

Sec. 12-704(a)-2. Limitations—general

(a) The amount of the credit against Connecticut income tax for income taxes paid to a qualifying jurisdiction(s) is subject to the limitations provided in subsections (b), (c), (d), and (e) of this section and in § 12-704(c)-1 of this Part. Where the credit is claimed for income taxes paid to two or more qualifying jurisdictions, other than income taxes paid to a state and one or more of its political subdivisions, these limitations shall be applied separately in accordance with this section to each such jurisdiction. Where the credit is claimed for income taxes paid to a state and one or more of its political subdivisions, the credit is subject to the limitations provided in § 12-704(a)-3 and in § 12-704(c)-1 of this Part (and not to the limitations provided in this section).

(b) The credit for income tax paid to a qualifying jurisdiction cannot exceed the income tax paid to a qualifying jurisdiction.

(c) The credit for income tax paid to a qualifying jurisdiction cannot exceed the ratio of the Connecticut tax liability that a taxpayer's Connecticut adjusted gross income derived from or connected with sources in such qualifying jurisdiction bears to such taxpayer's Connecticut adjusted gross income. In the case of a part-year resident, the credit for income tax paid to a qualifying jurisdiction cannot exceed that ratio of the Connecticut tax liability during the residence portion of the taxable year that the taxpayer's Connecticut adjusted gross income derived from or connected with sources in the qualifying jurisdiction during the residence portion of the taxable year bears to the taxpayer's Connecticut adjusted gross income during such portion of the year.

(d) Where a taxpayer is subject to income taxation in more than one qualifying jurisdiction, and a net loss derived from or connected with sources within one such jurisdiction has reduced the taxpayer's Connecticut adjusted gross income, the credit for income tax paid to a qualifying jurisdiction cannot reduce the Connecticut tax payable to an amount less than would have been due if the net loss were excluded from the taxpayer's Connecticut adjusted gross income. In such event, the net loss shall be added back to Connecticut adjusted gross income in applying the provisions of subsection (c) of this section.

(e) The credit for income tax paid to a qualifying jurisdiction(s) cannot exceed the Connecticut tax liability.

(f) The following examples illustrate the application of subsections (b), (c) and (d) of this section:

Example 1. For taxable year 1992, Taxpayer B, a resident trust, has Connecticut taxable income derived from or connected with sources in qualifying jurisdiction U of \$80,000. B's Connecticut taxable income is \$160,000. B paid income tax of \$4,800 to jurisdiction U. B's Connecticut tax liability before the credit is \$7,200. B is allowed a credit for income tax paid to jurisdiction U of \$3,600 $((80,000/160,000) \times 7,200)$.

Example 2. For taxable year 1992, Taxpayers C and D, married resident individuals filing a joint Connecticut income tax return, have the following items included in Connecticut adjusted gross income:

Income from jurisdiction V	\$100,000
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Net loss from jurisdiction W	(100,000)
Other income	<u>100,000</u>
Connecticut adjusted gross income	\$100,000

C and D paid income tax of \$6,000 to jurisdiction V, but, although they filed an income tax return with jurisdiction W, they did not owe any income tax thereto for taxable year 1992. C and D's Connecticut tax liability before the credit is \$4,500. They are allowed a credit for income tax paid to jurisdiction V of \$2,250 $((100,000 / (100,000 + 100,000)) \times 4,500)$.

Example 3. For taxable year 1992 Taxpayer E, a single individual, was a resident of Connecticut until September 30, 1992 when he became a resident of jurisdiction X. During the resident period, E worked in qualifying jurisdiction Y, earning \$50,000 from jurisdiction Y sources. E's total Connecticut adjusted gross income for his resident period was \$75,000, and for the entire taxable year was \$100,000. E paid income tax to jurisdiction Y in the amount of \$3,000. The Connecticut income tax before the credit for E's period of residence was \$3,375 $(75,000 \times 4.5\%)$. E is allowed a credit for income tax paid to jurisdiction Y of \$2,250 $((50,000 / 75,000) \times 3,375)$.

(g) While this section pertains to Section 12-704(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; Amended July 3, 2003)