



**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

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Hartford CT 06103-1837

**TAXPAYER SERVICES
SPECIAL BULLETIN**

TSSB 2021-2

*Original Issue Date: 04/01/2021
Last Updated: 05/04/2021*

Impact of Federal Unemployment Compensation Exclusion on Connecticut Taxpayers

The Internal Revenue Service (IRS) recently issued guidance to individuals who are eligible for the federal unemployment compensation exclusion created by the American Rescue Plan Act of 2021. As the exclusion took effect after some qualifying taxpayers already filed their 2020 returns, the IRS will automatically adjust affected returns to account for the exclusion. The IRS has advised that there is no need for taxpayers to file an amended federal return, unless the calculations make the taxpayer newly eligible for additional federal credits and deductions not already included in the return.

Will Connecticut allow the federal unemployment compensation exclusion?

Yes. Connecticut will allow the federal unemployment compensation exclusion when calculating Connecticut income tax. The federal unemployment compensation exclusion reduces federal adjusted gross income (AGI), which is the starting point in calculating the Connecticut income tax. There is no requirement to add back any of the excluded income for Connecticut purposes. Therefore, the excluded amount is not subject to Connecticut income tax.

What steps do Connecticut taxpayers need to take to claim the federal unemployment compensation exclusion for Connecticut income tax purposes?

- **If you have not yet filed your federal return.**

After filing your federal return, file your Connecticut return using the federal AGI you reported on your federal return. Any unemployment compensation exclusion that you reported on your federal return will be reflected in your federal AGI and taken into account in calculating your Connecticut income tax.

- **If you have already filed your federal and Connecticut returns, and you are required to amend your federal return.**

After amending your federal return, amend your Connecticut return by filing **Form CT-1040X, Amended Connecticut Income Tax Return for Individuals**, using the federal AGI you reported on your amended federal return. Any unemployment compensation exclusion that you reported on your amended federal return will be reflected in your federal AGI and taken into account in calculating your Connecticut income tax. Visit the Department of Revenue Services (DRS) **Taxpayer Service Center (TSC)** at portal.ct.gov/TSC to file Form CT-1040X online.

- **If you have already filed your federal and Connecticut returns, and you are not required to amend your federal return (you anticipate that the IRS will re-calculate your return automatically).** (*Answer updated on 05/04/2021*)

To claim the unemployment compensation exclusion for Connecticut income tax purposes, you must amend your Connecticut return by filing Form CT-1040X.

Even though you are not filing an amended federal return, you must recalculate your federal AGI to account for the unemployment compensation exclusion. This recalculation is needed so that you can prepare your amended Connecticut return. Once you have determined your recalculated federal AGI, report the recalculated federal AGI on Form CT-1040X, Line 1, and file your amended Connecticut return with DRS. Visit the **TSC** at portal.ct.gov/TSC to file Form CT-1040X online.

The IRS website provides [information](#) and [FAQs](#) on how to calculate the federal unemployment compensation exclusion, which will help you determine your recalculated federal AGI. Remember, you are only recalculating your federal AGI so you can prepare your amended Connecticut return. You are not required to file an amended federal return with the IRS.

Effective Date: Upon issuance.

Effect on Other Documents: None.

For Further Information: Visit the DRS website at portal.ct.gov/DRS.

Call DRS Monday through Friday, 8:30 a.m. to 4:30 p.m. at:

- **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. Taxpayers may also call 711 for relay services. A taxpayer must tell the 711 operator the number he or she wishes to call. The relay operator will dial it and then communicate using a TTY with the taxpayer.

E-Services Update

A new modernized system, **myconneCT**, will replace the *TSC* (Taxpayer Service Center) as part of a multi-year, multi-phase project. Many tax types are already able to be filed using **myconneCT** and more will be added each year. Use **myconneCT** to file taxes, make payments, view filing history, and communicate with the agency simply and more efficiently on virtually any mobile device, including laptops, tablets, and smartphones, 24 hours a day, 7 days a week. For updated information on the progress of this project and the transition schedule for specific taxes, please visit the DRS website at portal.ct.gov/DRS-myconneCT.

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