

Sec. 12-717-1. Part-year residents: capital losses and passive activity losses

(a) Where an individual changes resident status during the taxable year, the capital gains or losses or passive activity income or loss attributable to such individual are to be computed separately for the period of residence and for the period of nonresidence. In each case the computation of the capital gain or loss or passive activity income or loss to be computed as if separate federal income tax returns had been filed for the period of residence and for the period of nonresidence, except that:

(1) the separate computations applicable to the respective periods of residence and nonresidence shall include any special accruals required in this Part; and

(2) the capital gain or loss or passive activity income or loss to be reported on the Connecticut part-year resident income tax return for the period of nonresidence includes only those capital gains and losses or passive activity income and losses reported for federal income tax purposes which are derived from or connected with Connecticut sources during the nonresident period.

(b)

(1) A capital loss carryforward or suspended passive activity loss from a Connecticut taxable year preceding the taxable year in which the change of residence occurred shall retain its original character and be treated in the same manner as for federal income tax purposes in determining the net capital gain or loss or passive activity income or loss attributable to the respective periods of residence or nonresidence.

(2) The amount available as a carryforward loss from a preceding Connecticut taxable year to the taxable year that the change of residence occurred shall be applied, as for federal income tax purposes, in chronological order as if separate federal income tax returns had been filed for the period of residence and for the period of nonresidence, except that where the change of residence is from nonresident to resident, effect shall be given in any subsequent year to any capital loss carryforward or suspended passive activity loss computed on the Connecticut income tax return for the period subsequent to the change of residence only to the extent such capital loss carryforward or suspended passive activity loss is includible in computing federal adjusted gross income of the individual for the subsequent year or years.

(3) The amount available as a carryforward to the resident period in the taxable year that the change of residence occurred is the same amount which would be available as a capital loss carryforward or suspended passive activity loss if a federal income tax return were being filed for the period of residence.

(4) The provisions of § 12-711(b)-6 of Part II apply in determining the Connecticut adjusted gross income derived from or connected with Connecticut sources of an individual for the period of nonresidence.

(5) Anything to the contrary in this section notwithstanding, no loss sustained in a taxable year that was not a Connecticut taxable year may be carried forward to a succeeding Connecticut taxable year. In addition, no loss sustained in a Connecticut taxable year may be carried back to a preceding taxable year that was not a Connecticut taxable year.

(6) For purposes of this section, "Connecticut taxable year" means a taxable year beginning on or after January 1, 1991 (the effective date of the Connecticut Income Tax Act).

Regulations of Connecticut State Agencies

(c) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference to a part-year resident individual's Connecticut adjusted gross income, Connecticut adjusted gross income for the period of residence or Connecticut adjusted gross income derived from or connected with Connecticut sources for the period of nonresidence shall be construed to mean a part-year resident trust's Connecticut taxable income, Connecticut taxable income for the period of residence or Connecticut taxable income derived from or connected with Connecticut sources for the period of nonresidence, respectively. The provisions of §§ 12-713(a)-1 through 12-714(a)-2 of Part IV shall apply in determining the income derived from or connected with sources within Connecticut of a part-year resident trust for the period of nonresidence.

(d) While this section pertains to Section 12-717 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 12-711(b)(3) of the general statutes.

(Effective November 18, 1994)