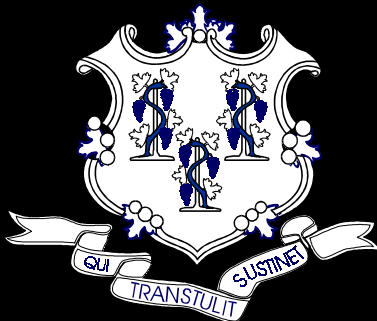


1998

FORM CT-1040 NR/PY

**This booklet
contains:**

- **Form CT-1040NR/PY**
- **Schedule CT-SI**
- **Worksheet CT-1040AW**
- **Form CT-1040 EXT**
- **Form CT-1040ES**
- **Schedule CT-1040BA**
- **Individual Use Tax
Worksheet**
- **Tax Tables**
- **Tax Calculation
Schedule**
- **Taxpayer
Questionnaire**



Connecticut Nonresident or Part-Year Resident Income Tax

Return and Instructions

Dear Customer:

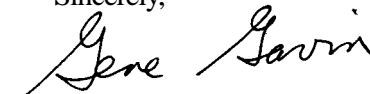
I am pleased to report that Connecticut continues to take significant steps to reduce the tax burden on Connecticut taxpayers. In 1998, and again in 1999, the threshold of taxable income has been increased on which the lower 3 percent tax rate applies. Other important income tax changes that may affect you as a nonresident or part-year resident are highlighted on Page 2. Please be sure to read them before completing your return.

I encourage you to review the section, *Which Form Should I Use?* on Page 4, to be sure this is the return you should be filing. Detailed information about Connecticut taxes is available on the DRS Web site (see address at bottom of page). However, our Taxpayer Services personnel are always ready to assist you with any aspect of Connecticut taxes. The back cover of this booklet has a complete list of our regional locations, hours of service and phone and fax numbers.

The award-winning Department of Revenue Services takes pride in its innovation and efficiency. If you are due a refund, it will be mailed back to you within ten business days — one of the fastest turnarounds in the country. After all, your refund is your money and we want you to have it as soon as possible.

Please complete the Taxpayer Questionnaire on Page 35 and return it to us. Your comments and suggestions help us serve you better at a lower cost.

Sincerely,



Gene Gavin
Commissioner

Taxpayer information is available on our Internet site:
<http://www.state.ct.us/drs>

SOME IMPORTANT CHANGES

- For taxable years beginning on or after **January 1, 1998**, the **income tax rates for individuals** are:
 - For those filing as *single* or as *married filing separately*, **3%** of the **first \$7,500** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$7,500**;
 - For those filing as *head of household*, **3%** of the **first \$12,000** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$12,000**;
 - For those filing as *married filing jointly*, **3%** of the **first \$15,000** of Connecticut taxable income, and **4.5%** of Connecticut taxable income **above \$15,000**.
- For taxable years beginning on or after **January 1, 1998**, Connecticut **taxation of Social Security benefits is limited to 25% of the benefits received**. Social security recipients who pay federal income tax on their Social Security benefits should refer to Line 42, *Social Security Benefit Adjustment Worksheet* on Page 18 for more information.
- For taxable years beginning on or after **January 1, 1998**, nonresident athletes, entertainers, or performing artists are subject to Connecticut income tax on income derived directly or indirectly from closed-circuit and cable television transmission of an event (other than events occurring on a regularly scheduled basis) within Connecticut to the extent such transmissions are received or exhibited within Connecticut.
- Each individual who is a shareholder of an S corporation subject to the Connecticut corporation business tax must include 75% of his or her pro rata share of the S corporation's nonseparately computed income or loss, multiplied by the S corporation's corporation business tax apportionment percentage, in computing Schedule 1 modifications. See instructions for Line 34, on Page 16 or Line 45, on Page 17.
- Distributions to a designated beneficiary from the Connecticut Higher Education Trust Fund (CHET) are exempt from Connecticut income tax to the extent they are includable in federal adjusted gross income of the beneficiary. For more information, see the instructions for Line 48 on Page 18.
- If a request for an extension of time to file an income tax return has been granted, no late payment penalty will be imposed if at least 90% of the tax shown to be due on **Form CT-1040NR/PY** is paid on or before the original due date of the return and the balance due is paid on or before the extended due date of the return.
- For taxable years beginning on or after **January 1, 1998**, taxpayers who have claimed a credit for income taxes paid to another jurisdiction (including alternative minimum taxes) have 90 days instead of 30 days to file an amended Connecticut income tax return to report changes or corrections made to a return filed in the other jurisdiction.
- The tax credit for income tax imposed by and paid to a province of Canada is repealed, effective for taxable years beginning on or after **January 1, 1998**. However, the tax credit for an alternative minimum tax imposed by and paid to a province of Canada is not repealed.

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (in-state) or **860-297-5962** (anywhere), press **"1"** to be connected to "Income Tax Information Menu," then press **"2"** to select "Recorded Income Tax Information." Enter the three-digit number beside the topic of your choice.

GENERAL INCOME TAX INFORMATION		305	Partnership income tax return
101	Important income tax changes for 1998	306	Group return for shareholders, partners and beneficiaries
102	How to choose the correct form		
103	Where to get forms and assistance	401	FORM CT-1040 OR FORM CT-1040NR/PY
104	Requesting a filing extension	402	Tax status of United States government obligations
105	Filing a decedent's return	403	Tax status of state or local obligations
106	Filing an error-free return	403	Residents and part-year residents who paid income tax to another jurisdiction
107	Amending a Connecticut return	404	Deferred compensation
108	Getting a copy of a previously filed return	405	Pension income, social security and individual retirement accounts
109	Offsets of state income tax refunds	406	Modifications to federal adjusted gross income
110	Deducting Connecticut income tax when completing your federal income tax return	407	Connecticut alternative minimum tax
		408	Property tax credit
		409	Questions about a state tax refund or a Connecticut tax rebate
INCOME TAX FILING REQUIREMENTS, RESIDENCY AND FILING STATUS			
201	Who must file a Connecticut return?		ESTIMATED TAX INFORMATION
202	What is gross income?		Who must estimate?
203	Who is a resident, nonresident or part-year resident?	501	Withholding instead of making estimates
204	What is Connecticut source income of a nonresident?	502	Estimated income tax form
205	Members of the armed forces	503	When to file and how much to pay
206	Student's filing requirements	504	Annualization of income
207	Dependent children's filing requirements	505	Interest on underpayments
208	What is your filing status?	506	Farmers and fishermen
209	Title 19 recipients	507	
CONNECTICUT USE TAX, GIFT TAX AND OTHER INCOME TAX RETURNS			TELEFILE INFORMATION
301	Individual use tax	601	Who is eligible to Telefile?
302	Gift tax	602	What do I need to do before making the call?
303	Income tax on trusts and estates	603	Completing the Telefile Worksheet
304	S corporation information and composite income tax return	604	Tips for successful Telefiling
		605	What if I make a mistake while Telefiling?

TABLE OF CONTENTS

Where Can I Get Help?	4	Rounding Off to Whole Dollars	13
Where Can I Get Additional Forms and Publications?	4	Line-by-Line Instructions	13
How Can I Get My Refund Faster?	4	Schedule 1 - Modifications to Federal Adjusted Gross Income	16
Who Must File Form CT-1040NR/PY?	4	Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions	19
The Gross Income Test . . . 4		Schedule CT-SI Instructions	22
Title 19 Recipients . . . 5		Worksheet CT-1040AW Instructions	27
What is Connecticut Adjusted Gross Income? . . . 5		Schedule CT-1040BA Instructions	29
How Do I File a Deceased Taxpayer's Return? . . . 5		Schedule CT-1040BA	31
Claiming a Refund for a Deceased Taxpayer . . . 5		Individual Use Tax Worksheet	33
Taxable Year and Method of Accounting . . . 5		Questions and Answers about the Connecticut Individual Use Tax	34
Am I a Resident, Part-Year Resident or Nonresident?	5	1998 Taxpayer Questionnaire	35
Are Military Personnel Required to File? . . . 6		1998 Connecticut Income Tax Tables	back of booklet
Combat Zone . . . 6		Tax Calculation Schedule	inside back cover
How Nonresidents and Part-Year Residents are Taxed	6		
Connecticut Source Income of a Nonresident . . . 6			
Activities Considered to be Casual, Isolated or Inconsequential . . . 7			
Special Information for Nonresident Aliens . . . 7			
Connecticut Source Income of a Part-Year Resident . . . 7			
What Items are Subject to Special Accruals . . . 7			
Change from Resident to Nonresident . . . 7			
Payment of Tax . . . 7			
Surety Bond . . . 7			
Change from Nonresident to Resident . . . 8			
When Should I File?	8		
How Do I Request an Extension of Time to File My Return? . . . 8			
US Citizens Living Abroad . . . 8			
What If I Can't Pay All the Tax I Owe?	8		
Extension of Time to Pay the Tax . . . 8			
What Should I Do if I Make a Mistake or Leave Something Off My Return?	9		
Changes to Your Federal Return . . . 9			
Changes to Another State's Return . . . 9			
Should I Make Estimated Tax Payments?	9		
Special Rules for Farmers and Fishermen . . . 9			
Annualized Income Installment Method . . . 9			
1999 Estimated Tax Due Dates . . . 10			
Filing Form CT-1040ES . . . 10			
Interest on Underpayment of Estimated Tax . . . 10			
Filing Form CT-2210 . . . 10			
When Do Penalty and Interest Apply?	10		
Late Payment or Late Filing . . . 10			
Failure to File . . . 10			
Failure to Report Federal Changes . . . 10			
Failure to Report State Changes . . . 10			
Waiver of Penalty . . . 11			
What Happens After I File?	11		
How Long Should Records be Kept? . . . 11			
Copies of Returns . . . 11			
Information About Refunds . . . 11			
Offset Against Debts . . . 11			
Nonobligated Spouse . . . 11			
Instructions for Form CT-1040NR/PY			
How Do I Start?	11		
Steps One through Five . . . 11			
Name and Address	12		
Filing Status	12		

Other Taxes That You Should Know About

The information that follows is intended to be a general description of other Connecticut taxes for which you may be liable. More detailed information is available in the forms or publications specified. Failure to pay these taxes, if you are liable for them, may subject you to civil and criminal penalties.

Connecticut Use Tax Reported on Form CT-1040NR/PY

In general, goods or services that are purchased out-of-state and that would have been subject to the Connecticut sales tax, if those goods or services had been purchased from a Connecticut retailer, are subject to the Connecticut use tax. Typically, individuals who have purchased goods from mail order or catalog companies and have had those goods shipped to Connecticut, and individuals who have purchased goods at out-of-state locations and have brought those goods back into Connecticut, are subject to the Connecticut use tax if they did not pay Connecticut sales tax. The Connecticut use tax is computed on the purchase price of the goods or services and must be paid by April 15, 1999, for all purchases subject to the Connecticut use tax made during 1998. Taxpayers who owe use tax must complete **Form CT-1040NR/PY, Individual Use Tax Worksheet** on Page 33, or **Form OP-186, Connecticut Individual Use Tax Return**.

Connecticut Gift Tax (Form CT-709)

Gifts made during each calendar year by resident and nonresident individuals are subject to the Connecticut gift tax. Residents are subject to tax on all gifts of intangible property and of real and tangible personal property located in Connecticut. Nonresidents are taxed on gifts of real and tangible personal property located in Connecticut. In general, gifts made to any particular donee are not subject to the Connecticut gift tax unless the value of all such gifts to such donee during the calendar year exceeds \$10,000. The tax is computed on the fair market value of the property that was given. The donor is liable for the tax, but if the donor does not pay the tax, it may be collected from the donee. The tax is reported on, and paid upon the filing of **Form CT-709, Connecticut Gift Tax Return**. The return must be filed, and the gift tax paid, on or before April 15 annually, for gifts made during the preceding calendar year.

WHERE CAN I GET HELP?

The Department of Revenue Services, Taxpayer Services Division, can answer questions on how to complete your Connecticut tax return. Taxpayer Services may be reached from 8:00 a.m. to 5:00 p.m., Monday through Friday, by calling 1-800-382-9463 (in-state) or 860-297-5962 (anywhere). Telecommunications Device for the Deaf (TDD/TT) users **only** may call 860-297-4911.

Assistance is also available from 8:00 a.m. to 5:00 p.m. from any of the Department's offices listed on the back cover of this booklet.

If you visit, be sure to bring:

1. Your "**state copy**" of your federal Form W-2 or 1099-R; **and**
2. Your **COMPLETED** federal income tax return.

1999 Extended Telephone Hours for Personal Assistance (Option "0"):

Tuesday	.....	January 26	(until 7 p.m.)
Thursday	.....	January 28	(until 7 p.m.)
Tuesday	.....	February 2	(until 7 p.m.)
Thursday	.....	February 4	(until 7 p.m.)
Thursday	.....	April 1	(until 7 p.m.)
Saturday	.....	April 3	(8:30 a.m. - 12:00 p.m.)
Thursday	.....	April 8	(until 7 p.m.)
Saturday	.....	April 10	(8:30 a.m. - 12:00 p.m.)
Monday	.....	April 12	(until 7 p.m.)
Tuesday	.....	April 13	(until 7 p.m.)

1999 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)

Wednesday	.....	April 14	(until 8 p.m.)
Thursday	.....	April 15	(until 8 p.m.)

WHERE CAN I GET ADDITIONAL FORMS AND PUBLICATIONS?

You may obtain forms and publications 24 hours a day from the DRS Web site at <http://www.state.ct.us/drs> or through the Department's fax retrieval system by calling the DRS TAX-FAX at 860-297-5698 from the handset attached to your fax machine.

Connecticut income tax forms may be obtained at any of the Department's offices (listed on the back cover) as well as at most Connecticut post offices, banks, town halls, and public libraries.

Connecticut tax forms may also be obtained by writing to:

DRS Forms Unit
25 Sigourney Street
Hartford CT 06106-5032

or by calling our Forms Unit at 1-800-382-9463 (in-state) or 860-297-4753 (anywhere) and press "2." Both numbers are available 24 hours a day.

HOW CAN I GET MY REFUND FASTER?

The Department of Revenue Services issues refund checks as quickly as possible. An incomplete or incorrectly prepared return can delay or reduce your income tax refund. The following tips will help us get your refund to you as quickly as possible.

1. File the appropriate form for your tax situation. File **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*, if you were a nonresident of

Connecticut and received Connecticut source income in 1998, **or** if you changed your permanent legal residence by moving into or out of Connecticut during the taxable year. See *Am I A Resident, Part-Year Resident or Nonresident?* on Page 5.

2. Be sure to check the correct filing status.
3. Be sure a legible "**state copy**" of each federal Form W-2 (Wages) is attached to your Connecticut return. Also attach Forms W-2G (Winnings), 1099-R (Pensions) and any other forms showing Connecticut income tax withheld.
4. Sign your return upon completion. If you and your spouse are filing jointly, both of you must sign.
5. Be sure your paid preparer signs the return.
6. Use the preprinted label if one is included with this booklet. The information on this label will help us process your return and refund faster.

If you are not using a preprinted label, be sure to include your name(s), mailing address and Social Security Number(s) in the name and address section of your return.
7. Be sure that both you and your spouse file your income tax returns at the same time if you filed joint estimated tax payments but elect to file separate income tax returns. No refund will be processed until both Connecticut returns are received.
8. Use the correct mailing label on the envelope when filing your return. One label is for refund requests or no additional tax due. The other is for payments.

WHO MUST FILE FORM CT-1040NR/PY?

You are required to file a Connecticut income tax return if you were a nonresident or part-year resident in 1998 **and** any of the following is true for the 1998 taxable year:

1. You had Connecticut income taxes withheld; **or**
2. You made estimated tax payments to Connecticut; **or**
3. You were a part-year resident who meets the gross income test (see below) or who had a federal alternative minimum tax liability in 1998; **or**
4. You were a nonresident with Connecticut source income in 1998 who meets the gross income test or who had a federal alternative minimum tax liability in 1998. See *Connecticut Source Income of a Nonresident* on Page 6.

The Gross Income Test

You are required to file a Connecticut income tax return if your **gross income for 1998** exceeds:

- \$12,000 for a Single or Married person filing separately
- \$19,000 for Head of household
- \$24,000 for Married persons filing jointly

Gross income means all income you received in the form of money, goods, property and services that is not exempt from federal tax **and** any additions to income from **Form CT-1040NR/PY**, Schedule 1.

Gross income includes, but is not limited to:

- Compensation for services, including wages, fees, commissions, taxable fringe benefits, and similar items
- Gross income from a business
- Capital gains

- Interest and dividends
- Gross rental income
- Gambling winnings
- Alimony
- Taxable pensions and annuities
- Prizes and awards
- Your share of income from partnerships, S corporations, estates and trusts
- IRA distributions
- Unemployment compensation
- **Federally taxable** social security.

The following examples illustrate the gross income test:

Example 1: A Connecticut nonresident whose only income is from a sole proprietorship located in Connecticut files a federal Form 1040, reporting the following on Schedule C:

Gross Income	\$100,000
Expenses	(\$92,000)
Net Income	\$ 8,000

Because the **gross** income of \$100,000 exceeds the minimum requirements **and** the income is from a Connecticut source, this nonresident is required to file a Connecticut tax return.

Example 2: A Connecticut part-year resident who files as single on **Form CT-1040NR/PY** receives \$8,000 in federally nontaxable Social Security benefits and \$11,000 in interest income. Since nontaxable Social Security is not part of gross income, **no** Connecticut return must be filed provided no Connecticut tax was withheld and no estimated tax payments were made.

Example 3: A nonresident whose filing status is single for federal income tax purposes receives \$11,500 in wage income from Connecticut employment and \$1,000 in federally-exempt interest from California state bonds. The taxpayer's federal gross income with additions from **Form CT-1040NR/PY**, Schedule 1, (interest on state or local obligations other than Connecticut) is \$12,500. Therefore, a Connecticut return must be filed.

Title 19 Recipients

Title 19 recipients are required to file a Connecticut income tax return if the requirements for *Who Must File Form CT-1040NR/PY?* are met. If you were a Title 19 recipient in 1998 **and** Medicaid assisted in the payment of your long-term care in a nursing or convalescent home in 1998 **and** you do not have the funds to pay your Connecticut income tax, complete **Form CT-19IT** and attach it to the **front** of your Connecticut income tax return. By completing this form you authorize DRS to verify your Title 19 status for 1998 with the Department of Social Services.

What is Connecticut Adjusted Gross Income?

For the purpose of completing **Form CT-1040NR/PY**, Connecticut adjusted gross income is your federal adjusted gross income as reported on Line 33 of your federal Form 1040, Line 18 of your federal Form 1040A, Line 4 of your federal Form 1040EZ, or Line H of your federal TeleFile Tax Record with Connecticut modifications, as listed on **Form CT-1040NR/PY**, Schedule 1.

How Do I File a Deceased Taxpayer's Return?

A Connecticut income tax return must be filed for a nonresident or part-year resident taxpayer who died during the taxable year if the requirements for *Who Must File Form CT-1040NR/PY?* are met. It must be signed and filed by his or her executor,

administrator or surviving spouse for the portion of the year before the taxpayer's death. The date of the taxpayer's death must be clearly stated at the top of the return. As for federal purposes, a joint return may be filed by a surviving spouse. (Indicate who is deceased and date of death.) Write "**Filing as Surviving Spouse**" in the deceased spouse's signature block of the return. In the case of the death of both spouses, a final return must be filed by their legal representative. The Connecticut filing status must be consistent with the federal filing status.

Claiming a Refund for a Deceased Taxpayer

If you are a surviving spouse filing a joint return with the deceased, file only the tax return to claim the refund. If you are a court-appointed representative, file the return **and** attach a copy of the certificate that shows your appointment. All other filers requesting the deceased taxpayer's refund must file the return and attach federal Form 1310.

Any income received by the estate of the decedent for the portion of the taxable year after the decedent's death, and for succeeding taxable years until the estate is closed, must be reported each year on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*.

Taxable Year and Method of Accounting

A taxpayer's taxable year and method of accounting shall be the same as the taxpayer's taxable year and method of accounting for federal income tax purposes.

If a taxpayer's taxable year or method of accounting is changed for federal income tax purposes, the taxable year or method of accounting shall be similarly changed for Connecticut income tax purposes.

AM I A RESIDENT, PART-YEAR RESIDENT OR NONRESIDENT?

To determine your residency status and the return you must file for 1998, read the following:

You are a **resident** and you should complete **Form CT-1040EZ** or **Form CT-1040** if:

- Connecticut was your domicile (permanent legal residence) for the entire year of 1998; **or**
- You maintained a permanent place of abode in Connecticut **and** spent a total of more than 183 days in Connecticut during the 1998 taxable year, **and** you are not a part-year resident.

You are a **part-year resident** and you should complete **Form CT-1040NR/PY** if you changed your permanent legal residence by moving into or out of Connecticut during the taxable year.

You are a **nonresident** and you should complete **Form CT-1040NR/PY** if you were neither a resident nor a part-year resident for 1998.

Although you and your spouse file jointly for federal purposes, you may be required to file separate Connecticut returns. For more information, see *Filing Status* on Page 12.

IMPORTANT: You may be treated as a nonresident for 1998 even though your domicile was Connecticut if **all** of the following conditions are met:

1. You maintained no permanent place of abode in Connecticut for the entire taxable year of 1998;
2. You maintained a permanent place of abode outside of Connecticut for the entire taxable year of 1998; **and**

3. You spent not more than 30 days in the aggregate in Connecticut during the 1998 taxable year.

Military personnel stationed in Connecticut but domiciled in another state, are considered nonresidents. See *Are Military Personnel Required to File?* below.

Domicile (permanent legal residence) is the place you intend to have as your permanent home. It is the place you intend to return to whenever you are away. You can have only one domicile although you may have more than one place to live. Your domicile does not change until you move to a new location and definitely intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited time (no matter how long), your domicile does not change. This also applies if you are working in a foreign country.

Permanent place of abode is a residence (a building or structure where a person can live) that you permanently maintain, whether or not you own it, and generally includes a residence owned by or leased by your spouse. A place of abode is not deemed permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose.

Are Military Personnel Required to File?

Military personnel who claim Connecticut as a residence but are stationed elsewhere are subject to Connecticut income tax. If you enlisted in the service as a Connecticut resident and have not established a new domicile (permanent legal residence) elsewhere, you are required to file a resident income tax return unless you meet all three conditions for being treated as a nonresident listed on Page 5.

If your permanent home (domicile) was outside Connecticut when you entered the military, you do not become a Connecticut resident because you are stationed and live in Connecticut. As a nonresident, your military pay is not subject to Connecticut income tax. However, income that you receive from Connecticut sources while you are a nonresident (including your spouse's nonmilitary income) may be subject to Connecticut income tax.

Example: Lisa is a resident of Florida. She enlisted in the Navy in Florida and was stationed in Groton, Connecticut. She earned \$38,000 in military pay.

If Lisa had no other income. . .

Military personnel are residents of the state in which they resided when they enlisted. Since Lisa resided and enlisted in Florida, she is considered a resident of Florida and does not have to file a Connecticut return.

If Lisa has a part-time job in Connecticut. . .

Her Connecticut source income from nonmilitary employment is taxable and must be reported on **Form CT-1040NR/PY**.

Spouses of military personnel who are stationed in Connecticut may be considered residents of this state even if their domicile is elsewhere. See *Am I a Resident, Part-Year Resident or Nonresident?* on Page 5.

For further information, see **IP 92(2.5)**, *Connecticut Income Tax Information for Military Personnel and Veterans*.

Combat Zone

The income tax return of any individual in the US Armed Forces serving in a combat zone or injured and hospitalized while serving in a combat zone shall be due 180 days after returning. There will be no penalty or interest charged. For any individual who dies while on active duty in a combat zone or as a result of injuries

received in a combat zone, no income tax or return is due for the year of death. A refund of tax paid will be provided to the legal representative of the estate or to the surviving spouse.

Combat zone is an area designated by the President of the United States as a combat zone by executive order. A combat zone also includes an area designated by the federal government as a *qualified hazardous duty area*.

IMPORTANT: Members of the US Armed Forces serving in the peacekeeping efforts in Bosnia and Herzegovina, Croatia or Macedonia, are also eligible for the 180 day extension allowed to individuals serving in a combat zone. Such individuals should print at the top of their return "**Bosnia-Operation Joint Endeavor**."

HOW NONRESIDENTS AND PART-YEAR RESIDENTS ARE TAXED

If you are a nonresident or a part-year resident, your tax liability is computed based upon the greater of your Connecticut adjusted gross income or your total income from Connecticut sources.

Connecticut Source Income of a Nonresident

Connecticut source income of a nonresident is income derived from or connected with sources within Connecticut when:

- The income is attributable to ownership or disposition of real or tangible personal property within Connecticut; including, but not limited to, the income from the rental or sale of such property;
- The income is attributable to compensation for services performed in Connecticut or income from a business, trade, profession or occupation carried on in Connecticut (including income derived directly or indirectly by athletes, entertainers or performing artists from closed-circuit and cable television transmissions of irregularly scheduled events if such transmissions are received or exhibited within Connecticut);
- The income is from a partnership doing business in Connecticut;
- The income is from an S corporation doing business in Connecticut; **or**
- The income is from a trust or estate with income derived from or connected with sources within Connecticut.

In general, Connecticut source income of a nonresident **does not include** the following income even if it was included in your federal adjusted gross income:

- Distributions from qualified or non-qualified pension or retirement plans;
- Interest, dividends or gains from the sale or exchange of intangible personal property, unless that property is employed in a business, trade, profession or occupation carried on in Connecticut;
- Compensation you received for active service in the United States military;
- Dividends from a corporation doing business in Connecticut;
- Compensation you received from an interstate rail carrier, interstate motor carrier, or an interstate motor private carrier;
- Gambling winnings;
- Interest earned by an individual from a Connecticut bank (unless earned by a Connecticut business); **or**

- Income from business or employment activities in Connecticut that are considered casual, isolated or inconsequential.

Activities Considered to be Casual, Isolated or Inconsequential

In general, activities that meet one of the following tests are considered casual, isolated or inconsequential:

1. **\$6,000 test** - The gross income from the presence of a nonresident in Connecticut does not exceed \$6,000 in the taxable year.

IMPORTANT: An employee's wages for services performed in Connecticut are taxable, regardless of amount, unless the employee's services meet the Ancillary Activity Test.

2. **Ancillary Activity Test** - The nonresident's presence in Connecticut is ancillary to his or her primary business or employment duties that are performed at a base of operations outside of Connecticut. Ancillary activities are those activities that are secondary to the individual's primary out-of-state duties, and include such things as presence in the state for planning, training, attendance at conferences or symposia, etc.

Special Information for Nonresident Aliens

In accordance with Conn. Agencies Regs. §12-740-8, a nonresident alien who is a resident of Connecticut, or who is a nonresident of Connecticut but has Connecticut adjusted gross income derived from or connected with sources within this state, shall file a Connecticut income tax return and pay Connecticut income tax even though the nonresident alien is not or may not be required to file a federal income tax return or pay federal income tax. The provisions of any income tax treaty between the United States and another country shall be disregarded for Connecticut income tax purposes, because no such treaty prohibits or restricts the imposition of state and local income taxes. Therefore, for Connecticut income tax purposes, any treaty income as reported on federal Form 1040NR must be entered as a modification increasing federal adjusted gross income on **Form CT-1040NR/PY**, Schedule 1, Line 38. In other words, a nonresident alien must compute his or her federal adjusted gross income as if he or she were filing a federal Form 1040 and were not a nonresident alien. Enter the words "**treaty income**" in the space provided. You must attach a copy of federal Form 1040NR to your Connecticut income tax return whether or not one was actually filed with the Internal Revenue Service. To determine your Connecticut residency status and the form you should file, see *Am I A Resident, Part-Year Resident or Nonresident* on Page 5.

Connecticut Source Income of a Part-Year Resident

Connecticut source income of a part-year resident is the sum of:

1. Connecticut adjusted gross income for the part of the year you were a resident; **and**
2. Income derived from or connected with Connecticut sources for the part of the year you were a nonresident; **and**
3. Special accruals.

What Items are Subject to Special Accruals?

A part-year resident must recognize and report items of income, gain, loss or deduction on the accrual basis, regardless of the method of accounting normally used by the taxpayer. In general, an item of income is subject to special accrual if the right to receive it is fixed and the amount to be paid is determinable with

reasonable accuracy at the time the taxpayer changes his or her residency status.

Change from Resident to Nonresident

If you moved out of Connecticut during the taxable year, you must include, in calculating your Connecticut adjusted gross income for the period of your Connecticut residency, all items of income, gain, loss or deduction you would be required to include if you were filing a federal income tax return for the same period on the accrual basis, together with any other accruals that are not otherwise includible or deductible for federal or Connecticut income tax purposes (such as deferred gains on installment obligations). Include items of special accruals with other items of income, gain, loss and deduction reported for your residency period. See *Worksheet CT-1040AW Instructions* on Page 27.

Example 1: Christine, a part-year resident who moved out of Connecticut in June 1998, sold property on the installment basis in April 1998. She will receive annual installment payments for five years. She must accrue the entire gain on the sale of the property to the portion of 1998 when she was a resident of Connecticut because her right to receive the gain was fixed and the amount was determinable before the time she changed her residency.

Example 2: David, a resident of Connecticut, retired from his Connecticut employment on September 1, 1998, and moved to Florida. His employer notified him on August 15, 1998, that he would receive a \$1,000 bonus on September 15, 1998. He must accrue the \$1,000 bonus to the portion of 1998 when he was a resident because the right to receive the bonus was fixed and the amount was determinable before the time he changed his residency.

Payment of Tax

If you moved out of Connecticut during the taxable year and you have items of income or gain subject to special accrual, you must either:

- Include the items of accrual in the calculation of tax in the year you changed your residence; **or**
- File a surety bond or other security and pay the tax as a nonresident in the year(s) the income is actually received.

Surety Bond

You may elect to defer the payment of Connecticut income tax on items of special accrual by filing a surety bond with the Department in an amount not less than the amount of the additional Connecticut income tax that would be payable if no surety bond or other security were filed. If you choose this option, you must file **Form CT-1040NR/PY** for the taxable year when you change your residence and include a separate statement showing the nature and amount of each item of special accrual as of the date of change of residence, together with a computation of the additional Connecticut income tax which would be due if the election to file a surety bond had not been made. For further information on the requirements for a surety bond, request a copy of Conn. Agencies Regs. §12-717(c)(4)-1 and **Forms CT-12-717A** and **CT-12-717B**.

Example 3: Marianne, a Connecticut resident, won the Connecticut state lottery in 1997 and will continue to receive her winnings on the installment basis for twenty years. She moved out of the state in 1998. Her lottery winnings are subject to special accrual. However, she may elect to post a surety bond or continue to have Connecticut income tax withheld by the Connecticut Division of Special Revenue rather than accruing all her future winnings to the period before her change of resident status.

If Marianne had won another state's lottery while she was a Connecticut resident, she would be required to either accrue all the winnings to the period before her change of residency or post a surety bond. Connecticut income tax withholding would not be an option available to her.

Change from Nonresident to Resident

If you moved into Connecticut during the taxable year, items of income, gain, loss or deduction that accrue to the period of the year prior to your Connecticut residency are not included in your Connecticut source income. However, items of income which are derived from or connected with Connecticut sources may **not** be accrued to the nonresident period and must be included in calculating your Connecticut source income for that year.

Example 4: Alisa was a California resident from January 1, 1998, until July 31, 1998. She became a Connecticut resident on August 1. While a resident of California, Alisa earned \$10,000 for work performed in that state, but she did not receive payment for that work until September 30, 1998.

Alisa also owned a condominium in Connecticut, which she rented to a third party from January 1 to July 31, 1998. She received payment of the rent for the first four months of the year while she was living in California, and she received the remaining payments after she became a Connecticut resident.

Alisa will file a Connecticut part-year resident return for 1998. The \$10,000 of California source income earned before Alisa changed her residency is accrued to her nonresidency period even though she received the payment after becoming a Connecticut resident. The rental payments from Connecticut real estate are considered Connecticut source income regardless of when she received this income. Therefore, the entire amount of rental income is includible in her Connecticut adjusted gross income and none of it is subject to special accrual.

WHEN SHOULD I FILE?

Your Connecticut income tax return is due on or before April 15, 1999, and will be considered timely-filed if received or if the date shown by the US Post Office cancellation mark is on or before this date.

If your taxable year is other than the calendar year, you must file on or before the fifteenth day of the fourth month after the end of your taxable year. If the due date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date.

If you file late, you will be subject to penalty and interest. Penalty and interest apply to late filing, late payment and underpayment of tax. If you have an overpayment of income tax or no tax is due but you are required to file a return and you file late, you may be subject to penalty. (See *When Do Penalty and Interest Apply?* on Page 10.)

How Do I Request an Extension of Time to File My Return?

If you are unable to file a timely return, you must file **Form CT-1040 EXT**, *Application for Extension of Time to File*, and pay the amount of tax you expect to owe on or before the original due date for filing your Connecticut income tax return. This form is included in this booklet. Filing this form automatically extends the due date for **six months** (October 15, 1999, for calendar year taxpayers), if federal Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, has been filed. (You are not required to attach a copy of the federal extension request to **Form CT-1040 EXT**.)

Form CT-1040 EXT extends only the time to **file** your final return; it **does not** extend the time to **pay** your income tax or individual use tax. (See *When Do Penalty and Interest Apply?* on Page 10.)

US Citizens Living Abroad

If you are a US citizen or US resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico, and are unable to file a timely Connecticut income tax return, you must file **Form CT-1040 EXT**. You must also pay the amount of tax that you expect to owe on or before the original due date of the return.

Include with **Form CT-1040 EXT** a statement that you are a US citizen or resident living outside the United States and Puerto Rico, or in the armed forces of the United States serving outside the United States and Puerto Rico and that you qualify for a federal automatic two-month extension. If your application is approved, the due date will be extended for six months (October 15, 1999, for calendar year taxpayers). If you are still unable to file your return, and you were granted an additional extension of time to file for federal purposes, you may file your Connecticut return using the federal extension due date. A copy of the federal Form 2350 approval notice must be attached to the front of your Connecticut return.

WHAT IF I CAN'T PAY ALL THE TAX I OWE?

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. Even if you cannot pay all the tax you owe, you should file your return on time and pay as much as you can. Penalty and interest will be assessed on any tax not paid by the original due date. (See *When Do Penalty and Interest Apply?* on Page 10.) If you continue to make payments, you can reduce the amount of interest you would otherwise owe.

Extension of Time to Pay the Tax

You may be eligible for an extension of six months to pay the tax you owe if you can show that it will cause you undue hardship to pay the tax on the date it is due. To receive consideration you must file **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*, on or before the original due date of the return.

You must attach **Form CT-1127** to the front of your timely-filed Connecticut income tax return or your timely-filed **Form CT-1040 EXT**. As evidence of the need for extension, you must attach: (1) a statement of assets and liabilities; **and** (2) an itemized list of receipts and disbursements for the preceding three months. You must also explain why you are unable to borrow the money to pay the tax.

If an extension of time to pay is granted and full payment of tax is made on or before the end of the extension period, the penalty will be waived. Interest of 1% (.01) per month or fraction of a

month will continue to accrue on the underpayment from the original due date of the return until the tax is paid in full. Interest charges cannot be waived. You will receive monthly billing statements until the balance is paid in full.

You are required to make full payment of tax on or before the end of the extension period. The Department encourages you to begin making payments as soon as possible which will reduce the interest that you will otherwise owe. Mail payments to:

DRS Accounts Receivable Unit
PO Box 5088
Hartford CT 06102-5088

WHAT SHOULD I DO IF I MAKE A MISTAKE OR LEAVE SOMETHING OFF MY RETURN?

If, after filing your income tax return, you receive an additional W-2 or 1099 form or discover an error was made, **do not** submit a second **Form CT-1040NR/PY**. You must file **Form CT-1040X**, *Amended Connecticut Income Tax Return* to report additional tax due or to claim a refund. **Form CT-1040X** must be filed no later than three years after the original due date of the return or, if DRS grants an extension of time to file, no later than three years after the extended due date of the return.

Contributions made to designated funds and overpayments applied to the next year's estimated taxes on the original return are irrevocable and cannot be changed by amendment.

Changes to Your Federal Return

If your income is **changed or corrected** by the Internal Revenue Service or other competent authority, and the change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days after the final determination of your federal income tax liability.

If you amend your federal income tax return, and the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability), you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days after the date of filing your amended federal income tax return.

Changes to Another State's Return

If you are a part-year resident who claimed credit on your Connecticut income tax return or **Form CT-6251**, *Connecticut Alternative Minimum Tax Return-Individuals*, for income tax paid to another jurisdiction, and, as the result of your income tax return with that jurisdiction being **changed or corrected** by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount.

If you are a part-year resident who claimed credit on your Connecticut income tax return or **Form CT-6251**, *Connecticut Alternative Minimum Tax Return-Individuals*, for income tax paid to another jurisdiction, and, as a result of your filing an **amended** income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file **Form CT-1040X**. File **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date of filing your amended income tax return with the other jurisdiction.

IMPORTANT: **Form CT-1040X** is available from the Department. In order to receive the appropriate form, state

the year for which you are amending your return when requesting **Form CT-1040X**.

SHOULD I MAKE ESTIMATED TAX PAYMENTS?

A payment of estimated income tax is generally required if your Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **more than \$500**, and you expect your Connecticut income tax withheld to be less than your required annual payment.

Your required annual payment for 1999 is the lesser of:

- **90%** of the income tax shown on your **1999 Connecticut income tax return**; or
- **100%** of the income tax shown on your **1998 Connecticut income tax return**, if you filed a 1998 Connecticut income tax return that covered a 12-month period.

You do **not** have to make estimated payments if:

- You were a Connecticut resident in 1998 and you did not file a 1998 income tax return because you had no Connecticut income tax liability; **or**
- You were a nonresident or part-year resident with Connecticut source income in 1998 and you did not file a 1998 income tax return because you had no Connecticut income tax liability.

If you were a nonresident or part-year resident and you did **not** have Connecticut source income in 1998 then you **must** use 90% of the income tax shown on your 1999 Connecticut income tax return as your required annual payment.

Special Rules for Farmers and Fishermen

If you are a farmer or fisherman (as defined in Section 6654(i)(2) of the Internal Revenue Code) who is required to make estimated income tax payments, you will be required to make only one payment. Your installment is due on or before January 15, 2000, for the 1999 taxable year. The required installment is the lesser of 66 2/3% of the Connecticut income tax shown on your 1999 return or 100% of the Connecticut income tax shown on your 1998 return.

A farmer or fisherman who files a 1999 Connecticut income tax return on or before March 1, 2000, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for underpayment of estimated tax.

Farmers and fishermen who use these special rules **must** complete and attach **Form CT-2210**, *Underpayment of Estimated Tax by Individuals, Trusts and Estates*, to their Connecticut income tax return to avoid being billed for interest on the underpayment of estimated income tax. **Form CT-2210**, Part I, Box D must be checked as well as the box for **Form CT-2210** on the front of **Form CT-1040NR/PY**. For further information, see **IP 97(8.1)**, *Farmer's Guide to Sales and Use and Estimated Income Taxes*.

Annualized Income Installment Method

If your income varies throughout the year, using the annualized income installment method may enable you to reduce or eliminate the amount of your estimated tax payment for one or more periods. For further information, see **IP 93(6.5)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040AES*.

1999 ESTIMATED TAX DUE DATES

Due dates of installments and the amount of required payments for 1999 calendar year taxpayers are:

April 15, 1999	25% of your required annual payment
June 15, 1999	25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.)
September 15, 1999	25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.)
January 15, 2000	25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.)

If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date. An estimate will be considered timely-filed if received or if the date shown by the US Post Office cancellation mark is on or before the due date.

Taxpayers who report on other than a calendar year basis should use their federal estimated tax installment dates.

Filing Form CT-1040ES

Use **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*, to make estimated Connecticut income tax payments for 1999. If you made estimated tax payments in 1998, you will receive 1999 coupons in mid-January preprinted with your name, address and social security number. To ensure that your payments are properly credited, use the preprinted coupons.

If you did not make estimated tax payments in 1998, use **Form CT-1040ES** included in this booklet to make your first estimated income tax payment. If you file this form, additional preprinted coupons will be mailed to you.

To avoid making estimated tax payments, you may request your employer to withhold additional amounts from your wages to cover the taxes on other income. You can make this change by providing your employer with a revised **Form CT-W4**, *Employee's Withholding or Exemption Certificate*.

Interest on Underpayment of Estimated Tax

If you did not pay enough tax through withholding or estimated payments, or both, by any installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return. Interest is calculated separately for each installment. Therefore, you may owe interest for an earlier installment, even if you paid enough tax later to make up the underpayment. Interest at 1% (.01) per month or fraction of a month shall be added to the tax due until the **earlier of** : April 15, 1999, or the date on which the underpayment is paid.

A taxpayer who files a 1998 income tax return on or before January 31, 1999, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for failing to make the estimated payment due January 15, 1999. (This does not apply to taxpayers paying estimated Connecticut income taxes as farmers or fishermen.)

Filing Form CT-2210

If your 1998 Connecticut income tax (after tax credits) minus Connecticut tax withheld, is more than \$500, you can use **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates*, to find out if you paid enough income tax during the year. You can also use this form to calculate interest if you underpaid your estimated tax. **Form CT-2210** and detailed instructions are available from the Department. However, this is a complex form and you may prefer to have the Department calculate the interest for you.

WHEN DO PENALTY AND INTEREST APPLY?

Late Payment or Late Filing

In general, penalty and interest apply to any portion of the tax that is not paid on or before the original due date of the return. The penalty for late payment or underpayment of income or use tax is 10% (.10) of such amount due. Taxpayers who pay 90% (.90) or more of their total income tax due with their extension request by the original due date of the return and pay the remaining balance by the extended due date will avoid penalty for failure to pay the full amount due by the original due date. In the event that no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed. Interest of 1% (.01) per month or fraction of a month will continue to accrue on the underpayment until the tax is paid in full.

Failure to File

If you fail to file your return and the Commissioner of Revenue Services files a return for you, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater.

Failure to Report Federal Changes

If your income is **changed or corrected** by the Internal Revenue Service or other competent authority for any taxable year, you are required to report such change or correction no later than 90 days after the final determination of your federal income tax liability, if the federal change or correction affects your Connecticut income tax liability (including your alternative minimum tax liability). The change or correction should be reported on **Form CT-1040X**. If you file an amended federal income tax return for any taxable year, you are required to file **Form CT-1040X** no later than 90 days after the date of filing your amended federal income tax return, if the amendment affects your Connecticut income tax liability (including your alternative minimum tax liability). In either case, the penalty for failure to file **Form CT-1040X** within such time is \$50.

Failure to Report State Changes

If you are a part-year resident who claimed credit for income tax paid to another jurisdiction on your Connecticut income tax return or **Form CT-6251**, and, as a result of your filing an amended income tax return with that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended Connecticut income tax return. You must file **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the date of filing an amended income tax return with the other jurisdiction. If you are a part-year

resident who claimed credit for income tax paid to another jurisdiction on your Connecticut income tax return or **Form CT-6251**, and, as a result of your income tax return with that jurisdiction being **changed or corrected** by tax officials or other competent authority of that jurisdiction, the amount of tax that you are finally required to pay to that jurisdiction is different than the amount used to determine the credit, you must file an amended Connecticut income tax return. You must file **Form CT-1040X** no later than 90 days (30 days for taxable years beginning before January 1, 1998) after the final determination of such amount. In either case, the penalty for failure to file **Form CT-1040X** within such time is \$50.

Waiver of Penalty

You may be entitled to a waiver of penalty if the failure to pay tax was due to reasonable cause. Requests for a penalty waiver must be in writing and contain a clear and complete explanation. Be sure to include your name and social security number on all correspondence. Do not include penalty waiver requests with the tax return.

Mail separately to:

DRS Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089

Interest cannot be waived. Before a penalty waiver can be granted, the taxpayer must **pay all tax and interest** due.

WHAT HAPPENS AFTER I FILE?

How Long Should Records be Kept?

Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) until the statute of limitations runs out for that return. Usually, this is three years from the date the return was due or filed.

You may need this information to prepare future returns or to amend filed returns.

Copies of Returns

You may request a copy of a previously filed Connecticut income tax return from the Department by completing **Form LGL-002, Request for Disclosure of Tax Return or Tax Return Information**. It generally takes three weeks to fill such requests.

INSTRUCTIONS FOR FORM CT-1040NR/PY

HOW DO I START?

Follow this easy, five-step process to complete your form with a minimum amount of time and effort.

Step One - Complete Your Federal Return

Before you begin, get all your records together, including your federal Forms W-2 (Wages), W-2G (Winnings), 1099-R (Pensions) and other 1099s. First use this information to complete your federal income tax return. The information on your federal return will help you complete your Connecticut return.

Step Two - Complete Your Connecticut Return

Remove the income tax forms from this booklet. One copy is for you to file with the Department of Revenue Services. The other copy is for your records. If you complete the copy for your records first, you will be able to make any necessary corrections and copy your final calculations onto the form you send to the Department of Revenue Services. Keep the copy for your records. You may need information from it when you file your next year's return, make estimated tax payments, or to respond to a question from DRS.

Proceed item by item, reading the instructions for each line item before you enter any amounts. Then copy all information carefully onto the form you intend to file.

Information About Refunds

If you have a touch-tone phone, you can check on the status of your refund 24 hours a day by calling **1-800-382-9463** (in-state) or **860-297-5962** (anywhere). Be ready to provide your Social Security Number (and your spouse's, if filing jointly) and the exact amount of the refund you requested.

You should allow at least eight weeks for your refund to be processed. You are entitled to interest on your overpayment at the rate of $\frac{2}{8}\%$ for each month or fraction of a month between the 90th day following receipt of your claim for a refund or the due date of your return, whichever is later, and the date of notice that your refund is due.

Offset Against Debts

If you are due a refund but have not paid certain obligations to Connecticut state agencies or the Internal Revenue Service, all or part of your overpayment may be used to pay all or part of these outstanding debts or taxes. You will be advised by mail if your refund is reduced for this reason and will be given information directing you to the agency to contact if you wish to appeal. Your refund may also be reduced if you owe penalty and interest on late-filed or underpaid Connecticut income tax returns.

Nonobligated Spouse

When a joint return is filed and only one spouse owes past-due child support or a debt to any Connecticut state agency, the spouse who is not obligated may be eligible to claim a share of a joint income tax refund. A nonobligated spouse who received income in 1998 and who made Connecticut income tax payments (withholding or estimates) for taxable year 1998 may be eligible to claim his or her share of any refund if a joint Connecticut tax return was filed for 1998 and an overpayment of tax was made.

If you are a nonobligated spouse, you can claim your share of a joint refund by filing **Form CT-8379, Nonobligated Spouse Claim**.

Do not use **Form CT-8379** to claim your share of a Connecticut refund that was applied to federal taxes owed to the Internal Revenue Service. You must contact the IRS Problem Resolution Office in Hartford at 860-240-4179.

Forms and Schedules Included in this Booklet: In addition to **Form CT-1040NR/PY**, this booklet contains several forms you may have to complete. The following is a brief description of these forms and an explanation of who should complete them.

Form	Who Should Complete
Schedule CT-SI	
Parts 1 and 2:	All nonresidents and part-year residents
Part 3:	All part-year residents
Worksheet CT-1040AW	
Part 1:	All part-year residents
Part 2:	A nonresident employee or part-year employee (for his or her nonresidency period) who worked in and outside of Connecticut and does not know the actual amount of Connecticut source income.
Schedule CT-1040BA	
	A self-employed nonresident or part-year resident (for his or her nonresidency period) who carried on business both in and outside of Connecticut.

Step Three - Order of Attachments

Staple your W-2 forms or **Form CT-4852** (substitute Form W-2) to the front of the income tax form in the appropriate area marked **"Staple W-2s, W-2Gs and 1099s here."** Also attach any other forms showing Connecticut income tax withheld.

Paper clip your check or money order in payment of the tax due to the front of the income tax form in the appropriate area marked **"Clip check or money order here."** Be sure to write your social security number and "1998 CT-1040NR/PY" on your check or money order.

In addition, if you must file any of the following forms, attach the form(s) to the **front** of your income tax return in the following order:

- **Form CT-19IT**, Title 19 Status Release Form
- **Form CT-1127**, Application for Extension of Time for Payment of Income Tax
- **Form CT-8379**, Nonobligated Spouse Claim
- **Form CT-12-717A**, Connecticut Surety Bond Form
- **Form CT-12-717B**, Change of Resident Status - Special Accruals

Attach other required forms and schedules to the back of your return or as directed on the form.

Step Four - Check Your Return

Take your time completing your return. When you have finished, recheck all of your entries and arithmetic.

After you have completed your return, be sure to sign it and attach any required schedules, statements or forms.

Remember: Errors delay refunds.

Step Five - Mailing Your Return

This package contains one envelope with two pre-addressed labels for mailing your return. Use the correct label to get your return and refund processed faster.

For **REFUND REQUEST** or **NO TAX DUE**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2968
Hartford CT 06104-2968**

For **PAYMENT**, affix the mailing label that has this address and mail to:

**Department of Revenue Services
PO Box 2969
Hartford CT 06104-2969**

NAME AND ADDRESS

All information on **Form CT-1040NR/PY** should be for the calendar year January 1 through December 31, 1998, or for your fiscal year beginning in 1998. If filing for a fiscal year other than the calendar year, enter the month and day the taxable year began, and the month, day and year that it ended, at the top of the front page.

After you have completed your return and checked it for accuracy, remove the preprinted peel-off label included in this booklet and place it over the name and address blanks of your return. Using the label helps us process your return faster so that you may receive your refund sooner. It also reduces the possibility of error, which could delay your refund.

Make sure the information on the label is correct. Do not use this label if any of the information is incorrect. Print or type the correct information in the name and address blanks on your return.

If there is no preprinted label, print or type the information requested in the space provided at the top of **Form CT-1040NR/PY**. Be sure your Social Security Number is listed on your return. If you file a joint return, list your Social Security Number and your spouse's Social Security Number in the order they appear on your federal return.

If your return is being completed by someone else, take your booklet to your tax preparer so that the preparer can attach the label to your return.

FILING STATUS

Check the appropriate box to indicate your filing status. In general, when filing **Form CT-1040NR/PY**, your filing status must match your federal income tax filing status for this year. Consult the information in your federal income tax booklet or call the Internal Revenue Service at 1-800-829-1040 if you are not certain of your filing status for 1998.

What if My Spouse and I are Residents of Different States?

When one spouse is a **Connecticut resident or a nonresident** and the other spouse is a **part-year resident**, each spouse who is required to file a Connecticut income tax return **must** file as **married filing separately**.

Where one spouse is a **Connecticut resident** and the other is a **nonresident**, each spouse who is required to file a Connecticut income tax return **must** file as **married filing separately unless**:

- They file jointly for federal income tax purposes; **and**
- They elect to be treated as if both were Connecticut residents for the entire taxable year.

What if My Spouse and I are Part-Year Residents Who Moved Into or Out of Connecticut at Different Times?

Where both spouses are part-year residents, and move into or out of Connecticut at different times during the taxable year, both spouses must file as **married filing separately**.

IMPORTANT: If both spouses are part-year residents and moved into or out of Connecticut on the same day and filed jointly for federal income tax purposes, a joint Connecticut income tax return must be filed.

What if My Spouse and I are Both Nonresidents and Only One of Us has Connecticut Source Income?

Where both spouses are nonresidents and only one spouse has Connecticut source income, the spouse who is required to file a Connecticut income tax return must file as **married filing separately unless**:

- They file jointly for federal income tax purposes; **and**
- They elect to be treated as if both had Connecticut source income.

The election to file a joint return means that the joint federal adjusted gross income **must** be used on Line 1 of **Form CT-1040NR/PY**. It also means that the spouse who would not otherwise be required to file is now jointly and severally liable for any tax liability associated with the filing of the income tax return. The Connecticut income tax calculated using the joint income must be prorated based on the income of the spouse that is derived from or connected with sources in Connecticut.

IMPORTANT: If filing a joint federal return and a separate Connecticut return, enter on Line 1 of **Form CT-1040NR/PY** only **your** portion of the income included in joint federal adjusted gross income.

ROUNDING OFF TO WHOLE DOLLARS

Generally, you may round off cents to the nearest whole dollar on your return and schedules. However, if you need to add two or more amounts to compute the amount to enter on a line, you must include cents when adding and only round off the total.

Round off to the next lowest dollar all amounts that include 1 through 49 cents. Round up to the next highest dollar all amounts that include 50 through 99 cents. For example, \$1.20 should be rounded down to \$1.00, and \$3.50 should be rounded up to \$4.00.

LINE-BY-LINE INSTRUCTIONS

LINE 1 - FEDERAL ADJUSTED GROSS INCOME

Enter your federal adjusted gross income from your 1998 federal income tax return. This is the amount reported on Line 33 of federal Form 1040; Line 18 of federal Form 1040A; Line 4 of federal Form 1040EZ; or Line H of federal TeleFile Tax Record.

LINE 2 - ADDITIONS

Enter the amount from **Form CT-1040NR/PY**, Schedule 1, Line 39. See *Additions to Federal Adjusted Gross Income* on Page 16.

LINE 3

Add Line 1 and Line 2. Enter the total on Line 3.

LINE 4 - SUBTRACTIONS

Enter the amount from **Form CT-1040NR/PY**, Schedule 1, Line 49. See *Subtractions from Federal Adjusted Gross Income* on Page 17.

LINE 5 - CONNECTICUT ADJUSTED GROSS INCOME

Subtract Line 4 from Line 3 and enter the result on Line 5. This is your Connecticut adjusted gross income.

LINE 6 - INCOME FROM CONNECTICUT SOURCES

Complete Schedule CT-SI. (See *Schedule CT-SI Instructions* on Page 22.) Enter the income from Connecticut sources from Schedule CT-SI, Line 26.

LINE 7

Enter the greater of Line 5 or Line 6 on Line 7. If Line 5 and Line 6 are equal, enter that amount on Line 7. If the amount on Line 7 is zero or less, go to Line 12 and enter 0.

LINE 8 - INCOME TAX CALCULATION

If the amount on Line 7 is \$12,000 or less, enter zero on Line 8. If the amount is more than \$12,000, calculate your tax using one of the following methods:

Tax Tables - If Line 7 is less than or equal to \$102,000, you may use the Tax Tables in the back of this booklet to find your tax. Be sure to use the correct column in the Tax Tables. After you have found the correct tax, enter that amount on Line 8.

Tax Calculation Schedule - You **must** use the Tax Calculation Schedule at the end of this booklet to figure your tax if Line 7 is more than \$102,000. You may also use the Tax Calculation Schedule if Line 7 is less than or equal to \$102,000.

You may round off the amount of tax due as stated in the 1998 Tax Tables or as calculated using the Tax Calculation Schedule.

CAUTION: Rounding off to whole dollars may affect the amounts of your personal exemption and your personal tax credit.

LINE 9

Divide Line 6 by Line 5 and enter the result on Line 9. If the result is less than zero, enter 0. If Line 6 is equal to or greater than Line 5, enter 1.0000. **Do not** enter a number that is less than zero or greater than one. Round to four decimal places.

LINE 10

Multiply Line 9 by Line 8 and enter the result on Line 10.

LINE 11 - CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS (Part-Year Residents Only)

If all or part of the income reported on this return for the period of your Connecticut residency is subject to income tax in another state or specified jurisdiction and you have filed a return and paid income taxes to that jurisdiction, complete Schedule 2 on the back of **Form CT-1040NR/PY** and enter the amount from Line 58 here. See *Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions* on Page 19.

Attach a copy of your return filed with the other jurisdiction to the back of your Form CT-1040NR/PY, or the credit will be disallowed.

IMPORTANT: The credit for income tax paid to other jurisdictions is limited to residents and part-year residents for the period of their Connecticut residency.

LINE 12

Subtract Line 11 from Line 10 and enter the result on Line 12. If Line 11 is greater than Line 10, enter 0.

LINE 13 - CONNECTICUT ALTERNATIVE MINIMUM TAX

If you were required to pay the federal alternative minimum tax for 1998, you must file **Form CT-6251**, *Connecticut Alternative Minimum Tax Return - Individuals*. Enter the amount shown on Line 26 of Form CT-6251 on Line 13.

LINE 14

Add Line 12 and Line 13. Enter the total on Line 14.

LINE 15 - ADJUSTED NET CONNECTICUT MINIMUM TAX CREDIT

Enter the amount from **Form CT-8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts and Estates*, on Line 15. If you did not pay Connecticut alternative minimum tax in 1994 or thereafter, or if you entered an amount on Line 13 of this form, enter 0.

LINE 16 - CONNECTICUT INCOME TAX

Subtract Line 15 from Line 14. Enter the result on Line 16. If less than zero, enter 0.

LINE 17 - INDIVIDUAL USE TAX

Enter the total use tax due as reported on the *Individual Use Tax Worksheet*, located on Page 33. You **must** enter a zero on Line 17 if no Connecticut use tax is due or you will not be considered to have filed a use tax return.

LINE 18 - TOTAL TAX

Add Line 16 and Line 17. Enter the total on Line 18.

LINE 19 - CONNECTICUT TAX WITHHELD

Enter the total income tax withheld for the State of Connecticut as indicated on your copies of W-2, W-2G and 1099 forms. Enter only amounts withheld for the State of Connecticut. The amount withheld should be shown in box 18 of Form W-2, box 14 of Form W-2G, and box 10 of Form 1099-R. If you received a 1998 Form 1099 showing Connecticut income tax withheld on other income you received, such as unemployment compensation, include the amount withheld in the total on Line 19. Do **not** include tax withheld for other states or the Internal Revenue Service. Be sure you staple the "state copy" of all W-2 forms to the front of your return. Also, attach any other forms showing Connecticut tax withheld, otherwise, your claim of amounts withheld will not be allowed. If you have not received a W-2 form from your employer or Form 1099-R from your pension, annuity, retirement or profit sharing plan, you should request **Form CT-4852** (substitute Form W-2) to report your earnings and withholding. **Attach copies of W-2G and 1099 forms only if they show Connecticut tax withheld.**

IMPORTANT: If the amount on Line 19 does not equal the amounts of Connecticut withholding as reported on Forms W-2, W-2G, 1099 and **Form CT-4852**, your **Form CT-1040NR/PY** will be returned to you.

LINE 20 - ALL 1998 ESTIMATED PAYMENTS

Enter on Line 20 the total of all Connecticut estimated tax payments, advance tax payments, and any overpayments of Connecticut income tax applied from a prior year. Be sure to include any 1998 estimated tax payments made in 1999. **Do not** include any refunds received.

LINE 21 - PAYMENTS MADE WITH EXTENSION REQUEST

If you filed **Form CT-1040 EXT**, *Application for Extension of Time to File*, enter on Line 21 the amount you paid with that form.

LINE 22 - TOTAL PAYMENTS

Add Lines 19, 20 and 21. Enter the total on Line 22. This represents the total of all Connecticut tax payments made.

LINE 23 - AMOUNT OVERPAID

If Line 22 is greater than Line 18, subtract Line 18 from Line 22 and enter the result on Line 23. This is the amount of your overpayment. To properly allocate your overpayment, go to Lines 24, 25 and 26. If Line 22 is less than Line 18, go to Line 27.

LINE 24 - AMOUNT OF LINE 23 YOU WANT APPLIED TO YOUR 1999 ESTIMATED TAX

Enter the amount of your 1998 overpayment that you want applied to your 1999 estimated Connecticut income tax. It will be treated as estimated tax paid on April 15, 1999, if your return is filed on time or if you filed a timely request for extension and your return is filed within the extension period. **Your request to apply this amount to 1999 estimated income tax is irrevocable.**

LINE 25 - AMOUNT OF LINE 23 YOU WANT TO CONTRIBUTE

You may contribute all or a portion of your refund to one or more of five designated funds. Check the appropriate box or write in a whole dollar amount for each fund to which you wish to contribute. Add your contributions and enter the total amount on Line 25. **Your contribution is irrevocable.**

WHAT WILL YOUR CONTRIBUTION BE USED FOR?

AIDS RESEARCH EDUCATION FUND	ORGAN TRANSPLANT FUND	ENDANGERED SPECIES, NATURAL AREA PRESERVES, AND WATCHABLE WILDLIFE FUND	BREAST CANCER RESEARCH AND EDUCATION FUND	SAFETY NET SERVICES FUND
This fund was created to assist research, education and community service programs related to Acquired Immune Deficiency Syndrome (AIDS). The fund is administered by the Connecticut Department of Public Health.	This fund was created to assist Connecticut residents in paying all or part of any costs associated with a medically required organ transplant. The fund is administered by the Connecticut Department of Social Services.	This fund was established to help preserve, protect and manage Connecticut's endangered plants and animals, wildlife and their habitats. The fund is administered by the Connecticut Department of Environmental Protection.	This fund was created to assist research, education and community service programs related to Breast Cancer. The fund is administered by the Connecticut Department of Public Health.	This fund was created to protect the children of families whose public assistance benefits ended due to a time limit. The fund is administered by the Connecticut Department of Social Services.
To contribute directly send to: <i>AIDS Programs, Dept. of Public Health MS#11APV PO Box 340308 Hartford CT 06134-0308</i>	To contribute directly send to: <i>Department of Social Services Attn: Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003</i>	To contribute directly send to: <i>Department of Environmental Protection-Bureau of Administration Financial Management 79 Elm Street Hartford CT 06106-5127</i>	To contribute directly send to: <i>Connecticut Department of Public Health Breast and Cervical Cancer Early Detection Program MS#11 HLS PO Box 340308 Hartford CT 06134-0308</i>	To contribute directly send to: <i>Department of Social Services Attn: Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003</i>
Make check payable to: "Treasurer, State of Connecticut/AIDS Fund"	Make check payable to: "Commissioner of Social Services/Organ Transplant Fund"	Make check payable to: "DEP-Endangered Species/ Wildlife Fund"	Make check payable to: "Treasurer, State of Connecticut Breast Cancer Fund"	Make check payable to: "Commissioner of Social Services/Safety Net Fund"

You may make a contribution on this return only if you are entitled to a refund. Your contribution is limited to your refund amount. You may, however, also make **direct** contributions by following the instructions on Page 14.

LINE 26 - AMOUNT OF LINE 23 YOU WANT REFUNDED TO YOU

Subtract the total of Line 24 and Line 25 from Line 23. Enter the result on Line 26. This is the amount of your refund. Early filers receive their refunds faster. Be sure to affix the **refund label** to the envelope when mailing your return.

IMPORTANT: Your overpayment is applied in the following order: penalty and interest you owe, amounts designated by you to be applied to your 1999 estimated tax, other taxes you may owe the Department of Revenue Services, debts to other Connecticut state agencies, federal taxes you may owe the Internal Revenue Service, and charitable contributions designated by you. Any remaining balance will be refunded to you.

LINE 27 - AMOUNT OF TAX YOU OWE

If Line 18 is greater than Line 22, subtract Line 22 from Line 18 and enter the result on Line 27. This is the amount of tax you owe. See *Should I Make Estimated Tax Payments?* on Page 9.

LINE 28 - PENALTY FOR LATE PAYMENT OR LATE FILING

Late Payment Penalty: The penalty for late payment or underpayment of income or use tax is 10% (.10) of such amount due. Taxpayers who pay 90% (.90) or more of their total income tax due with their extension request by the original due date of the return and pay the remaining balance by the extended due date will avoid penalty for failure to pay the full amount due by the original due date.

Late Filing Penalty: In the event that no tax is due, the Commissioner of Revenue Services may impose a \$50 penalty for the late filing of any return or report that is required by law to be filed.

LINE 29 - INTEREST FOR LATE PAYMENT OR LATE FILING

If you fail to pay the tax when due, interest will be charged at the rate of 1% (.01) per month or fraction of a month from the due date until payment is made.

LINE 30 - INTEREST ON UNDERPAYMENT OF ESTIMATED TAX

If Line 16 minus Line 19 is more than \$500, you may owe interest on estimated tax that you either underpaid or paid late. **Form CT-2210, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates***, can help you determine whether you did underestimate and will help you calculate interest. Because this is a complex form you may prefer to have the Department calculate the interest; do **not** file **Form CT-2210**, leave this line blank, and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay your tax or April 15, 1999.

LINE 31 - AMOUNT YOU OWE WITH THIS RETURN

Add Lines 27 through 30. Enter the total on Line 31. This is the total amount you owe. Pay the amount in full with your return. Make your check or money order payable to the "**Commissioner of Revenue Services.**" Write your Social Security Number(s) and "**1998 Form CT-1040NR/PY**" on the front of your check in the lower left corner. Be sure to sign your check and paper clip it to the front of your return. **Do not send cash.**

Failure to file or failure to pay the proper amount of tax when due **will result in the imposition of penalty and interest.** It is to your advantage to file when your return is due whether or not you are able to make full payment.

SIGN HERE

After completing your Connecticut **Form CT-1040NR/PY**, sign your name and write the date you signed the return. Your spouse must also sign and enter the date if this is a joint return.

PAID PREPARER SIGNATURE

Anyone you pay to prepare your return must sign and date it. A preparer who signs your return must sign it by hand in the space provided. The preparer's Federal Employer Identification Number and firm name must also be entered in the space provided.

MAILING YOUR RETURN

Keep a copy of this return for your records. Attach to this return copies of any required schedules and forms. Do **not** attach copies of your federal income tax return or federal schedules.

1. Remove both labels from the envelope flap along the perforation.
2. Choose the correct label for your return, moisten and place it on the return envelope.
3. Affix the correct postage to the envelope, or your return may be late or not delivered.

Do not use these mailing labels to send other correspondence to the Department. Using these labels for other purposes will delay our response to you.

SCHEDULE 1 - MODIFICATIONS TO FEDERAL ADJUSTED GROSS INCOME

See **PS 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*, for help in determining whether you must make a modification.

ADDITIONS TO FEDERAL ADJUSTED GROSS INCOME

(Enter all amounts as positive numbers)

LINE 32 - INTEREST ON STATE AND LOCAL GOVERNMENT OBLIGATIONS OTHER THAN CONNECTICUT

Enter the total amount of interest income derived from state and municipal government obligations, (other than obligations of the State of Connecticut or its municipalities) which is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa and US Virgin Islands.

LINE 33 - EXEMPT-INTEREST DIVIDENDS FROM A MUTUAL FUND DERIVED FROM STATE OR MUNICIPAL GOVERNMENT OBLIGATIONS OTHER THAN CONNECTICUT

Enter the total amount of exempt-interest dividends received from a mutual fund that are derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut and other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa and US Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on this line.

LINE 34 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED LOSS

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal adjusted gross income.

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax, and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of your pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 34. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the preceding instructions, but substitute 55% for 75%).

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the calendar year*, multiply 90% of your pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 34. (In computing your **estimated Connecticut**

adjusted gross income for 1999, follow the preceding instructions, but substitute 75% for 90%).

Your pro rata share of the S corporation's nonseparately computed loss will be reported on federal Form 1120S, Schedule K-1 furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If any federal limitations apply, add back only 75% of the net loss (90% of the net loss if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

LINE 35 - TAXABLE AMOUNT OF LUMP-SUM DISTRIBUTIONS FROM QUALIFIED PLANS NOT INCLUDED IN FEDERAL AGI

If you filed federal Form 4972, *Tax On Lump-Sum Distributions*, with your federal Form 1040 to compute the tax on any part of a distribution from a qualified plan, enter **that** part of the distribution on Line 35. Do not enter any part of the distribution reported on Line 11a of federal Form 1040A, or Line 16a of federal Form 1040, or on Schedule D of federal Form 1040.

Part-year residents **only**, should enter this amount on Worksheet CT-1040AW, Part-Year Resident Income Allocation Worksheet, Column A, Line 14.

LINE 36 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (that is, the Connecticut fiduciary adjustment) that apply to such income will be shown on **Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*, Schedule B, Column 5. Your share of these modifications should be provided to you by the fiduciary. If your share of these modifications is an amount greater than zero, enter the amount on Line 36. If the amount is less than zero, enter the amount on Line 46.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if greater than zero, on Line 36.

LINE 37 - LOSS ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total losses from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes, whether or not the entire loss is used in computing federal adjusted gross income.

LINE 38 - OTHER

Use Line 38 to report any of the following modifications:

1. Add back any Connecticut income tax deducted on the federal income tax return to arrive at federal adjusted gross income. Do not add back any Connecticut income tax deducted on federal Form 1040, Schedule A.
2. Add back any expenses paid or incurred for the production (including management, conservation and maintenance of property held for the production) or collection of income exempt from Connecticut income tax which were deducted

on the federal return to arrive at federal adjusted gross income.

3. Add back any amortizable bond premium on bonds producing interest income exempt from Connecticut income tax which premiums were deducted on the federal return to arrive at federal adjusted gross income.
4. Add back any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes.
5. Add back to the extent deductible in determining federal adjusted gross income, any interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax.
6. Enter any item of income or gain subject to special accrual to the extent such item was not includible in federal adjusted gross income for the taxable year. See *What Items are Subject to Special Accruals?* on Page 7.
7. Also use Line 38 to report any additions to federal adjusted gross income required for Connecticut income tax purposes which are not listed on Lines 32 through 37.

LINE 39 - TOTAL ADDITIONS

Add Lines 32 through 38. Enter the total on Line 39 and on Line 2 on the front of **Form CT-1040NR/PY**.

SUBTRACTIONS FROM FEDERAL ADJUSTED GROSS INCOME

(Enter all amounts as positive numbers)

LINE 40 - INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS

Enter the total amount of interest income (to the extent includible in federal adjusted gross income) derived from US government obligations, which federal law prohibits states from taxing (for example, US government bonds such as Saving Bonds Series EE and Series HH, US Treasury bills and notes).

For Series EE US Savings Bonds, you are entitled to include on Line 40 **only** the amount of interest subject to federal income tax after exclusion of the amounts reported on federal Form 8815. In general, the net taxable amount you will report on Schedule B of federal Form 1040 or Schedule 1 of federal Form 1040A.

IMPORTANT: Do not enter the amount of interest income derived from Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing interest income derived from these obligations, and this interest income is taxable for Connecticut income tax purposes.

Do not enter the amount of interest paid to you on any federal income tax refund.

LINE 41 - EXEMPT DIVIDENDS FROM CERTAIN QUALIFYING MUTUAL FUNDS DERIVED FROM US GOVERNMENT OBLIGATIONS

Enter the total amount of exempt dividends received from a qualifying mutual fund that are derived from US government obligations. A mutual fund is a qualifying fund if, **at the close of**

each quarter of its taxable year, at least 50% of the value of its assets consists of US government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund.

IMPORTANT: Do not enter the amount of dividend income derived from Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing income derived from these obligations, and this income is taxable for Connecticut income tax purposes.

Example: A qualifying mutual fund pays a dividend of \$100. Of the distribution, 55% is attributable to US Treasury bills and 45% to other investments. The amount that should be reported on Line 41 is \$55.

LINE 42 - SOCIAL SECURITY BENEFIT ADJUSTMENT

If you receive federally taxable Social Security benefits, you may be able to reduce the amount of these benefits that is subject to Connecticut income tax. Complete the *Social Security Benefit Adjustment Worksheet* on Page 18 and enter the result on Line 42.

If you received employer-provided adoption benefits, add to Line C any such adoption benefits reported in box 13 of your 1998 federal Form W-2 to the extent excluded from taxable wages on Line 7 of your 1998 federal Form 1040.

LINE 43 - REFUNDS OF STATE AND LOCAL INCOME TAXES

Enter the amount of taxable refunds of state and local income taxes reported on Line 10 of your federal Form 1040. If an amount is not reported on Line 10 of your federal Form 1040, or if you filed federal Forms 1040A, 1040EZ or TeleFile Tax Record, enter 0.

LINE 44 - TIER 1 AND TIER 2 RAILROAD RETIREMENT BENEFITS AND SUPPLEMENTAL ANNUITIES

If you received Tier 1 or Tier 2, or both, railroad retirement benefits and supplemental annuities during 1998, you may deduct the amount included in your federal adjusted gross income. Enter the total amount of Tier 1 and Tier 2 railroad retirement benefits reported on federal Form 1040, Line 16b or Line 20b or federal Form 1040A, Line 11b or Line 13b. Likewise, enter the amount of railroad unemployment benefits, including sickness benefits paid in lieu of unemployment benefits, to the extent included in your federal adjusted gross income.

LINE 45 - SHAREHOLDER'S PRO RATA SHARE OF S CORPORATION NONSEPARATELY COMPUTED INCOME

The Connecticut corporation business tax on S corporations is being phased out over a five-year period, beginning with the 1997 taxable year. This affects the modification to federal adjusted gross income.

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is the *calendar year*, multiply 75% of your pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 45. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the instructions above, but substitute 55% for 75%).

If you are a shareholder of an S corporation that is subject to the Connecticut corporation business tax and the S corporation's taxable year for federal income tax purposes is *other than the calendar year*, multiply 90% of your pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 45. (In computing your **estimated Connecticut adjusted gross income for 1999**, follow the instructions above, but substitute 75% for 90%).

Your pro rata share of the S corporation's nonseparately computed income will be reported on federal Form 1120S, Schedule K-1 furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to you by the S corporation.

IMPORTANT: If you have deductible losses from a prior year or other adjustments, subtract only 75% of the net income (90% of the net income if the S corporation's taxable year is *other than the calendar year*) included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

LINE 46 - BENEFICIARY'S SHARE OF CONNECTICUT FIDUCIARY ADJUSTMENT

If you have any income from an estate or trust, any Connecticut modifications (such as the Connecticut fiduciary adjustment) that apply to such income will be shown on **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates, Schedule B, Column 5**. Your share of these modifications should be provided to you by the fiduciary. If your share of these modifications is an amount less than zero, enter the amount on Line 46. If the amount is greater than zero, enter the amount on Line 36.

If you are a beneficiary of more than one trust or estate, enter the net amount of all such modifications, if less than zero, on Line 46.

LINE 47 - GAIN ON SALE OF CONNECTICUT STATE AND LOCAL GOVERNMENT BONDS

Enter the total of all gains from the sale or exchange of notes, bonds or other obligations of the State of Connecticut or its municipalities used in determining gain (loss) for federal income tax purposes.

LINE 48 - OTHER

Use Line 48 to report any of the following modifications:

1. Subtract any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but exempt for federal purposes, that is not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
2. Subtract expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut but exempt from federal income tax, which were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
3. Subtract any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax, which premiums were not deductible in determining federal adjusted gross income, and that is attributable to a trade or business of that individual.
4. Enter any item of loss or deduction subject to special accrual to the extent such item was not deductible in determining federal gross income for the taxable year. See *What Items are Subject to Special Accruals?* on Page 7.

SOCIAL SECURITY BENEFIT ADJUSTMENT WORKSHEET (Line 42)		
A. Enter the total amount from Box 5 of all your Forms SSA-1099 and Forms RRB-1099 If Line A is zero or less, stop here and enter 0 on Line 42. Otherwise, go to Line B.	A.	
B. Divide Line A above by 2	B.	
C. Add the amounts on your federal Form 1040, Lines 7, 8a, 9 through 14, 15b, 16b, 17 through 19, and 21; or federal Form 1040A, Lines 7, 8a, 9, 10b, 11b and 12. Do not include here any amounts from Box 5 of Forms SSA-1099 or RRB-1099	C.	
D. Enter the amount from federal Form 1040 or 1040A, Line 8b	D.	
E. Add Lines B, C, and D	E.	
F. Enter total adjustments from federal Form 1040, Line 32 or federal Form 1040A, Line 17	F.	
G. Subtract Line F from Line E	G.	
H. Enter on Line H the amount shown below for your filing status: <ul style="list-style-type: none"> • Single, head of household, or qualifying widow(er), enter \$25,000 • Married filing jointly, enter \$32,000 • Married filing separately, enter 0 (\$25,000 if you lived apart from your spouse for all of 1998) 	H.	
I. Subtract Line H from Line G. If zero or less, enter 0	I.	
J. Divide Line I by 2	J.	
K. Enter the lesser of Line B or Line J	K.	
L. Multiply the amount on Line K by 50% (.50)	L.	
M. Taxable amount of social security benefits as reported on 1998 federal Form 1040, Line 20b or Form 1040A, Line 13b	M.	
N. Social Security Benefit Adjustment - Subtract Line L from Line M. Enter the amount here and on Form CT-1040NR/PY , Line 42. (If Line L is greater than or equal to Line M, enter 0)	N.	

5. Subtract the amount of any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.
6. Subtract the amount of any distributions that you received from the Connecticut Higher Education Trust Fund (CHET) as a designated beneficiary to the extent includable in your federal adjusted gross income.

Do **not** use Line 48 to subtract income subject to tax in another jurisdiction (see *Schedule 2 - Credit for Income Taxes Paid to Other Jurisdictions* below) or income of a nonresident spouse. See *Filing Status* on Page 12.

LINE 49 - TOTAL SUBTRACTIONS

Add Lines 40 through 48. Enter the total on Line 49 and on Line 4 on the front of **Form CT-1040NR/PY**.

SCHEDULE 2 - CREDIT FOR INCOME TAXES PAID TO OTHER JURISDICTIONS

Schedule 2 is used by a **part-year resident** to claim a credit against Connecticut income tax liability for income taxes paid to another state or a political subdivision thereof, or the District of Columbia, **for the portion of the taxable year that the taxpayer was a Connecticut resident**. Credit may be claimed only if the income on which taxes were paid was derived from or connected with sources within the qualifying jurisdiction.

IMPORTANT: Nonresidents may not claim a credit for income taxes paid to other jurisdictions.

No credit is allowed for taxes paid on dividends or interest income unless derived from property employed in a business or trade carried on in that jurisdiction. Credit is allowed, however, for taxes paid on wages earned for services performed in another jurisdiction.

Taxpayers seeking a credit for alternative minimum taxes paid to another jurisdiction must use **Form CT-6251, Connecticut Alternative Minimum Tax Return - Individuals**, to calculate their alternative minimum tax credit.

No credit shall be allowed for any of the following:

- Income tax paid to a foreign country;
- Income tax paid to another jurisdiction, if the taxpayer claimed credit on that other jurisdiction's income tax return for income taxes paid to Connecticut;
- Income tax paid to a Canadian province (including a political subdivision of a Canadian province).

The allowed credit must be separately computed for each jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. **Attach a copy of all income tax returns filed with other jurisdictions to your Connecticut income tax return or the credit will be disallowed.**

Schedule 2 provides two columns, A and B, to compute the credit for two jurisdictions. If you need more than two columns, create a worksheet identical to Schedule 2 and attach it to the back of your **Form CT-1040NR/PY**.

IMPORTANT: If you are claiming credit for income taxes paid to another state **and** to its political subdivision (i.e. New York State and New York City), follow these rules to determine your credit:

- A. If the **same amount** of income is taxed by both the city and state:
 1. Use only **one** column of Schedule 2 to calculate your credit;
 2. Enter the same income taxed by both city and state in that column on Schedule 2;
 3. Combine the amounts of tax paid to the city and the state and enter the total on Line 56 of that column.

- B. If the **amounts** of income taxed by both the city and state **are not equal**:

1. Use **two** columns on **Form CT-1040NR/PY**, Schedule 2;
2. Include only the same income taxed by both jurisdictions in the first column;
3. Include only the excess income taxed by only one of the jurisdictions in the next column.

Example: Jane is a part-year resident whose filing status is head of household. She changes her permanent legal residence during the year by moving from State X into Connecticut, but she works throughout the year for an employer in State X, 3/5 of her time at a location in City Y, a city in State X, and 2/5 of her time at another location in State X but outside City Y. Jane's federal adjusted gross income equals her Connecticut adjusted gross income, which is \$45,000 and is all derived from her employment in State X. Her Connecticut adjusted gross income during the Connecticut residency portion of her taxable year is \$25,000. The amount of Connecticut income tax entered on her **Form CT-1040NR/PY**, Line 8 is \$1,134.37. Jane's income sourced in State X after she moves into Connecticut is \$25,000 and her income sourced in City Y after the move is \$15,000. Because the amounts of income taxed by both State X and City Y are not equal, Jane will use two columns on **Form CT-1040NR/PY**, Schedule 2, entering \$15,000 (the same amount of income taxed by both State X and City Y) in Column A, and the excess income taxed only by State X (\$10,000) in Column B. Jane pays an income tax of \$2,250 to State X on her income during her taxable year but only \$1,250 ($\$2,250 \times \$25,000 / \$45,000 = \$1,250$) is on her income sourced in State X during the Connecticut residency portion of her taxable year. Jane also pays an income tax of \$405 to City Y on her income during her taxable year but only \$225 ($\$405 \times \$15,000 / \$27,000$) is on her income sourced in City Y during the Connecticut residency portion of her taxable year. Jane's Schedule 2 will be completed as follows:

LINE 50	\$25,000		00	
	COLUMN A		COLUMN B	
Line 51	State X, City Y		State X	
Line 52	15,000	00	10,000	00
Line 53	.6000		.4000	
Line 54	630	14	630	14
Line 55	378	08	252	06
Line 56	975	00	500	00
Line 57	378	08	252	06
Line 58	TOTAL CREDIT:		\$630	14

Jane's income tax paid to State X for the Connecticut residency portion of the taxable year is prorated on Line 56 between Column A and Column B, based upon the fraction of income sourced in State X for that portion of the taxable year that is entered in each column. Because 3/5 of the income sourced in State X during the Connecticut residency portion of the taxable year is entered in Column A, 3/5 of the income tax paid to State X ($3/5 \times \$1,250 = \750) for that portion of the taxable year is entered on Line 56, Column A. Added to that amount is the income tax paid to City Y on the income sourced in City Y for that portion of the taxable year ($\$225 + \$750 = \$975$). The balance of the income tax paid to State X ($2/5 \times \$1,250 = \500) for that portion of the taxable year is entered on Line 56, Column B.

LINE 50 - CONNECTICUT ADJUSTED GROSS INCOME DURING THE RESIDENCY PORTION OF THE TAXABLE YEAR ONLY

The amount from Line 26, Column B of the Part-Year Resident Income Allocation Worksheet (CT-1040AW) will be entered on Line 50 with the following exceptions:

1. Add to the amount on Line 26, Column B any net loss during the period of Connecticut residency that was derived from or connected with sources in another jurisdiction(s) where you were subject to income taxation (whether or not income tax was actually paid to the jurisdiction(s)).
2. For the period of Connecticut residency, add back any item of loss or deduction and subtract any item of income or gain which was included in Column B (CT-1040AW) as an item of special accrual.

Enter the modified amount on Line 50.

Example: Claudia's Connecticut adjusted gross income for her residency period is \$60,000 which includes income of \$15,000 from business activities conducted in Massachusetts and a net loss of \$20,000 from a business conducted in Rhode Island. She must add the \$20,000 net loss to the \$60,000 and enter \$80,000 on Line 50.

LINE 51 - TAXING JURISDICTION(S)

If you claim credit for income taxes paid to another state, (or political subdivision of another state), enter on Line 51 the name and the two-letter code of each taxing jurisdiction for which you are claiming credit. These codes are listed below.

STANDARD TWO-LETTER CODES

Alabama	AL	Louisiana	LA	Ohio	OH
Arizona	AZ	Maine	ME	Oklahoma	OK
Arkansas	AR	Maryland	MD	Oregon	OR
California	CA	Massachusetts ..	MA	Pennsylvania	PA
Colorado	CO	Michigan	MI	Rhode Island	RI
Delaware	DE	Minnesota	MN	South Carolina	SC
District of Columbia ...	DC	Mississippi	MS	Tennessee	TN
Georgia	GA	Missouri	MO	Utah	UT
Hawaii	HI	Montana	MT	Vermont	VT
Idaho	ID	Nebraska	NE	Virginia	VA
Illinois	IL	New Jersey	NJ	West Virginia	WV
Indiana	IN	New Mexico	NM	Wisconsin	WI
Iowa	IA	New York	NY		
Kansas	KS	North Carolina ..	NC		
Kentucky	KY	North Dakota ..	ND		

LINE 52 - NON-CONNECTICUT INCOME

Complete Schedule 2 Part-Year Resident Worksheet on Page 21 to determine the total of non-Connecticut income that is included in your Connecticut adjusted gross income for your residency period and is reported on another jurisdiction's income tax return. To the amount on Schedule 2 - Part-Year Resident Worksheet, Column II, Line 26, add back any item of loss or deduction and subtract any item of income or gain that was included in Column II as an item of special accrual. Enter the result on Line 52.

LINE 53

Divide the amount on Line 52 by the amount on Line 50. The result cannot exceed 1.0000. (Round to four decimal places.)

LINE 54 - APPORTIONED INCOME TAX

To determine the portion of your 1998 Connecticut income tax attributable to income earned during your Connecticut residency:

1. Divide the amount on the Schedule 2 Part-Year Resident Worksheet on Page 21, Column I, Line 26, by the amount on Line 6, Form CT-1040NR/PY. (Round to four decimal places. The result may not exceed 1.0000.)
2. Multiply the result by the amount on Line 10, Form CT-1040NR/PY, and enter on Line 54.

LINE 55

Multiply the percentage arrived at on Line 53 by the amount reported on Line 54.

LINE 56 - INCOME TAX PAID TO ANOTHER JURISDICTION (While a Resident)

Enter on Line 56 the total amount of income tax paid to another jurisdiction on income derived from or connected with sources in that jurisdiction during the period of your Connecticut residency.

If the tax you paid to that jurisdiction was also based on income earned during your nonresidency period, you must prorate the amount of tax for which you are claiming credit. The proration is based upon the relationship that the income earned in that jurisdiction during your Connecticut residency (from Schedule 2 Part-Year Resident Worksheet, Line 26, Column II) bears to the total amount of income that you earned in that jurisdiction in the taxable year.

Example: George, a part-year resident, worked in Rhode Island all year and paid \$1,200 in Rhode Island tax in 1998. His total Rhode Island wages for 1998 were \$20,000 of which \$15,000 was earned while he was a Connecticut resident. The income tax paid to Rhode Island during his residency is:

$$\frac{\$15,000}{\$20,000} \times \$1,200 = \$900$$

He should enter \$900 on Line 56.

Income tax paid means the lesser of your tax liability to that jurisdiction or the tax you paid to that jurisdiction as reported on a return filed with that jurisdiction, but not any penalty or interest. Do not report taxes withheld for that jurisdiction.

LINE 57

Enter on Line 57 the lesser of the amounts reported on Line 55 or Line 56.

LINE 58 - TOTAL CREDIT

Add the amounts from Line 57A, Line 57B, and Line 57 of any additional worksheets. The amount on Line 58 cannot exceed the amount on Line 55. Enter the total on Line 58 and on Line 11 of Form CT-1040NR/PY.

IMPORTANT: Attach a copy of all income tax returns filed with other jurisdictions to your Connecticut income tax return or the credit will be disallowed.

SCHEDULE 2 - PART-YEAR RESIDENT WORKSHEET LINE INSTRUCTIONS

Complete Schedule 2 - *Part-Year Resident Worksheet* below to determine that portion of your Connecticut adjusted gross income from your period of Connecticut residency that has been reported by you on an income tax return filed with another jurisdiction, on which you have paid income tax to that other jurisdiction, and for which you are seeking a credit against your Connecticut income tax. *Another jurisdiction* means another state of the United States, or a political subdivision of another state (but not the United States or Canada, or a province or political subdivision of Canada). If you paid income tax to more than one jurisdiction, you must complete a separate worksheet for each jurisdiction. Keep this worksheet with your 1998 tax records. Do **not** attach to your tax return.

The federal income tax return line references are to the federal Form 1040. If you file a federal Form 1040A, federal Form 1040EZ, or federal TeleFile Tax Record, use the appropriate lines from those forms.

Example 1: You and your spouse are part-year residents who file a joint federal Form 1040 and a joint **Form CT-1040NR/PY**. Your spouse's wages as an employee working in Rhode Island while a resident of Connecticut are \$20,000 and your wages as an employee working in Connecticut while a resident of Connecticut are \$25,000. Your combined wages while nonresidents of Connecticut were \$25,000. On Line 7 of your federal Form 1040 (and on Column A, Line 1 of your Worksheet CT-1040AW), you and your spouse entered \$70,000. You and your spouse will enter \$45,000 in Column I, Line 1 of the *Schedule 2 Worksheet*, and \$20,000 in Column II, Line 1 of the *Schedule 2 Worksheet*.

Example 2: You are the sole proprietor of a business conducted at two locations: one in Connecticut and one in Massachusetts. All of your income was earned while you were a Connecticut resident. You file Schedule C of federal Form 1040 and **Form CT-1040NR/PY**. On Line 12 of your federal Form 1040, you entered \$100,000. Of the items of gross income on Schedule C (\$150,000), \$90,000 is derived from the Massachusetts location. Of the items of expenses on Schedule C (\$50,000), \$35,000 is derived from the Massachusetts location. You will enter \$100,000 in Column I, Line 5 of the worksheet, and \$55,000 (\$90,000 - \$35,000) in Column II, Line 5 of the worksheet.

SCHEDULE 2 - PART-YEAR RESIDENT WORKSHEET

Column I

Enter in Column I, Lines 1 through 26, the amounts entered in Column B, Lines 1 through 26, respectively, of Worksheet CT-1040AW. (see instructions on Page 27.)

Column II

For each line, enter that portion of the amount entered on the same line of Column I that you reported on an income tax return filed with (and on which income tax was paid to) the other jurisdiction. Enter only the portion of Connecticut modifications, if any, that are **directly related** to income sourced in the other taxing jurisdiction.

Enter the amount from Column II, Line 26 on **Form CT-1040NR/PY**, Schedule 2, Line 52.

To this amount add back any item of loss or deduction and subtract any item of income or gain that was included in Column II as an item of special accrual. Enter the result on Line 52.

Complete this worksheet to determine the amount of income earned during your Connecticut residency **and** taxed by another jurisdiction. Enter the amount from Column II, Line 26 of this worksheet, on **Form CT-1040NR/PY**, Schedule 2, Line 52. Complete a separate worksheet for each jurisdiction if you paid income tax to more than one jurisdiction.

		<u>Column I</u> (From Column B, Worksheet CT-1040AW)	<u>Column II</u> Amount Taxable in Other Taxing Jurisdiction
1. Wages, salaries, tips, etc.	1		
2. Taxable interest	2		
3. Ordinary dividends	3		
4. Alimony received	4		
5. Business income or (loss)	5		
6. Capital gain or (loss)	6		
7. Other gains or (losses)	7		
8. Taxable amount of IRA distributions	8		
9. Taxable amount of pensions and annuities	9		
10. Rental real estate, royalties, partnerships, S corporations, trusts, etc.	10		
11. Farm income or (loss)	11		
12. Unemployment compensation	12		
13. Taxable amount of Social Security Benefits	13		
14. Other income (including Lump-Sum distributions)	14		
15. Add lines 1 through 14	15		
16. IRA deduction	16		
17. Student loan interest deduction	17		
18. Medical savings account deduction	18		
19. Moving expenses	19		
20. One-half of self-employment tax	20		
21. Self-employed health insurance deduction	21		
22. Keogh and self-employed SEP and SIMPLE plans	22		
23. Penalty on early withdrawal of savings	23		
24. Alimony paid	24		
25. Total adjustments- Add Lines 16 through 24	25		
26. Subtract Line 25 from Line 15	26		

SCHEDULE CT-SI INSTRUCTIONS

GENERAL INFORMATION

If you are a nonresident or part-year resident, you must use Schedule CT-SI to report items of income, gain, loss or deduction that make up your federal adjusted gross income that were derived from or connected with sources within Connecticut.

Nonresidents

Report in Schedule CT-SI, Part 1, all items of income you received from Connecticut sources with modifications as described below. Report in Schedule CT-SI, Part 2, adjustments that are directly related to the income items in Part 1.

Part-Year Residents

Report in Part 1, Schedule CT-SI, the income that you received from all sources earned while you were a Connecticut resident and your Connecticut source income for the part of the year you were a nonresident of Connecticut. Report in Schedule CT-SI, Part 2, adjustments that are a result of transactions that occurred while you were a Connecticut resident or that are directly related to Connecticut source income for the part of the year you were a nonresident. First complete the Part-Year Resident Income Allocation Worksheet (CT-1040AW) to determine your income from Connecticut sources. The worksheet instructions are provided on Page 27. Then add the amounts in Columns B and D for each line of the worksheet and transfer the total to the corresponding line of Schedule CT-SI.

IMPORTANT: All part-year residents must also complete Schedule CT-SI, Part 3.

Modifications

All amounts reported in Part 1 should include any modifications to federal adjusted gross income as provided on **Form CT-1040NR/PY**, Schedule 1.

Example: A part-year Connecticut resident who received \$1,000 in taxable interest income reported on federal Form 1040 and \$1,000 in interest from New York bonds while a Connecticut resident would report \$2,000 on Line 2 of Part 1, Schedule CT-SI.

Special Accruals

For part-year residents, the amounts included on Worksheet CT-1040AW and on Schedule CT-SI, Parts 1 and 2, should include items of income, gain, loss and deduction that would accrue for federal income tax purposes prior to the change of residence. See *What Items are Subject to Special Accruals?* on Page 7 and instructions for Worksheet CT-1040AW on Page 27.

Part-year residents who file a bond or other security in lieu of special accruals do not include accruals in the amounts in Schedule CT-SI, Parts 1 and 2.

Capital Losses, Passive Activity Losses and Net Operating Losses

Capital losses, passive activity losses and net operating losses generated from activities within Connecticut can reduce Connecticut adjusted gross income derived from or connected with Connecticut sources of a nonresident to the extent that they are properly computed for federal income tax purposes and are offset against income derived from or connected with Connecticut sources. A nonresident must recompute capital losses, passive activity losses and net operating losses as if such nonresident's federal adjusted gross income consisted only of items derived from Connecticut sources.

Election to Forego Carryback

Where a nonresident incurs a net operating loss for Connecticut income tax purposes but does not incur a net operating loss for federal income tax purposes, the nonresident is required first to carry back such net operating loss to each of the three taxable years preceding the taxable year in which the net operating loss was incurred (except as limited by the information highlighted below) and then to carry any remaining net operating loss forward to each of the 15 taxable years following the taxable year in which the loss was incurred. An election to forego the three-year carryback period and to carry the loss forward may be made by filing a timely **Form CT-1040NR/PY** for the year the loss was incurred and attaching a statement indicating that the election to forego the carryback is being made. This election may not later be revoked.

IMPORTANT: No loss incurred by a nonresident for taxable years beginning prior to January 1, 1991 may be carried forward to a succeeding taxable year. Likewise, no loss incurred by a nonresident in a taxable year beginning on or after January 1, 1991 may be carried back to a taxable year beginning prior to January 1, 1991.

Example: Taxpayer B, a nonresident of Connecticut, reported a capital gain from sources outside of Connecticut (from the sale of securities) of \$20,000 on her 1991 federal income tax return. B also reported on her federal income tax return a capital loss of \$8,000 from sources exclusively within Connecticut (from the sale of real property not used in B's trade or business). For federal income tax purposes, B has a gain from the sale or exchange of property of \$12,000 (\$20,000 minus \$8,000). On her 1991 Connecticut nonresident income tax return, B has a capital loss of \$8,000 derived from or connected with sources within Connecticut, but may claim as a deduction only \$3,000 (in accordance with the federal limitation of \$3,000 of capital loss to offset ordinary income). She must carry forward the balance to the succeeding taxable year(s), even though her 1992 federal income tax return will show no capital loss carryforward.

The federal income tax return line references are to the federal Form 1040. If you file federal Form 1040A, federal Form 1040EZ, or federal TeleFile Tax Record, use the appropriate lines from those forms.

LINE 1 - WAGES, SALARIES, TIPS, ETC.

(Federal Form 1040, Line 7)

Part-Year Resident

Enter the total of the amounts from Line 1, Column B and Column D of the Part-Year Resident Income Allocation Worksheet (CT-1040AW).

Nonresident

Enter all wages, salaries, tips and other compensation that you earned for services performed in Connecticut while you were a nonresident of Connecticut.

If you worked both in and outside of Connecticut while you were a nonresident, and the amount of Connecticut source income is not known, see instructions for *Employee Apportionment Worksheet (CT-1040AW, Part 2)* on Page 27.

IMPORTANT: Income from employment activities in Connecticut that meet the Ancillary Activity Test are considered casual, isolated or inconsequential and are **not** part of the Connecticut source income of a nonresident. See *Ancillary Activity Test* on Page 7.

LINE 2 - TAXABLE INTEREST

(Federal Form 1040, Line 8a)

Part-Year Resident

Enter the total of Line 2, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents interest income earned as a nonresident that is part of the receipts of a business, trade, profession or occupation carried on in Connecticut or from the ownership of shares of an S corporation doing business in Connecticut and not otherwise exempt from Connecticut income tax. If the business is conducted both in and outside of Connecticut, see instructions for Line 5 of Schedule CT-SI.

LINE 3 - ORDINARY DIVIDENDS

(Federal Form 1040, Line 9)

Part-Year Resident

Enter the total of Line 3, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents dividend income earned as a nonresident that is part of the receipts of a business, trade, profession or occupation carried on in Connecticut or from the ownership of shares of an S corporation doing business in Connecticut and not otherwise exempt from Connecticut income tax. If the business is conducted both in and outside of Connecticut, see instructions for Line 5 of Schedule CT-SI.

LINE 4 - ALIMONY RECEIVED

(Federal Form 1040, Line 11)

Part-Year Resident

Enter the amount from Line 4, Column B of Worksheet CT-1040AW.

Nonresident

This line does not apply to a nonresident.

LINE 5 - BUSINESS INCOME OR (LOSS)

(Federal Form 1040, Line 12)

Part-Year Resident

Enter the total of Line 5, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents business income or (loss) you received from a business, trade, profession or occupation carried on in Connecticut.

IMPORTANT: Income from business activities in Connecticut that are considered casual, isolated or inconsequential is not considered part of the Connecticut source income of a nonresident. See *Activities Considered to be Casual, Isolated or Inconsequential* on Page 7.

Where A Business, Trade, Profession or Occupation Is Carried On:

Generally, your business, trade, profession or occupation (not including personal services as an employee) is considered to be carried on at the location:

1. Where you have, maintain, operate or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where your affairs are regularly carried on (this summary is not all inclusive); **or**
2. Where your business is transacted with a fair measure of permanency and continuity.

Example 1: A plumber, who is a resident of Rhode Island, carries on his business from an office in Danielson, Connecticut. He has maintenance contracts with housing authorities in the Worcester, Massachusetts area, which require him to regularly perform his services at various locations in and around Worcester. This taxpayer is considered to be carrying on business in Connecticut (by reason of his office in this state) and in Massachusetts (because his business is conducted there with a fair measure of permanency and continuity).

Example 2: Assume the same facts as in Example 1, except that the taxpayer carries on his business from an office in Auburn, Massachusetts and has maintenance contracts with housing authorities in northeast Connecticut. This taxpayer is considered to be carrying on business in Massachusetts (by reason of his office there) and in Connecticut (because his business is conducted in this state with a fair measure of permanency and continuity).

Business Carried On Both In and Outside of Connecticut: If your business, trade, profession or occupation is carried on both in and outside of Connecticut and you maintain books and records clearly reflecting income from the Connecticut operations, enter the net profit (loss) from business carried on in Connecticut on Line 5. Complete **Form CT-1040BA, Nonresident Business Apportionment Schedule**, Schedule A. If you report income using this method, your income reported to other states in which you carry on your business, where such states permit allocation on the basis of separate books and records, must result in a consistent allocation of income. (Where another state does not permit allocation on the basis of separate books and records, such a consistent allocation of income may not be possible.)

Example 3: In Example 1, assume the plumber allocated, on the basis of separate books and records, the income derived from his plumbing business on his Connecticut nonresident return as follows: 60% to Connecticut and 40% to Massachusetts. Therefore, on his Massachusetts return, this taxpayer must also allocate 60% of this income to Connecticut and 40% to Massachusetts, since Massachusetts permits allocation on the basis of separate books and records.

Apportionment Formula: If the Connecticut income of the business cannot be determined from your books and records, income from business carried on both in and outside of Connecticut must be apportioned according to a prescribed formula or an approved alternative method. **Form CT-1040BA, Nonresident Business Apportionment Schedule**, containing the formula and other instructions pertaining to the apportionment of business income, must be completed for this purpose and attached to Schedule CT-SI. If you submit an alternative method of apportionment, you must also complete Schedule CT-1040BA and submit all information about your alternative method of apportionment.

LINE 6 - CAPITAL GAIN OR (LOSS)

(Federal Form 1040, Line 13)

Part-Year Resident

Enter the total of Line 6, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents capital gains (losses) from Connecticut sources in accordance with federal provisions for determining capital gains (losses). This includes a deduction for any capital loss carryover from Connecticut sources **as limited by the following highlighted information**. Use a copy of federal Form 1040, Schedule D as a worksheet in determining your Connecticut capital gain (loss). Include in your computations only transactions that were from Connecticut sources in 1998. If these computations result in a net capital loss for Connecticut purposes, the loss is limited to \$3,000 (\$1,500 if you are married and filing separately) on the Connecticut return. Any balance of a 1998 net capital loss (in excess of the amount claimed on the 1998 return) will be treated as a carryover loss to be claimed on returns for subsequent years.

IMPORTANT: No loss incurred by a nonresident for taxable years beginning prior to January 1, 1991, may be carried forward to a succeeding taxable year. No loss incurred by a nonresident in a taxable year beginning on or after January 1, 1991, can be carried back to a taxable year beginning prior to January 1, 1991.

Capital Transactions from Connecticut Sources: Include transactions resulting in capital gains (losses) derived from real or tangible personal property located within Connecticut, whether or not connected with a trade or business, and capital gains (losses) from stocks, bonds and other intangible personal property used in or connected with a business, trade, profession or occupation carried on in Connecticut. Include your share of any capital gain (loss) derived from Connecticut sources of a partnership of which you are a partner, an estate or trust of which you are a beneficiary, or an S corporation of which you are a shareholder. If any capital gains (losses) are from business property (other than real property) of a business carried on both in and outside of Connecticut, apply the business apportionment method (Schedule CT-1040BA) in determining the Connecticut capital gain (loss). Gains and losses from the sale or disposition of real property are not subject to apportionment. In all cases, use the federal basis of property in computing capital gains (losses).

LINE 7 - OTHER GAINS OR (LOSSES)

(Federal Form 1040, Line 14)

Part-Year Resident

Enter the total of Line 7, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents the gain (loss) from the sale or exchange of non-capital assets from Connecticut sources. Apply the federal provisions for determining gains (losses) from the sale or exchange of other than capital assets to your Connecticut transactions.

Noncapital Transactions from Connecticut Sources: Include non-capital transactions pertaining to property used in connection with a business, trade, profession or occupation carried on in Connecticut. Also include your share of any non-capital gain (loss) from a partnership of which you are a partner, an estate or trust of which you are a beneficiary, or an S corporation of which you are a shareholder. If any capital gains (losses) are from business property (other than real property) of a business carried on both in and outside of Connecticut, apply the business apportionment method (Schedule CT-1040BA) in determining the Connecticut capital gain (loss). Gains and losses from the sale or disposition of real property are not subject to apportionment. In all cases, use the federal basis of property in computing capital gains (losses).

LINE 8 - TAXABLE AMOUNT OF IRA DISTRIBUTIONS

(Federal Form 1040, Line 15b)

Part-Year Resident

Enter the amount from Line 8, Column B of Worksheet CT-1040AW.

Nonresident

This line does not apply to a nonresident.

LINE 9 - TAXABLE AMOUNT OF PENSIONS AND ANNUITIES

(Federal Form 1040, Line 16b)

Part-Year Resident

Enter the amount from Line 9, Column B of Worksheet CT-1040AW.

Nonresident

This line does not apply to a nonresident.

LINE 10 - RENTAL REAL ESTATE, ROYALTIES, PARTNERSHIPS, S CORPORATIONS, TRUSTS, ETC.

(Federal Form 1040, Line 17)

Part-Year Resident

Enter the total of Line 10, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents income or losses from rents, royalties, partnerships, S corporations, trusts and estates that were derived from or connected with Connecticut sources. See the instructions below relating to each type of income received from these sources.

Rental and royalty income: As a nonresident, enter rents and royalties from:

1. Real property located in Connecticut, whether or not used in connection with a business; and
2. Tangible personal property not used in a business if such property is located in Connecticut; and
3. Tangible and intangible personal property used in or connected with a business, trade, profession or occupation carried on in Connecticut.

If such income is earned by a business that is carried on both in and outside of Connecticut, apply the business apportionment percentage (Schedule CT-1040BA) or alternative method **only** to items of tangible and intangible personal property used in or connected with the business to determine the income from Connecticut sources. Do **not** apportion income from real property located in Connecticut (whether or not used in a business). That income must be entirely included if the real property is located in Connecticut and entirely excluded if the real property is located outside Connecticut. Do **not** apportion income from tangible personal property that is not used in a business. Report on this line your share of any rental or royalty income from a partnership, trust, estate or S corporation.

Partnerships: As a nonresident, enter your distributive share of partnership income, gain, loss and deduction that are derived from or connected with Connecticut sources. (This information should be provided to you by the partnership.) If your distributive share includes any other items of partnership income taxable to a nonresident, those items must be entered on the appropriate lines of Schedule CT-SI. For example, your share of a partnership's Connecticut capital gain would be included in determining the amount on Line 6.

S Corporations: As a nonresident, enter your pro rata share of the S corporation's separately stated items of income or loss that are derived from or connected with Connecticut sources. Also, enter your pro rata share of the S corporation's nonseparately stated items of income or loss (to the extent includable in your Connecticut adjusted gross income) that are derived from or connected with Connecticut sources. (This information, which is reported in Part V of the S corporation's **Form CT-1120SI**, should be provided to you by the S corporation.) If your share includes items of income, such as dividends or capital gains, those items must be included elsewhere on the appropriate lines of Schedule CT-SI.

Trusts and Estates: As a nonresident beneficiary, enter your share of trust or estate income that is derived from or connected with Connecticut sources. (This information should be provided to you by the fiduciary.) If your share includes any items of taxable trust or estate income from Connecticut sources not reported on Line 10, those items should be included on the appropriate lines of Schedule CT-SI.

Passive Activity Loss Limitations: Any deduction for passive activity losses for a nonresident must be recomputed to determine the amounts which would be allowed if the federal adjusted gross income took into account only items of income, gain, loss or deduction derived from or connected with Connecticut sources.

If you were a **part-year resident**, you must recalculate your passive activity loss limitations as if separate federal returns were filed for your resident and nonresident periods.

LINE 11 - FARM INCOME OR (LOSS)

(Federal Form 1040, Line 18)

Part-Year Resident

Enter the total of Line 11, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of your federal adjusted gross income (as modified by adjustments on **Form CT-1040NR/PY**, Schedule 1) that represents income (loss) from farming carried on in Connecticut as a nonresident.

See the instructions for reporting business income (Line 5), including the instructions for reporting income from a business carried on both in and outside of Connecticut.

LINE 12 - UNEMPLOYMENT COMPENSATION

(Federal Form 1040, Line 19)

Part-Year Resident

Enter the total of Line 12, Column B and Column D of Worksheet CT-1040AW.

Nonresident

Enter that part of federal adjusted gross income that represents unemployment compensation received as a nonresident and derived from or resulting from former employment in Connecticut.

If the unemployment compensation received from Connecticut sources is based on wage or salary income earned partly in and partly outside of Connecticut, figure the amount allocable to Connecticut in the same manner as the wage and salary income on which it is based.

LINE 13 - TAXABLE AMOUNT OF SOCIAL SECURITY BENEFITS

(Federal Form 1040, Line 20b)

Part-Year Resident

Enter the amount from Line 13, Column B of CT-1040AW.

Nonresident

This line does not apply to a nonresident.

LINE 14 - OTHER INCOME

(Federal Form 1040, Line 21)

Part-Year Resident

Enter the total of Line 14, Column B and Column D of Worksheet CT-1040AW.

When completing Worksheet CT-1040AW, include in Column A the total taxable amount of lump-sum distributions from qualified plans not included in federal adjusted gross income. (This amount should also have been entered on **Form CT-1040NR/PY**, Line 35.) In Column B, enter the amount from Column A that you received during the period you were a Connecticut resident.

Also use Line 14 to report any adjustments to federal adjusted gross income not included on Lines 1 through 13.

Nonresident

Enter that part of federal adjusted gross income from other income derived from or connected with Connecticut sources. (Lump-sum distributions from qualified plans are **not** taxable to a nonresident.)

LINE 15 - GROSS INCOME FROM CONNECTICUT SOURCES

Add Lines 1 through 14 and enter the total on Line 15.

PART 2 - ADJUSTMENTS TO CONNECTICUT INCOME

LINES 16 - 24

(Federal Form 1040, Lines 23-31a)

Part-Year Resident

Enter the totals from Lines 16 through 24, Column B and Column D of Worksheet CT-1040AW.

Nonresident

The amount of the deduction for IRA (Line 16), student loan interest deduction (Line 17), medical savings account deduction (Line 18), moving expenses (Line 19), self-employment tax (Line 20), self-employed health insurance deduction (Line 21), Keogh and self-employed SEP and SIMPLE plans (Line 22),

penalty on early withdrawal of savings (Line 23), and alimony paid (Line 24), is limited to the amount connected with income from Connecticut sources while a nonresident that is stated on Lines 1 through 14. Any adjustment that relates to wage or salary income or business income must be apportioned to Connecticut on the same basis as the wage or salary income to which it relates.

LINE 25 - TOTAL ADJUSTMENTS

Add Lines 16 through 24. Enter the total on Line 25.

LINE 26 - INCOME FROM CONNECTICUT SOURCES

Subtract Line 25 from Line 15. Enter the total here and on **Form CT-1040NR/PY**, Line 6.

WORKSHEET CT-1040AW INSTRUCTIONS

If you moved into or out of Connecticut during 1998, use Part 1 of Worksheet CT-1040AW, *Part-Year Resident Income Allocation Worksheet* to calculate your Connecticut source income for the entire taxable year.

Column A

Enter the amounts of income and adjustments reported on your federal return **as modified by amounts on Form CT-1040NR/PY, Schedule 1, plus all items you would be required to include if you were filing a federal return on the accrual basis.** See *What Items are Subject to Special Accruals?* on Page 7 and *Modifications to Federal Adjusted Gross Income* on Page 16.

Column B

Enter that part of the amount from Column A that you received during the period you were a Connecticut resident.

Column C

Enter that part of the amount from Column A that you received during the period you were a nonresident of Connecticut.

Column D

Enter that part of the amount from Column C that you received while a nonresident that was derived from or connected with Connecticut sources including, but not limited to:

1. Services you performed in Connecticut; **and**
2. Real or tangible personal property located in Connecticut; **and**
3. Businesses, trades, professions or occupations conducted in Connecticut. See *Connecticut Source Income of a Nonresident* on Page 6.

Refer to each specific line instruction for Schedule CT-SI to determine the income from Connecticut sources earned during your nonresident period.

Example: You moved from California to Connecticut on September 15, 1998. On your federal return, you report \$50,000 in total wages. Of this amount, \$10,000 was earned while you were a Connecticut resident. On Line 1, you would enter \$50,000 in Column A, \$10,000 in Column B, \$40,000 in Column C, and \$0 in Column D. No income was earned in Connecticut prior to the move.

Special Accruals

Report in Column B if you moved out of Connecticut, or Column C if you moved into Connecticut, all items you would be required to report if you were filing a federal return on the accrual basis for the period before you changed your resident status. These accrual amounts are to be combined with the corresponding amounts on Lines 1 through 26. See *What Items are Subject to Special Accruals?* on Page 7.

After completing Worksheet CT-1040AW, add the amount in Column B to the amount in Column D and transfer each total to the corresponding line of Schedule CT-SI. Attach the worksheet to Form CT-1040NR/PY.

Apportionment of wages earned while a nonresident: If your salary or wages while you were a nonresident were earned partially in Connecticut, you have to determine how much should be apportioned to Connecticut and enter that amount in Column D. If you do not know the actual amount of income you earned from working in Connecticut, complete Part 2 of Worksheet CT-1040AW.

Partners and S Corporation Shareholders

Part-year residents are required to include their entire distributive or pro rata share of partnership or S corporation items of income, gain, loss and deduction in the computation of income derived from or connected with sources within Connecticut if the taxable year of the partnership or S corporation ends during the period the partner or shareholder was a resident.

If, however, the taxable year of the partnership or S corporation ends during the period that the partner was a nonresident, the distributive or pro rata share of partnership or S corporation items of income, gain, loss and deduction included by the part-year resident in the computation of income from Connecticut sources shall be only the portion of such items that are included in Connecticut adjusted gross income that are derived from or connected with sources within Connecticut.

PART 2 - EMPLOYEE APPORTIONMENT WORKSHEET

Sometimes your employment requires you to work both inside and outside Connecticut, but you do not know the actual amount of income you earned from working in Connecticut. In this case, you must apportion your income so that only the correct portion (the amount attributable to Connecticut) will be taxed by Connecticut. Nonresidents and part-year residents who were employed in Connecticut during the nonresidency period must use the Employee Apportionment Worksheet for this purpose. (Part-year residents may **not** apportion income earned while they were residents of Connecticut.)

Who May Not Apportion Income?

If you know the actual amount of your Connecticut source income, you may not apportion. Simply report your income taxable in Connecticut on your Connecticut return. Examples of individuals who are not permitted to apportion include:

1. An employee whose actual Connecticut income is shown on federal Form W-2; **and**
2. An employee whose W-2 does not indicate initially his or her actual Connecticut income but whose employer issued a corrected W-2 or other statement which breaks down this amount. Since your employer is required by law to withhold Connecticut income tax on your Connecticut wages, this breakdown should be easy to obtain.

Nonresident employees who work inside and outside Connecticut should complete **CT-W4NA, Employee's Withholding or Exemption Certificate - Nonresident Apportionment**. The employer will use the information on **Form CT-W4NA** along with **Form CT-W4** to withhold the correct amount of Connecticut income tax for services performed in this state.

Who Must Use the Employee Apportionment Worksheet?

If your employment required you to perform services both inside and outside Connecticut and **you do not know the actual amount of income you earned in Connecticut**, you must use the Employee Apportionment Worksheet if you fit into any of the categories listed below:

1. An employee who is compensated on an hourly, daily, weekly or monthly basis; **or**
2. An employee whose compensation depends upon sales, at least some of which take place outside of Connecticut; **or**
3. An employee whose compensation is based on miles.

How Do I Complete the Employee Apportionment Worksheet?

If you qualify to use the Employee Apportionment Worksheet, select the appropriate basis below and then follow the instructions. If you have more than one job requiring the use of the worksheet, complete a worksheet for each job.

Working Day Basis

Employees who qualify to use the Employee Apportionment Worksheet and who are compensated on an hourly, daily, weekly or monthly basis should use the working day basis to apportion their income. The income of these taxpayers is to be apportioned to Connecticut in the same proportion that the amount of time spent working in Connecticut bears to the total working time.

Example: An auditor living in Massachusetts is employed by an accounting firm in Hartford at an annual salary of \$33,000. She works a total of 240 days in 1998, performing field audits in Rhode Island on 160 days of the year and working 80 days in Hartford. Her Connecticut adjusted gross income derived from or connected with sources within this state is \$11,000 computed as follows:

$$\$33,000 \times \frac{80}{240} = \$11,000$$

Basis If Other Than Working Days

If you are using the sales or mileage basis, substitute sales or mileage for working days and complete all items in the worksheet, except Line (d). Indicate what basis you are using in the space provided, and enter your Connecticut income from Line (g) on the appropriate line(s) of Schedule CT-SI.

Sales Basis

Where compensation of a salesperson, agent or other employee is based in whole or in part upon commissions from sales, Connecticut adjusted gross income derived from or connected with sources within Connecticut is determined by multiplying the gross compensation earned from sales everywhere, determined as if the nonresident were a resident, by a fraction, the numerator of which is the amount of sales made within Connecticut and the denominator of which is the amount of sales made everywhere. The amount of sales is determined on the same basis as that on which the amount of sales is determined for purposes of figuring such individual's commissions. The determination of whether sales are made within Connecticut or elsewhere is based upon where the salesperson, agent or employee performs the activities in obtaining the order, not the location of the formal acceptance of the contract.

Mileage Basis

Where an employee's wages are based on mileage, Connecticut adjusted gross income derived from or connected with sources within this state is determined by multiplying the employee's gross wages, determined as if the nonresident were a resident, wherever earned, from the employment which includes employment carried on in Connecticut, by a fraction the numerator of which is the employee's total mileage traveled in Connecticut and the denominator of which is the employee's total mileage upon which the employer computes total wages.

Income from business activities in Connecticut that are considered casual, isolated or inconsequential is not considered part of the Connecticut source income of a nonresident. See *Activities Considered to be Casual, Isolated or Inconsequential* on Page 7.

LINE (a) - WORKING DAYS OUTSIDE CONNECTICUT

Enter on Line (a) the number of days you worked outside of Connecticut.

LINE (b) - WORKING DAYS INSIDE CONNECTICUT

Enter on Line (b) the number of days you worked inside of Connecticut.

Working days do not include days on which you were not required to work, such as holidays, sick days, vacations, and paid or unpaid leave. If you spent a working day partly inside and partly outside of Connecticut, treat the day as having been spent one-half inside Connecticut.

LINE (c) - TOTAL WORKING DAYS

Add Line (a) and Line (b) and enter the total on Line (c).

LINE (d) - NONWORKING DAYS

Enter your nonworking days. Your nonworking days are those days during the year (or during the period you worked, if your job lasted less than a year) that you are not required to work, such as Saturdays, Sundays, holidays, sick days, vacation and leave with or without pay.

LINE (e) - CONNECTICUT RATIO

Divide Line (b) by Line (c) and enter the result on Line (e).

LINE (f) - TOTAL INCOME BEING APPORTIONED

Enter your total income from employment which is earned both inside and outside of Connecticut.

LINE (g) - CONNECTICUT INCOME

Multiply Line (e) by Line (f). Enter the result here and on Schedule CT-SI, Line 1. Attach the worksheet to **Form CT-1040NR/PY**.

SCHEDULE CT-1040BA INSTRUCTIONS

GENERAL INSTRUCTIONS

Schedule CT-1040BA, *Nonresident Business Apportionment Schedule*, must be completed by nonresidents and part-year residents (for the nonresidency portion of the year) if they are required to apportion business income. See *Schedule CT-1040BA* on Page 31.

Who Must Apportion Business Income?

An apportionment of business income must be made if you are a nonresident and you carry on business both in and outside of Connecticut so that only the correct portion (the amount attributable to Connecticut) will be taxed by Connecticut.

Generally, your business is considered to be carried on at the location:

1. Where you have, maintain, operate or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where your affairs are regularly carried on (this summary is not all inclusive); **or**
2. Where your business is transacted with a fair measure of permanency and continuity.

Business is carried on outside of the state if you have, maintain, operate or occupy desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where your business matters are systematically and regularly carried on outside Connecticut.

Income from an occasional or isolated business transaction outside of the state may not be apportioned. In addition, if you have no regular place of business outside of Connecticut, you may not apportion any income for business carried on outside of the state.

Example 1: A plumber, who is a resident of Rhode Island, carries on his business from an office in Danielson, Connecticut. He has maintenance contracts with housing authorities in the Worcester, Massachusetts area that require him to regularly perform his services at various locations in and around Worcester. This taxpayer is considered to be carrying on business in Connecticut (by reason of his office in this state) and in Massachusetts (because his business is conducted there with a fair measure of permanency and continuity).

Example 2: Assume the same facts as in Example 1, except that the taxpayer carries on his business from an office in Auburn, Massachusetts and has maintenance contracts with housing authorities in northeast Connecticut that require him to regularly perform his services at various locations in and around Connecticut. This taxpayer is considered to be carrying on business in Massachusetts (by reason of his office there) and in Connecticut (because his business is conducted here with a fair measure of permanency and continuity).

Income from business activities in Connecticut that are considered casual, isolated or inconsequential is not considered part of the Connecticut source income of a nonresident. See *Activities Considered to be Casual, Isolated or Inconsequential* on Page 7.

Who Must Complete Schedule A?

All nonresidents required to apportion income because they carry on business both in and outside of Connecticut must complete Schedule A.

If apportionment is determined from books of the business: If you carry on business both in and outside of Connecticut and maintain accounts clearly showing income from the Connecticut business, enter in the space immediately below Schedule A the words "**Connecticut income determined from books.**" Do not complete Schedule B.

If you report income using this method, your income reported to other states in which you carry on your business, where such states permit allocation on the basis of separate books and records, must result in a consistent allocation of income. (Where another state does not permit allocation on the basis of separate books and records, such a consistent allocation of income may not be possible.)

Example 3: Assume the same facts as in Example 1, except that the plumber allocated, on the basis of separate books and records, the income derived from his plumbing business on his Connecticut nonresident return as follows: 60% to Connecticut and 40% to Massachusetts. Therefore, on his Massachusetts return, this taxpayer must also allocate 60% of this income to Connecticut and 40% to Massachusetts, since Massachusetts permits allocation on the basis of separate books and records.

Who Must Complete Schedule B?

If the Connecticut income of the business **cannot** be determined from your books, income from business carried on both in and outside of Connecticut must be apportioned using the **business apportionment percentage** (arrived at by completing Schedule B) or using an approved alternative method. Schedule B of Schedule CT-1040BA must be completed for this purpose and attached to **Form CT-1040NR/PY**. If you submit an alternative method of apportionment, you must also complete Schedule CT-1040BA and include with it information explaining the alternative method of apportionment.

The **business apportionment percentage** or alternative method is **not** applied to income from the rental of real property or gains (losses) from the sale of real property. The entire rental income from **Connecticut** real property or gain from the sale of such property is taxable and the entire amount of any loss therefrom is deductible. Rental income from real property located **outside** Connecticut or gain from the sale of such property is not taxable. Any loss connected with such property is not deductible.

The **business apportionment percentage** is to be applied to business income (loss), or farm income (loss), or to the income from intangible personal property (such as annuities, dividends, interest and gains from the disposition of intangible personal property) if such property is used in or connected with a business carried on both in and outside of Connecticut.

If you carried on more than one business for which an apportionment is required on Schedule CT-1040BA, prepare a separate Schedule CT-1040BA for each business and attach each to **Form CT-1040NR/PY**.

SPECIFIC INSTRUCTIONS

Schedule A

In Column 1 and Column 2, list the exact locations both in and outside of Connecticut where you carry on business. In Column 3, describe the places listed in Column 1 and Column 2 (e.g., branch office, agency, factory, warehouse, etc.) **and** state whether you rent or own these places.

Schedule B

Complete this schedule if business is carried on both in and outside of Connecticut and you do not maintain accounts clearly reflecting the Connecticut operations of the business.

LINE 1 - REAL PROPERTY OWNED

Enter in Column A the average value of all real property owned by the business. Enter in Column B the average value of real property located in Connecticut. Real property includes assets of a fixed nature such as buildings and land.

The average value of property is determined by adding its fair market value at the beginning and at the end of the taxable year, and dividing the result by two.

LINE 2 - REAL PROPERTY RENTED FROM OTHERS

Enter the value of all real property rented from others in Column A and the value of Connecticut real property rented from others in Column B.

The average value of real property rented by the business and to be included in Line 2 generally is eight times the gross rent payable during the taxable year for which the return is filed. Gross rent includes:

1. Any amount payable for the use or possession of real property, or any part of it, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise;
2. Any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other agreement; **and**
3. A proportion of the cost of any improvement to real property made by or on behalf of the business which reverts to the owner or lessor upon termination of a lease or other arrangement. However, if a building is erected on leased land by or on behalf of the business, the value of the building is determined in the same manner as if it were owned by the business.

LINE 3 - TANGIBLE PERSONAL PROPERTY OWNED OR RENTED FROM OTHERS

Enter in Column A the average value of all tangible personal property owned by or rented from others by the business. Enter in Column B the average value of tangible personal property located in Connecticut that is owned by or rented from others by the business. If tangible personal property is rented, multiply the gross rents payable during the taxable year by eight. If tangible personal property is owned, its average value is determined by adding its book value at the beginning and at the end of the taxable year, and dividing the result by two.

LINE 4 - PROPERTY PERCENTAGE

Add Lines 1, 2, and 3 in Column A and Column B and enter the result on Line 4.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6666 should be entered as 66.66.

LINE 5 - PAYROLL PERCENTAGE

Enter wages, salaries and other personal service compensation paid only to employees of the business. Do not include payments to independent contractors, independent sales agents, etc. Enter in Column A the total compensation paid to employees during the taxable year in connection with business operations carried on both in and outside of Connecticut. Enter in Column B the amount paid in connection with business operations carried on in Connecticut. The compensation paid for services is in connection with operations carried on in Connecticut if the employee works in or travels out of an office or other place of business located in Connecticut.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6666 should be entered as 66.66.

LINE 6 - GROSS INCOME PERCENTAGE

Enter in Column A total gross sales made or charges for services performed by the proprietor or by employees, agents, agencies or independent contractors of the business in and outside of Connecticut. Enter in Column B the portion of total gross sales or charges which represents sales made, or charges for services performed, by the proprietor or by employees, agents, agencies or independent contractors situated at, connected with, or sent out from offices of the business (or its agencies) located in Connecticut.

Example: If a salesperson working out of the Connecticut office of the business, covers Connecticut, Massachusetts and Rhode Island, all sales made by him are to be allocated to Connecticut and included in Column B on Line 6.

Divide the Column B amount by the Column A amount. Carry the result to four decimal places and enter it as a percentage in Column C. For example, .6666 should be entered as 66.66.

LINE 7 - TOTAL OF PERCENTAGES

Add Lines 4, 5 and 6 in Column C and enter the total.

LINE 8 - BUSINESS APPORTIONMENT PERCENTAGE

Divide Line 7 by three (or by the actual number of percentages if less than three). Carry the result to four decimal places and enter the result as a percentage.

Each item of business income (loss) reported on federal Form 1040, which is required to be apportioned, is multiplied by the percentage on Line 8. Nonresidents, enter the apportioned amounts on the proper lines of Schedule CT-SI. Part-year residents, enter the apportioned amounts on the proper lines of Worksheet CT-1040AW, Column D.

Do not apply the business apportionment percentage to income from the rental of real property or gains or losses from the sale of real property. The entire rental income from Connecticut real property or gain from the sale of such property is taxable and the entire amount of any loss therefrom is deductible. Rental income from real property located **outside** Connecticut or gain from the sale of this property is not taxable. Any loss connected with such property is not deductible.

INDIVIDUAL USE TAX WORKSHEET

Complete this worksheet to calculate your use tax liability when filing **Form CT-1040EZ**, **Form CT-1040** and **Form CT-1040NR/PY**. If you require additional lines, you should copy this worksheet.

If you purchased taxable goods or services for use in Connecticut during the calendar year and a Connecticut or out-of-state merchant failed to collect Connecticut sales tax, you must pay the Connecticut use tax. Complete the worksheet below to determine your Connecticut use tax liability.

Enter only those purchases subject to use tax that you have **not** previously reported on **Form OP-186**, *Connecticut Individual Use Tax Return*.

You must list separately on this worksheet any individual item with a purchase price of **\$300 or more** and complete Columns A through G. Although you do not need to list separately any individual item with a purchase price of **less than \$300**, such items are subject to tax and the total of the purchase price of these items should be reported on Line 1, Column D. Enter the total tax for all taxable purchases on Line 2.

Enter the result from Line 2 of this worksheet on **Form CT-1040EZ**, Line 7; **Form CT-1040**, Line 15; or **Form CT-1040NR/PY**, Line 17. **You must attach a copy of this worksheet to your Connecticut income tax return if you are reporting the purchase of any individual item with a purchase price of \$300 or more.**

For further information regarding the *Connecticut Individual Use Tax*, refer to the questions and answers on Page 34.

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
DATE OF PURCHASE	DESCRIPTION OF ARTICLES OR SERVICES	RETAILER OR SERVICE PROVIDER	PURCHASE PRICE	CT TAX DUE (.06 x Column D)	TAX, IF ANY, PAID TO ANOTHER JURISDICTION	BALANCE DUE (Column E minus Column F but not less than zero)
1. Total of individual purchases under \$300 not listed above						1. <input style="width: 100%;" type="text"/>
Individual Use Tax (Add all amounts for Column G.) Enter here and on Form CT-1040EZ , Line 7; Form CT-1040 , Line 15; or Form CT-1040NR/PY , Line 17.						2. <input style="width: 100%;" type="text"/>

IMPORTANT: You must enter the amount shown on Line 2 above, on your Connecticut income tax return for an individual use tax return to be filed. You **must** enter 0 on the appropriate line of your Connecticut income tax return if no Connecticut use tax is due.

Questions and Answers about the Connecticut Individual Use Tax

For additional information, see **IP 96(10.2), Q and A on the Connecticut Individual Use Tax.**

1. What is the use tax?

When you make a retail purchase in this state, you usually pay 6% sales tax to the seller who in turn pays the tax to the Department of Revenue Services (DRS). Sometimes Connecticut sales tax is not paid to the retailer. In these situations, the use tax must be paid by the purchaser directly to DRS. For example, the purchase of taxable goods or services from an out-of-state mail order company, television shopping channel, or computerized shopping service that is not registered to collect Connecticut sales tax may result in a use tax liability to you. This tax has been in effect since 1947.

2. On what kinds of goods or services must I pay use tax?

You must pay use tax on taxable personal property, whether purchased or leased. Examples of taxable personal property include items of clothing costing \$50 or more, automobiles, appliances, furniture, jewelry, cameras, VCRs, computers and computer software. Some taxable services include repair services to your television, motor vehicle or computer; landscaping services for your home; reupholstering services for your household furniture; or charges for access to on-line computer services, including charges to access the Internet.

3. Are there exemptions from the use tax?

Yes. If you buy goods or services in Connecticut that are exempt from sales tax, they are exempt from the use tax if you buy them out-of-state for use in Connecticut. Some examples are items of clothing that cost less than \$50; newspapers; or magazines by subscription.

4. Do I owe Connecticut use tax on all my out-of-state purchases of taxable goods and services?

No. If all the items you purchased **and brought into** Connecticut at one time total \$25 or less, you do not have to pay Connecticut use tax. The \$25 exemption does **not** apply to items that are **shipped or mailed** to you.

5. What if I buy taxable goods or services in another state and the vendor charges sales tax for the other state?

If the goods or services were purchased for use in Connecticut and the tax paid to the other state is less than the Connecticut tax, you must report and pay the use tax. Your use tax due is the difference between the Connecticut tax and the tax paid to the other state.

EXAMPLE: You purchased a \$1,000 refrigerator in another state, and paid a \$50 tax to that state. If you bought the refrigerator for use in Connecticut, you owe Connecticut use tax. The Connecticut tax of \$60 is reduced to \$10, after allowing \$50 credit for the tax paid to the other state. If no tax was paid to the other state, the Connecticut use tax is \$60.

6. When must individuals pay the use tax?

You must pay the individual use tax when you file an individual income tax return, **Forms CT-1040EZ, CT-1040 or CT-1040NR/PY**, which must be filed by April 15 for purchases you made during the preceding calendar year. If you are not required to file a Connecticut income tax return, you must pay the use tax on **Form OP-186, Connecticut Individual Use Tax Return**. You may file **Form OP-186** for the entire year or you may file several returns throughout the year.

If you are engaged in a trade or business, you must register with DRS for business use tax and report purchases made in connection with your trade or business on **Form OS-114**.

7. What are the penalties and interest for not paying the use tax?

The penalty is 10% (.10) of the tax due. Interest is charged at the rate of 1% (.01) per month from the due date of the tax return. There are also criminal sanctions for willful failure to file a tax return.

8. On what amount should the use tax be calculated?

Calculate the use tax by multiplying the total cost of the taxable goods or services purchased, including separately stated charges, such as shipping and handling, by the tax rate (generally .06).

1998 TAXPAYER QUESTIONNAIRE

Department of Revenue Services, Taxpayer Services Division, PO Box 2987, Hartford CT 06104-2987

A MESSAGE FROM COMMISSIONER GENE GAVIN

Your evaluation of the services provided by the Department of Revenue Services (DRS) will help us serve you better. We appreciate receiving your comments and suggestions at any time, but especially as you complete your income tax return. Please include this questionnaire with your return (**do not staple it to the return**) or mail it to the above address.

1. Please rate your contacts with DRS in the past year.

	Excellent	Good	Fair	Poor
DRS Site on the World Wide Web (www.state.ct.us/drs)				
Tax-Fax (Fax on-demand using your fax machine) (860-297-5698)				
Recorded Tax Information (CONN-TAX Telephone System)				
Telephone Assistance From a DRS Representative				
Walk-in Assistance at a DRS Office				
Tax Seminar/New Business Workshops				
Tax Information Publications				
Obtaining CT Tax Forms				
Other:				

Please explain your rating for any category if Fair or Poor: _____

2. Check the form you completed for the 1998 taxable year:

- CT-1040EZ
 CT-Telefile
 CT-1040
 CT-1040NR/PY

	Excellent	Good	Fair	Poor
Instruction Booklet				
Easy to read				
Clear explanations				
Complete information provided				
Form				
Easy to complete				
Clear line instructions				
Presentation				

Please explain your rating for any category if Fair or Poor: _____

Other comments: _____

3. What additional services should DRS offer in the future? Prioritize the following in the order of their importance to you. (1 = most important)

Credit Card Payments	
Expansion of Telefile	
On-Line Filing	
Other:	

4. What other suggestions or comments would you like to add?

1 9 9 8
Connecticut
Income Tax
Tables

TAX CALCULATION SCHEDULE

1. Enter CONNECTICUT AGI* (Form CT-1040, Line 5; CT-1040EZ, Line 3; or CT-1040NR/PY, Line 7)	1		
2. Enter Personal Exemption (From Table A, Exemptions)	2		
3. Connecticut Taxable Income (Subtract Line 2 from Line 1. If less than zero, enter 0.)	3		
4. Connecticut Income Tax (See Table B, Connecticut Income Tax)	4		
5. Enter Credit Percentage (From Table C, Personal Tax Credits). If zero, enter 0.	5	.	
6. Multiply the amount on Line 4 by the percentage on Line 5.	6		
7. INCOME TAX (Subtract Line 6 from Line 4) Enter this amount on CT-1040, Line 6; CT-1040EZ, Line 4; or CT-1040NR/PY, Line 8.	7		

* **IMPORTANT:** Form CT-1040NR/PY filers **must** enter income from Connecticut sources if it exceeds Connecticut Adjusted Gross Income.

Taxpayer's Worksheet

TABLE A - EXEMPTIONS FOR 1998 TAXABLE YEAR

Use your filing status shown on the front of your tax return and your CONNECTICUT AGI * (From Tax Calculation Schedule, Line 1) to determine your exemption.

Single/Married Filing Separate			Head of Household			Married Filing Joint/Qualifying Widow(er)		
CONNECTICUT AGI*		EXEMPTION	CONNECTICUT AGI*		EXEMPTION	CONNECTICUT AGI*		EXEMPTION
MORE THAN	LESS THAN OR EQUAL TO		MORE THAN	LESS THAN OR EQUAL TO		MORE THAN	LESS THAN OR EQUAL TO	
\$ 0	\$24,000	\$12,000	\$ 0	\$38,000	\$19,000	\$ 0	\$48,000	\$24,000
\$24,000	\$25,000	\$11,000	\$38,000	\$39,000	\$18,000	\$48,000	\$49,000	\$23,000
\$25,000	\$26,000	\$10,000	\$39,000	\$40,000	\$17,000	\$49,000	\$50,000	\$22,000
\$26,000	\$27,000	\$ 9,000	\$40,000	\$41,000	\$16,000	\$50,000	\$51,000	\$21,000
\$27,000	\$28,000	\$ 8,000	\$41,000	\$42,000	\$15,000	\$51,000	\$52,000	\$20,000
\$28,000	\$29,000	\$ 7,000	\$42,000	\$43,000	\$14,000	\$52,000	\$53,000	\$19,000
\$29,000	\$30,000	\$ 6,000	\$43,000	\$44,000	\$13,000	\$53,000	\$54,000	\$18,000
\$30,000	\$31,000	\$ 5,000	\$44,000	\$45,000	\$12,000	\$54,000	\$55,000	\$17,000
\$31,000	\$32,000	\$ 4,000	\$45,000	\$46,000	\$11,000	\$55,000	\$56,000	\$16,000
\$32,000	\$33,000	\$ 3,000	\$46,000	\$47,000	\$10,000	\$56,000	\$57,000	\$15,000
\$33,000	\$34,000	\$ 2,000	\$47,000	\$48,000	\$ 9,000	\$57,000	\$58,000	\$14,000
\$34,000	\$35,000	\$ 1,000	\$48,000	\$49,000	\$ 8,000	\$58,000	\$59,000	\$13,000
\$35,000	and up	\$ 0	\$49,000	\$50,000	\$ 7,000	\$59,000	\$60,000	\$12,000
			\$50,000	\$51,000	\$ 6,000	\$60,000	\$61,000	\$11,000
			\$51,000	\$52,000	\$ 5,000	\$61,000	\$62,000	\$10,000
			\$52,000	\$53,000	\$ 4,000	\$62,000	\$63,000	\$ 9,000
			\$53,000	\$54,000	\$ 3,000	\$63,000	\$64,000	\$ 8,000
			\$54,000	\$55,000	\$ 2,000	\$64,000	\$65,000	\$ 7,000
			\$55,000	\$56,000	\$ 1,000	\$65,000	\$66,000	\$ 6,000
			\$56,000	and up	\$ 0	\$66,000	\$67,000	\$ 5,000
						\$67,000	\$68,000	\$ 4,000
						\$68,000	\$69,000	\$ 3,000
						\$69,000	\$70,000	\$ 2,000
						\$70,000	\$71,000	\$ 1,000
						\$71,000	and up	\$ 0

TABLE B - CONNECTICUT INCOME TAX FOR 1998 TAXABLE YEAR

Use your filing status shown on the front of your tax return.

Single/Married Filing Separate	Head of Household	Married Filing Joint/Qualifying Widow(er)
If the amount on Line 3 is less than or equal to \$7,500, multiply by .03.	If the amount on Line 3 is less than or equal to \$12,000, multiply by .03.	If the amount on Line 3 is less than or equal to \$15,000, multiply by .03.
If the amount on Line 3 is more than \$7,500, multiply .045 by the excess over \$7,500 and add \$225.00.	If the amount on Line 3 is more than \$12,000, multiply .045 by the excess over \$12,000 and add \$360.00.	If the amount on Line 3 is more than \$15,000, multiply .045 by the excess over \$15,000 and add \$450.00.
Example: if the amount on Line 3 is \$10,500 enter \$360.00 on Line 4. \$10,500 - \$7,500 = \$3,000 \$3,000 x .045 = \$135.00 \$135.00 + \$225.00 = \$360.00	Example: if the amount on Line 3 is \$16,000 enter \$540.00 on Line 4. \$16,000 - \$12,000 = \$4,000 \$4,000 x .045 = \$180.00 \$180.00 + \$360.00 = \$540.00	Example: if the amount on Line 3 is \$17,500 enter \$562.50 on Line 4. \$17,500 - \$15,000 = \$2,500 \$2,500 x .045 = \$112.50 \$112.50 + \$450.00 = \$562.50

TABLE C - PERSONAL TAX CREDITS FOR 1998 TAXABLE YEAR

Use your filing status shown on the front on your tax return and your CONNECTICUT AGI * (From Tax Calculation Schedule, Line 1) to determine your credit percentage.

Single/Married Filing Separate			Head of Household			Married Filing Joint/Qualifying Widow(er)		
CONNECTICUT AGI*		CREDIT%	CONNECTICUT AGI*		CREDIT%	CONNECTICUT AGI*		CREDIT%
MORE THAN	LESS THAN OR EQUAL TO		MORE THAN	LESS THAN OR EQUAL TO		MORE THAN	LESS THAN OR EQUAL TO	
\$12,000	\$15,000	75%	\$19,000	\$24,000	75%	\$24,000	\$30,000	75%
\$15,000	\$15,500	70%	\$24,000	\$24,500	70%	\$30,000	\$30,500	70%
\$15,500	\$16,000	65%	\$24,500	\$25,000	65%	\$30,500	\$31,000	65%
\$16,000	\$16,500	60%	\$25,000	\$25,500	60%	\$31,000	\$31,500	60%
\$16,500	\$17,000	55%	\$25,500	\$26,000	55%	\$31,500	\$32,000	55%
\$17,000	\$17,500	50%	\$26,000	\$26,500	50%	\$32,000	\$32,500	50%
\$17,500	\$18,000	45%	\$26,500	\$27,000	45%	\$32,500	\$33,000	45%
\$18,000	\$18,500	40%	\$27,000	\$27,500	40%	\$33,000	\$33,500	40%
\$18,500	\$20,000	35%	\$27,500	\$34,000	35%	\$33,500	\$40,000	35%
\$20,000	\$20,500	30%	\$34,000	\$34,500	30%	\$40,000	\$40,500	30%
\$20,500	\$21,000	25%	\$34,500	\$35,000	25%	\$40,500	\$41,000	25%
\$21,000	\$21,500	20%	\$35,000	\$35,500	20%	\$41,000	\$41,500	20%
\$21,500	\$25,000	15%	\$35,500	\$44,000	15%	\$41,500	\$50,000	15%
\$25,000	\$25,500	14%	\$44,000	\$44,500	14%	\$50,000	\$50,500	14%
\$25,500	\$26,000	13%	\$44,500	\$45,000	13%	\$50,500	\$51,000	13%
\$26,000	\$26,500	12%	\$45,000	\$45,500	12%	\$51,000	\$51,500	12%
\$26,500	\$27,000	11%	\$45,500	\$46,000	11%	\$51,500	\$52,000	11%
\$27,000	\$48,000	10%	\$46,000	\$74,000	10%	\$52,000	\$96,000	10%
\$48,000	\$48,500	9%	\$74,000	\$74,500	9%	\$96,000	\$96,500	9%
\$48,500	\$49,000	8%	\$74,500	\$75,000	8%	\$96,500	\$97,000	8%
\$49,000	\$49,500	7%	\$75,000	\$75,500	7%	\$97,000	\$97,500	7%
\$49,500	\$50,000	6%	\$75,500	\$76,000	6%	\$97,500	\$98,000	6%
\$50,000	\$50,500	5%	\$76,000	\$76,500	5%	\$98,000	\$98,500	5%
\$50,500	\$51,000	4%	\$76,500	\$77,000	4%	\$98,500	\$99,000	4%
\$51,000	\$51,500	3%	\$77,000	\$77,500	3%	\$99,000	\$99,500	3%
\$51,500	\$52,000	2%	\$77,500	\$78,000	2%	\$99,500	\$100,000	2%
\$52,000	\$52,500	1%	\$78,000	\$78,500	1%	\$100,000	\$100,500	1%
\$52,500	and up	0%	\$78,500	and up	0%	\$100,500	and up	0%

***IMPORTANT:** FORM CT-1040NR/PY filers **must** enter income from Connecticut sources if it exceeds Connecticut Adjusted Gross Income.

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Website at:
<http://www.state.ct.us/drs>
- Call CONN-TAX:
1-800-382-9463 (in-state) or
1-860-297-5962 (anywhere)

Telecommunications Device for the Deaf (TDD/TT) users only, call 860-297-4911.

Personal Taxpayer Assistance is available during business hours listed at right. Extended hours during January through April are listed on Page 4 of this booklet.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained at any hour of the day seven days a week by using any of the following resources:

- Internet
Preview and download forms from the DRS Website (<http://www.state.ct.us/drs>);
- DRS TaxFax
Call 860-297-5698 from the handset attached to your fax machine;
- Telephone
From a touch-tone phone 24 hours a day call:
1-800-382-9463 (toll-free from within Connecticut) or
1-860-297-4753 (DRS FormsUnit) and select Option 2.

WALK-IN OFFICES

For free assistance or forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle Street
203-579-6251

HAMDEN *

2105 State Street
203-789-7516

HARTFORD

25 Sigourney Street
860-297-5962

NORWICH *

2 Cliff Street
860-889-2669

WATERBURY *

91 Schraffts Drive
203-596-4310

* These offices will be moving in 1999. To verify the address, please call before you visit.

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the state's tax programs.

State of Connecticut
Department of Revenue Services
25 Sigourney Street
Hartford CT 06106-5032