



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

450 Columbus Blvd Ste 1  
Hartford CT 06103-1837

TSSB 2024-5  
TAXPAYER SERVICES SPECIAL BULLETIN

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**Taxpayers are eligible to claim a credit against the income tax in taxable year 2023 based on real estate conveyance tax paid in connection with certain residential real estate in taxable year 2020**

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**Purpose:** The purpose of this publication is to provide guidance as to the scope and application of the credit against the income tax that is set forth in Conn. Gen. Stat. § 12-704c(d). More specifically, given the various legislative amendments surrounding this credit, this publication is intended to both clarify that taxpayers are eligible to claim the credit set forth in Conn. Gen. Stat. § 12-704c(d) in taxable year 2023 and to explain how eligible taxpayers are to claim said credit on income tax returns due for said taxable year.

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**Background:** During the 2019 legislative session, the Connecticut General Assembly enacted legislation that provided for a credit against the income tax based on the real estate conveyance tax paid in connection with certain residential real estate. Said legislation, which was ultimately codified as Conn. Gen. Stat. § 12-704c(d), was originally effective for taxable years beginning on or after January 1, 2021.

During its 2022 legislative session, the Connecticut General Assembly modified Conn. Gen. Stat. § 12-704c(d) so as to make it effective for taxable years commencing on and after January 1, 2023. In addition, the Connecticut General Assembly also modified the amount of the credit that can be claimed and the period of time during which it could be claimed. Conn. Gen. Stat. § 12-704c(d), as currently enacted, provides as follows:

d) (1) Notwithstanding the provisions of subsections (b) and (c) of this section, for taxable years commencing on or after January 1, 2023, for any taxpayer who paid the conveyance tax on real property at the rate prescribed by subparagraph (C)(ii) of subdivision (2) of subsection (b) of section [12-494](#), the credit allowed under this section shall not exceed thirty-three and one-third per cent of the amount of the conveyance tax paid in excess of one and one-quarter per cent on that portion of the consideration taxed under section [12-494](#) that is in excess of eight hundred thousand dollars, in each of the three taxable years beginning with the third taxable year after the taxable year in which such conveyance tax was paid. For any taxable year such taxpayer claims the credit or portion thereof under this subsection, such credit shall be in lieu of any credit such taxpayer may be eligible to claim under subsection (b) or (c) of this section.

(2) If any credit allowed under this subsection or portion thereof is not used because the amount of the credit exceeds the tax due and owing by the taxpayer or the amount of property tax paid by the taxpayer, the unused amount may be carried forward to each of the successive taxable years until such amount is fully taken, except that in no event may any amount of the credit be carried forward for a period of more than six taxable years.

In the 2019 session, the Connecticut General Assembly made corresponding amendments to the real estate conveyance tax. To that end, the General Assembly added a new rate applicable to the conveyance of certain residential property. Conn. Gen. Stat. § 12-494(b)(2), in pertinent part, currently provides as follows:

(2) In the case of any conveyance in which the real property conveyed is a residential estate, including a primary dwelling and any auxiliary housing or structures, regardless of the number of deeds, instruments or writings used to convey such residential real estate, for which the consideration or aggregate consideration, as the case may be, in such conveyance is eight hundred thousand dollars or more, the tax under said subdivision (1) shall be imposed:

- (A) At the rate of three-quarters of one per cent on that portion of such consideration up to and including the amount of eight hundred thousand dollars;
- (B) Prior to July 1, 2020, at the rate of one and one-quarter per cent on that portion of such consideration in excess of eight hundred thousand dollars; and
- (C) On and after July 1, 2020, (i) at the rate of one and one-quarter per cent on that portion of such consideration in excess of eight hundred thousand dollars up to and including the amount of two million five hundred thousand dollars, and (ii) at the rate of two and one-quarter per cent on that portion of such consideration in excess of two million five hundred thousand dollars.

As set forth above, the tax rate set forth in Conn. Gen. Stat. § 12-494(b)(2)(C) became effective July 1, 2020. Thus, the first year a taxpayer could have paid real estate conveyance tax at the rate set forth in Conn. Gen. Stat. § 12-494(b)(2)(C) was in taxable year 2020.

Through the revisions to Conn. Gen. Stat. § 12-704c(d) and Conn. Gen. Stat. § 12-494(b)(2)(C) described above, the Connecticut General Assembly established a new marginal conveyance tax rate applicable to transfers of residential property in excess of \$2.5 million and allowed taxpayers who pay real estate conveyance tax at such a rate to claim a credit against the income tax that is based on the payment of said real estate conveyance tax. Stated simply, the credit against the income tax that is set forth in Conn. Gen. Stat. § 12-704c(d) is tied directly to the real estate conveyance tax that is paid at the rate set forth in Conn. Gen. Stat. § 12-494(b)(2)(C). As explained below, given that the tax rate set forth in Conn. Gen. Stat. § 12-494(b)(2)(C) became effective July 1, 2020, taxpayers who paid tax on or after July 1, 2020 and on or before December 31, 2020 are eligible to claim the credit set forth in Conn. Gen. Stat. § 12-704c(d) in taxable year 2023.

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**Determination of eligibility for credit in taxable year 2023:** As set forth above, certain taxpayers who pay conveyance tax at the rate of 2.25% prescribed in Conn. Gen. Stat. § 12-494(b)(2)(C) may claim a tax credit against their income tax liability that is based on the amount of real estate conveyance tax paid at said rate. As also set forth herein, the credit is codified in Conn. Gen. Stat. § 12-704c(d). As Conn. Gen. Stat. § 12-704c applies to “[a]ny resident of this state,” a taxpayer must be a resident of the state to be eligible to claim the tax credit under Conn. Gen. Stat. § 12-704c(d).

To that end, eligible taxpayers may claim the tax credit over a three-year period, beginning in the third taxable year after the taxable year in which the taxpayer paid the conveyance tax. As explained herein, the tax rate set forth in Conn. Gen. Stat. § 12-494(b)(2)(C) became effective July 1, 2020. Thus, the first year a taxpayer could have paid real estate conveyance tax at the rate set forth therein was in taxable year 2020. Accordingly, given the express requirement of Conn. Gen. Stat. § 12-704c(d) that the credit can first be claimed in the “third taxable year after the taxable year in which such conveyance tax was paid,” the first taxable year in which said credit could be claimed is taxable year 2023.

Consistent therewith, taxpayers who paid tax on or after July 1, 2020 and on or before December 31, 2020 are allowed to claim one third of the total credit in taxable year 2023. In the event that an eligible taxpayer cannot use the full amount of the credit allowable in taxable year 2023, the taxpayer may carry the unused portion forward for up to six successive taxable years. Taxpayers are not eligible to receive a refund of any unused portion of a credit allowable under Conn. Gen. Stat. § 12-704c(d).

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**Calculation of amount of credit that can be claimed in taxable year 2023:** In order to calculate the amount of the credit allowable under Conn. Gen. Stat. § 12-704c(d) in taxable year 2023, eligible taxpayers must complete **Schedule CT-1040 REC**, *Real Estate Conveyance Tax Credit*, and submit said schedule with their 2023 **Form CT-1040**, *Connecticut Resident Income Tax Return*. No credit under Conn. Gen. Stat. § 12-704c(d) will be allowed unless the return on which it is claimed is accompanied by a fully completed and properly executed **Schedule CT-1040 REC**. **Schedule CT-1040 REC** is available on the Department’s website at [portal.ct.gov/drs/drs-forms/current-year-forms/individual-income-tax-forms](https://portal.ct.gov/drs/drs-forms/current-year-forms/individual-income-tax-forms).

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**How to claim the credit in taxable year 2023:** After completing **Schedule CT-1040 REC**, taxpayers are to follow the instructions set forth in this schedule. As provided in said instructions, particularly the instructions to Line 6 of **Schedule CT-1040 REC**, taxpayers are to report the amount of the credit calculated on said schedule on Column D to Line 8 of Part 1 of the **Schedule CT-IT Credit, Income Tax Credit Summary**. The Department recognizes that Line 8 of Part 1 of **Schedule CT-IT Credit** is labeled "Insurance Reinvestment Fund Tax Credit from Form CT-IRF." However, and in an effort to provide assurances to both taxpayers and practitioners, taxpayers are formally directed by the Department to report the credit allowable under Conn. Gen. Stat. § 12-704c(d) on Column D to Line 8 of Part 1 of the **Schedule CT-IT Credit** for taxable year 2023. To the extent that a taxpayer is claiming both the credit allowable under Conn. Gen. Stat. § 12-704c(d) and the Insurance Reinvestment Fund Tax Credit, such taxpayers are directed to contact the Department for additional instructions.

As explained herein, taxpayers are not eligible to receive a refund of any unused portion of a credit allowable under Conn. Gen. Stat. § 12-704c(d). Rather, to the extent that the amount of the allowable credit under Conn. Gen. Stat. § 12-704c(d) exceeds a taxpayer's income tax liability in taxable year 2023, the taxpayer is required to carry forward the unused amount to the next taxable year. Additional guidance regarding the carry forward provisions relative to this credit are set forth in the instructions to Line 7 of **Schedule CT-1040 REC**.

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**Effective Date:** Upon Issuance.

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**Effective on Other Documents:** None.

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