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Experts Corner

[Bipartisan budget deal leads to tax changes for businesses, individuals](#)



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On Oct. 31, Gov. Dannel P. Malloy signed a "trick-or-treat" bipartisan budget agreement that provided for a number of new tax changes. He also vetoed a hospital provider tax, but offered new language to revise it.

On the "treat" side are a few changes that will benefit Connecticut taxpayers in the years ahead. First, for tax years beginning Jan. 1, 2018, a 100-percent tax exemption will apply to social-security benefits to all taxpayers with income under a certain threshold.

The prior rules gave the exemption to single filers if their income was under \$50,000; the new income limit is under \$75,000. For married couples filing joint returns or head of household filers, the old limit was income under \$60,000; it is now increased to income under \$100,000.

Next, beginning in 2019 and going through 2025, the tax on pension and annuity income will also phaseout based on income limitations. The limitations are \$75,000 for single filers, married filing separate, and head of household; then \$100,000 for married couples filing jointly. For tax years beginning Jan. 1, 2019, 14 percent of pension and annuity income is deductible. For 2020, 28 percent is deductible, followed by 42 percent for 2021; 56 percent for 2022; 70 percent for 2023; 84 percent for 2024; and 100 percent for 2025 and beyond.

One other benefit is a personal income tax deduction for costs associated with organ donations. The deductible costs are limited to \$10,000 and apply to items such as lost wages, medical, travel and housing expenses.

Other taxpayer benefits include a refundable credit for college graduates who remain employed in the state.

Starting Jan. 1, 2019, graduates who receive bachelor's, master's, or doctoral degrees in the science, technology, engineering, or math fields (STEM) can claim a \$500 credit if they live and work in (or move to) Connecticut. The credit can be claimed for each of the first five years after graduation, provided the individual lives in Connecticut.

On the "trick" side, new tax increases were enacted against a number of business operations that will be passed on to consumers. First, there is a 45-cent per pack increase in the cigarette tax and two new taxes on fantasy sports contests and ride-sharing companies.

Effective July 1, 2019, fantasy sports contests will now have a 10.5 percent gross receipts tax on the entry fees collected by the operator from all players.

Effective Jan. 1, 2018, ride-sharing companies like Uber and Lyft must pay a 25 cent fee on each ride that originates in Connecticut.

Finally, there has been an exemption from the admission tax at the following locations: XL Center, Webster Bank Arena, Dunkin' Donuts Park and New Britain Stadium. Beginning Dec. 1, 2017, that exemption will be eliminated and admissions at each of those venues will now be subject to the tax.

Meantime, in an attempt to collect more tax revenue and entice people with outstanding tax returns to file and pay their taxes, the commissioner of the Department of Revenue Services (DRS) is now empowered to implement a "Fresh Start," or delinquent taxpayer's amnesty program.

If enacted, this program would apply to all taxes except motor carrier road taxes. It would cover any return that was due prior to Dec. 31, 2016, and provide for a waiver of all penalties plus 50 percent of all interest due on those missing returns. It would also apply to taxpayers that did file returns but did not report the full amount of tax that was due.

The taxpayer will have to come forward voluntarily prior to contact by the DRS and not be currently protesting or litigating the issue for which the fresh start is requested.

In relation to estate and gift taxes, the budget increases the tax-free threshold over a three-year period. For 2018, no tax will be imposed on estates or gifts of \$2.6 million or less.

For 2019, the exemption increases to \$3.6 million, and for 2020 and thereafter, the exemption is tied to the federal basic exclusion amount, currently at \$5 million. If that amount changes in the new federal tax bill, then the basic exclusion amount will apply to all Connecticut estates and gifts beginning in 2020.

Finally, beginning Jan. 1, 2019, the maximum estate and gift tax imposed by Connecticut is lowered from \$20 million to \$15 million.

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