

## Instructions for Form CT-706, Connecticut Estate Tax Return

### General Information on the Special Estate Tax

The estates of decedents dying on or after July 1, 2004, and before January 1, 2005, are subject to a special Connecticut estate tax, rather than to the regular Connecticut estate tax under Chapter 217 of the Connecticut General Statutes.

The special Connecticut estate tax is computed by using the applicable exclusion amount (and the applicable credit amount) under I.R.C. §2010(c):

- As if a decedent dying on or after July 1, 2004, and before January 1, 2005, had died during calendar year 2002; and
- Applying I.R.C. §2010(c) as it was in effect for the estate of a decedent dying during calendar year 2002.

For estates of decedents dying during calendar year 2002, the applicable exclusion amount was \$1.0 million, and the applicable credit amount was \$345,800.

Also, the special estate tax is computed by using the maximum credit allowable for state death taxes under 26 U.S.C. §2011 (I.R.C. §2011), as if a decedent dying on or after July 1, 2004 and before January 1, 2005 had died before January 1, 2002, and applying I.R.C. §2011 as it was in effect for the estate of a decedent dying before January 1, 2002.

This maximum credit allowable may be computed on Table B of the instructions for federal Form 706 (or on **Form CT-706**, Schedule A). However, because the Connecticut estate tax is based on the credit allowed for state death taxes under I.R.C. §2011, and the credit provided by I.R.C. §2011 may not exceed the amount of the tax imposed by I.R.C. §2001 (computed as if the decedent died during calendar year 2002), reduced by the amount of the unified credit provided by I.R.C. §2010 (computed as if the decedent died during calendar year 2002 (\$345,800)), the maximum credit for state death taxes may be less than the amount computed on Table B of the instructions for federal Form 706 (and Form CT-706, Schedule A).

**Resident estates** are entitled to a credit for Connecticut succession tax imposed and paid. They may also be entitled to a credit for death taxes paid to other states.

**Nonresident estates** are entitled to a credit for Connecticut succession tax imposed and paid.

For more information, see **Special Notice 2004(1)**, *Special Estate Tax on Estates of Decedents Dying on or after July 1, 2004, and before January 1, 2005*.

### Who Must File

The duly authorized executor(s) or administrator(s) of a **Type 1 Estate** or **Type 2 Estate** must file **Form CT-706**, but if there is no executor or administrator

appointed, the fiduciary in possession of assets of a **Type 1 estate** or **Type 2 estate** must file Form CT-706.

**Type 1 Estate:** Any estate required to file federal Form 706 that meets either of the following conditions:

- The decedent was a Connecticut resident at the time of death; or
- The decedent was a nonresident of Connecticut at the time of death, but owned real property or tangible personal property located within Connecticut.

**Type 2 Estate:** Any estate not required to file federal Form 706 that meets both of the following two conditions:

- The decedent was a Connecticut resident at the time of death; or the decedent was a nonresident of Connecticut at the time of death, but owned real property or tangible personal property located within Connecticut, and
- The sum of (1) the decedent's federal gross estate, as valued for federal estate tax purposes; (2) the adjusted taxable gifts (under 26 U.S.C. §2001(b)) made by the decedent after December 31, 1976; and (3) the total specific exemption allowed under 26 U.S.C. §2521 for gifts made by the decedent after September 8, 1976, and before January 1, 1977; exceeds \$1,000,000.

### What Revision of Form CT-706 Must Be Filed

Estates of decedents dying on or after July 1, 2004, and before January 1, 2005, must file the June 2004 revision (and not the April 2001 revision) of Form CT-706. (Estates of decedents dying before July 1, 2004, must use the April 2001 revision (and not the June 2004 revision) of Form CT-706.)

- "Rev. 06/04" appears in the upper left-hand corner of the first page of the June 2004 revision of Form CT-706.
- "Rev. 04/01" appears in the upper left-hand corner of the first page of the April 2001 revision of Form CT-706.

### What Documents Must Be Attached

A **Type 1 estate** must attach a complete copy, including all attachments, of federal Form 706, unless previously submitted with the estate's Connecticut succession tax return. A **Type 1 estate** is also required for Connecticut estate tax purposes, to attach a copy of the first page of the August 2002 revision of federal Form 706, after completing Part 1 and Lines 1 through 12 of Part 2 in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002).

A **Type 2 estate** must attach, for Connecticut estate tax purposes, a complete copy, including all attachments, of the August 2002 revision of federal Form 706, after

completing it in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002).

### When and Where to File

The due date for Form CT-706 is **six** months after the decedent's date of death. A **Type 1 estate** must file, as of the due date of Form CT-706, either **Form CT-706EXT**, *Application for Extension of Time to File and/or Pay Estate Tax*, or, if the estate has filed its federal Form 706 and is not applying for an extension of time to file or pay, Form CT-706. A **Type 2 estate** must file, as of the due date of Form CT-706, either Form CT-706 or, if the estate is applying for an extension of time to file or to pay, Form CT-706EXT. (Use the June 2004 revision of Form CT-706EXT to request an extension.) Unless an application for extension of time to pay the tax has been made, payment of the tax reported on Form CT-706EXT must accompany the application for extension of time to file. If Form CT-706EXT is timely filed, a nine-month extension of time to file Form CT-706 (and, if applicable, a nine-month extension of time to pay the tax) will be granted. (Thus, the extended due date will be **15** months after the decedent's date of death.) Form CT-706 must be filed in duplicate with **both** DRS **and** the appropriate probate court. Payment of any additional tax reported to be due on the filing of Form CT-706 as allowed by the extension, and interest at the rate of 1% per month, or fraction of a month, on the additional tax, must accompany Form CT-706. (Interest accrues from the date that is six months after the decedent's date of death to the date of actual payment.)

Make the check or money order payable to: **Commissioner of Revenue Services**. Write the decedent's name, Social Security Number, Connecticut succession tax file number, if known, and "Form CT-706" or "Form CT-706EXT", as the case may be, on the check or money order.

**Special instructions for nonresident estates:** If it is claimed that the decedent was a nonresident of Connecticut at the time of death, the fiduciary must also complete and attach **Form C-3**, *State of Connecticut Domicile Declaration*, to the estate's **Form CT-706**.

### Amended Returns

An estate must file an amended **Form CT-706** in any of the following circumstances:

- The estate files an amended federal Form 706 with the Internal Revenue Service (IRS). The estate must file an amended **Form CT-706** not later than 90 days after the date of filing the amended federal return.
- The amount of federal estate tax reported on the estate's federal Form 706 is *changed or corrected by the IRS*. The estate must file an amended **Form CT-706** not later than 90 days after the final determination of the change or correction and either concede the accuracy of the determination or state where it is erroneous.

- The estate is a resident estate and has claimed a credit against the Connecticut estate tax for death tax paid to a state of the United States (other than the State of Connecticut) or to the District of Columbia **and**, as a direct result of the *estate filing an amended estate tax return* with the other state or District of Columbia, the amount of death tax the estate is finally required to pay to that state or the District of Columbia is different than the amount used to determine the credit against Connecticut estate tax. The estate must file an amended **Form CT-706** not later than 90 days after the date of filing the amended return with that state or the District of Columbia.
- The estate is a resident estate and has claimed a credit against the Connecticut estate tax for death tax paid to a state of the United States (other than the state of Connecticut) or to the District of Columbia **and**, as a direct result of a *change or correction to the estate tax return* filed with the other state or the District of Columbia *by the tax officers or other competent authority of the jurisdiction*, the amount of death tax the estate is finally required to pay to that state or the District of Columbia is different than the amount used to determine the credit against Connecticut estate tax. The estate must file an amended Form CT-706 not later than 90 days after the final determination of the change or correction and either concede the accuracy of the determination or state where it is erroneous.
- If none of the above circumstances apply, but the estate made a mistake or omission on its Form CT-706, and the mistake or omission affects its Connecticut estate tax liability.

### Connecticut Generation-Skipping Transfer Tax

A person liable for the tax imposed under Chapter 216a of the Connecticut General Statutes satisfies the requirements for filing a Connecticut Generation-Skipping Transfer Tax Return by filing a duplicate copy of federal Form 706. A schedule detailing the value and location of all transferred real and tangible personal property subject to the tax imposed under Chapter 216a must be attached. A duplicate copy of federal Form 706-GS(D), *Generation-Skipping Transfer Tax Return for Distributions*, or federal Form 706-GS-T, *Generation-Skipping Transfer Tax Return for Terminations*, must also be attached.

### Line Instructions for Part I, Resident Estates

**Rounding:** You must round off cents to the nearest whole dollar on your returns 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.

**Line 1:** Enter the amount from Schedule A, Line 1. No special Connecticut estate tax is due from an estate if the amount entered, for Connecticut estate tax purposes, on Part 2, Line 12 of federal Form 706 (Rev. August 2002), completed in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002), is zero.

**Line 2:** Total death taxes means the total amount of estate, inheritance, legacy, or succession taxes (excluding interest) paid to any state of the United States (other than the State of Connecticut) or to the District of Columbia for which credit was allowed to the estate under I.R.C. §2011. Payment of these taxes is reported on Lines 1 to 3 of Schedule B. The amount entered on Line 4 of Schedule B is the amount entered on Part I, Line 2.

**Line 3:** A **Type 1 estate** must enter the total gross estate less exclusions as reported on federal Form 706, Part 2, Line 1. A **Type 2 estate** must enter the total gross estate less exclusions from the August 2002 revision of federal Form 706, Part 2, Line 1, completed in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002).

**Line 4:** Enter the amount of Line 3 attributable to the estate's real or tangible personal property located outside of Connecticut.

**Line 9:** Enter the amount of Connecticut succession tax imposed under Chapter 216 of the Connecticut General Statutes and actually paid to the State of Connecticut. Any credit an estate claims against the succession tax (such as the credit under Conn. Gen. Stat. §12-648 for Connecticut gift tax imposed and paid on a gift includable in the donor's gross taxable estate for succession tax purposes) reduces the amount of succession tax actually paid to the State of Connecticut (and, accordingly, the credit available against the estate tax under Conn. Gen. Stat. §12-391).

**Example:** An estate claimed a credit of \$3,000 against its succession tax liability for Connecticut gift tax of \$3,000 imposed and paid on a gift includable in the donor's gross taxable estate for succession tax purposes. If the estate's succession tax liability, but for the credit under Conn. Gen. Stat. §12-648, would have been \$10,000, the estate must enter \$7,000 (and not \$10,000) on Line 9, because the amount of succession tax actually paid to the state of Connecticut by the estate was \$7,000 (\$10,000 - \$3,000).

**Line 15:** The penalty for paying all or a portion of the tax late is 10% (.10) of the tax paid late. If no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of this return. Interest will be computed on the tax paid late at the rate of 1% (.01) per month or fraction of a month from the due date of the return until the tax is paid.

## Line Instructions for Part II, Nonresident Estates

**Line 17:** Enter the amount from Schedule A, Line 1. No special Connecticut estate tax is due from an estate if the amount entered, for Connecticut estate tax purposes, on Part 2, Line 12 of federal Form 706 (Rev. August 2002), completed in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002), is zero.

**Line 18:** A **Type 1 estate** must enter the total gross estate less exclusions as reported on federal Form 706, Part 2, Line 1. A **Type 2 estate** must enter the total gross estate less exclusions from the August 2002 revision of federal Form 706, Part 2, Line 1, completed in accordance with the August 2002 revision of the Instructions for Form 706 (as if the decedent had died during calendar year 2002).

**Line 19:** Enter the amount of Line 18 attributable to the estate's real or tangible personal property located within Connecticut.

**Line 22:** Enter the amount of Connecticut succession tax imposed under Chapter 216 of the Connecticut General Statutes and actually paid to the State of Connecticut. Any credit an estate claims against the succession tax (such as the credit under Conn. Gen. Stat. §12-648 for Connecticut gift tax imposed and paid on a gift includable in the donor's gross taxable estate for succession tax purposes) reduces the amount of succession tax actually paid to the State of Connecticut (and, accordingly, the credit available against the estate tax under Conn. Gen. Stat. §12-391). See Example under Line 10 instructions.

**Line 28:** The penalty for paying all or a portion of the tax late is 10% (.10) of the tax paid late. If no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of this return. Interest will be computed on the tax paid late at the rate of 1% (.01) per month or fraction of a month from the due date of the return until the tax is paid.

## For More Information

Call the Inheritance Tax Section during business hours, Monday through Friday, at **860-297-5737**.

**Forms and Publications** are available anytime by:

- Internet: Preview and download forms and publications from the DRS Web site at **www.ct.gov/drs**
- DRS TAX-FAX: Call 860-297-5698 from the handset attached to your fax machine and select from the menu.

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