

Sec. 12-717(c)(4)-1. Special accruals not required in certain cases

(a) General.

(1) The special accruals required by this Part for a part-year resident individual changing his or her status from resident to nonresident need not be made if the individual elects to defer Connecticut income tax by filing with the Department a surety bond or other security as provided herein. Except with regard to withholding from Connecticut lottery winnings (see subdivision (c)(5) below), such surety bond or other security shall be in an amount not less than the amount of additional Connecticut income tax which would be payable if no surety bond or other security were filed. The filing of a surety bond or other security is conditioned upon the filing for one or more subsequent taxable years of Connecticut nonresident individual income tax returns and the inclusion therein of amounts accruable in Connecticut adjusted gross income for one or more subsequent taxable years as if such individual had not changed resident status (i.e., such accruable amounts shall be reported as amounts derived from or connected with Connecticut sources during those one or more subsequent taxable years). The additional Connecticut income tax which is considered in determining the amount of the surety bond or other security (except in the case of withholding from Connecticut lottery winnings) which the individual would be required to furnish is based on the amount on which the individual would have been obliged to pay tax if no bond or other security had been filed, taking into account all accrued items of income, gain, loss, deduction and any of the modifications of §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I.

(2) If a part-year resident individual elects to defer Connecticut income tax in accordance with the provisions of this section, such taxpayer shall forward with the Connecticut part-year resident income tax return a separate statement showing the nature and amount of each item of accrued income, gain, loss and deduction as of the date of the change of residence, together with a computation of the additional Connecticut income tax which would be due if the election provided by this section had not been made and if the accrued items were properly included in Connecticut adjusted gross income during the residency portion of the taxable year on the Connecticut part-year resident income tax return. In making such election, which shall be binding upon the part-year resident individual's heirs, representatives, assigns, successors, executors and administrators, the part-year resident individual expressly agrees to file the Connecticut nonresident income tax return or returns as required by this section and to include thereon the amounts so accruable under this section as amounts derived from or connected with Connecticut sources and consents to personal jurisdiction in Connecticut for Connecticut income tax purposes.

(3) A part-year resident trust is also entitled to file a surety bond or other security as provided in this section. 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, provided any reference to a part-year resident individual's Connecticut adjusted gross income shall be construed to mean a resident trust's Connecticut taxable income.

(b) Surety bond. If an individual makes the election described in subsection (a) of this section and chooses to file a surety bond with the Department, the individual shall use Form CT-12-717A. The form shall be executed by a surety company which is registered with, and under the supervision of, the Insurance Department of the State of Connecticut; in an

amount not less than the amount of deferred Connecticut income tax determined under subsection (a) of this section; sent by registered mail to the Director, Operations Division, Department of Revenue Services, 25 Sigourney Street, Hartford, CT 06106; and accompanied by the statement referred to in subdivision (a)(2) of this section. The individual shall also attach a copy of Form CT-12-717A and the statement referred to in subdivision (a)(2) of this section to his or her Connecticut part-year resident income tax return.

(c) Security.

(1) If an individual makes the election described in subsection (a) of this section and offers security to the Department as collateral in lieu of a surety bond, the individual shall use Form CT-12-717B to describe the collateral. The following types of security shall be accepted as collateral:

(A) bank passbooks and certificates of deposit;

(B) irrevocable standby letters of credit made payable to the Connecticut Department of Revenue Services; and

(C) evidence of withholding of Connecticut income tax from Connecticut lottery winnings payments (see subdivision (c)(5) below).

(2) The security offered as collateral by the individual shall be sent by registered mail to the Director, Operations Division, Department of Revenue Services, 25 Sigourney Street, Hartford, CT 06106, with the following items applicable to the taxable year that the change of residence occurred: a copy of the Connecticut part-year resident income tax return; any schedule required to be filed with such return; and the statement referred to in subdivision (a)(2) of this section. The individual shall also attach a copy of Form CT-12-717B and the statement referred to in subdivision (a)(2) of this section to his or her Connecticut part-year resident income tax return.

(3) Bank passbooks and certificates of deposit offered as collateral under this section shall be in an amount not less than the amount of deferred Connecticut income tax, as determined under subsection (a) of this section. Such bank passbooks and certificates of deposit shall represent money on deposit with a financial institution approved by the Department. Certificates of deposit shall have maturity dates at least one year subsequent to the date of filing with the Department. Additionally, bank passbooks and certificates of deposit offered under this section shall be:

(A) prepared in the name of the taxpayer making the election described in subsection (a) of this section;

(B) accompanied by a signed undated withdrawal slip;

(C) accompanied by a letter prepared on the letterhead of the bank and signed by an officer of the bank:

(i) identifying the passbooks or certificates of deposit by account number and confirming that withdrawal of principal from the passbook or certificate of deposit offered as collateral shall not be permitted without written consent from the Connecticut Department of Revenue Services, and

(ii) stating that any right of setoff which the bank may possess against the taxpayer resulting from a defaulted obligation of such taxpayer shall be subordinated to the interest of the Department in the passbook or certificate of deposit offered as collateral; and

(D) accompanied by a properly completed letter of transmittal in such form as the

Department may require, advising that the proceeds of such passbook accounts or certificates of deposit may be withdrawn by the Department and applied against the taxes due; provided, however, that any interest accruing on such accounts or certificates shall belong to the taxpayer.

(4) Standby letters of credit offered as collateral under this section shall:

(A) be irrevocable for such period of time as the Department determines;

(B) be made payable to the Connecticut Department of Revenue Services;

(C) be for the amount of the deferred Connecticut income tax rounded up to the next higher thousand dollars;

(D) be issued or confirmed by a financial institution approved by the Department; and

(E) contain such other payment terms as are acceptable to the Department.

(5) **Lottery winnings.** Where Connecticut lottery winnings are subject to the special accrual rules of section 12-717 of the general statutes and a payee submits verifiable information from the Connecticut Lottery Corporation which shows the proper amount of income tax withholding to the Department of Revenue Services, in addition to Form CT-12-717B and the information required by subdivision (a)(2) of this section, such withholding serves as collateral, in lieu of the special accruals otherwise required, but only with respect to those same Connecticut lottery winnings.

(d) **Exception to requirement of surety bond or security.** If all of the amounts ordinarily accruable, as provided in this Part, are received by an individual during the portion of the year subsequent to the change of resident status, such taxpayer may, instead of accruing to the portion of the year prior to the change of status, include such amounts in Connecticut adjusted gross income derived from or connected with Connecticut sources for the portion of the year subsequent to the change of status. If the taxpayer does this, no surety bond or other security is required.

(e) While this section pertains to Section 12-717(c)(4) 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)