



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

SN 2021(6)

450 Columbus Blvd Ste 1
Hartford CT 06103-1837

SPECIAL NOTICE

2021 Legislative Changes Affecting the Income Tax

Purpose: This Special Notice describes legislation enacted during the 2021 June Special Session of the Connecticut General Assembly affecting the income tax.

Effective Date: The effective dates of the legislative changes are noted herein.

Property Tax Credit: The maximum amount of property tax credit that a taxpayer may claim and the eligibility requirements, both of which currently apply to taxable year 2020, have been extended to taxable years 2021 and 2022. Specifically, the maximum amount of property tax credit is \$200. Additionally, to qualify for the property tax credit, a taxpayer, or the taxpayer's spouse if married filing jointly, must be 65 years of age or older by the end of the taxable year, or the taxpayer must have claimed at least one dependent on your federal income tax return.

Conn. Gen. Stat. § 12-704c, as amended by 2021 Conn. Pub. Acts 2, § 432 (June Spec. Sess.).

Earned Income Tax Credit Increase: For taxable years beginning on or after January 1, 2021, the earned income tax credit for Connecticut residents has been increased to 30.5% of the federal earned income credit.

Conn. Gen. Stat. § 12-704e, as amended by 2021 Conn. Pub. Acts 2, § 430 (June Spec. Sess.).

Subtraction Modification for Certain IRA Distributions: Beginning with taxable year 2023, a subtraction modification for distributions from individual retirement accounts (IRAs), other than Roth IRAs, will be phased in over a four year period. The subtraction modification may be claimed by taxpayers whose federal adjusted gross income is less than \$75,000 (for single, married filing separately, and head of household) or \$100,000 (for married filing jointly).

The subtraction modification will be allowed to the extent the IRA distributions are included in federal

adjusted gross income and will be phased in as follows:

<u>Taxable Year</u>	<u>Subtraction Equal to:</u>
2023	25% of IRA distribution
2024	50% of IRA distribution
2025	75% of IRA distribution
2026 and after	100% of IRA distribution

Conn. Gen. Stat. § 12-701, as amended by 2021 Conn. Pub. Acts 2, § 433 (June Spec. Sess.).

Connecticut Teachers' Retirement System

Income: For taxable years beginning on or after January 1, 2021, retired teachers may claim the pension and annuity subtraction modification (if their adjusted gross income is below the applicable thresholds) or the teachers' pension subtraction modification on their Connecticut Teachers' Retirement System Income.

Under prior law, retired teachers could only claim the teachers' pension subtraction, and not the pension and annuity subtraction, on their Connecticut Teachers' Retirement System income.

Conn. Gen. Stat. § 12-701, as amended by 2021 Conn. Pub. Acts 2, § 433 (June Spec. Sess.).

Angel Investor Tax Credit Changes:

Program Extension: An angel investor can continue to seek the angel investor tax credit for investments made prior to July 1, 2028. The program was previously scheduled to sunset on June 30, 2024.

Investment in Cannabis Businesses: Cannabis businesses may now apply to receive investments eligible for the angel investor tax credit.

To qualify, a cannabis business must be licensed to, controlled by, and at least 65% owned by a social equity applicant or applicants. Further, the cannabis business must:

- Be approved as a qualified cannabis business by Connecticut Innovations Inc.;

- Have had annual gross revenues of less than one million dollars in the most recent income year of such business;
- Have fewer than twenty-five employees, not less than seventy-five per cent of whom reside in this state;
- Be primarily owned by the management of the business and their families; **and**
- Have received less than two million dollars in cash investments eligible for the angel investor tax credit.

The angel investor tax credit is equal to 40% of an investor's cash investment in the qualified cannabis business. The total amount of angel investor tax credits attributable to investments in cannabis businesses shall not exceed \$15 million per year for each fiscal year beginning on or after July 1, 2021.

Conn. Gen. Stat. § 12-704d, as amended by 2021 Conn. Pub. Acts 1, § 133 (June Spec. Sess.).

Effect on Other Documents: None.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

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.