are exempt from succession tax.

ALPHABETICAL LISTING OF RELATIONSHIP OF BENEFICIARY TO DECEDENT

<u>Relationship</u>	<u>Class of Beneficiary</u>
adoptive parent	A
adopted descendant (child, grandchild, great-grandchild)	A
aunt	C
brother (full or half)	B
brother-in-law	C
child (natural or adopted son or daughter)	A
cousin	C
daughter-in-law (spouse or unremarried widow of the decedent’s natural or adopted child)	B
friend	C
grandchild, great-grandchild	A
grandparents	A
nephew or niece of decedent (related to decedent by blood)	B
nephew or niece of decedent’s spouse (related to decedent by marriage)	C
parent	A
sister (full or half)	B
sister-in-law	C
son-in-law (spouse or unremarried widower of the decedent’s natural or adopted child)	B
spouse (husband or wife)	AA
stepbrother or stepsister	C
stepchild	B
step-grandchild	C
stepparent	C
uncle	C

CONNECTICUT ESTATE TAX

Connecticut also has an estate tax that usually applies to estates that are taxable for federal tax purposes.

The tax is levied on the transfer of a Connecticut resident decedent’s estate and equals the amount by which the maximum credit for state death taxes allowable against the federal estate tax exceeds the aggregate amount of all death taxes paid to Connecticut and all other states. DRS may compute the tax due for you. Note: There is no credit allowed against the estate tax for any gift tax paid.

File **Form CT-706**, *Connecticut Estate Tax Return (for decedents dying on or after July 1, 1997)*, for any estate that is required to file federal Form 706, *United States Estate (and Generation-Skipping Transfer) Tax Return*. **Form CT-706** is available from DRS. See “*How to Get Additional Forms*” on page 1. **Form CT-706** must be filed, and the tax paid, within 9 months after the decedent’s death unless DRS has granted an extension of time to file or pay, or both. Interest accrues on late payment of tax at the rate of 1% (.01) per month or fraction of a month.

RELEASE OF LIEN AND CONSENTS TO TRANSFER

You may ask the Probate Court about the proper method of requesting a release of lien on real property. Under Connecticut law, a Consent to Transfer (or waiver) for intangible personal property is not needed where:

- The transfer, payment or delivery is to an exempt beneficiary;
- An administrator or executor was appointed by the Probate Court; or
- The transferor is a bank, trust company, savings bank, savings and loan association or credit union that pays moneys deposited in a joint account to the survivor or in a trust account to the beneficiary.

INSTRUCTIONS FOR SPECIFIC SCHEDULES

Note: Schedule 3 summarizes information from schedules that follow. The instructions for those schedules are given in the order that they should be completed, not the order they appear on **Form S-1**. The instructions for Schedule 3 are located on page 9.

IDENTIFICATION

Complete all applicable boxes. We no longer require the “P.C. District Number.”

SCHEDULE 1 - BENEFICIARIES

List the names of all beneficiaries and transferees, including those who receive property by survivorship, trust, or in any other manner. Also provide the following information about each beneficiary or transferee:

- Relationship to the decedent; (*State if a niece or nephew is a blood relative.*)
- Date of birth;
- Estimate of the net taxable estate passing to the recipient.

In the section provided, list any beneficiaries who are named in the decedent’s will who did not survive the decedent. Include each deceased beneficiary’s date of death.

Complete the declaration and sign it.

SCHEDULE 2 - GENERAL QUESTIONS

Answer all the questions on this schedule and determine the appropriate schedule on which to report property that is passing or being transferred to beneficiaries. Solely owned property passing by will or laws of intestacy should be reported on Schedules 4, 5, and 6. Jointly held survivorship property or property passing other than by will or laws of intestacy should be reported on Schedules 7, 8, 9, 10, and 11. Attach supporting documentation as required.

SCHEDULE 4- REAL PROPERTY NOT OWNED IN SURVIVORSHIP

Use Schedule 4 to report, as a separate item, each parcel of Connecticut real property **not** owned in survivorship in which the decedent had an interest at death. Each item of real property reported must be given a separate item number.

Description: Describe and identify each parcel of real property so it can be readily located and inspected by DRS. For each parcel of real property, furnish the following information, where applicable:

- Number and street
- Town
- Approximate lot size or acreage
- Rental income and when payable
- Use of property (single dwelling, multiple dwelling, commercial, industrial, farming, grazing, timber, sand, stone, gravel, etc.)

Valuation: Real property should be appraised as of date of death for its fair market value. Attach to the back of the return and properly identify any written appraisals that the estate relied upon. If property is income-producing, furnish operating statements for three years prior to death.

Conn. Gen. Stat. §12-349 authorizes a special use valuation for farmland. If this special use valuation is used, attach a statement that includes the following information:

- The item number or numbers of this schedule that are valued under the exception in §12-349;
- The relevant qualified use;
- The fair market value of the property, without regard to the special qualified use, on the date-of-death;
- The method used to determine the special value based on use;
- The name and relationship to the decedent of each person receiving an interest in the subject property;
- The date the decedent acquired the property and the date the decedent or a member of the decedent's family started the qualified use when the decedent or a member of the decedent's family did not materially participate in the operation of the farm or other business within the meaning of Conn. Gen. Stat. §12-349. Note: If special use valuation is claimed, you should examine and comply with subsection (b) of §12-349, as an additional tax plus interest at 12% per year may be assessed.

Mortgages: If a parcel of real property is subject to a mortgage, the unpaid balance of the mortgage may be deducted under "Description" on Schedule 4 or on Schedule 12K.

Enter the percentage of the decedent's interest in the property in the column entitled "% of Decedent's Interest." Multiply the fair market value of the real property at the decedent's date of death by the percentage of the decedent's interest and enter this amount in the column entitled "Fair Market Value of Decedent's Interest at Death."

Enter the total of Real Property Not Owned in Survivorship (Schedule 4) on Schedule 3, Line 1.

SCHEDULE 5- STOCKS AND BONDS NOT OWNED IN SURVIVORSHIP

Report all stocks and bonds, including U.S. Savings Bonds, **not** owned in survivorship, in which the decedent had an interest at death.

All items should be grouped under one of the following headings:

- Closely held stocks and bonds (Schedule 5A);
- Unlisted and listed stocks and bonds (Schedule 5B).

In the description of each stock, indicate:

- The exact name of the corporation;
- Whether the stock is common or preferred; and
- The exchange where the stock is sold or a statement that it is "unlisted."

In the description of each bond, indicate:

- Quantity and denomination;
- Name of obligor;
- Kind of bond;
- Date of maturity;
- Interest rate;
- Interest due dates; and
- The exchange where the bond is sold or a statement that it is "unlisted."

If brokers or officers of the issuing companies provide the values, attach copies of the letters with the data to each copy of the tax return. The data must be properly identified as to name of decedent, date of death, probate court, and the schedule and item number(s) to which the data pertains.

Dividends received by the estate after death are reportable on this schedule if they were declared prior to death and were payable to holders of record as of a date prior to death. If a stock is being traded on an exchange and is selling exdividend on the date of death, the amount of the dividend should be added to the exdividend quotation to determine the fair market value of the stock as of the date of death.

SCHEDULE 5A - CLOSELY HELD SECURITIES

All closely held securities should be valued at the fair market value on the date of death. Complete financial and other data upon which the reported value is based, such as written agreements, must be attached to the Commissioner's copy of this return or mailed directly to the Commissioner of Revenue Services at the time the returns are filed with the Probate Court. The data must be properly identified as to name of decedent, DRS file number, date of death, Probate Court, schedule, and item number(s) to which the data pertains.

Each set of data should also include the following information:

- The balance sheet nearest the date of death;
- Profit and loss statement for the five years prior to death;
- The total number of shares outstanding;
- The name and relationship of each member of decedent's family who is a shareholder and the number of shares owned by each;
- The nature of the business carried on by the corporation.

SCHEDULE 5B - MARKETABLE SECURITIES

Listed Securities: Stocks and bonds listed on an exchange should be valued at the mean between the highest and lowest quoted selling prices on the date of death. To determine the value if there were no sales on that date:

- Take the mean between the highest and lowest selling prices on the nearest dates on which sales occurred before and after the valuation date (both dates being within a reasonable period); and
- Average these mean values.

Unlisted Securities Having a Market (Over the counter securities): Stocks and bonds not listed on an exchange, but dealt through brokers or having a market, should be valued at the mean between the highest and lowest selling prices on the date of death. To determine the value if there were no sales on that date:

- Take the mean between the highest and lowest selling prices on the nearest dates on which sales occurred before and after the valuation date (both dates being within a reasonable period); and
- Average these mean values.

Enter the total fair market value of Stocks and Bonds Not Owned in Survivorship (Schedules 5A and B) on Schedule 3, Line 2.

SCHEDULE 6 - MISCELLANEOUS PERSONAL PROPERTY NOT OWNED IN SURVIVORSHIP

Report on this schedule all other property, **not** in survivorship, in which the decedent had an interest on the date of death and which is not reported on Schedule 4 or 5. Each item of property reported must be given a separate item number.

Reportable Items: Personal property reportable on this schedule includes, for example, the following:

- Accounts receivable
- Antiques
- Art collections
- Automobiles
- Bank accounts
- Boats
- Cash
- Coin collections
- Copyrights
- Household furniture and furnishings
- Insurance on the life of others
- Interest in estates of other decedents
- Jewelry
- Mortgages
- Notes
- Partnerships
- Patents
- Remainder interests in trusts and estates
- Royalties
- Stamp collections
- Unincorporated businesses

Mortgages: The description of each mortgage should contain:

- Face value
- Unpaid balance
- Date of mortgage
- Date of maturity
- Name of maker
- Address of mortgage property
- Interest dates
- Rate of interest

Valuations: Attach complete financial and other data upon which the reported value of a partnership or other unincorporated business is based (such as partnership and buy-and-sell agreements) to one copy of this return or mail the data directly to the Commissioner of Revenue Services at the time you file the returns with the Probate Court.

The data must be properly identified as to name of the decedent, date of death, Probate Court, schedule, and item numbers to which the data pertain.

For each item listed, include:

- An appraisal at fair market value of an underlying asset;
- Balance sheets and profit and loss statements for three years prior to death;
- A statement of the nature of the operations of the partnership or incorporated business; and
- The names and relationships of and interest owned by the partners.

Enter the total of Miscellaneous Personal Property Not Owned in Survivorship (Schedule 6) on Schedule 3, Line 3.

SCHEDULES 7 AND 8 - SURVIVORSHIP PROPERTY

As a general guide for taxpayers in determining whether assets held jointly with right of survivorship are taxable in the entirety or fractionally, DRS considers several factors. These factors include but are not limited to the extent of the decedent's contributions as well as which party received income from or had possession of the asset.

SCHEDULE 7 - SURVIVORSHIP BANK ACCOUNTS AND U.S. SAVINGS BONDS

Taxability in the Entirety: Use Schedule 7A to report survivorship bank accounts taxable in their entirety. Use Schedule 7B to report jointly owned U.S. Savings Bonds taxable in the entirety. Survivorship bank accounts and U.S. Savings Bonds are taxable in their entirety when the decedent made all of the contributions to their purchase.

Fractional Taxability: Use Schedule 7C to report jointly owned checking and savings accounts fractionally taxable. Use Schedule 7D to report U.S. Savings Bonds fractionally taxable. **Note:** If the survivor made all or most of the contributions to jointly owned bank accounts or to purchase jointly owned U.S. Savings Bonds and placed the decedent's name on these assets for convenience, the jointly owned assets must be reported on Schedules 7C and 7D as fractionally taxable. (See Conn. Gen. Stat. §12-343.)

Each bank account (including accounts in banks, savings and loan associations, and credit unions) must be listed as a separate item. Report the balance on deposit at the date of death, including all interest to that date, for each bank account. **Note:** Financial institutions must report date of death balances to DRS.

You may group together bonds of the same series for reporting purposes.

SCHEDULE 7E - SUMMARY

To determine the **Decedent's Fractional Interest**:

- Total the joint bank accounts and bonds;
- Subtract \$5,000 from the subtotal;
- Divide the balance by the number of persons in whose names the bank accounts and bonds were jointly held.

Use this summary for the common situation where the property reported is held in the same number of names. For example, all reported property is held in 2 names and is taxable at one-half the excess over \$5,000.

If some property is held in a different number of names, for example, some held in 2 names and some in 3, you must prepare additional summaries. Report the total of the property held in 2 names on one summary and the property in 3 names on another. The exemption should be prorated between the two and the proper prorated portion deducted from each total. One-half the balance would be extended on one summary and one-third on the other.

Enter on Schedule 3, Line 4, the total bank accounts and savings bonds conceded entirely taxable (Schedules 7A and B) and enter on Line 5 the total bank accounts and savings bonds claimed fractionally taxable from the summary (Schedule 7E). Enter on Line 6 the total of Lines 4 and 5.

SCHEDULE 8 - OTHER SURVIVORSHIP PROPERTY

(Including real property, stocks, bonds, etc., and excluding bank accounts and U.S. Savings Bonds)

Report each parcel of real property or tangible personal property located in Connecticut and each item of intangible personal property, wherever located, that was held jointly with the right of survivorship on the appropriate schedule as a separately numbered item. (Bank accounts and U.S. Savings Bonds held in survivorship should be reported on Schedule 7.)

Real Property: See the instructions for Schedule 4 on how to describe and identify each parcel of real property so it can be readily located and inspected by DRS and for the special use valuation of farmland.

Stocks, including closely held stocks and bonds: See the instructions for reporting stocks and bonds on Schedule 5.

Miscellaneous Personal Property, including businesses: See the instructions for reporting miscellaneous personal property on Schedule 6.

Enter on Schedule 3, Line 7, the total of Other Survivorship Property Conceded Entirely Taxable (Schedule 8A), and enter on Line 8 the total of Other Survivorship Property Claimed Fractionally Taxable (Schedule 8B and C). Enter the total of Lines 7 and 8 on Line 9.

SCHEDULE 9 - POWERS OF APPOINTMENT

As a separate item on this schedule, report each power to appoint, use, or withdraw all or a portion of the principal fund (including life insurance benefits) created by another if the power was possessed by the decedent, regardless of whether it was disclaimed, renounced, or released prior to death.

Partial or No Taxability: If the power to appoint or withdraw is not conceded taxable or is conceded only partially taxable, the value of the fund at the date of death should be shown under "Total Value at

Death" and the value of the portion conceded taxable should appear under "Value Conceded Taxable."

Attach a copy of the instrument creating a power to appoint, use, or withdraw to the back of **Form S-1**.

Enter the total of powers to appointment (Schedule 9) on Schedule 3, Line 10.

SCHEDULE 10 - TRANSFERS DURING DECEDENT'S LIFETIME

Use this schedule to report as a separate item:

- Each gift made by the decedent within three years of the date of death and the date of the gift;
- Each transfer in trust made by the decedent at any time, except life insurance trusts funded only with life insurance policies;
- Each transfer made by the decedent before death that was intended to take effect in possession or enjoyment at or after his death. Include the date of the transfer. These transfers include among other things:
 - All transfers of property, whether in trust or otherwise, in which the decedent retained any interest, such as possession, use, income, or enjoyment, even if the retention was not in writing;
 - All payable on death (P.O.D.) bonds, securities or accounts;
 - All transfers in which the decedent retained the right, either alone or with others, to designate who will possess or enjoy the property transferred or the income from the property;
 - All transfers where the decedent retained the possibility that the property would return to him or his estate or would be subject to a power of disposition by him;
 - All transfers in which the death of the decedent may be a factor in determining the disposition of the distribution of an asset.
- Each transfer property in payment of a claim against the decedent's estate arising from a contract made by him and payable by its terms at or after his death, except a claim created by antenuptial agreement and made payable by will;
- Each private annuity.

Furnish the following information under "Description" for each transfer reported.

- Brief description of property
- Name of transferee
- Address of transferee
- Relationship of transferee to decedent
- Date of transfer
- Condition of decedent's health at time of transfer
- Circumstances prompting the transfer
- If real property, local assessed value at death and the date deed was recorded.

Real Property: See the instructions for Schedule 4 on how to describe and identify each parcel of real property so it can be readily located and inspected by DRS and for the special use valuation of farmland.

Stocks, including closely held stocks and bonds: See the instructions for reporting stocks and bonds on Schedule 5.

Miscellaneous Personal Property, including **businesses**: See the instructions for reporting miscellaneous personal property on Schedule 6.

Partial or No Taxability: If the transfer is reported as not conceded taxable or is conceded only partially taxable, the fair market value of the entire property on the date of death must be reported under "Total Value at Date of Death" and the portion conceded taxable under "Value Conceded Taxable." Use the word "None" under "Value Conceded Taxable" opposite the report of a transfer claimed not taxable.

Enter the total of Transfers During Decedent's Lifetime (Schedule 10) on Schedule 3, Line 11.

Certain Gifts are Exempt from Succession Tax: Under I.R.C. §2503(b), the first \$10,000 of gifts (other than gifts of future interests in property) made to any person by a donor during the calendar year, are excluded from the amount conceded taxable on Schedule 10. This exclusion from succession tax applies to decedents dying on or after July 1, 1993.

Credit for Gift Taxes Paid: The estate is entitled to claim a credit against succession tax for Connecticut gift taxes paid on the portion of any transfer made on or after July 1, 1993, and conceded taxable on Schedule 10. Enter this amount on Line 38B. For decedents dying on or after July 1, 1993, gifts made between September 1, 1991, and June 30, 1993, are not subject to succession tax. Attach a copy of the Connecticut Gift Tax Return and provide proof of payment.

SCHEDULE 11 - DEATH BENEFITS, ANNUITIES, PENSION PLANS, RETIREMENT BENEFITS

(Please note that insurance on the life of the decedent, including insurance payable to the decedent's estate, is not subject to Connecticut succession tax.)

Report as a separate item any annuity, death benefit, or other payment receivable by any beneficiary or the decedent's estate because of decedent's death.

Transfers that are reportable include but are not limited to payments under the following:

- Individually purchased policies:
 - (1) Annuity policies;
 - (2) Retirement annuity policies;
 - (3) Matured endowment policies;
 - (4) Supplementary contracts; For example, if the decedent elected to leave the proceeds of insurance that he received as a beneficiary with the insurer under terms where the balance will be paid after his death to persons he designated;
 - (5) IRA, deferred compensation and similar plans;
 - (6) Private annuities; (See the instructions for Schedule 10.)
- Pension profit sharing and like plans:
 - (1) Payments under an employees' trust or plan forming part of a pension, stock bonus, or profit sharing;
 - (2) Payments under a contract purchased by an employees' trust or plan forming part of a pension, stock bonus, or profit sharing, thrift, or similar plan;

(3) Payments under a retirement annuity contract purchased by an employer under a plan.

- Bonuses and death benefits received from employers after death.

Taxability: Generally the value to the beneficiary of the right to receive payments at death under a plan described above is taxable. However, if the plan was a "qualified plan" under the provisions of the Internal Revenue Code, you may claim an exclusion under Conn. Gen. Stat. §12-349. In effect, Conn. Gen. Stat. §12-349 exempts that portion of the plan's value that was contributed by the decedent's employer.

If you claim an exclusion, you determine the taxable portion of the plan by applying the general formula shown below.

$$\begin{array}{rcl} \text{Taxable Amount} & & \text{Lump Sum Payment} \\ \text{(under "qualified plan")} = & \frac{\text{Decedent's Contribution}}{\text{Total Contributions by}} & \text{X} & \text{or} \\ & \text{Decedent and Employer} & & \text{Value of Plan} \\ & & & \text{to Beneficiary} \end{array}$$

(Accrued interest must be included in the contributions of both parties.)

Example: If the decedent had contributed one-fourth of the total amount credited to his account under the plan, one-fourth of the lump-sum payment of the value to the beneficiary would be taxable.

If you do not know the employer's contributions, use the plan value to the decedent and beneficiary on the date the decedent's rights first matured for the denominator in the formula. If the decedent had not retired, this is the same as the value of the plan to the beneficiary at date of death. The decedent's contributions will be the taxable amount. If the decedent had retired before death, the denominator is the value of the plan to the decedent and the beneficiary on the retirement date.

The insurer will provide the plan value to the beneficiary on the date of death and the value of the plan to the decedent and beneficiary on the retirement date. When you request this information, specify that these values must be calculated according to the "Commissioner's 1980 Standard Ordinary Mortality Table: with interest at six percent per annum."

Value: A lump-sum payment or, if there is none, the value of the plan to the beneficiary on the date of death must be reported under "Total Value at Date of Death."

Copies: See "General Instructions - Documentary Proofs" for information about what documents must be attached. You can substitute a letter or form from the employer or insurance company containing the pertinent data, where appropriate.

Enter the total of Death Benefits, Annuities, Pension Plans, Retirement Benefits (Schedule 11) on Schedule 3, Line 12.

SCHEDULE 12 - DEDUCTIONS

Enter any allowable deductions on the appropriate section of Schedule 12.

12A: Debts of decedent that are lawful claims against his estate, except debts specifically provided for in subsequent schedules.

12B: Unpaid taxes on Connecticut real property that were a lien at the date of death, to the extent of the decedent's interest in the property.

Example: Most Connecticut municipalities impose a tax lien for real property on the grand list on October 1 each year. Although the lien is billed on July 1 of the next year, if the taxpayer dies after October 1, the unpaid taxes can be deducted on the return.

- 12C: Unpaid taxes on the decedent's personal property that were a personal obligation or a lien at the date of death.
- 12D: Unpaid taxes on income of the decedent that accrued to the date of death. **Note:** If a joint return was filed for the year in which the deduction is claimed, only the decedent's pro-rata share of the unpaid tax is deductible.
- 12E: Special assessments that, on the date of death, were a lien on the decedent's interest in real property.
- 12F: Funeral expenses — reception, transportation, and like expenses are not deductible. If a wrongful death action is being pursued and funeral expenses are being claimed, the computation is held in abeyance. The tax is computed if the fiduciary agrees in writing to disallowance of the funeral expenses.
- 12G: Amounts actually expended or expected to be expended for headstone, monument, or care of cemetery lot.
- 12H: Reasonable executor or administrator (fiduciary) fees.
- 12I: Reasonable attorneys' fees.
- 12J: Allowance made and paid during this settlement of the estate for the support of the decedent's spouse, dependent minor children, or dependent children incapable of self-support because of mental or physical defect and receiving support mainly from decedent at the time of death.
No deduction is made for any allowance beyond twelve months after date of death.
Attach a copy of the decree of the Probate Court granting the claimed allowance and properly identify the schedule and item number.
- 12K: Unpaid mortgages not deducted elsewhere. Furnish the name and address of the mortgage, the kind and location of property, the date of the mortgage, and the interest rate under "Description".
- 12L: Administration expenses. The following expenses are **not** deductible:
- Federal estate tax;
 - Any and all succession, inheritance, estate or transfer taxes paid or payable;
 - Expenses that accrued after the death of the decedent for the care, maintenance, or repair of real property and buildings;
 - Interest on obligations of the decedent or of the estate that accrued after the death of decedent;
 - Property taxes assessed as of a date after the death of the decedent;
 - Income taxes that accrued after the death of the decedent;
 - Expenses incurred and taxes assessed on and in connection with real property and tangible personal property situated outside this state;
 - All other charges and expenses of administration properly allocable against income. (Conn. Gen. Stat. §12-351)

Enter the totals from Schedule 12 on Schedule 3 as follows:

- | | |
|---------|--|
| Line 14 | Debts (Schedule 12A) |
| Line 15 | Real estate taxes (Schedule 12B) |
| Line 16 | Personal property taxes (Schedule 12C) |
| Line 17 | Income taxes (Schedule 12D) |
| Line 18 | Special assessments (Schedule 12E) |
| Line 19 | Funeral expenses (Schedule 12F) |
| Line 20 | Cemetery expenses (Schedule 12G) |
| Line 21 | Fiduciaries' fees (Schedule 12H) |
| Line 22 | Attorneys' fees (Schedule 12I) |
| Line 23 | Allowance for spouse (Schedule 12J) |
| Line 24 | Unpaid mortgages (Schedule 12K) |
| Line 25 | Administrative expenses (Schedule 12L) |

SCHEDULE 3 - RECAPITULATION AND ESTIMATION OF TAX

Add Lines 1 through 3, Line 6, and Lines 9 through 12. Enter the total on Line 13. This is your gross taxable estate.

Use the next section to report allowable deductions from Schedule 12 of the return. See the instructions for Schedule 12 for information about allowable deductions.

Add Lines 14 through 25 and enter the total on Line 26. Subtract Line 26 from Line 13. Enter on Line 27. This is your net taxable estate.

Estimation of Tax: Use Lines 28 through 33 to allocate the value of the property passing to the beneficiaries. Determine the beneficiary class based on the relationship of the beneficiary to the decedent. (See Page 3, Alphabetical Listing of Relationship of Beneficiary to Decedent.) **Note:** Spouses of blood relatives, as well as relatives of the decedent's spouse, are not blood relatives.

Enter the total amount of property passing to each class of beneficiary on the appropriate line in the "Value of Property" column. Calculate the succession tax for each class of beneficiaries and enter in the "Tax Due" column. Total the amounts passing to each class and enter on Line 34. Total the taxes due and enter on Line 35. If this amount is less than \$10, no tax is due.

For all deaths on or after January 1, 1997, refer to the appropriate tax tables for the decedent's year of death. The tax tables are included with these instructions.

For deaths occurring before 1997, contact your attorney or the Probate Court for the appropriate tax tables.

When calculating the tax, remember that the exemption allowed for each class is built into the tax table and, therefore, should **not** be deducted separately.

Intestate Property: When a decedent does not have a will and the property is not in a trust, in survivorship, or in some form of retirement plan, etc., but is in the decedent's name alone, then that property is referred to as intestate property. The property will pass by the laws of descent name and distribution found in Conn. Gen. Stat. §§45 - 273.

Contingency Compromise: A compromise under Conn. Gen. Stat. §12-355 requires a computation that may be complicated. The need for compromise arises when, because of language in a will or trust instrument, the taking party or an amount to be received by a taking party, cannot be determined at the date of death, but must await the outcome of certain contingencies that will happen in the future.

In this situation, the usual procedure is to compute the tax by passing all of the property in question to one class and then through a second computation, passing all of the property in question to a second taking class. Then, the tax amounts from both computations are added together and divided by two to compute a compromise figure. DRS suggests that if this situation arises, you should get help from someone experienced with compromises, or allow DRS to compute the compromise figure.

Interest Due: Interest accrues at 1% (.01) per month or fraction of a month on any tax that is due but is not paid within six months of the decedent's death. Enter any interest due on Line 36. DRS first applies partial payments to any interest due and the remainder to the tax due.

Line 37: Enter the sum of Lines 35 and 36.

Line 38A: Enter the total of all prior payments.

Line 38B: Enter the credit for gift taxes previously paid on any item listed on Schedule 10 of this return.

Add Lines 38A and 38B and enter the total on Line 38. If your total payment(s) on Line 38 is less than your total tax and interest due on Line 37, enter the balance due on Line 39. Make remittance payable to: **Commissioner of Revenue Services**.

If the total payment is greater than Line 37, enter the amount to be refunded on Line 39.