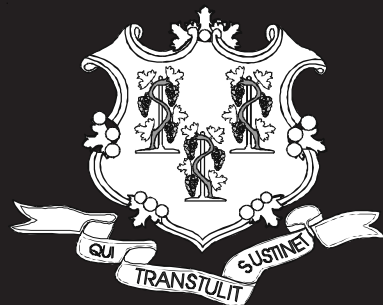


2005

**FORM
CT-706/709**

This booklet contains:

- **Form CT-706/709**
- **Form CT-706/709 EXT**
- **Schedule
CT-709 Farmland**



Connecticut Estate and Gift Tax Return and Instructions

Dear Taxpayer:

The Connecticut gift and estate taxes have changed considerably starting in 2005. This booklet contains the newly created **Form CT-706/709**, *Connecticut Estate and Gift Tax Return and Instructions*, and explains how changes in the law affect these taxes and taxpayer requirements.

Besides combining the estate and gift taxes, legislative changes now require taxpayers to report all Connecticut taxable gifts, even if no gift tax is due. Taxable gifts also accumulate over the lifetime of the giver for both the estate and gift taxes. These and other details are included in this booklet. Please read it carefully.

At the Department of Revenue Services (DRS), our goal is to provide taxpayers with the information they need to file and pay their tax obligations to the state. If you have questions about Connecticut taxes or filing this return, you can reach DRS Taxpayer Services staff by e-mail, phone, or letter. The back cover of this booklet lists all the ways you can access this agency including the DRS Web site, which is available anytime to provide you with access to forms, publications, and information.

We welcome your comments and ideas about how we can improve our products.

Sincerely,

Pam Law
Commissioner of Revenue Services

Taxpayer information is available on our Web site:
www.ct.gov/DRS

Department of Revenue Services walk-in locations and telephone numbers are listed on the back cover.

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Some Important Changes

New Forms

The estate and gift tax forms and instructions are now combined for gifts made, and estates of decedents dying on or after January 1, 2005. The new return and forms for calendar year 2005 are:

CT-706/709, *Connecticut Estate and Gift Tax Return*; **and** **CT-706/709 EXT**, *Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension*.

Succession Tax Repealed

The succession tax is repealed for estates of decedents dying after December 31, 2004.

Generation-Skipping Transfer Tax No Longer Applicable

The Connecticut generation-skipping transfer tax does not apply to generation-skipping transfers occurring after December 31, 2004.

Changes to the Connecticut Gift Tax

The Connecticut gift tax continues to apply to *Connecticut taxable gifts*, which are federal taxable gifts made by a resident or nonresident of Connecticut on or after January 1, 2005:

- For a Connecticut resident, the taxable gifts include real property or tangible personal property located in Connecticut, as well as intangible personal property wherever located; **and**
- For a nonresident of Connecticut, the taxable gifts include only real property or tangible personal property located in Connecticut.

A Connecticut gift tax return must be filed to report all Connecticut taxable gifts made in any calendar year on or after January 1, 2005, even though Connecticut gift tax may not be due. Prior to January 1, 2005, a donor was not required to file a Connecticut gift tax return if tax was not due. For calendar years beginning January 1, 2005, Connecticut gift tax is payable only when the aggregate amount of all Connecticut taxable gifts made by the donor (during his or her lifetime), on or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount of Connecticut taxable gifts, including the first \$2 million.

Changes to the Connecticut Estate Tax

Resident and nonresident estates are now liable for the Connecticut estate tax if their Connecticut taxable estate is more than \$2 million. A resident estate is an estate of a decedent who at the time of death was domiciled in

Connecticut. A nonresident estate is an estate of a decedent who at the time of death was not domiciled in Connecticut but owned real or tangible personal property in Connecticut.

The Connecticut taxable estate is the sum of:

- A. The total value of the decedent's federal gross estate, less allowable deductions (other than the deduction for state death taxes paid under Section 2058 of the Internal Revenue Code); **and**
- B. The aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during all calendar years beginning on or after January 1, 2005.

If A plus B exceeds \$2 million, Connecticut estate tax is payable on the sum (including the first \$2 million). These estates must file **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*, with the Department of Revenue Services (DRS). A copy of Form CT-706/709 must also be filed with the appropriate probate court.

For a nonresident estate, if A plus B exceeds \$2 million, Connecticut estate tax is first calculated on the sum (including the first \$2 million). The tax calculated is then multiplied by a fraction. See line instructions for *Schedule E - Computation of Tax for Nonresident Decedent Estates* on Page 19.

If A plus B is \$2 million or less, Connecticut estate and gift tax is not due. However, estates must file **Form CT-706 NT**, *Connecticut Estate Tax Return (for Nontaxable Estates)*, with the probate court for the district in which the decedent resided at the date of death; or, if the decedent died as a nonresident of Connecticut, with the probate court for the district in which the decedent's real property or tangible personal property is located. Do not file Form CT-706 NT with DRS.

Credits

Connecticut resident estates are allowed a credit against the estate tax for:

- Connecticut gift tax previously paid by the decedent (during his or her lifetime) on or after January 1, 2005; **and**
- Death taxes (estate, inheritance, legacy, or succession taxes) paid to any other state or the District of Columbia.

Nonresident estates are allowed a credit against the estate tax for:

- Connecticut gift tax previously paid by the decedent (during his or her lifetime) on or after January 1, 2005.

See **Special Notice 2005(10)**, *2005 Legislation Amending the Connecticut Gift Tax and the Connecticut Estate Tax, and Repealing the Succession Tax*, and **Informational Publication 2005(19)**, *Q&A on the Succession, Estate, Gift, and Generation-Skipping Transfer Taxes*.

Tax Table for Form CT-706/709

**Tax Table for Gifts Made on or After January 1, 2005;
and for Estates of Decedents Dying on or After January 1, 2005**

Value of Gifts or Estate		Column C Tax on Column A	Column D Tax Rate on excess over Column A
Column A Over	Column B But not over		
\$0	\$2,000,000	None	None
2,000,000	2,100,000	5.085% of the excess over \$0	
2,100,000	2,600,000	\$106,800	8.0%
2,600,000	3,100,000	146,800	8.8%
3,100,000	3,600,000	190,800	9.6%
3,600,000	4,100,000	238,800	10.4%
4,100,000	5,100,000	290,800	11.2%
5,100,000	6,100,000	402,800	12.0%
6,100,000	7,100,000	522,800	12.8%
7,100,000	8,100,000	650,800	13.6%
8,100,000	9,100,000	786,800	14.4%
9,100,000	10,100,000	930,800	15.2%
Over \$10,100,000	\$1,082,800 plus 16% of the excess over \$10,100,000		

Getting Started

The Connecticut estate and gift taxes are now filed on the same return, **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*. The return is divided into three sections. Section 1 and Section 2 are mutually exclusive. The third section is used to calculate the payment or refund amount.

The first section applies to filing the gift tax portion of the return. The second section applies to filing the estate tax portion of the return. Your circumstances will determine which section you complete.

Section 1 - Gift Tax

This section is used to report gifts made by a donor during calendar year 2005. If the donor died during the calendar year in which the gifts were made, complete **Section 2** and not **Section 1**.

Section 2 - Estate Tax

This section is used for the estate of a decedent dying during calendar year 2005. Gifts made by the decedent during the calendar year in which the decedent died are reportable in this section and not in **Section 1**.

General Information

How to Get Help

The DRS is ready to help you and offers several resources where you can get answers to your Connecticut tax questions. Visit the DRS Web site at www.ct.gov/DRS or for personal assistance, see the back cover of this booklet for a list of DRS walk-in offices and telephone numbers. DRS offices are open Monday through Friday, 8:00 a.m. to 5:00 p.m. If you visit, you must bring your completed federal Form 706 or federal Form 709.

Personal telephone assistance is available Monday through Friday, 8:30 a.m. to 4:30 p.m. Call CONN-TAX, the DRS information line, or visit the DRS Web site for details.

How to Get Additional Forms and Publications

Download and print Connecticut tax forms and publications anytime from the DRS Web site at www.ct.gov/DRS. Forms are also available during regular business hours at any of the DRS walk-in offices and the other sources listed on the back cover of this booklet. You may also download the *2005 Connecticut Package X* from the DRS Web site.

The forms mentioned in these instructions are also available from any of the Connecticut probate courts.

Recordkeeping

Keep a copy of your tax return, worksheets you used, and records of all items appearing on the return. You may need this information to prepare future returns or to file amended returns.

Copies of Returns

Copies of previously filed Connecticut tax returns may be requested from DRS by completing **LGL-002**, *Request for Disclosure of Tax Return or Tax Return Information*. Requests are normally processed in three weeks.

Rounding Off to Whole Dollars

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

Example: Add two amounts (\$1.29 + \$3.21) to compute the total (\$4.50) to enter on a line. \$4.50 is rounded to \$5.00 and entered on a line.

If you do not round, DRS will disregard the cents.

Private Delivery Services

Your return will meet the timely filed and timely payment rules if the U.S. Postal Service cancellation date, or the date recorded or marked by a designated private delivery service (PDS), is on or before the due date. Not all services provided by the designated PDSs qualify.

The designated PDSs and designated types of service at the time of publication are:

DHL Worldwide Express (DHL) <ul style="list-style-type: none">• <i>DHL Same Day Service</i>• <i>DHL Next Day 10:30 am</i>• <i>DHL Next Day 12:00 pm</i>• <i>DHL Next Day 3:00 pm</i>• <i>DHL 2nd Day Service</i>	Federal Express (FedEx) <ul style="list-style-type: none">• <i>FedEx Priority Overnight</i>• <i>FedEx Standard Overnight</i>• <i>FedEx 2 Day</i>• <i>FedEx International Priority</i>• <i>FedEx International First</i>
	United Parcel Service (UPS) <ul style="list-style-type: none">• <i>UPS Next Day Air</i>• <i>UPS Next Day Air Saver</i>• <i>UPS 2nd Day Air</i>• <i>UPS 2nd Day Air A.M.</i>• <i>UPS Worldwide Express Plus</i>• <i>UPS Worldwide Express</i>

This list is subject to change.

To verify the names of designated PDSs and designated types of service, check the DRS Web site or call DRS. See **Policy Statement 2005(4)**, *Designated Private Delivery Services and Designated Types of Service*.

Where to File

Mail your return to:

Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978

Interest and Penalties

In general, interest and penalty apply to any portion of the tax not paid on or before the original due date of the return.

Interest

If you do not pay the tax when due, you will owe interest at the rate of 1% (.01) per month or fraction of a month until the tax is paid in full.

Interest on underpayment or late payment of tax cannot be waived.

Penalty for Late Payment or Late Filing

The penalty for late payment or underpayment of the tax is 10% (.10) of the tax due or \$50, whichever is greater.

If no tax is due, DRS may impose a \$50 penalty for the late filing of any return or report required by law to be filed with DRS.

Penalty for Failure to File

If you do not file your return and DRS files a return for you, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater. If you were required to file an amended Form CT-706/709 and failed to do so, you will be subject to a penalty.

Waiver of Penalty

The penalty may be waived if the failure to file or pay tax on time was due to reasonable cause. Interest cannot be waived. Before a penalty waiver can be granted, all tax and interest must be paid. All requests must:

- Be in writing and contain a clear and complete explanation;

- Include the decedent's or donor's name and Social Security Number (SSN);
- Include the name of the original form filed or billing notice received;
- Include the taxable filing period; **and**
- Include documentation supporting your explanation.

Attach the penalty waiver request to the **front** of the tax return or mail it separately with a copy of the tax return to:

**Department of Revenue Services
Penalty Waiver Unit
PO Box 5089
Hartford CT 06102- 5089**

Section 1 - Gift Tax

Steps to Completing Section 1 - Gift Tax

Before You Start

Form CT-706/709 is an annual return and covers the entire calendar year. File your 2005 Form CT-706/709 on or before April 15, 2006.

If the donor died during the calendar year in which the gifts were made do **not** complete **Section 1**. Go to **Section 2 - Estate Tax**, starting on Page 16.

Form CT-706/709 covers **all** gifts you made to **all** donees during the calendar year. Do not file a separate Form CT-706/709 for each gift or for each donee.

No Joint Returns

If you and your spouse are each required to file Form CT-706/709, you must each file a separate Form CT-706/709. You and your spouse cannot file a joint Form CT-706/709.

Step One – Determine whether you are required to file a federal gift tax return.

Determine whether you are required to file federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, by following the instructions for federal Form 709.

If you are not required to file federal Form 709, **stop here**. You are not required to complete Form CT-706/709, *Section 1 - Gift Tax Computation*.

Step Two – Determine whether you are required to file a Connecticut gift tax return.

If you are required to file federal Form 709, use the information on that return to determine whether you are required to file Form CT-706/709.

If you are a **resident** individual, you are required to file Form CT-706/709 if:

- You made a gift of real or tangible personal property located in Connecticut or made a gift of intangible property and the amount of your Connecticut taxable gifts (the amount entered on your Form CT-706/709, *Schedule A*, Line 9) is more than \$0; **or**
- You made a gift of Connecticut farmland and valued it in accordance with Conn. Gen. Stat. §12-646a. (See **Schedule CT-709 Farmland**.)

If you are a **nonresident** individual, you are required to file Form CT-706/709 if:

- You made a gift of real or tangible personal property located in Connecticut and the amount of Connecticut taxable gifts (the amount entered on your Form CT-706/709, *Schedule A*, Line 9) is more than \$0; **or**
- You made a gift of Connecticut farmland and valued it in accordance with Conn. Gen. Stat. §12-646a. (See **Schedule CT-709 Farmland**.)

Residence

For purposes of the Connecticut gift tax:

Resident means any individual who is domiciled in Connecticut at the time he or she made gifts.

Nonresident means any individual who is not domiciled in Connecticut at the time he or she made gifts.

Domicile is the place which an individual intends to be his or her permanent home and to which such individual intends to return whenever absent.

Person Responsible for Filing Return and Paying Tax

If Form CT-706/709 must be filed, the donor is responsible for filing Form CT-706/709 and paying the tax due.

If a donor becomes legally incompetent, or dies before filing the return, the donor's guardian, conservator, executor, or administrator is responsible for filing the return. If there is no duly qualified executor or administrator, the donor's heirs, legatees, devisees, or distributees are required to pay the tax to the extent of the value of their inheritances, bequests, devises, or distributive shares of the donor's estate.

If the gift tax is not paid when due, each donee is personally liable for the tax to the extent of the value of the gift received.

Financial Disability

If you, as the donor, are financially disabled as defined in I.R.C. §6511(h)(2), the statute of limitations for having an overpayment of Connecticut gift tax refunded to you is extended for as long as you are financially disabled. You are financially disabled if you are unable to manage your own affairs by reason of a medically determinable physical or mental impairment that has lasted or can be expected to last for a continuous period of not less than 12 months. You are not financially disabled during any period your spouse or any other person is authorized to act on your behalf in financial matters.

When to File for Gift Tax

In general, Form CT-706/709 is due on or before April 15 of the year following the year the gifts were made unless an extension for filing Form CT-706/709 is granted.

If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

Extension Requests

You may request an extension of time to file your Form CT-706/709 by filing **Form CT-706/709 EXT**, *Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension*. If you request an extension of time to file your federal gift tax return, you do not have to provide an explanation for requesting an extension of time to file your Form CT-706/709. If you do not request an extension of time to file your federal gift tax return, you must provide an explanation for requesting an extension of time to file your Form CT-706/709.

Payment of all of the Connecticut gift tax you expect to owe must accompany Form CT-706/709 EXT. Filing Form CT-706/709 EXT only extends the time to file your Connecticut tax return; it does not extend the time to pay Connecticut gift tax. If the payment accompanying your Form CT-706/709 EXT is less than the gift tax reported on your Form CT-706/709, you will owe interest and penalty. See *Interest and Penalties* on Page 5.

If a taxpayer is unable to request an extension because of illness, absence, or other good cause, any person standing in a close personal or business relationship to the taxpayer (including an attorney, accountant, or enrolled agent) may file the request on the taxpayer's behalf.

Comparison Between Federal Gift Tax and Connecticut Gift Tax

Gifts

No transfer is treated as a gift for Connecticut gift tax purposes unless it is treated as a gift for federal gift tax purposes. Some transfers treated as gifts for federal gift tax purposes will not be treated as gifts for Connecticut gift tax purposes, because they are gifts to which the Connecticut gift tax does not apply. Gifts to which the Connecticut gift tax applies are gifts of real property and tangible personal property located in Connecticut (whether the donor is a resident of Connecticut or a nonresident of Connecticut) and gifts of intangible personal property (but only where the donor is a resident of Connecticut).

For federal gift tax purposes, the first \$11,000 of gifts to a donee during the calendar year of a present interest in property is excluded from the total amount of gifts. There is no annual exclusion for gifts of future interests. A present interest in property is an unrestricted right to the immediate use, possession, or enjoyment of property or the income from the property. For Connecticut gift tax purposes, the same first \$11,000 of gifts to a donee during the calendar year of a present interest in property that was excluded for federal gift tax purposes is excluded from the total amount of gifts but only if that same first \$11,000 of gifts to the donee is gifts to which the Connecticut gift tax applies.

For federal gift tax purposes, the first \$117,000 of gifts made to a spouse who is not a U.S. citizen during the calendar year of a present interest in property is excluded from the total amount of gifts. For Connecticut gift tax purposes, the same first \$117,000 of gifts to a spouse who is not a U.S. citizen during the calendar year of a present interest in property that was excluded for federal gift tax purposes is excluded from the total amount of gifts but only if that same first \$117,000 of gifts to the spouse is gifts to which the Connecticut gift tax applies.

For federal gift tax purposes, deductions are allowed for gifts to charitable organizations or to a spouse who is a U.S. citizen. For Connecticut gift tax purposes, deductions are allowed for gifts to charitable organizations or to a spouse who is a U.S. citizen but only if those gifts are gifts to which the Connecticut gift tax applies.

Valuation

In general, the valuation rules used for federal gift tax purposes are also used for Connecticut gift tax purposes. These rules include the special valuation rules of I.R.C. §§2701 to 2704, where they apply. Generally, the special valuation rules apply if a donor transfers certain property to a member of his or her family and, immediately after the

transfer, retains or is deemed to have retained an interest in the property. For example, certain gifts of real property in which the donor retains a life estate and transfers a remainder interest to a member of his or her family are subject to the special valuation rules. Where the special valuation rules apply, the value of the retained interest is disregarded in determining the value of the gift made to the family member. (See I.R.C. §2702.) If a gift of farmland is made, the donor may elect to use a valuation method other than the federal valuation rules. See *Gifts of Farmland* on Page 10.)

Example: During calendar year 2005, Mary conveys title to her house to her three children and either retains a life use for herself on the deed, or does not retain a life use for herself on the deed, but continues to occupy the residence. Mary does not receive any money or other type of payment for the house from her children. Mary has made a gift of a future interest to her children. Because this is a gift of a future interest to her lineal descendants, it is subject to the special valuation rules (I.R.C. §§2702 et seq.). The value of Mary's gift determined under the special valuation rules is the property's fair market value (less encumbrances). Because this is a gift of a future interest, annual exclusions do not apply.

Gift Splitting

For federal gift tax purposes, if both spouses consent to gift split, all gifts made to third parties during the calendar year, whether made by one spouse alone or made partly by each spouse, are considered made one-half by each spouse (only if at the time of the gift each spouse is a citizen or resident of the U.S.). For federal purposes, the first \$22,000 of gifts of a present interest in property to a donee by consenting spouses during the calendar year are excluded from the total amount of gifts. To gift split:

- Spouses must be legally married to each other at the time the gifts were made for gift splitting to apply. If they are subsequently divorced during the year, they may still gift split for gifts made while they were married so long as neither marries anyone else during the year;
- Spouses must both be citizens or residents of the United States on the date of the gift; **and**
- One spouse may not create a general power of appointment in the other spouse over the property transferred.

The executor or administrator for a deceased spouse's estate, or the guardian of a legally incompetent spouse, may sign the consent. The consent of an executor or administrator

will not be effective for gifts made by the surviving spouse during that portion of the calendar year his or her spouse was deceased.

For Connecticut gift tax purposes, a husband and wife who have both consented to gift split for federal gift tax purposes are deemed to have both consented to gift split for Connecticut gift tax purposes and are required to gift split for Connecticut gift tax purposes. The rules that apply to determine whether and which gifts may be gift split for federal gift tax purposes also apply for Connecticut gift tax purposes. If a husband and wife have not both consented to gift split for federal gift tax purposes, they may not gift split for Connecticut gift tax purposes.

The Connecticut gift tax liability of the spouses deemed to have consented to gift split is joint and several. Joint and several means one or both parties can be held responsible to pay the full amount of the tax due.

No Joint Gift Tax Return

A married couple may **not** file a joint gift tax return for either federal gift tax purposes or Connecticut gift tax purposes.

Applicable Credit Amount

An applicable credit amount of \$1 million is allowed against the federal gift tax. There is no comparable credit allowable against the Connecticut gift tax. However, Connecticut gift tax is payable only once the aggregate amount of Connecticut taxable gifts made by the donor (during his or her lifetime) during all calendar years beginning on or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount, including the first \$2 million.

Example of Computation of Federal and Connecticut Gift Taxes

Beth Smith, a Connecticut resident, makes only the following gifts during calendar year 2005:

1. To her daughter Lynn, land located in New York with a fair market value of \$20,000.
2. To her son Steven, \$25,000 in cash.
3. To her daughter Karen, land located in Rhode Island (on 1/15/2005) with a fair market value of \$20,000 and shares of stock (on 3/25/2005) with a fair market value of \$10,000.
4. To a charitable organization, tangible personal property located in Massachusetts with a fair market value of \$20,000.

Federal gift tax

The **value** of the gifts Beth made to her children and to the charitable organization during calendar year 2005 is \$95,000. However, the **total amount** of gifts is only \$51,000. This is because all gifts were of a present interest

in property allowing her an \$11,000 annual exclusion for each donee. The amount of Beth's **taxable** gifts is \$42,000 because a deduction is allowable for the gift to the charitable organization. Beth must file a federal gift tax return for calendar year 2005.

Assuming Beth has not made any taxable gifts during previous calendar years, she would offset the tax calculated on the \$42,000 of taxable gifts against the applicable credit amount, which is \$345,800 (determined as if the applicable exclusion amount were \$1,000,000). The federal gift tax on \$42,000 of taxable gifts is \$8,680. This would leave Beth an applicable credit amount balance of \$337,120, which may be used as a credit against the gift tax due on taxable gifts made during future calendar years.

Connecticut gift tax

The value, for Connecticut gift tax purposes, of the gifts that Beth made is \$35,000. Connecticut gift tax does not apply to the gift to Lynn of land located in New York, the gift to Karen of land located in Rhode Island, or the gift to the charitable organization of tangible personal property located in Massachusetts. Her gifts to Steven and Karen are gifts of a present interest in property so she is allowed an \$11,000 annual exclusion for her gift to Steven. She is not allowed an \$11,000 annual exclusion for her gift to Karen because the first \$11,000 of gifts to Karen during calendar year 2005 of a present interest in property was not a gift to which the Connecticut gift tax applied (land located in Rhode Island). Her total amount of gifts, for Connecticut gift tax purposes, is \$24,000. This is also the amount of her Connecticut taxable gifts because, while she made a gift of tangible personal property to a charitable organization, it was not a gift to which the Connecticut gift tax applied (tangible personal property located in Massachusetts).

Because Beth has made Connecticut taxable gifts during calendar year 2005, Beth must file Form CT-706/709, even though no Connecticut gift tax is payable.

Completing Form CT-706/709

Beth completes *Schedule A* of Form CT-706/709 to report her Connecticut taxable gifts as follows:

Gift 1:	Steven Smith	\$25,000	1/14/2005	\$25,000
Gift 2:	Karen Smith	\$10,000	3/25/2005	\$10,000
Line 1:	Total Gifts	.....		\$35,000
Line 2	.....			\$11,000
Line 3	.....			\$24,000
Lines 4 through 8	.....			\$0
Line 9	.....			\$24,000

Beth must also complete Form CT-706/709, Section 1 and Section 3 as follows:

Line 1	.....	\$24,000
Line 4	.....	\$0
Line 13	.....	\$0
Line 17	.....	\$0

Gifts of Farmland

Transfers of Farmland or Change of Classification

If land classified as farmland under Conn. Gen. Stat. §12-107c is transferred to a donee who is a lineal descendant or that descendant's spouse, the land may be valued based on its current use as farmland. If, within ten years of the transfer, the donee transfers this farmland to a person other than the donee's lineal descendant or that descendant's spouse, or the land is no longer classified as farmland, the donee will be liable for the difference between the tax that was due from the donor and the tax that would have been due if the land was valued at its fair market value.

A *lineal descendant* is a person in the direct line of descent, such as a child or grandchild. A lineal descendant does not include a corporation, partnership, or trust.

The donor who claims special valuation on a gift of farmland must provide a copy of **Schedule CT-709 Farmland** to the donee so the donee knows the amount of any additional tax that may become due.

Due Date of Additional Tax Liability

If within ten years a gift of farmland is transferred to a person other than the donee's lineal descendant or that descendant's spouse, or the land is no longer classified as farmland under Conn. Gen. Stat. §12-107c, the donee must submit to DRS a copy of Schedule CT-709 Farmland the original donor provided to the donee. The additional tax entered on Schedule CT-709 Farmland, Line F must be paid no later than 60 days following the transfer or the change in classification. The donee must provide a written statement indicating when the land was transferred to a person other than the donee's lineal descendant or that descendant's spouse or, if the land is no longer classified as farmland under Conn. Gen. Stat. §12-107c, when the classification of the land was changed.

Attach a check or money order for the additional tax to a copy of Schedule CT-709 Farmland provided by the donor to the donee and the written statement and mail them to:

Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978

The check or money order should be payable to **Commissioner of Revenue Services**.

If the tax is not paid on time, the penalty is 10% (.10) of the balance due or \$50, whichever is greater. Interest is charged on the underpayment of the tax at the rate of 1% (.01) per month or fraction of a month.

The Commissioner may, for good cause, extend the time for payment of the tax if the descendant or the descendant's spouse files a written application with the Commissioner on or before the 60-day period expires. If the land was transferred to the donee's lineal descendant or that descendant's spouse, the Commissioner may, for good cause, extend the time for payment of the tax if the descendant or the descendant's spouse files a written application with the Commissioner on or before the 60-day period expires.

Recordkeeping

For gifts of farmland, you must provide a copy of Schedule CT-709 Farmland to your donee(s) and advise your donee(s) to keep the copy for ten years.

Gift Tax Instructions for Form CT-706/709

General Instructions

- Write the donor's name, address, SSN, legal residence, and citizenship in the space provided.
- Check the applicable residency box.
- Check the box for **Amended Return** if you are filing an amended return.
- If the donor died during calendar year 2005, skip **Section 1** and proceed to **Section 2**. Gifts made in the calendar year of the decedent's death must be reported in **Section 2**.

Line Instructions

Section 1 - Gift Tax Computation

Line 1

Enter the amount from Form CT-706/709, *Schedule A*, Line 9. This is the amount of Connecticut taxable gifts for the current year.

Line 4

Calculate the Connecticut gift tax by using the *Tax Table for Form CT-706/709* (on Page 4) and enter the amount on Line 4, Line 13, and Line 17. You must make an entry even if the amount is zero (0).

Section 2 - Estate Tax Computation

Lines 5 through 12

Leave blank.

Section 3 - Calculation of Total Tax, Penalty, and Interest

Line 13

Enter the amount from Line 4.

Line 14 through Line 16

Leave blank.

Line 17

Enter the amount from Line 4.

Line 18

Prior payments: Include amount paid on **Form CT-706/709 EXT**, *Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension*, Line 1.

Amended returns: Include amount paid with your original return.

Line 19

If the amount on Line 18 is greater than Line 17, enter the amount overpaid.

Line 20

If the amount on Line 17 is greater than Line 18, enter the balance of tax due.

Line 21 and Line 22

If you are making a late payment or filing the return after the due date, see *Interest and Penalties* on Page 5.

Line 23

Add Lines 20, 21, and 22 and enter the total on Line 23. This is your balance due.

Payment Information

Pay this amount in full with the return. **Do not send cash.**

Make your check or money order payable to: **Commissioner of Revenue Services**. Write "2005 Form CT-706/709" on the front of your check or money order in the lower left corner. Writing your SSN on the front of your check or money order ensures accuracy and timeliness in processing your payment.

DRS may submit your check to your bank electronically.

Who Must Sign the Return

The donor must sign and date Form CT-706/709. If the donor becomes legally incompetent or dies before filing the gift tax return, the donor's guardian, conservator, executor, or administrator, as the case may be, may sign the return on the donor's behalf.

Paid Preparer Information

Anyone you pay to prepare your return must sign and date it. Paid preparers must also enter their SSN or Preparer Tax Identification Number (PTIN), their firm's Federal Employer Identification Number, and their firm's name and address in the spaces provided.

Mailing Your Return

Retain a copy of this return for your records. Attach to this return a complete copy of federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, including **all** attachments, and other documents. See *Form CT-706/709 Gift Tax Attachments* on Page 15.

Mail to:

Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978

Schedule A – Overview

General Instructions

The information on *Schedule A* for each gift should generally be identical to the information reported on federal Form 709, Schedule A. However, only those gifts to which the Connecticut gift tax applies should be reported on Form CT-706/709, *Schedule A*. For gifts of land classified as farmland under Conn. Gen. Stat. §12-107c, the land's value as farmland may differ from that reported on federal Form 709, Schedule A. (See *Gifts of Farmland* on Page 10.)

If the total amount of Connecticut gifts of present interests to any donee is more than \$11,000 in the calendar year, you must enter all gifts you made during the year to or on behalf of that donee.

If the total amount of Connecticut gifts to a donee is \$11,000 or less, do not enter on *Schedule A* any gifts you made to that donee unless the Connecticut gift is of a future interest or of a present interest where the annual exclusion does not apply to the Connecticut gift.

You must always enter all gifts of future interests you made during the calendar year regardless of value. There is no annual exclusion for gifts of future interests. (See *Gifts* on Page 8.)

Contributions to Qualified State Tuition Programs

If the donor elects under I.R.C. §529(c)(2)(B) to treat any transfers made this year to a qualified state tuition program as made ratably over a five-year period beginning this year. See *Schedule D - Line Instructions, Line 14* on Page 15.

Gifts to Your Spouse

Enter gifts to your spouse on *Schedule A* if:

- You gave a gift of a terminable interest to your spouse;
- You gave a gift of a terminable future interest to your spouse; **or**
- Your spouse was not a citizen of the United States at the time of the gift.

Do **not** enter gifts to your spouse on *Schedule A* if all the terminable interests you gave to your spouse qualify as life estates with power of appointment.

However, if you gave your spouse **any** terminable interest that does not qualify as a life estate with power of appointment, you must report on *Schedule A* **all** gifts of terminable interests you made to your spouse during the year.

Gift Splitting With Your Spouse

You are **not** permitted to gift split for Connecticut gift tax purposes if you do not consent to gift split for federal tax purposes.

You are **required** to gift split for Connecticut gift tax purposes if you consent to gift split for federal gift tax purposes.

Enter on *Schedule A* the entire value of every gift you made during that portion of the calendar year you were married, even if the gift's value will be less than \$11,000. (See *Gift Splitting* on Page 8.)

If you elected gift splitting and your spouse made gifts, list those gifts in the space below "Gifts made by spouse" on *Schedule A*. Your spouse may be required to file a separate return.

Terminable Interests

Generally, you cannot take the marital deduction if the gift to your spouse is a terminable interest. In most cases, a terminable interest is nondeductible if someone other than the donee spouse will have an interest in the property following the termination of the donee spouse's interest.

Some examples of terminable interests are:

- A life estate;
- An estate for a specified number of years; **or**
- Any other property interest that after a period of time may terminate or fail.

If you transfer an interest to your spouse as sole joint tenant with yourself or as a tenant by the entirety, the interest is not considered a terminable interest just because the tenancy may be severed.

Life Estate With Power of Appointment

You may deduct, without a federal election, a gift of a terminable interest if **all** four of the following requirements are met:

1. Your spouse is entitled for life to all of the income from the entire interest;
2. The income is paid yearly or more often;
3. Your spouse has the unlimited power, while he or she is alive or by will, to appoint the entire interest in all circumstances; **and**
4. No part of the entire interest is subject to another person's power of appointment (except to appoint it to your spouse).

If either the right to income or the power of appointment given to your spouse pertains only to a **specific portion** of the property interest, the marital deduction is allowed only to the extent that the rights of your spouse meet all four of the conditions above. For example, if your spouse is to receive all of the income from the entire interest, but only has a power to appoint one-half of the entire interest, then only one-half qualifies for the marital deduction.

Election to Deduct Qualified Terminable Interest Property (QTIP)

You may elect, for federal gift tax purposes, to deduct a gift of a terminable interest if it meets requirements 1, 2, and 4 on the previous page, even though it does not meet requirement 3.

If you make this federal election, you must check the box on *Schedule A*, Line 16. You may not check the box if you did not make the election for federal gift tax purposes.

Charitable Remainder Trusts

If you made a gift to a charitable remainder trust and your spouse is the only noncharitable beneficiary other than you, the interest you gave to your spouse is not considered a terminable interest gift and, therefore, should not be reported on Form CT-706/709, *Schedule A*.

Schedule A - Column Instructions

Column A

Assign each gift made during the year a number.

Column B

List each donee and all gifts made in chronological order.

If a transfer results in gifts to two people (for example, a life estate to one, remainder to another), the gifts must be listed separately.

Describe each gift in enough detail so that the donee and the property can be easily identified.

Column C

Show the adjusted basis you would use for federal income tax purposes if the gift were sold or exchanged. Generally, this means cost plus improvements less applicable depreciation, amortization, and depletion.

The adjusted basis for Connecticut gift tax purposes is the same as the adjusted basis for federal gift tax purposes.

Column E

Enter the fair market value of the gift at the date the gift is made. The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, when neither is forced to buy or sell, and both have reasonable knowledge of all relevant facts. See *Gifts of Farmland* on Page 10.

Column F

Enter ½ of the Column E amount in this column, **only** if you have chosen to split gifts with your spouse.

Column G

If you are **not** gift splitting carry Column E amounts to Column G.

If you are gift splitting subtract Column F from Column E and enter the difference in Column G.

Schedule A - Line Instructions

Line 1

Add the value of all gifts listed in *Schedule A*, Column G, and enter the sum on Line 1.

Line 2

Enter the total annual exclusions you are claiming for the gifts listed on *Schedule A*, Line 1. The **first \$11,000 or less** of gifts to any donee during the calendar year of a present (not future) interest in property is excluded.

When determining the annual exclusion amount do not count any donee more than once. The annual exclusion is per donee and **not** per gift.

However, if the first \$11,000 of gifts to any donee involves tangible personal property or real property located outside Connecticut, no annual exclusion is available for Connecticut gift tax purposes for gifts to that donee.

The first \$117,000 of gifts made to a spouse who is not a U.S. citizen during the calendar year of a present interest in property is excluded from the Connecticut total amount of gifts.

If you split a gift with your spouse, the annual exclusion you claim against the gift may not be more than your half of the gift.

Line 3

Subtract Line 2 from Line 1 and enter the balance on Line 3. This is the total amount of gifts before the calculation of the marital deduction and charitable deduction.

Line 4

Enter on Line 4 all of the gifts to your spouse you entered on *Schedule A* and for which you are claiming a marital deduction. **Do not enter any gift you did not include on Schedule A.** Indicate on the line provided which numbered items from *Schedule A* are gifts to your spouse for which you are claiming the marital deduction.

Do not enter on Line 4 any gifts to your spouse if your spouse was not a U.S. citizen at the time of the gift. There is no marital deduction for gifts to a spouse who is not a U.S. citizen. However, an annual exclusion may apply. (See *Gifts* on Page 8.)

Line 5

Enter the amount of the annual exclusions claimed for the gifts you entered on Line 4.

Line 6

Subtract Line 5 from Line 4 and enter the balance on Line 6. This is the marital deduction that can be claimed for the year.

Line 7

If you are claiming a deduction for charitable gifts, enter your total charitable, public, or similar gifts (minus exclusions allowed) on Line 7. Enter on the line provided the item number(s) of the gift(s) from *Schedule A* you are deducting on Line 7. You may deduct from the total amount of gifts made during the calendar year all gifts you gave to or for the use of:

- The United States, a state or political subdivision of a state, or the District of Columbia, for exclusively public purposes;
- Any corporation, trust, community chest, fund, or foundation organized and operated only for religious, charitable, scientific, literary, or educational purposes, or to prevent cruelty to children or animals, or to foster national or international amateur sports competition (if none of its activities involve providing athletic equipment unless it is a qualified amateur sports organization), as long as no part of the earnings benefits any one person, no substantial propaganda is produced, and no lobbying or campaigning for any candidate for public office is done;
- A fraternal society, order, or association operating under a lodge system, if the transferred property is to be used only for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals; **or**

- Any war veterans' organization organized in the United States (or any of its possessions) or any of its auxiliary departments of local chapters or posts, as long as no part of any of the earnings benefits any one person.

Do not enter any gift you did not include on Schedule A.

Line 8

Add Line 6 and Line 7 and enter the amount on Line 8. This is the total of the marital deduction and the charitable gift deduction.

Line 9

Subtract Line 8 from Line 3. Enter this amount on Line 9 and on **Section 1**, Line 1.

Line 10

If you and your spouse consented for federal gift tax purposes to consider all the gifts made during the calendar year as made one-half by each spouse, and as a result, are required to gift split for Connecticut gift tax purposes, check the box marked "Yes" and enter the consenting spouse's name and SSN on the applicable lines.

The consent may generally be signed any time after the end of the calendar year. However, two exceptions are:

1. The consent may not be signed after April 15 following the end of the year in which the gift was made. (If neither you nor your spouse has filed a federal gift tax return for the year on or before that date, the consent must be made on the first federal gift tax return for the year filed by either of you.); **and**
2. The consent may not be signed after a notice of deficiency for federal gift tax for the year has been sent to either you or your spouse.

The executor or administrator for a deceased spouse or the guardian for a legally incompetent spouse may consent.

The consent is effective for the entire calendar year. Therefore, all gifts made by both you and your spouse to third parties during the calendar year (while you were married) must be split. (See *Gift Splitting* on Page 8.)

Line 11

Indicate whether your spouse is a U.S. citizen. If "No," indicate if any property was transferred to him or her during the calendar year.

Line 12

If you were married to one another for the entire calendar year, check the "Yes" box. If you were married for only part of the year, check the "No" box.

Also, check the box that explains the change in your marital status during the year and give the date you were married, divorced, or widowed.

Line 13

Check this box if you are making a gift of land classified as farmland under Conn. Gen. Stat. §12-107c to a lineal descendant or that descendant's spouse and you are using a value based on its current use as farmland. Attach an appraisal or other document showing an adequate explanation of value based upon its current use and **Schedule CT-709 Farmland**. If no appraisal is attached to show how the property is valued, explain in detail how it was determined.

Line 14

Check this box if, for federal gift tax purposes, you elected to treat certain contributions made during calendar year 2005 to qualified state tuition programs as being made ratably over a five-year period. If your total contributions during calendar year 2005 are:

Less than or equal to \$55,000:

- Report 20% of your total contributions on your 2005 Form CT-706/709; **and**
- Report 20% of your total contributions on your Form CT-706/709 for calendar years 2006, 2007, 2008, and 2009.

More than \$55,000:

- Report on your 2005 Form CT-706/709 the amount in excess of \$55,000 plus \$11,000 (20% of \$55,000); **and**
- Report \$11,000 (20% of \$55,000) on your Form CT-706/709 for calendar years 2006, 2007, 2008, and 2009.

Example: In year 1, when the annual exclusion amount under I.R.C. §2503(b) is \$11,000, *P* makes a contribution of \$60,000 to a qualified state tuition program for the

benefit of *P*'s child. *P* elects under I.R.C. §529(c)(2)(B) to account for the gift ratably over a five-year period beginning with the calendar year of contribution. *P* is treated as making an excludible gift of \$11,000 in each of years 1 through 5 and a taxable gift of \$5,000 is reported in year 1.

Line 15

Leave blank.

Line 16

Check the box if you elected under I.R.C. §2523(f) to include gifts of qualified terminable interest property as gifts to your spouse for which a marital deduction was claimed under I.R.C. §2523. Enter the item numbers (from Form CT-706/709, *Schedule A*) of the gifts for which you made this election on the space provided.

Line 17

Check the box if you elected under I.R.C. §2523(f)(6) **not** to treat as qualified terminable interest property any joint and survivor annuity where only you and your spouse have the right to receive payments before the death of the last of you to die. Enter the item numbers from Form CT-706/709, *Schedule A* for the annuity(ies) for which you made this election in the space provided.

Any annuities entered in the space provided on Line 17 may not be entered on *Schedule A*, Line 8. Any annuities not listed in the space provided on Line 17 must be entered on *Schedule A*, Line 4. If there is more than one joint and survivor annuity, the election under I.R.C. §2523(f)(6) may, but is not required to, cover all of them. Once made, the election is irrevocable.

Form CT-706/709 Gift Tax Attachments

- Attach a complete copy of federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, including all attachments.
- A donor claiming special valuation on a gift of farmland **must** attach **Schedule CT-709 Farmland** to provide the fair market value of the farmland, based on its highest and best use value at the time of the gift. The donor must also provide a copy of Schedule CT-709 Farmland to the donee(s).
- For each gift of a life insurance policy, attach a copy of federal Form 712, Life Insurance Statement.
For single premium or paid-up policies, where the surrender value of the policy exceeds its replacement cost, the true economic value of the policy is greater than the amount shown on federal Form 712, Line 59. In these situations, you should report the true economic value of the policy.
- For gifts of stock of closely held or inactive corporations, attach the balance sheet for the period nearest the date of the gift, statements of net earnings or operating results and dividends paid for each of the five preceding years, and a concise statement of the method of valuation.
- Attach any other documents, such as appraisals, required for adequate explanation of value. If no appraisal is attached to show how property is valued, explain in detail how value was determined.

Please remember to fill out all required returns and schedules and attach all required information or your return will be incomplete.

Amended Gift Tax Returns

Use Form CT-706/709 to amend a return you already filed. Include a statement explaining why the return is being amended and check the “Amended Return” box on the front of the return. Enter the amount paid with the original return on Line 18.

If you overpaid your Connecticut gift tax, you must amend Form CT-706/709 within three years after the due date for which the overpayment was made. If additional tax is due, interest applies. See *Interest and Penalties* on Page 5.

The following circumstances require filing an amended Form CT-706/709 for gift tax:

<p>1. The IRS or federal courts change or correct the federal gift tax return, and the change or correction results in the Connecticut gift tax being overpaid or underpaid.</p>	<p>File no later than 90 days after the final determination. If you file an amended Form CT-706/709 no later than 90 days after the final determination, any Connecticut gift tax overpayment resulting from the final determination will be refunded even if the Connecticut statute of limitations has otherwise expired.</p>
<p>2. The donor files a timely amended federal gift tax return, and the amendment results in the Connecticut gift tax being overpaid or underpaid.</p>	<p>File no later than 90 days after the date of filing the timely amended federal gift tax return. If you file an amended Form CT-706/709 no later than 90 days after the date of filing the timely amended federal gift tax return, any Connecticut gift tax overpayment resulting from filing the timely amended federal gift tax return will be refunded even if the Connecticut statute of limitations has otherwise expired.</p>
<p>3. The donor made a mistake or omission on Form CT-706/709, and the mistake or omission results in the Connecticut gift tax being overpaid or underpaid.</p>	<p>File no later than three years after the due date for which the overpayment was made.</p>

Section 2 - Estate Tax

Steps to Completing Section 2 - Estate Tax

Use these instructions to file **Form CT-706/709, Connecticut Estate and Gift Tax Return**, for estates of decedents dying during calendar year 2005. For estates of decedents dying before January 1, 2005, see **Informational Publication 2004(25), Q & A on Succession, Estate, and Generation-Skipping Transfer Taxes**.

Which Estates Must File With DRS

Form CT-706/709 must be filed for:

- Every resident decedent, where the decedent’s Connecticut taxable estate exceeds \$2 million; **and**
- Any nonresident decedent whose gross estate includes any real property or tangible personal property located in Connecticut, where the decedent’s Connecticut taxable estate exceeds \$2 million.

The decedent’s Connecticut taxable estate is the sum of:

- A. The decedent’s gross estate, as valued for federal estate tax purposes, less allowable federal estate tax deductions (other than the federal estate tax deduction for state death taxes paid); **and**

- B. The aggregate amount of Connecticut taxable gifts made by the decedent (during his or her lifetime) during all calendar years beginning on or after January 1, 2005.

If the total of A plus B exceeds \$2 million, Form CT-706/709 must be filed with:

- The DRS; **and**
- A copy filed with the probate court for the district in which the decedent was a Connecticut resident; **or** if the decedent was a nonresident of Connecticut, a copy with the probate court for the district in which the decedent owned real property or tangible personal property in Connecticut.

Which Estates Must Not File With DRS

If the total of A plus B is \$2 million or less, the estate must file **Form CT-706 NT, Connecticut Estate Tax Return (for Nontaxable Estates)**, with:

- The probate court for the district in which the decedent was a Connecticut resident; **or**
- If the decedent was a nonresident of Connecticut, with the probate court for the district in which the decedent

owned real property or tangible personal property within Connecticut.

Do not file Form CT-706 NT with DRS.

The decedent's Connecticut taxable gifts are gifts made on or after January 1, 2005 that are:

- For Connecticut residents: Gifts of real estate or tangible personal property located in Connecticut and intangible personal property wherever located; **and**
- For nonresidents of Connecticut: Gifts of real estate or tangible personal property located in Connecticut.

Residence

For purposes of the Connecticut Estate Tax:

Resident means the estate of any individual who is domiciled in Connecticut at the time of his or her death.

Nonresident means the estate of any individual who is not domiciled in Connecticut at the time of his or her death.

Domicile is the place which an individual intends to be his or her permanent home and to which such individual intends to return whenever absent.

If the decedent is claimed to be a nonresident, the estate must also file **Form C-3, State of Connecticut Domicile Declaration**, either with DRS or the probate court depending on which has jurisdiction over the estate.

Executor

The term **executor** means the executor, personal representative, or administrator of the decedent estate. If none of these is appointed, qualified, and acting in this State,

a survivor or transferee in possession of estate assets may be appointed by the probate court for the district in which the decedent resided, or if the decedent was a nonresident of this State, in the probate court in which the decedent's Connecticut real property and/or tangible personal property was located.

When to File for Estate Tax

Form CT-706/709 for Connecticut estate tax is due within nine months after the date of the decedent's death, unless an extension of time to file is requested. Use **Form CT-706/709 EXT, Application for Estate and Gift Tax Return Filing Extension and for Estate Tax Payment Extension**, to apply for an extension of time to file.

Payment of the estate tax is due within nine months after the date of the decedent's death unless an extension of time to pay has been granted.

Who Must File

The executor(s) of the estate must sign and date Form CT-706/709. If there is more than one executor, all must sign the return and all are liable for tax, interest, and penalty. (See *Executor* above.)

Amended Estate Tax Returns

Use Form CT-706/709 to amend a return you already filed. Include a statement explaining why the return is being amended and check the "Amended Return" box on the front of the return. Enter the amount paid with the original return on Line 18.

Estate Tax Instructions for Form CT-706/709

General Instructions

On the front of the return under the **Section 2** heading, you must enter the decedent's date of death and the Connecticut Probate Court having jurisdiction over this estate. Failure to report this information will delay processing of this return.

If gifts were made in the same calendar year as the decedent's death, they must be reported in **Section 2** and not **Section 1** of this return.

Supporting Documentation: In order for this return to be considered complete, you must attach complete copies of federal Forms 706 and 709 (if applicable), including all supplemental documents. You must attach a death certificate and for a nonresident estate **Form C-3, State of Connecticut Domicile Declaration**.

Line Instructions

Section 1 - Gift Tax Computation

Lines 1 through 4

Leave blank.

Section 2 - Estate Tax Computation

Line 5

Enter the total gross estate for federal estate tax purposes from federal Form 706, Part 2, Line 1.

Line 6

Enter the allowable estate tax deductions from *Schedule C*, Line 4. Estates must complete *Schedule C* to calculate the allowable estate tax deductions. (See *Schedule C - Estate Tax Deduction Computation* on Page 19.)

Line 7

Subtract Line 6 from Line 5. Enter the difference on Line 7.

Line 8

Enter the current year Connecticut taxable gifts made by the decedent from *Schedule A*, Line 9. If the decedent made Connecticut taxable gifts during the 2005 calendar year, those gifts must be reported on *Schedule A*. (See *Schedule A - Overview* on Page 12.)

Line 9

Leave blank.

Line 10

To calculate the Connecticut taxable estate, add Line 7 and Line 8. Enter the sum on Line 10.

If the amount on Line 10 is \$2 million or less, no estate tax is due and you are not required to file this return. Instead you must file **Form CT-706 NT**, with the appropriate Connecticut Probate Court. **Do not file Form CT-706 NT with the DRS.**

If the Line 10 amount is greater than \$2 million, go to Line 11.

Line 11

Calculate the Connecticut estate tax by using the *Tax Table for Form CT-706/709* (on Page 4). If the decedent was a Connecticut resident at the time of his or her death, enter here and on Line 13.

Line 12

Nonresident decedent estates only: Enter the tax due amount from *Schedule E*, Line 5. Enter here and on Line 13. (See *Schedule E - Computation of Tax for Nonresident Decedent Estates* on Page 19.)

Section 3 - Calculation of Total Tax, Penalty, and Interest**Line 13**

Estate tax computation:

- For **resident** decedent estates only: Enter the tax due from Line 11.
- For **nonresident** decedent estates only: Enter the tax due from Line 12 here and on Line 17.

Line 14

Leave blank.

Line 15

Resident decedent estates only: Enter the credit for death taxes paid to other states from *Schedule D*, Line 7. If not claiming a credit for death taxes paid to another state, do not complete *Schedule D*, and enter zero on Line 15.

Line 16

Leave blank.

Line 17

Subtract Line 15 from Line 13 and enter the difference on Line 17. If less than zero, enter zero.

Line 18

Prior payment amount: Include amount paid on Line 2 of **Form CT-706/709 EXT**.

Amended returns: Include amount paid with your original return.

Line 19

If the amount on Line 18 is greater than Line 17, enter the amount overpaid.

Line 20

If the amount on Line 17 is greater than Line 18, enter the balance of tax due.

Line 21 and Line 22

If you are making a late payment or filing the return after the due date, see *Interest and Penalties* on Page 5.

Line 23

Add Lines 20, 21, and 22 and enter the total on Line 23. This is your balance due.

Payment Information

Pay this amount in full with the return. **Do not send cash.**

Make your check or money order payable to: **Commissioner of Revenue Services**. Write "2005 Form CT-706/709" on the front of your check or money order in the lower left corner. Writing the decedent's SSN on the front of your check or money order ensures accuracy and timeliness in processing your payment.

DRS may submit your check to your bank electronically.

Paid Preparer Information

Anyone you pay to prepare your return must sign and date it. Paid preparers must also enter their SSN or Preparer Tax Identification Number (PTIN), their firm's Federal Employer Identification Number, and their firm's name and address in the spaces provided.

Mailing Your Return

Retain a copy of this return for your records. Attach to this return a complete copy of federal Forms 706 and 709, if applicable, including **all** attachments. Mail to:

Department of Revenue Services
PO Box 2978
Hartford CT 06104-2978

A copy of this return must be filed with the appropriate Connecticut Probate Court.

Schedule Instructions for Form CT-706/709

Schedule C - Estate Tax Deduction Computation

Line 1

Enter the allowable estate tax deductions for federal estate tax purposes excluding any deduction for state death taxes (estate, inheritance, legacy, or succession taxes) paid. Generally, this is the amount on federal Form 706, Part 2, Line 2, less any state death taxes that were paid and are included in that amount.

Line 2

Leave blank.

Line 3

Leave blank.

Line 4

Enter the amount from Line 1 here and on **Section 2**, Line 6.

Line 5

If for federal estate tax purposes an election was made to treat a trust or other property of the decedent's gross estate as qualified terminable interest property (QTIP) under I.R.C. §2056(b)(7), check **Yes**.

If the decedent estate did not file a federal Form 706, or if the decedent estate filed a federal Form 706 but did not make a QTIP election under I.R.C. §2056(b)(7), check **No**.

If **Yes**, skip Line 6 and go to Line 7.

Line 6

If an election is being made for Connecticut estate tax purposes only to have a trust or other property of the decedent's gross estate treated as QTIP, check **Yes**.

Line 7

If for federal estate tax purposes, the decedent's gross estate contains any I.R.C. §2044 property (QTIP from a prior gift or estate), check **Yes**. If the decedent estate did not file a federal Form 706, or if the decedent estate filed a federal Form 706 but the decedent's gross estate, for federal estate tax purposes, does not contain any I.R.C. §2044 property, check **No**.

If **Yes**, skip Line 8.

Line 8

If the decedent's gross estate, for Connecticut estate tax purposes only, contains any I.R.C. §2044-type property from a prior estate that made a QTIP election for Connecticut estate tax purposes only check **Yes**.

I.R.C. §2044-type property means property that would have qualified as I.R.C. §2044 property from a prior estate had a QTIP election under I.R.C. §2056(b)(7) been made by the prior estate.

Schedule D - Credit for Death Taxes Paid to Other States (resident estate only)

Line 1

Enter the tax due amount from **Section 2**, Line 11.

Lines 2a through 2d

Enter any death taxes (estate, inheritance, legacy, or succession taxes) paid to another state for which a credit is being claimed.

Line 2

Add Lines 2a through Line 2d and enter the sum here.

Line 3

Enter the total gross estate for federal estate tax purposes from **Section 2**, Line 5.

Line 4

Enter the amount of the gross estate for federal estate tax purposes that is attributable to real property and tangible personal property located outside Connecticut.

Line 5

Divide Line 4 by Line 3 and round to four decimal places. Enter the amount here.

Line 6

Multiply Line 1 by Line 5 and enter the result here.

Line 7

Enter the smaller of Line 2 or Line 6 here and on **Section 3**, Line 15. This is the allowable credit for death taxes paid to other states.

Schedule E - Computation of Tax for Nonresident Decedent Estates

Line 1

Enter the tax due from **Section 2**, Line 11.

Line 2

Enter the total gross estate for federal estate tax purposes from **Section 2**, Line 5.

Line 3

Enter the amount of the gross estate for federal estate tax purposes that is attributable to real property and tangible personal property located in Connecticut.

Line 4

Divide Line 3 by Line 2 and round to four decimal places. Enter the amount here.

Line 5

Multiply Line 1 by Line 4. This is the amount of the tax due for a nonresident estate. Enter the result here and in **Section 2**, Line 12.

CONNECTICUT TAX ASSISTANCE

	FOR TAX INFORMATION	FORMS AND PUBLICATIONS	
Internet	DRS Web site:		
	www.ct.gov/DRS		
Telephone	CONN-TAX 1-800-382-9463 (in-state) or 860-297-5962 (from anywhere) TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.		From a touch-tone phone call: 1-800-382-9463 (in-state) and select Option 2 , or 860-297-4753 (from anywhere) DRS TaxFax - Call 860-297-5698 from the handset attached to your fax machine and select from the menu.
	Department of Revenue Services Taxpayer Services Division 25 Sigourney Street Hartford CT 06106-5032		
Write			
Walk-in Offices Free personal taxpayer assistance and forms are available by visiting our offices, Monday through Friday, 8:00 a.m. to 5:00 p.m. Call CONN-TAX for directions to DRS offices. If you require special accommodations, please advise the DRS representative.	Location	Address	Phone*
	Bridgeport	10 Middle Street	203-336-7890
	Hartford	25 Sigourney Street	860-297-5962
	Norwich	2 Cliff Street	860-425-4123
	Hamden	3074 Whitney Avenue, Building #2	203-287-8243
	Waterbury	55 West Main Street, Suite 100	203-805-6789
* All calls are answered at our Customer Service Center, not at the local office.			

ELECTRONIC FILING OPTIONS	File Form CT-1040 EXT over the internet using WebFile. Visit: www.ct.gov/DRS	File your federal and Connecticut returns together using <i>e-file</i> !
	Check this booklet for additional details!	Visit: www.irs.gov/efile

FEDERAL TAX INFORMATION For questions about federal taxes , contact the Internal Revenue Service (IRS) at 1-800-829-1040 or visit: www.irs.gov To order federal tax forms , call: 1-800-829-3676.	STATEWIDE SERVICES For information on statewide services and programs, visit the ConneCT Web site at www.ct.gov
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Department of Revenue Services
State of Connecticut
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