



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

IP 2011(10.1)

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Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

2011 Connecticut Income Tax Changes  
Affecting Withholding Requirements

**Purpose:** This Informational Publication discusses the requirement for employers to adjust the withholding amounts of employees affected by the new income tax rates.

**Effective Date:** Upon issuance and effective for taxable year commencing on or after January 1, 2011.

**Statutory Authority:** Conn. Gen. Stat. §12-700, as amended by 2011 Conn. Pub. Acts 6, §§107 and 108.

**Increase in the Number of Income Tax Brackets and Income Tax Rates:** For taxable years beginning on or after January 1, 2011, individuals are subject to the following rates if their filing status is:

- **Single:** At a 3% rate on the first \$10,000 of Connecticut taxable income; at a rate of 5% on the excess over \$10,000, but not over \$50,000; at a rate of 5.5% on the excess over \$50,000, but not over \$100,000; at a rate of 6% on the excess over \$100,000, but not over \$200,000; at a rate of 6.5% on the excess over \$200,000, but not over \$250,000; and at a rate of 6.7% on the excess over \$250,000.
- **Filing separately:** At a 3% rate on the first \$10,000 of Connecticut taxable income; at a rate of 5% on the excess over \$10,000, but not over \$50,000; at a rate of 5.5% on the excess over \$50,000, but not over \$100,000; at a rate of 6% on the excess over \$100,000, but not over \$200,000; at a rate of 6.5% on the excess over \$200,000, but not over \$250,000; and at a rate of 6.7% on the excess over \$250,000.
- **Head of household:** At a 3% rate on the first \$16,000 of Connecticut taxable income; at a rate of 5% on the excess over \$16,000, but not over

\$80,000; at a rate of 5.5% on the excess over \$80,000, but not over \$160,000; at a rate of 6% on the excess over \$160,000, but not over \$320,000; at a rate of 6.5% on the excess over \$320,000, but not over \$400,000; and at a rate of 6.7% on the excess over \$400,000.

- **Filing jointly or qualifying widow(er):** At a 3% rate on the first \$20,000 of Connecticut taxable income; at a rate of 5% on the excess over \$20,000, but not over \$100,000; at a rate of 5.5% on the excess over \$100,000, but not over \$200,000; at a rate of 6% on the excess over \$200,000, but not over \$400,000; at a rate of 6.5% on the excess over \$400,000, but not over \$500,000; and at a rate of 6.7% on the excess over \$500,000.

**Phase-Out of the 3% Rate:** The 3% rate is phased out for individuals with Connecticut adjusted gross income (AGI) over the following thresholds:

- **\$56,500 for single:** The amount to which the 3% tax rate applies is reduced by \$1,000 for each \$5,000, or fraction of \$5,000, by which the taxpayer's Connecticut AGI exceeds \$56,500.
- **\$50,250 for filing separately:** The amount to which the 3% tax rate applies is reduced by \$1,000 for each \$2,500, or fraction of \$2,500, by which the taxpayer's Connecticut AGI exceeds \$50,250.
- **\$78,500 for head of household:** The amount to which the 3% tax rate applies is reduced by \$1,600 for each \$4,000, or fraction of \$4,000, by which the taxpayer's Connecticut AGI exceeds \$78,500.
- **\$100,500 for filing jointly or qualifying widow(er):** The amount to which the 3% tax rate applies is reduced by \$2,000 for each \$5,000, or fraction of \$5,000, by which the taxpayer's Connecticut AGI exceeds \$100,500.

The amount excluded from the 3% rate is taxed at the 5% rate.

**Recapture Tax Amount for Taxpayers in Higher Income Brackets:** A taxpayer whose Connecticut adjusted gross income (AGI) exceeds the income thresholds specified below, after computing his or her Connecticut income tax liability using the applicable tax rates, and after applying the 3% phase-out provision, is required to add the following recapture amount of tax as follows:

- **Single:** If the taxpayer's Connecticut AGI is more than \$200,000, the taxpayer must add \$75 for each \$5,000, or fraction of \$5,000, by which the taxpayer's Connecticut AGI exceeds \$200,000. The maximum recapture amount is \$2,250.
- **Filing separately:** If the taxpayer's Connecticut AGI is more than \$200,000, the taxpayer must add \$75 for each \$5,000, or fraction of \$5,000, by which the taxpayer's Connecticut AGI exceeds \$200,000. The maximum recapture amount is \$2,250.
- **Head of household:** If the taxpayer's Connecticut AGI is more than \$320,000, the taxpayer must add \$120 for each \$8,000, or fraction of \$8,000, by which the taxpayer's Connecticut AGI exceeds \$320,000. The maximum recapture amount is \$3,600.
- **Filing jointly or qualifying widow(er):** If the taxpayer's Connecticut AGI is more than \$400,000, the taxpayer must add \$150 for each \$10,000, or fraction of \$10,000, by which the taxpayer's Connecticut AGI exceeds \$400,000. The maximum recapture amount is \$4,500.

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**Revised Withholding Tax Tables and Withholding Calculation Rules:** Employers are required to adjust the withholding amount for the remainder of the 2011 taxable year to reflect the new income tax rates.

The withholding tax tables (the withholding tables containing the pre-calculated total amount to withhold per pay period) have been revised to reflect the new rates, the 3% phase out provision, and a catch-up withholding amount. The revised withholding tables are effective August 1, 2011.

Additionally, the withholding calculation rules have been revised to reflect the new income tax rates, the 3% phase-out provision, the recapture tax calculation, and a catch-up withholding amount.

The Department of Revenue Services (DRS) has posted the revised withholding tables and revised withholding rules on its website.

## **1. What are the changes to the 2011 revised employer withholding calculation rules and revised withholding tables?**

The withholding calculation rules were revised to reflect the additional income tax rates, the 3% phase-out provision, the recapture tax provision under each withholding code, and the catch-up withholding amount. The withholding calculation rules instruct employers how to calculate the amount of tax that should be withheld for the remainder of the year from employees who are affected by these changes.

The 2011 withholding tables were revised to reflect the additional income tax rates and the 3% phase-out provision for the remainder of the year. They also include a catch-up amount to make up for the withholding tax for the first seven months of 2011 in which withholding tax was calculated at the rates in effect prior to the new legislation. The catch-up amount was spread out for the remainder of the year beginning on August 1, 2011.

## **2. What are the employers' responsibilities as a result of the revised 2011 withholding calculation rules and revised withholding tables?**

Employers are required to use the revised withholding calculation rules or the revised withholding tables posted on the DRS website.

Employers are required to determine the catch-up withholding amount for any employee affected by these changes. The employer must calculate the employee's annualized taxable income; calculate the 2011 Connecticut income tax on the annualized taxable income applying the new rates, the 3% phase-out provision, and the recapture tax provision; subtract the year to date withholding amount from the calculated 2011 Connecticut income tax; and divide the difference by the remaining pay periods for 2011. The example that follows illustrates this requirement.

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**Example 1:** An employee paid on a weekly basis expects to have an annualized salary of \$55,525. This amount is determined by taking the employee's wages per pay period and multiplying it by the number of pay periods in a year (Steps 1, 2, and 3 on the withholding calculation rules\*).

**Step 4:** Line 1 of the employee's Form CT-W4 submitted to the employer shows withholding code F.

**Step 5:** Because the employee's annualized salary is above the exemptions threshold, the employee's annualized salary will not be reduced by any exemption amount (Table A of the withholding calculation rules).

**Step 6:** The annualized salary is \$55,525.

Assume there are 22 weekly payroll periods remaining in 2011.

**Step 7:** The withholding is calculated as follows (Table C of the withholding calculation rules):

Determine the tax for 2011:

1. The first \$10,000 is taxed at 3%.  
 $\$10,000 \times .03 = \$300$
2. The excess over \$10,000 but less than or equal to \$50,000 is taxed at 5%.  
 $\$50,000 - \$10,000 = \$40,000$   
 $\$40,000 \times .05 = \$2,000$
3. The excess over \$50,000 but less than or equal to \$100,000 is taxed at 5.5%.  
 $\$55,525 - \$50,000 = \$5,525$   
 $\$5,525 \times .055 = \$303.88$

The withholding tax for Step 7 is \$2,603.88 (\$300 + \$2,000 + \$303.88).

**Step 8:** The employee's annualized salary is below the 3% phase-out amount. Therefore, no additional amount is required under the 3% phase-out provision.

**Step 9:** The annualized salary is below the threshold amount for any recapture amount of tax. Therefore, no additional amount is required under the recapture provision.

**Step 10:** The withholding tax for 2011 is \$2,603.88 (\$2603.88 + \$0 + \$0).

**Step 11:** The percentage for the employee's personal tax credit based on the annualized salary is .02 (Table B of the withholding calculation rules).

**Step 12:** The withholding amount taking into account the personal tax credit is \$2,551.80 (\$2,603.88 X .98).

**Step 13:** The employer determines that the year to date withholding is \$1,439.70. \*\*

Subtract the year to date withholding amount from the estimated 2011 income tax: \$2,551.80 - \$1,439.70 = \$1,112.10.

**Step 14:** Divide the difference by the remaining pay periods in 2011: \$1,112.10/22 = \$50.55.

**Steps 15 and 16:** The employee has not requested on Form CT-W4, Lines 2 or 3, that the employee's withholding should be increased or decreased.

**Step 17:** The employer must withhold \$50.55 for each of the remaining pay periods in 2011. \*\*\*

\* For employees with supplemental earnings, see Question 3.

\*\* The year to date withholding (Step 13) is the amount of tax withheld based on the employee's withholding tax code only. This amount does not include any additional or reduced withholding requested by the employee on Form CT-W4, Line 2 or Line 3.

\*\*\* This example assumes that the employee receives the same salary for each remaining pay period. The calculation rules need to be used for each subsequent pay period if the employee has a fluctuating salary.

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**Example 2:** The facts are the same as in Example 1 except the employee is paid on a monthly basis and expects to have an annualized salary of \$270,300.

**Step 5:** Because the employee's annualized salary is above the exemptions threshold, the employee's annualized salary will not be reduced by any exemption amount (Table A of the withholding calculation rules).

**Step 6:** The annualized salary is \$270,300.

Assume there are five monthly payroll periods remaining in 2011.

**Step 7:** The withholding is calculated as follows (Table C of the withholding calculation rules):

Determine the tax for 2011:

1. The first \$10,000 is taxed at 3%.  
 $\$10,000 \times .03 = \$300$
2. The excess over \$10,000 but less than or equal to \$50,000 is taxed at 5%.  
 $\$50,000 - \$10,000 = \$40,000$   
 $\$40,000 \times .05 = \$2,000$
3. The excess over \$50,000 but less than or equal to \$100,000 is taxed at 5.5%.  
 $\$100,000 - \$50,000 = \$50,000$   
 $\$50,000 \times .055 = \$2,750$
4. The excess over \$100,000 but less than or equal to \$200,000 is taxed at 6%.  
 $\$200,000 - \$100,000 = \$100,000$   
 $\$100,000 \times .06 = \$6,000$
5. The excess over \$200,000 but less than or equal to \$250,000 is taxed at 6.5%.  
 $\$250,000 - \$200,000 = \$50,000$   
 $\$50,000 \times .065 = \$3,250$
6. The excess over \$250,000 is taxed at 6.7%.  
 $\$270,300 - \$250,000 = \$20,300$   
 $\$20,300 \times .067 = \$1,360.10$

The withholding tax for Step 7 is \$15,660.10 (\$14,300 (\$300 + \$2,000 + \$2,750 + \$6,000 + \$3,250) + \$1,360.10).

**Step 8:** The employee's annualized salary is above any of the 3% phase-out amount. The total amount subject to the 3% rate must be taxed at 5% (Table D of the withholding calculation rules). The additional tax is \$200 (\$10,000 X .02 = \$200).

**Step 9:** The annualized salary requires a recapture of tax (Table E of the withholding calculation rules). The amount of the recapture is \$1,125 (\$75 for each \$5,000 or fraction of \$5,000 by which the taxpayer's annualized salary exceeds \$200,000).

**Step 10:** The withholding tax for 2011 is \$16,985.10 (\$15,660.10 + \$200 + \$1,125).

**Step 11:** The percentage for employee's personal tax credit based on the annualized salary is "0" (Table B of the withholding calculation rules).

**Step 12:** The withholding amount is \$16,985.10.

**Step 13:** The employer determines that the year to date withholding is \$7,758.33. \*\*

Subtract the year to date withholding amount from the estimated 2011 income tax: \$16,985.10 - \$7,758.33 = \$9,226.77.

**Step 14:** Divide the difference by the remaining pay periods in 2011: \$9,226.77/5 = \$1,845.35.

**Steps 15 and 16:** The employee has not requested on Form CT-W4, Lines 2 or 3, that the employee's withholding should be increased or decreased.

**Step 17:** The employer must withhold \$1,845.35 for each of the remaining pay periods in 2011. \*\*\*

\* For employees with supplemental earnings, see Question 3.

\*\* The year to date withholding (Step 13) is the amount of tax withheld based on the employee's withholding tax code only. This amount does not include any additional or reduced withholding requested by the employee on Form CT-W4, Line 2 or Line 3.

\*\*\* This example assumes that the employee receives the same salary for each remaining pay period. The calculation rules need to be used for each subsequent pay period if the employee has a fluctuating salary.

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**3. An employee expects to receive a bonus at the end of the year. Should this amount be included when calculating the additional amount of withholding?**

Yes. Supplemental compensation already received or expected to be received on or before December 31, 2011, must be included in the annualized taxable income calculation.

**4. My employee received a large bonus at the beginning of the year. He will not make enough money for the rest of the 2011 taxable year to withhold the catch-up withholding amount. What is the maximum amount I am allowed to withhold and will I be liable for not withholding the correct amount?**

An employer is required to deduct catch-up withholding from an employee's wages even if it reduces the employee's net pay amount to zero. If the employee's net pay has been reduced to zero, the employer will not be liable under Conn. Agencies Regs. §12-707-2 for withholding less than the correct

amount of tax. However, you should inform the employee that he or she is required to make third and fourth quarter estimated payments using the new rates.

**5. What if an employer does not implement the revised withholding rules or use the revised withholding tables?**

An employer is required to use the revised withholding calculation rules or revised withholding tables posted on the DRS website on May 18, 2011, to determine the additional amount to withhold for the remainder of the taxable year for employees affected by the change in rates. Except for situations such as that addressed in Question 4, an employer who does not implement the revised withholding rules or use the revised withholding tables will be liable for the amount of the Connecticut income tax required to be withheld. For purposes of assessment and collection, amounts required to be withheld and paid over to DRS (and any penalties and interest) are the liability of the employer under the law. The employer remains liable for the tax even if a third party is withholding on the employer's behalf.

**6. An employee has informed me that she will not have enough money to pay her daily expenses if I withhold additional amounts for Connecticut income tax. Can I continue withholding at the 5% rate and let the employee pay any additional tax with her tax return?**

No. Employers must use the revised withholding calculation rules or revised withholding tables to determine the amount of catch-up withholding based on an employee's annual Connecticut taxable income and the withholding code on the employee's Form CT-W4.

**7. Must an employer recalculate catch-up withholding when an employee submits a new Form CT-W4?**

Yes.

**8. One of my employees never submitted Form CT-W4. Do I continue withholding at the 5% rate?**

No. Under Conn. Agencies Regs.12-705(a)-4, an employee who fails to provide a completed Form CT-W4 to his or her employer is subject to the highest rate of withholding, which has increased to 6.7% for taxable years beginning on or after January 1, 2011. If an employee does not wish to be subject to the highest marginal rate, the employer, who is required to obtain a Form CT-W4 from the employee, can tell the employee to submit the required form.

**9. How should I calculate withholding for employees who claim withholding code D on the CT-W4?**

For employees who claim withholding code D, the employer does not reduce the taxable income for any personal exemption or personal tax credit. For withholding code D, the exemption is \$0.

**10. If I hired an employee in 2011, which withholding calculation rules or withholding tables should I use?**

Recently-hired employees are employees beginning work after January 1, 2011, who will not receive a salary for all of the pay periods in the year.

If the employee will receive his or her first paycheck **prior to August 1, 2011**, you must use the old withholding calculation rules until July 31, 2011. On August 1, 2011, use the revised 2011 withholding calculation rules with a modification to Step 2 (determine the number of pay periods in the year). In this step, you must use the number of pay periods for that particular employee, calculated from the date of hire through December 31, 2011, or earlier, if applicable.

If the recently-hired employee will receive his or her first paycheck **on or after August 1, 2011**, use the revised withholding calculation rules. Follow Steps 1 through 12, skip Step 13, and modify Step 14 to use the number of pay periods in the entire year (Step 2). In other words, divide the result from Step 12 by Step 2.

**Caution:** You may not use the revised withholding tables (the withholding tables containing the pre-calculated total amount to withhold per pay period) for recently-hired employees. The revised withholding tax tables that go into effect on August 1, 2011, not only reflect the new rates, they also include a “catch-up” withholding amount to make up for the withholding tax for the first seven months of 2011 in which withholding tax was calculated at the old rates. The catch-up amount was spread out for the remainder of the year beginning on August 1, 2011. Using the revised withholding tables for recently-hired employees will result in overwithholding.

**11. Does the withholding rate for athletes and entertainers remain at 6.5%?**

No. Under Conn. Agencies Regs. §12-705(b)-1(b), the withholding from compensation of professional athletes and entertainers is required to be at the highest marginal rate, which has increased to 6.7% for taxable years beginning on or after January 1, 2011.

**12. May I instruct my employees to provide me with a new Form CT-W4 in lieu of implementing the revised withholding rules?**

The newly enacted legislation requires you to use the revised withholding calculation rules or revised withholding tables posted on the DRS website to calculate the additional amount of withholding for employees affected by the rates. However, you may inform your employee that he or she has a right to request a reduced amount of withholding or an increased amount of withholding by providing you with a new Form CT-W4. The decision whether or not to provide a new Form CT-W4, however, is the employee’s, not the employer’s.

**13. Are employers required to take into consideration tax withholding for other states when calculating catch-up withholding?**

Yes. Employers withholding from wages paid to resident employees should refer to Conn. Agencies Regs. §12-705(a)-2 for employees:

- Who work solely in one qualifying jurisdiction but not in Connecticut;
- Who work in more than one qualifying jurisdiction but not in Connecticut; **or**
- Who work in one or more qualifying jurisdictions and in Connecticut.

Employers withholding from wages paid to nonresident employees who perform services partly within and partly without Connecticut should refer to Conn. Agencies Regs. §12-705(a)-6.

**14. Are employers required to take into consideration changes to filing status during the year?**

Employers are required to use the withholding code reported by the employee on the Form CT-W4 most recently submitted to the employer. If the most recently submitted Form CT-W4 contains a change in filing status, then the change must be considered.

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**Effect on Other Documents: Informational Publication 2011(10.1) modifies and supersedes Informational Publication 2011(10).**

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

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

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

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

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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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**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](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

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

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

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