

Form CT-706 NT Instructions

Connecticut Estate Tax Return (for Nontaxable Estates)

General Information

Some Important Changes

Form CT-706 NT, *Connecticut Estate Tax Return (for Nontaxable Estates)*, for 2006 has additional questions, lines, and language changes. Modifications were made to differentiate between current year Connecticut taxable gifts and prior year Connecticut taxable gifts made on or after January 1, 2005, and before January 1, 2006. Most notable are Questions 8 and 9 in Section 1 and Lines 4 and 5 in Section 2.

In addition, a probate judge may now advise estates to file **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*, when he or she has concluded that the Connecticut taxable estate, as shown on the return, could exceed \$2 million. (See *Signature of Probate Judge Required* on this page.)

Estates Which Must File Only With Probate Court

Form CT-706 NT is used by estates where it appears no estate tax will be due because the Connecticut taxable estate is \$2 million or less. The Connecticut taxable estate is the sum of:

- Connecticut taxable gifts made by the decedent during all calendar years beginning on or after January 1, 2005; **and**
- The decedent's gross estate less allowable deductions, as computed for federal estate tax purposes (even if no federal estate tax return was required).

If the decedent's Connecticut taxable estate is \$2 million or less, the executor or administrator of the decedent's estate is required to file this return with the Probate Court. Any reference to Probate Court means the Connecticut Probate Court.

Estates Which Must File With the Department of Revenue Services

If the decedent's Connecticut taxable estate is more than \$2 million, the executor or administrator of the decedent's estate is required to file **Form CT-706/709** with:

- The Department of Revenue Services (DRS); **and**
- A copy with the Probate Court having jurisdiction of the estate.

Who Must Sign and File Form CT-706 NT

The executor or administrator of the decedent's estate must sign and file Form CT-706 NT. If there is no executor or administrator, then the survivor(s) or transferee(s) of the estate must file Form CT-706 NT. If there is more than one fiduciary, all must sign the return.

Form CT-706 NT must be filed for each decedent who, at the time of death, was a Connecticut resident. Form CT-706 NT must also be filed for each decedent who, at the time of death, was a nonresident of Connecticut but who owned real or tangible personal property located in Connecticut. If the decedent is claimed to be a nonresident of Connecticut, then the estate must also complete and file **Form C-3**, *State of Connecticut Domicile Declaration*, with the Probate Court having jurisdiction of the estate.

When and Where to File

The return must be filed with the Probate Court within nine months of the decedent's death.

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

Supporting Documentation

In order for Form CT-706 NT to be considered complete, copies of completed federal Forms 706 and 709 (if applicable) must be attached, including all supplemental documents. A death certificate and, for a nonresident estate, Form C-3 must also be attached.

Signature of Probate Judge Required

The probate judge having jurisdiction of the estate examines the return filed. If the probate judge has concluded that the Connecticut taxable estate, as shown on the return, is \$2 million or less, he or she shall sign the *Certificate of Opinion of No Tax* at the bottom of the return.

However, if after examining the return, the probate judge is unable to conclude that the Connecticut taxable estate, as shown on the return, is \$2 million or less, he or she may, in the alternative, sign the statement at the bottom of the return under the heading *Form CT-706/709 Required to Be Filed*, instructing the estate to file Form CT-706/709 with the Commissioner of Revenue Services. In that event, the Probate Court shall send one copy of the return (without attachments) with the signed statement to the preparer of the Form CT-706 NT and a second copy to DRS. The preparer is then required to file Form CT-706/709 with DRS.

Release of Lien and Consents to Transfer (Tax Waiver)

Generally, the Probate Court issues the release of lien on real property. Under Connecticut law, a consent to transfer (or tax waiver) on intangible personal property is not required.

Amended Return

If you are filing an amended return, check the Amended Return box on the front of the return and complete the return with the corrected figures.

Civil Unions

Public Act 2005-10, An Act Concerning Civil Unions, authorizes same-sex couples to enter into civil unions, and grants to parties in a civil union recognized under Connecticut law (civil union partners) the same benefits and protections under Connecticut law that are granted to spouses in a marriage. This treatment first applies for Connecticut gift tax purposes to gifts made on or after January 1, 2006, and first applies for Connecticut estate tax purposes to estates of decedents dying on or after January 1, 2006.

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

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

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

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

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

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

Section 1 – General Questions

Answer all questions. If, on the date of death, the decedent was not a resident of this state, the answers provided should pertain to the decedent's real property and tangible personal property located within Connecticut.

Section 2 – Connecticut Taxable Estate Computation

Line 1

Enter the total from Section 4, Line 8.

Line 2

Enter allowable estate tax deductions as computed for federal estate tax purposes (other than the deductions allowable for state death taxes under I.R.C. Section 2058), even if no federal estate tax return was required. Subject to federal rules, allowable deductions may include all or a part of:

- Funeral expenses and expenses incurred in administering property subject to claims;

- Debts of the decedent;
- Mortgages and liens;
- Net losses during administration;
- Expenses incurred in administering property not subject to claims;
- Bequests, etc., to surviving spouse; **or**
- Charitable, public, and similar gifts and bequests.

Line 3

Subtract Line 2 from Line 1.

Line 4

Enter the amount from *Schedule A (NT)*, Line 9. If the decedent made Connecticut taxable gifts during the 2006 calendar year, those gifts must be reported on *Schedule A (NT)*. (See *Schedule A (NT) - General Instructions* on Page 3.)

Line 5

Enter the aggregate amount of prior year Connecticut taxable gifts made on or after January 1, 2005, but before January 1, 2006. Attach a copy of federal Form 709 for 2005.

Line 6

Add Lines 3, 4, and 5. If Line 6 is more than \$2 million, you must complete and file Form CT-706/709 with DRS and file a copy of that return with the appropriate Probate Court. If Line 6 is \$2 million or less, you may proceed to sign and file this return with the appropriate Probate Court.

Section 3 - Property and Proceeds Reported for Federal Estate Tax Purposes

The value of the gross estate of the decedent shall be determined by including the fair market value at the time of his or her death of all property, real or personal, tangible or intangible, wherever situated.

Values: All property must be reported at its fair market value on the date of death, unless alternate valuation is elected for federal estate tax purposes. For real estate, the fair market value may be determined through a written appraisal or by a comparable market analysis prepared by a realtor. For stocks quoted on a stock exchange, use the mean between the high and the low or bid and asked price at the date of death. For bank accounts, be sure that all interest has been posted as of the date of death. For U.S. Savings Bonds, use the value at death, not the face amount. Do not reduce the reported fair market value of any property by the amount of any mortgages, liens, or encumbrances.

List all property wherever situated and life insurance proceeds on the life of the decedent in the appropriate Part of Section 3. Solely-owned property (property passing by will or laws of intestacy) should be reported in Part 1. Any other property, including jointly-owned survivorship property or property passing other than by will or laws of intestacy, should be reported in Part 2. Attach required supporting documents to the return.

Provide a description of the property, including the complete address of all real property. Indicate the state where real or tangible personal property is physically located. Assets should be valued at fair market value at the time of death, but alternate valuation may be used if so elected for federal estate tax purposes.

In Part 1, the decedent's percentage of ownership is always 100%. In Column D, indicate the full fair market value of the property. In Column E, indicate the amount of Column D that is passing to the decedent's surviving spouse.

In Part 2, indicate the full fair market value of the property in Column C. Indicate the decedent's percentage of ownership in Column D. Multiply the amount in Column C by the percentage in Column D to determine the (Column E) Conceded Value Attributed to this Estate. In Column F, indicate the amount of Column E that is passing to the decedent's surviving spouse.

In Part 3, Column C, indicate the full amount of the life insurance proceeds on the life of the decedent. In Column D, indicate the amount of Column C that is passing to the decedent's surviving spouse.

Reportable Assets: All property in which the decedent had any interest must be reported at its fair market value on the date of death, unless alternate valuation is elected for federal estate tax purposes. Assets which must be reported include:

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

** The description of the real estate should include the acreage and whether it is a home, rental, commercial, farm, or vacant land.

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

Life Insurance Proceeds

Life insurance on the life of the decedent is subject to estate tax, as computed for federal estate tax purposes, even if no federal estate tax return was required. Life insurance owned by the decedent on the life of another is also subject to estate tax.

Annuities, Pension Plans, Retirement Benefits, and Individual Retirement Accounts: Generally, the value of the right to receive amounts from pension and profit sharing plans and individual retirement accounts are taxable.

Reportable transfers include:

1. Individually purchased policies:

- Annuity policies;
- Retirement annuity policies;
- Matured endowment policies;
- Supplementary contracts (For example, if the decedent elected to leave the proceeds of insurance he received as a beneficiary with the insurer under terms where the balance will be paid after his death to persons he designated.);
- Deferred compensation and similar plans; **and**
- Private annuities.

2. Pension, profit-sharing, and like plans:

- Payments under an employees' trust or plan forming part of a pension, stock bonus, or profit sharing plan;
- 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; **and**
- Payments under a retirement annuity contract purchased by an employer under a plan.

3. Individual Retirement Accounts

Schedule A (NT) – General Instructions

If you are not required to file federal Form 709, **stop here**. You are not required to complete *Schedule A (NT)*. Enter a zero on Form CT-706 NT, Section 2, Line 4.

If you are required to file a federal Form 709, the information to be entered on *Schedule A (NT)* for each gift should generally be identical to the information reported on federal Form 709, Schedule A. However, only those gifts to which the Connecticut gift tax applies should be reported on *Schedule A (NT)*.

The gifts to which Connecticut gift tax applies are:

- Gifts of tangible personal or real property located in Connecticut; **and**
- Gifts of intangible personal property made by a donor who at the time of the gift was a resident of Connecticut.

Gift Splitting

The decedent is **required** to gift split for Connecticut gift tax purposes if the decedent consented to gift split for federal gift tax purposes.

The decedent is **not** permitted to gift split for Connecticut gift tax purposes if the decedent did not consent to gift split for federal tax purposes.

Schedule A (NT) - Line Instructions

Line 1

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

Line 2

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

When determining the annual exclusion amount, a donee should not be counted more than once. The annual exclusion is per donee and **not** per gift.

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

The first \$120,000 of gifts made to a spouse who is not a U.S. citizen during the calendar year of a present interest in property is excluded from the Connecticut total amount of gifts.

If the decedent split a gift with his or her spouse, the annual exclusion claimed against the gift may not be more than the decedent's half of the gift.

Line 3

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

Line 4

Enter on Line 4 all of the gifts to the decedent's spouse entered on *Schedule A (NT)* and for which a marital deduction is claimed. Indicate on the line provided which numbered items from *Schedule A (NT)* are gifts to the decedent's spouse for which a marital deduction is claimed.

Do not enter any gifts to the decedent's spouse if the spouse was not a U.S. citizen at the time of the gift. There is no marital deduction for gifts to a spouse who is not a U.S. citizen; however, an annual exclusion may apply. (See Line 2 above.)

Line 5

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

Line 6

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

Line 7

If a deduction for charitable gifts is claimed, enter the total charitable, public, or similar gifts (minus exclusions allowed) on Line 7. Enter on the line provided the item number(s) of the gift(s) from *Schedule A (NT)*, Column A, deducted on Line 7.

Do not enter any gift not included on *Schedule A (NT)*.

Line 8

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

Line 9

Subtract Line 8 from Line 3. Enter this amount on Line 9 and on Section 2, Line 4.

Line 10

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

Line 11

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

Line 12

Check the box if the decedent was a party to a civil union recognized under Connecticut law.

Line 13

Check the box if the decedent elected under I.R.C. §2523(f) to include gifts of qualified terminable interest property as gifts to his or her spouse for which a marital deduction was claimed under I.R.C. §2523. Enter the item numbers from *Schedule A (NT)* of the gifts for which an election was made in the space provided.

Line 14

Check the box if the decedent elected under I.R.C. §2523(f)(6) **not** to treat as qualified terminable interest property any joint and survivor annuity where only the decedent and his or her spouse have the right to receive payments before the death of the last to die. Enter the item numbers from *Schedule A (NT)* for the annuity(ies) for which an election was made in the space provided.

Any annuities entered in the space provided on Line 13 may not be entered on *Schedule A (NT)*, Line 8. Any annuities not listed in the space provided on Line 13 must be entered on *Schedule A (NT)*, Line 4. If there is more than one joint and survivor annuity, the election under I.R.C. §2523(f)(6) may, but is not required to, cover all of them. Once made, the election is irrevocable.

Form CT-706 NT, Schedule A (NT) Attachments

Attach a complete copy of federal Form 709, United States Gift (and Generation-skipping Transfer) Tax Return, including all attachments.

For each gift of a life insurance policy, attach a copy of federal Form 712, Life Insurance Statement.

For single premium or paid-up policies, where the surrender value of the policy exceeds its replacement cost, the true economic value of the policy is greater than the amount shown on federal Form 712, Line 59. In these situations, report the true economic value of the policy.

For gifts of stock of closely held or inactive corporations, attach the balance sheet for the period nearest the date of the gift, statements of net earnings or operating results and dividends paid for each of the five preceding years, and a concise statement of the method of valuation.

Attach any other documents, such as appraisals, required for adequate explanation of value. If no appraisal is attached to show how property is valued, explain in detail how value was determined.

Please remember to fill out all required information and attach all required items and schedules, or the return will be incomplete.

Forms and Publications

Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at www.ct.gov/DRS
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).