

Sec. 12-704(a)-3. Limitations where credit is claimed for income taxes paid both to a qualifying jurisdiction and also to one or more of its political subdivisions

(a) When a state of the United States imposes an income tax on income derived from sources within such state and one or more of its political subdivisions imposes income tax on the same income (or a portion thereof), the amount of the credit against Connecticut income tax for income taxes paid to that state and its political subdivision(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. When a state does not impose an income tax on income derived from sources within such state but two or more of its political subdivisions impose an income tax on income derived from sources within those respective political subdivisions, the amount of the credit against Connecticut income tax on income taxes paid to those political subdivisions is subject to the limitations provided in § 12-704(a)-2 of this Part (and not to the limitations provided in this section).

(b) Except as further limited by subdivision (3) of subsection (c) of this section, the credit for income tax paid to another state and its political subdivision(s) cannot exceed the total of the income taxes paid to those qualifying jurisdictions.

(c) (1) The credit for income tax paid to another state and its political subdivision(s) cannot exceed the proportion of the Connecticut tax liability that is described in this subsection.

(2) Where the amount of income subject to tax in another state is equal to (and not more or less than) the amount of income subject to tax in a political subdivision of such state, that common amount of income is to be included only once in the numerator, and the credit for income tax paid to a state and its political subdivision cannot exceed the proportion of the Connecticut tax liability that the common amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator).

(3) Where the amount of income subject to tax in another state is not equal to (but is more or less than) the amount of income subject to tax in a political subdivision of such state, the credit for income tax paid to a state and its political subdivision cannot exceed the aggregate limitation described in subparagraphs (A) and (B) of this subdivision.

(A) With respect to the common amount subject to tax in both the other state and a political subdivision of such state (the common amount), the credit for income tax paid on the common amount cannot exceed the proportion of the Connecticut tax liability that such common amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator). For purposes of the limitation provided in subsection (b) of this section, the income tax considered to have been paid to the qualifying jurisdiction in which the larger amount of income is subject to tax (the larger income jurisdiction) on the common amount is that percentage of the income tax actually paid to the larger income jurisdiction that the common amount bears to the amount of income subject to tax in the larger income jurisdiction.

(B) With respect to the amount in excess of such common amount (the excess amount), the credit for income tax paid on the excess amount cannot exceed the proportion of the Connecticut tax liability that such excess amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator). (For purposes of the limitation provided in subsection (b) of this section, the income tax considered to have been paid to

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the larger income jurisdiction on the excess amount is that percentage of the income tax actually paid to the larger income jurisdiction that the excess amount bears to the amount of income subject to tax in the larger income jurisdiction.)

(d) If a taxpayer is required, under § 12-704(a)-2(d), to add back to Connecticut adjusted gross income a net loss derived from or connected with sources within a qualifying jurisdiction, the same addback shall be made in calculating the credit limitation under subsection (c) of this section.

(e) The credit for income tax paid to another state and its political subdivision(s) cannot exceed the Connecticut tax liability.

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

Example 1: Taxpayer A is a resident of Connecticut and has the following income on which he paid the following amounts of tax: (The amounts of New York State and New York City tax indicated are solely for purposes of illustration.)

(1) Connecticut adjusted gross income	\$160,000
(2) New York State income	80,000
(3) New York City income	80,000
(4) Common amount of income subject to tax in both jurisdictions	80,000
(5) New York State tax	4,800
(6) New York City tax	360
(7) Connecticut tax	7,200

The following entries shall be made on A's Connecticut income tax return (CT-1040, Schedule 2—Credit for Income Taxes Paid to Other Jurisdictions), assuming no addback is required under subsection (d) of this section:

COLUMN A (New York State and New York City)		
Line A:	Modified Connecticut AGI	\$160,000
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return (NY State and NY City)	80,000
Line C:	Divide Line B by Line A	.50
Line D:	Connecticut income tax liability	7,200
Line E:	Multiply Line C by Line D	3,600
Line F:	Income tax paid to another jurisdiction (New York State & New York City)	5,160
Line G:	Enter smaller of Line E or Line F	3,600
Line H:	Total credit allowed	\$3,600

Example 2: Taxpayer B is a Connecticut resident and has the following income on which he paid the following amounts of tax: (The amounts of New York State and New York City tax indicated are solely for purposes of illustration.)

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(1) Connecticut adjusted gross income	\$100,000
(2) New York State income	40,000
(3) New York City income	50,000
(4) Common amount of income subject to tax in both jurisdictions	40,000
(5) New York State tax	2,400
(6) New York City tax	225
(7) Connecticut tax	4,500

The following entries shall be made on B's Connecticut income tax return (CT-1040, Schedule 2—Credit for Income Taxes Paid to Other Jurisdictions), assuming no addback is required under subsection (d) of this section:

Step 1:

COLUMN A (New York State and New York City)

Line A:	Modified Connecticut AGI	\$100,000
		0
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return	40,000
Line C:	Divide Line B by Line A	.40
Line D:	Connecticut income tax liability	4,500
Line E:	Multiply Line C by Line D	1,800
Line F:	Income tax paid to another jurisdiction:	
	New York State tax	2,400
	Prorated New York City tax	
	$(40,000/50,000 \times 225)^*$	+ 180
		2,580
Line G:	Enter smaller of Line E or Line F	1,800
Line H:	Credit allowed	\$1,800

Step 2:

COLUMN B (New York City excess)

Line A:	Modified Connecticut AGI	100,000
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return (the portion of New York City income on which no tax was imposed by New York State)	10,000
Line C:	Divide Line B by Line A	.10
Line D:	Connecticut income tax liability	4,500
Line E:	Multiply Line C by Line D	450
Line F:	Income tax paid to another jurisdiction:	
	Prorated New York City Tax	
	$(10,000/50,000 \times 225)^*$	45

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Line G:	Enter smaller of Line E or Line F	45
Line H:	Credit allowed	\$45

Step 3:

Total credit allowed:

Step 1 \$1,800

Step 2 45

\$1,845

*Line F illustrates the further limitation of subsection (b) by subdivision (c)(3) of this section.

(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)