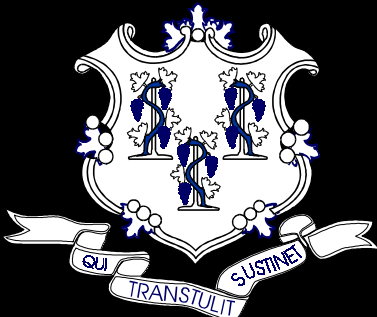


2001 FORM CT-1041

This booklet
contains:

- Form CT-1041
- Schedule B
- Schedule C
- Schedule CT-1041FA
- Form CT-1041 EXT
- Form CT-1041ES

Note: Line references to federal Form 1041 are based on information available to us from the Internal Revenue Service's Web site through August 29, 2001.



Connecticut Income Tax Return for Trusts and Estates

- Resident Trusts and Estates
- Nonresident Trusts and Estates
- Part-Year Resident Trusts

Dear Customer:

The Connecticut Department of Revenue Services (DRS) has worked diligently to provide you with excellent customer service and user-friendly tax administration. DRS is proud of this effort to assist taxpayers and pledges to continue to provide exceptional service to all Connecticut taxpayers.

The fiduciary of a resident estate and full-year resident trust may be able to **Quick-File Form CT-1041**, *Connecticut Income Tax Return for Trusts and Estates*. The **Quick-File** process makes filing this return much faster for taxpayers and dramatically reduces the cost for DRS to process the return. Last year, many taxpayers successfully completed the return using this process. I urge you to read about **Quick-File** on Page 13, and take advantage of it if you qualify.

Please be sure to read about the important change affecting trusts or estates that are shareholders of an S corporation on Page 3.

DRS Taxpayer Services personnel can answer your tax questions by telephone, letter, or e-mail. Use the information on the back cover of this booklet to reach them. DRS assistance is always free.

The DRS Web site listed below is also a valuable resource. It is available 24 hours a day, 7 days a week, to download Connecticut tax forms, DRS publications, and other information that you may need.

We always welcome your comments and ideas on how we can improve the way DRS does business. Please phone, write, or e-mail me through our Web site.

Sincerely,

A handwritten signature in blue ink that reads "Gene Gavin".

Gene Gavin

Commissioner of Revenue Services

Taxpayer information is available on our Web site:
www.drs.state.ct.us

CONN-TAX

If you have a touch-tone phone, you can obtain important income tax information 24 hours a day from CONN-TAX, the Department's information line. Call **1-800-382-9463** (toll-free from within Connecticut) or **860-297-5962** (from anywhere), press "1" to be connected to "Income Tax Information Menu," then press "2" to select "Recorded Income Tax Information." Enter the three-digit number next to the topic of your choice shown below, or follow the prerecorded instructions.

- | | | | |
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| 101 | Important income tax changes for 2001 | 107 | Amending a Connecticut return |
| 102 | How to choose the correct form and filing method | 108 | Getting a copy of a previously filed return |
| 103 | Where to get forms and assistance | 109 | Offsets of state income tax refunds |
| 104 | Requesting a filing extension | 110 | Deducting Connecticut income tax when completing your federal income tax return |
| 105 | Filing a decedent's return | | |
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INCOME TAX FILING REQUIREMENTS, RESIDENCY, AND FILING STATUS

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| 202 | What is gross income? | 206 | Student's filing requirements |
| 203 | Who is a resident, nonresident, or part-year resident? | 207 | Dependent children's filing requirements |
| 204 | What is Connecticut source income of a nonresident? | 208 | What is your filing status? |
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| 401 | Tax status of United States government obligations | 406 | Modifications to federal adjusted gross income |
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| 601 | Who is eligible to Telefile? | 604 | WebFiling - <i>New for 2001</i> |
| 602 | Tips for successful Telefiling | 605 | What if I make a mistake while WebFiling? |
| 603 | What if I make a mistake while Telefiling? | | |

Extended Telephone Hours for the 2002 Filing Season (Option "0"):

Monday, **January 28** (until 7 p.m.)
Thursday, **January 31** (until 7 p.m.)
Monday, **February 11** (until 7 p.m.)
Tuesday, **February 19** (until 7 p.m.)

2002 Extended Telephone Personal Assistance and Walk-in Hours:

(25 Sigourney Street, Hartford Only)
Saturday, **April 13** (8:30 a.m. - 12:00 p.m.)
Monday, **April 15** (until 8 p.m.)

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IMPORTANT CHANGE

For the taxable year beginning on or after January 1, 2001, and prior to January 1, 2002, each trust or estate that is a shareholder of an S corporation which was subject to the Connecticut corporation business tax for its 2000 taxable year and which has a taxable year for federal income tax purposes that is other than the calendar year,

must include 30% of its pro rata share of the S corporation's nonseparately computed income or loss, multiplied by the S corporation's corporation business tax apportionment percentage, in computing **Form CT-1041, Schedule A - Connecticut Fiduciary Adjustments**. See *Instructions for Schedule A*, Line 3 on Page 19 or Line 10 on Page 20.

DEFINITIONS

For Connecticut income tax purposes, an **estate** is either a resident estate or a nonresident estate. A **trust** is either a resident trust, nonresident trust, or part-year resident trust. **The residence of the fiduciary or the beneficiary does not affect the status of a trust or estate as resident or nonresident.**

Fiduciary applies to a person who occupies a position of special confidence toward others, such as a trustee, executor, or administrator. A fiduciary is a person who holds in trust property in which another person has a beneficial interest, or who receives and controls the income of another.

NOTE: Any reference to “you” in this booklet refers to the fiduciary.

Resident estate is where a decedent was a resident of Connecticut at the time of his or her death. A resident estate also includes a bankruptcy estate of an individual who, at the beginning of the bankruptcy case, is a Connecticut resident.

Nonresident estate is an estate that is not a resident estate for any part of the year.

Trust means an arrangement that is ordinarily created either by a will or by an *inter vivos* declaration whereby a trustee or trustees take title to property to protect or conserve it for beneficiaries, and that is classified and treated as a trust for federal income tax purposes.

Testamentary trust is a trust or portion of a trust created by the will of a decedent. **Inter vivos trust** is a trust created other than by the will of a decedent.

Resident trust is any trust or portion of a trust, consisting of property transferred by the will of a decedent who, at the time of death, was a resident individual. If an irrevocable trust consists of property of a grantor who is a resident of this state when the trust became irrevocable, it is a *resident trust*.

The criteria used to determine whether a decedent or grantor is a resident of this state, for Connecticut income tax purposes, are the same criteria used to determine whether an individual is a resident of this state.

The term *resident trust* also includes a trust or a portion of a trust, consisting of the property of: (i) a person who was a resident of this state at the time the property was transferred to the trust, if the trust was then irrevocable; (ii) a person who, if the trust was revocable at the time the property was transferred to the trust, and has not subsequently become irrevocable, was a resident of this state at the time the property was transferred to the trust; or (iii) a person who, if the trust was revocable when the property was transferred to the trust but the trust has subsequently become irrevocable, was a resident of this state at the time the trust became irrevocable.

For this purpose, a trust is **revocable** if it is subject to a power, exercisable immediately or at any future time, to revert title in the person (the grantor) whose property constitutes the trust. A trust becomes **irrevocable** when the possibility that such power may be exercised has ended.

Nonresident trust is a trust that is not a resident trust for any part of the year. **Part-year resident trust** is a trust that meets the definition of resident trust or nonresident trust for only part of the year.

Grantor trust is a legal trust under applicable state law that is not recognized as a separate taxable entity for income tax purposes because the grantor or other substantial owners have not relinquished complete dominion and control over the trust.

Connecticut alternative minimum tax is a tax imposed on certain individuals, trusts, and estates in addition to their regular income tax. Fiduciaries who have a federal alternative minimum tax liability are subject to the Connecticut alternative minimum tax. The tax rate is the lesser of 19% of adjusted federal tentative minimum tax **or** 5% of adjusted federal alternative minimum taxable income. For information on how to calculate the adjusted federal alternative minimum taxable income of an inter vivos trust with one or more nonresident noncontingent beneficiaries, see *Connecticut Taxable Income for Certain Inter Vivos Trusts*, on Page 6.

Noncontingent beneficiary is a beneficiary whose interest is not subject to a condition precedent and includes every individual to whom a trustee of an inter vivos trust during the taxable year: (i) is required to currently distribute income or corpus (or both); or (ii) properly pays or credits income or corpus (or both); or (iii) may, in the trustee’s discretion, distribute income or corpus (or both). **Noncontingent beneficiary** includes every beneficiary to whom or to whose estate any of the trust’s income for the taxable year must be distributed at a specified future date or event; **and** every beneficiary who has the unrestricted lifetime or testamentary power, exercisable currently or at some future specified date or event, to withdraw any of the trust’s income for the taxable year, or to appoint such income to any person, including the estate of such beneficiary. This also applies to a noncontingent beneficiary which is a trust or an estate. Wherever reference is made to an individual who is a noncontingent beneficiary, that reference includes a trust or estate that is a noncontingent beneficiary, but does not include a corporation that is a noncontingent beneficiary.

Contingent beneficiary is an individual (or trust or estate) who is a beneficiary, but not a noncontingent beneficiary, of a resident inter vivos trust.

GENERAL INFORMATION

How to Get Help

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.drs.state.ct.us or for personal assistance, refer to 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, be sure to bring:

- The **state copy** of federal Forms W-2 and any other forms showing Connecticut income tax withheld; **and**
- The **completed** federal Form 1041.

Personal telephone assistance is available Monday through Friday, 8:00 a.m. to 5:00 p.m. Extended hours are offered January through April. Automated information may answer your questions anytime. 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 seven days a week from the DRS Web site at: www.drs.state.ct.us 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 photocopy the forms you need from the *2001 Connecticut Package X*, which is available at most public libraries.

Who Must File Form CT-1041

The fiduciary of a Connecticut **resident estate** or **trust**, or **part-year resident trust** must file **Form CT-1041, Connecticut Income Tax Return for Trusts and Estates**, if the trust or estate:

- Is required to file a federal fiduciary income tax return for the taxable year; **or**
- Had any Connecticut taxable income for the taxable year.

The fiduciary of a **nonresident trust** or **estate** must file **Form CT-1041** if the trust or estate:

- Had income derived from or connected with sources within Connecticut;
- Incurred a net operating loss for Connecticut income tax purposes, but not for federal income tax purposes; **or**

- Incurred a net passive activity loss or net capital loss for Connecticut income tax purposes, but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes.

Income derived from or connected with Connecticut sources includes income:

- Attributable to ownership or disposition of real or tangible personal property within Connecticut including, but not limited to, the income from the rental or sale of such property;
- Attributable to compensation for services performed in Connecticut or income from a business, trade, profession, or occupation carried on in Connecticut;
- From a partnership doing business in Connecticut;
- From an S corporation doing business in Connecticut; **or**
- From a trust or estate with income derived from or connected with sources within Connecticut.

A trust or estate carries on a business, trade, profession, or occupation within Connecticut if:

1. It maintains or operates desk space, an office, shop, store, warehouse, factory, agency, or other place **in Connecticut** where its affairs are systematically and regularly carried on; **or**
2. Business activities are conducted **in Connecticut** with a fair measure of permanency and continuity for livelihood or profit, as distinguished from isolated or incidental transactions.

A *grantor trust* that is required to file federal Form 1041, must file **Form CT-1041** in the same manner.

Federal Form 1041-A and 5227 Filers

A fiduciary that is required to file federal **Form 1041-A** or federal **Form 5227**, or both, is not required to file **Form CT-1041**. However, the fiduciary must give appropriate information to the beneficiaries to enable them to complete their individual Connecticut income tax returns. The fiduciary must disclose to the nonresident beneficiaries the amount of income derived from or connected with Connecticut sources.

Group Returns

A group return may be filed and taxes paid using **Form CT-G, Connecticut Group Income Tax Return**, on behalf of electing beneficiaries only by trust or estates with ten or more qualified electing nonresident individual beneficiaries in each taxable year. All qualified electing nonresident beneficiaries must have the same taxable year.

A **qualified electing nonresident beneficiary** is one who meets **all** of the following conditions:

1. The beneficiary was a nonresident individual for the entire taxable year;
2. The beneficiary did not maintain a permanent place of abode in Connecticut at any time during the taxable year;
3. The beneficiary (or his or her spouse, if a joint federal income tax return is or will be filed) did not have income derived from or connected with Connecticut sources, other than the beneficiary's share of trust or estate income derived from or connected with sources within Connecticut;
4. The beneficiary waives the right to claim any Connecticut personal exemption and any Connecticut personal credit;
5. The beneficiary does not have a Connecticut alternative minimum tax liability for the taxable year; **and**
6. The beneficiary elects to be included in **Form CT-G** by completing and delivering **Form CT-2NA, Connecticut Nonresident Income Tax Agreement/Election to be Included in a Group Return**, to the trust or estate prior to the filing of **Form CT-G** by the trust or estate. By making this election, the beneficiary expressly consents to personal jurisdiction in Connecticut for Connecticut income tax purposes and waives his or her right to request, on his or her own behalf or with others making the election, an extension of time to pay Connecticut income tax.

Connecticut Tax Returns for Individuals

Every fiduciary who acts for an individual whose entire income is in his or her control (for example, a guardian or conservator for an incompetent person) must file a return for (1) a resident individual on **Form CT-1040, Connecticut Resident Income Tax Return** or (2) a nonresident or part-year resident on **Form CT-1040NR/PY, Connecticut Nonresident or Part-Year Resident Income Tax Return**. In these cases, the fiduciary must pay the tax due.

Tax returns for decedents - The executor, administrator, or other representative of a taxpayer who died during the taxable year must file **Form CT-1040, Form CT-1040EZ, Connecticut Resident EZ Income Tax Return**, or **Form CT-1040NR/PY**, depending upon the decedent's resident status.

Change of Residence of the Grantor of a Revocable Trust

If the grantor of a revocable trust changes his or her domicile from or to Connecticut between the time of transfer of the property to the trust and the time it becomes irrevocable, the

residence of the trust is considered changed at the date it ceases to be revocable. In this case the fiduciary must, for the taxable year in which the change of status of the trust occurs, file *Schedule CT-1041FA, Fiduciary Allocation*. The change of residency of a beneficiary does not affect the status of the trust.

Connecticut Taxable Income for Certain Inter Vivos Trusts

If any resident trust or portion of a resident trust, other than a testamentary trust, has one or more nonresident *noncontingent beneficiaries*, the Connecticut taxable income of the trust is the sum of all income derived from or connected with sources within this state, **and** that portion of all other income which is derived by applying a fraction to all other income. The numerator of the fraction is the number of resident noncontingent beneficiaries and the denominator is the total number of noncontingent beneficiaries.

How Part-Year Resident Trusts are Taxed

The income of a part-year resident trust derived from or connected with sources within Connecticut is the sum of the following:

1. The fiduciary's share of Connecticut taxable income for the period of residence, computed as if the taxable year for federal income tax purposes was limited to the period of residence;
2. The fiduciary's share of Connecticut taxable income derived from or connected with sources within Connecticut for the period of nonresidence, determined as if the taxable year for federal income tax purposes was limited to the period of nonresidence; **and**
3. The amount of special accruals (see Page 8).

Connecticut Income Taxation of the Bankruptcy Estate of an Individual

The Bankruptcy Code provides that, for state and local income tax purposes, in any case of an individual under chapters 7, 11, or 12 of the Bankruptcy Code, any income of the bankruptcy estate is computed in the same manner as the income of an estate, and the tax on a bankruptcy estate is computed in the same manner as the tax on an estate. Thus, the income of the bankruptcy estate of an individual in a case under chapters 7, 11, or 12 of the Bankruptcy Code on which Connecticut income tax is imposed is its Connecticut taxable income. The starting point in computing the bankruptcy estate's Connecticut taxable income is its federal taxable income. Items that are deductible in computing the federal taxable income of the bankruptcy estate of an individual, including the exemption amount that is deductible by the bankruptcy estate under I.R.C. §151(d)(1), are taken into

account. Items that are not deductible in computing the federal taxable income of the bankruptcy estate of an individual, including the deduction under I.R.C. §642(b), are not taken into account. The estate's share of the Connecticut fiduciary adjustment is added to or subtracted from the estate's federal taxable income, and the estate's share of the Connecticut fiduciary adjustment is 100%. The bankruptcy estate of an individual in a case under chapters 7, 11, or 12 of the Bankruptcy Code is also subject to the Connecticut alternative minimum tax.

Because federal Form 1041 is used only as a transmittal for the individual's federal Form 1040 by a bankruptcy estate of an individual in a case under chapters 7 or 11 of the Bankruptcy Code, the bankruptcy estate's federal taxable income is computed on the individual's federal Form 1040. Therefore, where **Form CT-1041** is filed for a bankruptcy estate of an individual in a case under chapters 7 or 11 of the Bankruptcy Code, references in **Form CT-1041** to federal taxable income of fiduciary (from federal Form 1041, Line 22) are references to the federal taxable income computed on the individual's federal Form 1040.

The Bankruptcy Code also provides that, for the estate of an individual in a case under chapter 7 of the Bankruptcy Code, the trustee must file a state or local income tax return for the estate only if the estate has **net taxable income for the entire period after the order for relief under chapter 7 during which the case is pending**. If the bankruptcy estate of an individual in a case under chapter 7 has net taxable income for the entire period, the trustee must file **Form CT-1041** for each taxable year during this period as long as the trustee would otherwise have to file a Connecticut income tax return. If the bankruptcy estate of an individual in a case under chapter 7 does not have net taxable income for the entire period, the trustee is not required to file **Form CT-1041** for each taxable year during the period, even if the trustee would otherwise have to file a Connecticut income tax return.

Net taxable income. A bankruptcy estate has *net taxable income* for the entire period if the estate's income and gains during the period exceed its deductions and losses during the period.

Entire period after the order for relief under chapter 7 during which the case is pending. The entire period begins with the order for relief and terminates with the conversion, dismissal, or closing of the case under chapter 7 of the Bankruptcy Code. In a voluntary case under chapter 7, beginning the case constitutes an order for relief. In an involuntary case under chapter 7, the bankruptcy court enters an order for relief. The bankruptcy case is pending until it is converted to a case under another chapter of the Bankruptcy Code, dismissed, or closed. The entire period may encompass more than one taxable period.

Qualified Funeral Trusts

A trustee that makes the election to be taxed as a qualified funeral trust (QFT), for federal income tax purposes, and files federal Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts will file **Form CT-1041** in the same manner as any other inter vivos trust. (See *Form CT-1041 Quick-File Requirements* on Page 13. If you do not meet the Quick-File Requirements, see *Form CT-1041 Line Instructions* on Page 14.) The trustee should write "**QFT election**" in the Type of Entity section at the top of the front of Form CT-1041.

Wherever reference is made in this booklet and on Form CT-1041 to federal Form 1041, Line 22, substitute in the case of a QFT, federal Form 1041-QFT, Line 12.

Composite Return

A trustee that files one aggregate federal Form 1041-QFT for all QFTs of which he or she is the trustee, must provide an attachment with **Form CT-1041** to provide the following information:

- The number of QFTs included in the aggregate return;
- The name, address, and Social Security Number of the grantor(s) for each QFT; **and**
- All corresponding beneficiaries for each QFT.

A trustee may file one aggregate **Form CT-1041** for all Connecticut resident QFTs. The trustee must be able to provide to DRS, upon request, detailed information for each separate QFT that would have been reported on **Form CT-1041**, *Schedule B*, Part 1 and, if applicable, *Schedule B*, Part 2; *Schedule C*; and *Schedule CT-1041FA*. A trustee may file one aggregate **Form CT-1041** for all nonresident QFTs that have Connecticut source income. The trustee must be able to provide to DRS, upon request, detailed information for each separate QFT that would have been reported on **Form CT-1041**, *Schedule B*, Part 1 and *Schedule CT-1041FA*, Part 3, 2, and 1.

Reporting for a Portion of a Resident Trust

If a QFT has both **resident and nonresident grantors**, the trustee shall show how the resident percentage is arrived at for the QFT. This percentage should then be multiplied by the federal taxable income to arrive at the amount to report on **Form CT-1041**, *Schedule C*, Line 4.

Special Accruals

A part-year resident trust must recognize and report items of income, gain, loss, or deduction on the accrual basis, regardless of the method of accounting normally used. In general, an item of income is subject to special accrual if the right to receive it is fixed and the amount to be paid is determinable with reasonable accuracy at the time the trust changes residency status.

Example: A part-year resident trust that sold property on an installment basis prior to changing from a resident trust to a nonresident trust accrues the entire gain on the sale of that property to the residency portion of the year.

If the trust became a Connecticut resident trust during the taxable year, it must accrue to the nonresidency portion of the year any item of income, gain, loss, or deduction which, under an accrual method of accounting, would be reportable at the time it changed its residence. No accrual is required or allowed for items of income, gain, loss, or deduction derived from or connected with sources within Connecticut.

If the trust ceases to be a Connecticut resident trust, it must accrue any item of income, gain, loss, or deduction which, under an accrual method of accounting, would be reportable at the time the residence was changed. This includes income or gain it elected to report on the installment basis.

Surety Bond in Lieu of Special Accruals

The fiduciary may elect to defer the payment of Connecticut income tax on items of special accrual by filing a surety bond with DRS for an amount not less than the additional Connecticut income tax that would be payable if no surety bond or other security were filed. If you choose this option, you must file **Form CT-1041** for the taxable year when the trust changed its residence and include a separate statement showing the nature and amount of each item of accrual as of the date of change of residence, together with a computation of the additional Connecticut income tax that would be due if the election to file a surety bond had not been made. For further information on the requirements for a surety bond, contact DRS and request a copy of Conn. Agencies Regs. §12-717(c)(4)-1, **Form CT-12-717A**, *Connecticut Surety Bond Form Change of Resident Status - Special Accruals*, and **Form CT-12-717B**, *Change of Resident Status - Special Accruals*.

Taxable Year and Method of Accounting

The fiduciary of a trust or estate must use the same taxable year and method of accounting for Connecticut income tax purposes that is used for federal income tax purposes.

If the trust's or estate's taxable year or method of accounting is changed for federal income tax purposes, the same changes must be made for Connecticut income tax purposes. If a return for a period of less than 12 months is filed for federal income tax purposes, the fiduciary must also file a short period return for Connecticut income tax purposes.

When to File Form CT-1041

The Connecticut Income Tax Return for Trusts and Estates is due on or before April 15, 2002. If you are not a calendar year filer, your return is due on or before the fifteenth day of the fourth month following the close of the taxable year. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

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 these designated PDSs qualify.

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

Airborne Express (Airborne) <ul style="list-style-type: none">Overnight Air Express ServiceNext Afternoon ServiceSecond Day Service	DHL Worldwide Express (DHL) <ul style="list-style-type: none">DHL "Same Day" ServiceDHL USA Overnight
Federal Express (FedEx) <ul style="list-style-type: none">FedEx Priority OvernightFedEx Standard OvernightFedEx 2Day	United Parcel Service (UPS) <ul style="list-style-type: none">UPS Next Day AirUPS Next Day Air SaverUPS 2nd Day AirUPS 2nd Day Air A.M.UPS Worldwide Express PlusUPS Worldwide Express

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 **Special Notice 99(14)**, *Designated Private Delivery Services*, and **Announcement 2001(9)**, *Designated Private Delivery Services and Designated Types of Service*.

Using the 2001 Form CT-1041 for a Taxable Year Beginning in 2002

The 2001 **Form CT-1041** may be used for a taxable year beginning in 2002 if:

1. The trust or estate has a taxable year of less than 12 months that begins and ends in 2002; **and**
2. The 2002 **Form CT-1041** is not available by the time the trust or estate is required to file its tax return. However, the trust or estate must enter the

beginning and ending dates of the taxable year on the 2001 **Form CT-1041** and incorporate any tax law changes that are effective for taxable years beginning on or after January 1, 2002.

The fiduciary must attach an explanatory note to the front of the return, if the return is for a short year beginning and ending in 2002.

If you file your return late or do not pay all the tax due with your return, see *Interest and Penalties*, on Page 11, to determine if you must report interest and penalty with this return.

Extension Requests

Extension of Time to File

If the trust or estate cannot meet the filing deadline, the fiduciary must file **Form CT-1041 EXT**, *Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates*, and pay all of the tax the trust or estate expects to owe on or before the due date. **Form CT-1041 EXT** is contained in this booklet. The filing of this form will automatically extend the due date for **six months** if a federal Application for Automatic Extension of Time (federal Form 2758 or Form 8736) has been filed. If federal Form 2758 or federal Form 8736 was not filed, the fiduciary can apply for a six-month extension to file **Form CT-1041** provided there is reasonable cause for the request. You are not required to attach a copy of the federal extension request to **Form CT-1041 EXT**.

Form CT-1041 EXT only extends the time to file **Form CT-1041**; it **does not** extend the time to pay the tax due. See *Interest and Penalties*, on Page 11, if you do not pay all the tax due with your request for extension.

If the fiduciary 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 fiduciary (including an attorney, accountant, or enrolled agent) may sign the request on the fiduciary's behalf. This person is considered a duly authorized agent for this purpose, provided the request states the reason(s) for a signature other than that of the fiduciary, and states the relationship existing between the fiduciary and the signer.

Extension of Time to Pay the Tax

The fiduciary may be eligible for a six-month extension of time to pay the tax due if it can be shown that paying the tax by the due date will cause undue hardship. The fiduciary may request an extension by filing **Form CT-1127**, *Application for Extension of Time for Payment of Income Tax*, on or before the due date of the original return.

Attach **Form CT-1127** to the front of **Form CT-1041** or **Form CT-1041 EXT**, and send it on or before the due date. As evidence of the need for extension, the fiduciary must attach:

- A statement of assets and liabilities;
- An itemized list of receipts and disbursements for the preceding three months; **and**
- An explanation of why the fiduciary cannot borrow money to pay the tax due.

If an extension of time to pay is granted and the fiduciary pays all the tax due by the end of the extension period, a penalty will not be imposed. However, interest will accrue on any unpaid tax from the original due date. The fiduciary should make payments as soon as possible to reduce the interest that the trust or estate would otherwise owe. Write the Social Security Number or Federal Employer Identification Number (if applicable), and “**2001 Form CT-1041**” on the check or money order. Mail payments to:

**Department of Revenue Services
Accounts Receivable Unit
PO Box 5088
Hartford CT 06102-5088**

Where to File

Use the pre-addressed envelope enclosed with the return or mail to:

**Department of Revenue Services
PO Box 2934
Hartford CT 06104-2934**

Estimated Tax Payments

Estates and certain trusts are required to make estimated income tax payments for any taxable year ending two or more years after the date of the decedent's death. (For additional information on when certain trusts are required to make estimated income tax payments see I.R.C. §§671 through 679.)

A payment of estimated Connecticut income tax is generally required if the Connecticut income tax (after tax credits) **minus** Connecticut tax withheld is **more than \$500**, and it is expected that the Connecticut income tax withheld will be less than the required annual payment.

Required Annual Payment

The required annual income tax payment for the 2002 taxable year is the lesser of:

- **90%** of the income tax shown on the **2002 Connecticut income tax return**; or
- **100%** of the income tax shown on the **2001 Connecticut income tax return**, if the fiduciary filed a 2001 income tax return that covered a full 12-month period.

The fiduciary of a trust or estate is not required to make estimated income tax payments if a 2001 income tax return was not filed for a:

- Resident trust or estate because the resident trust or estate had no Connecticut income tax liability; **or**
- Nonresident estate or trust or part-year resident trust with Connecticut source income during the 2001 taxable year because the nonresident estate or trust or part-year resident trust had no Connecticut income tax liability.

If a nonresident estate or trust, or part-year resident trust did not have Connecticut source income in 2001, the fiduciary must use 90% of the income tax shown on the 2002 Connecticut income tax return as the required annual payment.

Annualized Income Installment Method

If the trust or estate income varies throughout the year, the trust or estate may be able to reduce or eliminate the amount of an estimated tax payment for one or more periods by using the annualized income installment method. See **Informational Publication 99(33)**, *A Guide to Calculating Your Annualized Estimated Tax Installments and Worksheet CT-1040AES*.

Filing Form CT-1041ES

Use **Form CT-1041ES**, *Estimated Connecticut Income Tax for Trusts and Estates*, to make estimated Connecticut income tax payments for 2002.

Guidelines for Banking Institutions

Banking institutions that wish to file multiple estimated Connecticut income tax payments, see **Informational Publication 94(7)**, *A Guide for Filers of Multiple Forms CT-1041ES*.

Special Rules for Farmers and Fishermen

If the trust or estate is classified as a farmer or fisherman (as defined in the I.R.C. §6654(i)(2)) who is required to make estimated income tax payments, you must make only **one** payment. Your payment is due on or before January 15, 2003, for the 2002 taxable year. The required installment is the lesser of 66 $\frac{2}{3}$ % of the income tax shown on the 2002 Connecticut income tax return or 100% of the income tax shown on the 2001 Connecticut income tax return.

A farmer or fisherman who files a 2002 Connecticut income tax return on or before March 3, 2003, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for underpayment of estimated tax.

Farmers and fishermen who use these special rules must complete and attach **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*, to their Connecticut income tax return to avoid being billed for interest on the underpayment of estimated income tax. **Form CT-2210**, Part I, Box D, must be checked as well as the box for **Form CT-2210** on the front of **Form CT-1041**. See **Informational Publication 2001(16)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax*.

Interest on Underpayment of Estimated Tax

If the fiduciary did not pay enough tax through withholding or estimated payments, or both, by any installment due date, the fiduciary may be charged interest. This is true even if the fiduciary is due a refund on the income tax return. Interest is calculated separately for each installment. Therefore, the fiduciary may owe interest for an earlier

2002 Estimated Tax Due Dates

Due dates of installments and the amount of required payments for 2002 calendar year taxpayers are:

April 15, 2002	25% of your required annual payment
June 17, 2002	25% of your required annual payment (A total of 50% of your required annual payment should be paid by this date.)
September 16, 2002	25% of your required annual payment (A total of 75% of your required annual payment should be paid by this date.)
January 15, 2003	25% of your required annual payment (A total of 100% of your required annual payment should be paid by this date.)

An estimate will be considered timely filed if received on or before the due date, or if the date shown by the U.S. Postal Service cancellation mark is on or before the due date. Taxpayers who report on other than a calendar year basis, should use their federal estimated tax installment due dates.

installment, even if the fiduciary paid enough tax later to make up the underpayment. Interest at 1% (.01) per month or fraction of a month will be added to the tax due until the **earlier of** April 15, 2002, or the date on which the underpayment is paid.

A fiduciary who files a 2001 Connecticut income tax return on or before January 31, 2002, and pays in full the amount computed on the return as payable on or before that date, will not be charged interest for failing to make the estimated payment due January 15, 2002.

Filing Form CT-2210

The fiduciary may be charged interest if the 2001 Connecticut income tax (after tax credits) minus Connecticut tax withheld, is more than \$500. Use **Form CT-2210, Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates**, to calculate interest on the underpayment of estimated tax. **Form CT-2210** and detailed instructions are available from DRS. However, this is a complex form and you may prefer to have DRS calculate the interest and send you a bill.

Interest and Penalties

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

Interest

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

If the fiduciary did not pay enough tax through withholding or estimated payments, or both, by any installment due date, interest may be charged. This is true even if you are due a refund when the income tax return is filed. See *Interest on Underpayment of Estimated Tax* on Page 10.

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 income tax is 10% (.10) of the tax due. If a request for an extension of time has been granted, the fiduciary can avoid a penalty for failure to pay the full amount due by the original due date if the fiduciary:

- Pays at least 90% (.90) of the income tax shown to be due on the return on or before the original due date of the return; **and**
- Pays the balance due with the return on or before the extended due date.

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

Penalty for Failure to File

If the fiduciary does not file the return and DRS files a return for the fiduciary, the penalty for failure to file is 10% (.10) of the balance due or \$50, whichever is greater. If the fiduciary was required to file an amended **Form CT-1041** and failed to do so, a penalty may be imposed. See *Amended Returns* on Page 27.

Waiver of Penalty

You may be able to have the penalty waived if the failure to file or pay tax on time was due to a 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 name of the trust or estate, Federal Employer Identification Number, and Social Security Number (if applicable);
- 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 separately with a copy of the tax return to:

**Department of Revenue Services
Penalty Review Committee
PO Box 5089
Hartford CT 06102-5089**

Recordkeeping

Keep a copy of the tax return, worksheets that you used, and records of all items appearing on the return (such as W-2 and 1099 forms) until the statute of limitations expires for that return. Usually, this is three years from the date the return was due or filed, whichever is later. You may need this information to prepare future returns or to file amended returns.

Copies of Returns

Copies of previously filed Connecticut income 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.

Order in Which to Complete Form CT-1041 and Schedules

For trusts or estates that do not meet the Quick-File Requirements. (See *Form CT-1041 Quick-File Requirements*, on Page 13.)

The order in which to complete **Form CT-1041** and the schedules for resident and nonresident estates, full-year resident and nonresident trusts, and part-year resident trusts is listed below.

- 1. Resident trust or estate with resident beneficiaries:**
 - *Schedule A*;
 - *Schedule B*, Part 1;
 - *Schedule C*;
 - The front of **Form CT-1041** excluding Line 3; **and**
 - *Schedule I*, Parts 1 and 2, as necessary.
- 2. Resident estate or full-year resident testamentary trust with any nonresident beneficiaries, or a full-year resident inter vivos trust with nonresident contingent beneficiaries but without nonresident noncontingent beneficiaries:**
 - *Schedule A*;
 - *Schedule B*, Part 1;
 - *Schedule CT-1041FA*, Parts 3 and 2;
 - *Schedule C*;
 - The front of **Form CT-1041** excluding Line 3; **and**
 - *Schedule I*, Parts 1 and 2, as necessary.
- 3. Full-year resident inter vivos trust with nonresident noncontingent beneficiaries:**
 - *Schedule A*;
 - *Schedule B*, Parts 1 and 2;
 - *Schedule CT-1041FA*, Parts 3 and 2;
 - *Schedule C*;
 - The front of **Form CT-1041** excluding Line 3; **and**
 - *Schedule I*, Parts 1 and 2, as necessary.
- 4. Nonresident estate, full-year nonresident trust, or part-year resident inter vivos trust without nonresident noncontingent beneficiaries:**
 - *Schedule A*;
 - *Schedule B*, Part 1;
 - *Schedule CT-1041FA*, Parts 3, 2, and 1;
 - The front of **Form CT-1041** starting at Line 3; **and**
 - *Schedule I*, Parts 1 and 2, as necessary.
- 5. Part-year resident inter vivos trust with nonresident noncontingent beneficiaries:**
 - *Schedule A*;
 - *Schedule B*, Parts 1 and 2;
 - *Schedule CT-1041FA*, Parts 3, 2, and 1;
 - The front of **Form CT-1041** starting at Line 3; **and**
 - *Schedule I*, Parts 1 and 2, as necessary.

Form CT-8801, *Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts, and Estates*, must be completed as necessary for all types of trusts and estates that expect a credit or credit carryforward of alternative minimum tax paid in a prior year.

INSTRUCTIONS FOR FORM CT-1041

Filing Year

All information on **Form CT-1041** should be for the calendar year January 1 through December 31, 2001, or any other fiscal year beginning in 2001. If filing for such a fiscal year or short taxable year, enter the month and day the taxable year began, and the month, day, and year that it ended, at the top of the front page.

Name and Address

Enter in the spaces at the top of the return, the name of the trust or estate and the name and address of the fiduciary. Also, enter the Federal Employer Identification Number of the trust or estate in the space provided to the right of the address box. If it is necessary to file without a Federal Employer Identification Number, notify DRS once the number has been obtained. If an estate, also enter the decedent's Social Security Number.

IMPORTANT: Enter name of trust or estate and Federal Employer Identification Number on all applicable schedules in the spaces provided.

Type of Return

Final return

Check this box if this is a final return because the trust or estate has been terminated.

Amended return

Check this box if this is an amended return.

Residency Status

Enter the date the trust or estate was created and the date the trust or estate was terminated (if applicable) in the space provided.

Check only one applicable box to identify the resident status of the trust or estate.

If a trust was revocable when property was transferred to the trust but subsequently has become irrevocable, and the residency status of the grantor (whether as a resident or nonresident individual) during the taxable year that the trust became irrevocable differs from the residency status of the grantor during the taxable year that property was transferred to the trust, then the trust would be a *part-year resident trust*.

Type of Entity

Check the applicable box to identify the type of trust or estate. If a trust was created by the will of a decedent, check the additional box.

Rounding Off to Whole Dollars

Generally, you may round off cents to the nearest whole dollar on your return and schedules. However, if you need to add two or more amounts to compute the amount to enter on a line, include cents when adding and round off only the total. 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.

Example: \$1.29 becomes \$1.00 and \$3.50 becomes \$4.00.
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Negative Numbers

When entering a negative number, you must precede the number with a minus sign or bracket the amount.

Form CT-1041 Quick-File Requirements

The fiduciary of a resident estate or full-year resident trust may Quick-File **Form CT-1041** if all of the following are true for taxable years beginning on or after January 1, 2000. The resident estate or full-year resident trust has no:

- Nonresident beneficiaries;
- *Schedule A* Connecticut fiduciary adjustments;
- Connecticut alternative minimum tax; **and**
- Adjusted net Connecticut minimum tax credit.

A trustee that files one aggregate federal Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts, for all QFTs, may Quick-File one aggregate **Form CT-1041** for all Connecticut resident QFTs as long as all grantors and all beneficiaries of every QFT are Connecticut residents.

Form CT-1041 Quick-File Line Instructions

Line 1 - Connecticut Taxable Income of Fiduciary

Enter federal taxable income of fiduciary (from federal Form 1041, *Line 22*).

Line 2 - Connecticut Income Tax

Multiply Line 1 by 4.5% (.045) and enter the result on Line 2.

Line 3 - Allocated Connecticut Income Tax

Do not complete Line 3.

Line 4 - Credit for Income Tax Paid to Qualifying Jurisdictions (Resident Estates and Full-Year Resident Trusts Only)

Enter the amount from *Worksheet for Credit for Income Taxes Paid to Qualifying Jurisdictions*, Line 8, on Page 17. You must attach a copy of all income tax returns filed with qualifying jurisdictions to the back of your **Form CT-1041**.

Line 5

Subtract Line 4 from Line 2. If Line 4 is greater than Line 2, enter "0."

Line 6 - Connecticut Alternative Minimum Tax

Do not complete Line 6.

Line 7

Enter the amount from Line 5.

Line 8 - Adjusted Net Connecticut Minimum Tax Credit

Do not complete Line 8.

Line 9 - Connecticut Income Tax

Enter the amount from Line 7.

Lines 10 - 23

To complete Lines 10-23, see *Form CT-1041 Line Instructions* on this page and Page 15.

See *Who Must Sign the Return, Paid Preparer Signature, and Mailing the Return*, on Page 16.

Form CT-1041 Line Instructions

For trusts or estates that do not meet the Quick-File Requirements.

Line 1 - Connecticut Taxable Income of Fiduciary (Resident Estate or Full-Year Resident Trust Only)

Enter the amount from **Form CT-1041, Schedule C**, Line 14.

Line 2 - Connecticut Income Tax (Resident Estate or Full-Year Resident Trust Only)

Multiply Line 1 by 4.5% (.045) and enter the result on Line 2.

Line 3 - Allocated Connecticut Income Tax (Nonresident Estates or Trusts and Part-Year Resident Trusts Only)

Enter the amount from *Schedule CT-1041FA*, Part 1, Line 12.

Line 4 - Credit for Income Tax Paid to Qualifying Jurisdictions (Resident Estates and Full or Part-Year Resident Trusts Only)

Enter the amount from *Worksheet for Credit for Income Taxes Paid to Qualifying Jurisdictions*, Line 8, on Page 17.

You must attach a copy of all income tax returns filed with qualifying jurisdictions to the back of your **Form CT-1041**.

Line 5

Resident estates and trusts: Subtract Line 4 from Line 2. Part-year resident trusts: Subtract Line 4 from Line 3. If the result is less than zero, enter "0."

Line 6 - Connecticut Alternative Minimum Tax

If you were required to pay federal alternative minimum tax for 2001, you must file **Form CT-1041, Schedule I**. Enter the amount from **Form CT-1041, Schedule I**, Part 1, Line 25. Schedule I may be obtained by contacting the DRS Forms Unit. See *How to Get Additional Forms and Publications* on Page 5.

Line 7

Add Line 5 and Line 6, and enter the total on Line 7.

Line 8 - Adjusted Net Connecticut Minimum Tax Credit

Enter the amount from Line 11 of **Form CT-8801, Credit for Prior Year's Connecticut Minimum Tax for Individuals, Trusts, and Estates**. If you did not pay Connecticut alternative minimum tax in a prior year or you entered an amount on Line 6 of this form, enter "0."

Line 9 - Connecticut Income Tax

Subtract Line 8 from Line 7. Enter the total on Line 9.

Line 10 - Connecticut Tax Withheld

This amount must total the income taxes withheld for the State of Connecticut as indicated on your copies of W-2, W-2G, and certain 1099 forms. Only enter income tax withheld for the State of Connecticut. Be sure you staple the "state copy" of all W-2 forms and any other forms showing Connecticut tax withheld to the front of your return or your claim of amounts withheld will not be allowed.

Line 11 - Estimated Tax Paid

Enter on Line 11 the total of all 2001 estimated income tax payments and any 2000 income tax overpayment credited to 2001. Be sure to include any 2001 estimated income tax payments made in 2002.

Line 12 - Payments Made With Extension Request

If you filed **Form CT-1041 EXT, Application for Extension of Time to File Connecticut Income Tax Return for Trusts and Estates**, for 2001, enter on Line 12 the amount you paid with **Form CT-1041 EXT**.

If this is an amended return, also include the amount paid with the original return.

Line 13 - Total Payments

Add Lines 10, 11, and 12. Enter the total on Line 13.

Designated Contributions

<p>AIDS RESEARCH EDUCATION FUND</p> <p>This fund assists research, education, and community service programs related to Acquired Immune Deficiency Syndrome (AIDS). The fund is administered by the Connecticut Department of Public Health.</p> <p>To contribute directly send to: AIDS Division, Department of Public Health MS#11APV PO Box 340308 Hartford CT 06134-0308 Make check payable to: “Treasurer, State of Connecticut/AIDS Fund”</p>	<p>ORGAN TRANSPLANT FUND</p> <p>This fund assists Connecticut residents in paying all or part of any costs associated with a medically required organ transplant. The fund is administered by the Connecticut Department of Social Services.</p> <p>To contribute directly send to: Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003 Make check payable to: “Commissioner of Social Services/Organ Transplant Fund”</p>	<p>ENDANGERED SPECIES, NATURAL AREA PRESERVES, AND WATCHABLE WILDLIFE FUND</p> <p>This fund helps preserve, protect, and manage Connecticut's endangered plants and animals, wildlife and their habitats. The fund is administered by the Connecticut Department of Environmental Protection.</p> <p>To contribute directly send to: Department of Environmental Protection-Bureau of Administration Financial Management 79 Elm Street Hartford CT 06106-5127 Make check payable to: “DEP-Endangered Species/Wildlife Fund”</p>	<p>BREAST CANCER RESEARCH AND EDUCATION FUND</p> <p>This fund assists research, education, and community service programs related to breast cancer. The fund is administered by the Connecticut Department of Public Health.</p> <p>To contribute directly send to: Department of Public Health Breast and Cervical Cancer Early Detection Program MS#11HLS PO Box 340308 Hartford CT 06134-0308 Make check payable to: “Treasurer, State of Connecticut/Breast Cancer Fund”</p>	<p>SAFETY NET SERVICES FUND</p> <p>This fund protects the children of families who are no longer eligible for public assistance benefits. The fund is administered by the Connecticut Department of Social Services.</p> <p>To contribute directly send to: Department of Social Services Accounts Receivable 25 Sigourney Street Hartford CT 06106-5003 Make check payable to: “Commissioner of Social Services/Safety Net Fund”</p>
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Line 14 - Amount Overpaid

If Line 13 is greater than Line 9, subtract Line 9 from Line 13 and enter the result on Line 14. This is the amount of your overpayment. To properly allocate your overpayment, go to Lines 15, 17, and 18. If Line 13 is less than Line 9, go to Line 19.

Line 15 - Amount of Line 14 to be Applied to Your 2002 Estimated Tax

Enter the amount of your 2001 overpayment that you wish to apply to your 2002 Connecticut estimated income tax. It will be treated as an estimate filed on April 15, 2002, if your return is filed on time or if you filed a timely request for extension and your return is filed within the extension period. For fiscal year filers it will be treated as an estimate filed on the fifteenth day of the fourth month of the 2002 taxable year.

IMPORTANT: Your decision to apply this amount to 2002 estimated income tax is irrevocable.

Line 16 - Balance of Overpayment

Subtract Line 15 from Line 14 and enter the result on Line 16.

Line 17 - Amount of Line 16 You Want to Contribute

You may contribute all or a portion of your refund to one or more of five designated funds described above. Check the appropriate box or write in a whole dollar amount for each fund to which you wish to contribute. Add your contributions and enter the total amount on Line 17. Your decision to make this contribution is irrevocable.

IMPORTANT: You may only choose a contribution amount if you are entitled to a refund. Your contribution is limited to your refund amount. You may contribute directly to these funds by mailing a check to the addresses shown.

Line 18 - Amount to be Refunded to You

Subtract Line 17 from Line 16. Enter the result on Line 18. This is the amount of your refund.

Line 19 - Amount of Tax You Owe

If Line 9 is greater than Line 13, subtract Line 13 from Line 9 and enter the result on Line 19.

Line 20 - Penalty for Late Payment or Filing

If you are making a late payment or filing the return after the due date of the return, see *Interest and Penalties* on Page 11.

Line 21 - Interest for Late Payment or Filing

If you fail to pay the tax when due, see *Interest and Penalties* on Page 11.

Line 22 - Interest on Underpayments of Estimated Tax

If Line 9 minus Line 10 is more than \$500, you may owe interest on estimated income tax that you either underpaid or paid late. **Form CT-2210, Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates**, can help you find out if you did underestimate and will help you calculate the interest.

If you prefer to have DRS calculate the interest, do not file **Form CT-2210**, leave Line 22 blank and we will bill you. Interest on underpayment of estimated income tax stops accruing on the **earlier** of the day you pay your tax or April 15, 2002.

Line 23 - Amount Due

Add Lines 19 through 22 and enter the result on Line 23. Pay the amount in full with the return. Make your check or money order payable to **“Commissioner of Revenue Services.”** Write the Federal Employer Identification Number and **“2001**

Form CT-1041” on the check or money order in the lower left corner. Do not send cash.

Form CT-1041, Questions A, B, and C

The fiduciary must complete Questions A, B, and C on Page 2 of **Form CT-1041**. All inter vivos trusts claiming a resident noncontingent beneficiary percentage on *Schedule B*, Part 2 must complete Question A or this percentage could be disallowed.

Who Must Sign the Return

The fiduciary or an officer representing the fiduciary must sign and date **Form CT-1041** on the back of the return.

Paid Preparer Signature

Anyone the fiduciary pays to prepare the return must sign and date it. Paid preparers must also enter their Social Security Number (SSN) or Preparer Tax Identification Number (PTIN), their firm's Federal Employer Identification Number (FEIN), and their firm's address and telephone number in the spaces provided.

Mailing the Return

Keep a copy of this return for the records of the trust or estate. Attach to this return copies of any required schedules and forms. Do **not** attach copies of the federal income tax return or federal schedules. Use the envelope provided when mailing the return.

Credit for Income Taxes Paid to Qualifying Jurisdictions

Resident estates, full-year resident trusts, and part-year resident trusts use this worksheet to claim a credit against Connecticut income tax liability for income taxes paid for the taxable year to another state or a political subdivision of that state, or to the District of Columbia. Credit may only be claimed if the income on which taxes were paid was derived from or connected with sources within the qualifying jurisdiction. For part-year resident trusts, the credit is allowed only for that portion of the taxable year in which a taxpayer was a Connecticut resident trust.

No credit is allowed for any of the following:

- Income tax payments made to a qualifying jurisdiction on income that is not included in Connecticut taxable income;
- Income tax paid to a jurisdiction that is not a qualifying jurisdiction, including a foreign country or its provinces (for example, Canada and Canadian provinces);
- Alternative minimum tax paid to a qualifying jurisdiction;

- Income tax paid to a qualifying jurisdiction, if the fiduciary claimed credit on that other jurisdiction's income tax return for income taxes paid to Connecticut; **and**
- Penalties or interest on income taxes that the fiduciary paid to a qualifying jurisdiction.

The allowed credit must be separately computed for each qualifying jurisdiction. Use separate columns for each jurisdiction for which you are claiming a credit. If you need more than two columns, you should create an identical worksheet. Attach a copy of all income tax returns filed with qualifying jurisdictions to the back of your **Form CT-1041** or the credit will be disallowed.

If you are claiming credit for income taxes paid to another state **and** to one of its political subdivisions, follow these rules to determine your credit:

- A. If the **same amount** of income is taxed by both the city and state:
 1. Use only **one** column of the worksheet to calculate your credit;
 2. Enter the same income taxed by both city and state in that column on the worksheet; **and**
 3. Combine the amounts of tax paid to the city and the state on that income and enter the total on Line 6 of that column.
- B. If the **amounts** of income taxed by both the city and state **are not the same**:
 1. Use two columns on the worksheet;
 2. Include only the same income taxed by both jurisdictions in the first column; **and**
 3. Include the excess income taxed by only one of the jurisdictions in the next column.

The credit claimed cannot exceed the amount of tax due to Connecticut on that portion of income taxed in another jurisdiction.

Worksheet Instructions

Line 1 - Connecticut Taxable Income of Fiduciary

• Resident Trust or Estate

Enter on Line 1 of the worksheet:

1. The Connecticut taxable income of the fiduciary from **Form CT-1041**, Line 1; **and**
2. Any net loss derived from or connected with sources in more than one qualifying jurisdiction where you were subject to income taxation (whether or not income tax was actually paid to the jurisdictions).

WORKSHEET FOR CREDIT FOR INCOME TAXES PAID TO QUALIFYING JURISDICTIONS

Resident estates and full or part-year resident trusts only.

	COLUMN A	COLUMN B
1. Connecticut taxable income of fiduciary 1.		
Enter name of each qualifying jurisdiction		
2. Non-Connecticut income included on Line 1 above 2.		
3. Divide Line 2 by Line 1 (may not exceed 1.0000) 3.	.	.
4. Connecticut tax liability 4.		
5. Multiply Line 3 by Line 4 5.		
6. Income tax paid to a qualifying jurisdiction 6.		
7. Enter the lesser of Line 5 or Line 6 7.		
8. Total Credit (Add the amount on Line 7, for each column) 8.		

Example: Taxpayer B, a resident trust, has taxable income of \$70,000, which includes income of \$15,000 from business activities conducted in Massachusetts, and a net loss of \$15,000 from a business conducted in Rhode Island. The fiduciary of this trust must add the \$15,000 net loss to the \$70,000 and enter \$85,000 on Line 1.

• Part-Year Resident Trust

Enter on Line 1 of the worksheet the amount from *Schedule CT-1041FA, Fiduciary Allocation*, Part 1, Line 9, with the following exceptions:

1. Add to the amount from *Schedule CT-1041FA*, Part 1, Line 9, any net loss during the residency portion of the year that was derived from or connected with sources in more than one qualifying jurisdiction where you were subject to income taxation (whether or not income tax was actually paid to the jurisdictions).
2. For the period that the trust is a Connecticut resident trust, add back any item of loss or deduction and subtract any item of income or gain that is an item of special accrual.

Enter the modified amount on Line 1 of the worksheet.

Example: Taxpayer L, a part-year resident trust, has taxable income from its residency period of \$60,000, which includes income of \$15,000 from business activities conducted in Massachusetts, and a net loss of \$20,000 from a business conducted in Rhode Island. The fiduciary of this trust must add the \$20,000 net loss to the \$60,000 and enter \$80,000 on Line 1.

Line 2 - Non-Connecticut Income

• Resident Trust or Estate

Enter on Line 2 of the worksheet the total of non-Connecticut income that is included on Line 1 and is reported on another jurisdiction's income tax return.

• Part-Year Resident Trust

Enter on Line 2 of the worksheet the total of non-Connecticut income for the period of Connecticut residency that is included on Line 1 and is reported on another jurisdiction's income tax return.

For the period that the trust is a Connecticut resident trust, add back any item of loss or deduction and subtract any item of income or gain that is an item of special accrual.

Line 3

• Resident and Part-Year Resident Trust

Divide Line 2 by Line 1. The result cannot exceed 1.0000. Round to four decimal places.

Line 4 - Connecticut Income Tax Liability

• Resident Trust or Estate

Enter on Line 4 of the worksheet the Connecticut tax liability as shown on **Form CT-1041**, Line 2.

• Part-Year Resident Trust

Enter on Line 4 of the worksheet, the allocated Connecticut income tax liability as shown on *Schedule CT-1041FA, Fiduciary Allocation*, Line 12. To determine the Connecticut income tax liability of a part-year resident trust, the tax applies to the "income derived from or connected with sources within this state." The income derived from or connected with

sources within this state for a part-year resident trust is the sum of (1) the trust's Connecticut taxable income during the residency portion of the taxable year and (2) the trust's income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year.

Line 5

Multiply Line 3 by Line 4. Enter the result on Line 5.

Line 6 - Income Tax Paid to Qualifying Jurisdictions

• **Resident Trust or Estate**

Enter on Line 6 of the worksheet the total amount of income tax paid to a qualifying jurisdiction for the taxable year.

Income tax paid means the lesser of the trust's or estate's tax liability to that jurisdiction or the tax the trust or estate paid to that jurisdiction as reported on a return filed with that jurisdiction, excluding any penalty or interest. Do not report taxes withheld for the qualifying jurisdiction.

• **Part-Year Resident Trust**

Enter on Line 6 of the worksheet the total amount of income tax paid to a qualifying jurisdiction for the period of Connecticut residency only.

If the tax the trust paid to that jurisdiction was also based on income earned during the nonresidency period, prorate the amount of tax for which you are claiming credit. The proration is based upon the relationship that the income earned in that jurisdiction during the period of Connecticut residency bears to the total amount of income that the trust earned in that jurisdiction in the taxable year.

Example: Taxpayer H, a part-year resident trust, conducted business in Rhode Island all year and paid \$1,200 in Rhode Island tax in 2001. The trust's total Rhode Island income for 2001 was \$20,000 of which \$15,000 was earned while the trust was a Connecticut resident trust. The income tax paid to Rhode Island during the Connecticut residency period is:

$$\frac{\$15,000}{\$20,000} \times \$1,200 = \$900$$

The fiduciary of this trust should enter \$900 on Line 6.

Income tax paid means the lesser of the trust's tax liability to the qualifying jurisdiction or the tax the trust paid to that jurisdiction as reported on a return filed with that jurisdiction, excluding any penalty or interest. Do not report taxes withheld for the qualifying jurisdiction.

Line 7

Enter on Line 7 of the worksheet the lesser of Line 5 or Line 6.

Line 8 - Total Credit for Income Taxes Paid to Qualifying Jurisdictions

Add the amounts from Line 7A, Line 7B, and Line 7 of any additional worksheets. The amount on Line 8 cannot exceed the amount on Line 5. Enter the total on Line 8 and on Line 4 of **Form CT-1041**.

IMPORTANT: Attach a copy of the income tax return filed with each qualifying jurisdiction to your Connecticut income tax return or the credit will be disallowed.

Connecticut Fiduciary Adjustment

Use *Schedule A* to compute the Connecticut fiduciary adjustment, which is then allocated among the trust or estate and its beneficiaries in *Schedule B*, Part 1. The fiduciary adjustment is the total of the additions and subtractions enumerated on **Form CT-1041, Schedule A**, which relate to items of income, gain, loss, or deduction of the trust or estate.

Amount paid or set aside for charitable purposes - When calculating the fiduciary adjustment on **Form CT-1041, Schedule A**, do not include the modifications for any amount paid or set aside for a charitable purpose during the taxable year. (See instructions for federal Form 1041-A, *U.S. Information Return Trust Accumulation of Charitable Amounts*, and federal Form 5227, *Split-Interest Trust Information Return*, for information on charitable deductions.)

Partner of a partnership - If the trust or estate has income as a partner of a partnership, any of the additions or subtractions that apply to the income should be included on **Form CT-1041, Schedule A**. You may obtain the trust's or estate's share of the partnership items from **Form CT-1065, Connecticut Partnership Income Tax Return**.

Beneficiary of another trust or estate - If the trust or estate is a beneficiary of another trust or estate, you may generally obtain the share of the fiduciary adjustment of the other trust or estate to be included on **Form CT-1041, Schedule A**, from its fiduciary.

The trust or estate must make the additions and subtractions for its taxable year within which the taxable year of any S corporation, partnership, or trust or estate of which it is a shareholder, partner, or beneficiary, respectively, ends.

Entering Additions and Subtractions

Enter on Line 13, any expense related to the amounts entered on *Schedule A*, Lines 1 through 5, to the extent deductible in determining federal taxable income prior to the deductions related to distributions to beneficiaries. Do not net the expenses against the amounts entered on Lines 1 through 5.

Enter on Line 6, any expense related to the amounts entered on *Schedule A*, Lines 8 through 12, to the extent deductible in determining federal taxable income prior to the deductions related to distributions to beneficiaries. Do not net the expenses against the amounts entered on Lines 8 through 12.

Example: To the extent deductible in determining federal taxable income prior to the deductions relating to distributions to beneficiaries, interest expenses on indebtedness incurred to purchase:

1. State and local government bonds, the interest from which is subject to Connecticut income tax, but exempt from federal income tax, is entered on Line 13 (and not netted against the amount that is entered on Line 1).
2. U.S. government bonds, the interest from which is subject to federal income tax, but exempt from Connecticut income tax, is entered on Line 6 (and not netted against the amount that is entered on Line 8).

INSTRUCTIONS FOR SCHEDULE A

See **Policy Statement 92(3.1)**, *Connecticut Income Tax on Bonds or Obligations Issued by the United States Government, by State Governments or Municipalities*, to determine if you are required to make an adjustment.

ADDITIONS TO FEDERAL TAXABLE INCOME

Enter All Amounts as Positive Numbers.

Line 1 - Interest on State and Local Government Obligations Other Than Connecticut

Enter the total amount of interest income derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities, which is not taxed for federal income tax purposes. Do not enter interest income derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

Line 2 - Exempt-Interest Dividends Received From a Mutual Fund Derived From State or Municipal Government Obligations Other Than Connecticut

Enter the total amount of exempt-interest dividends received from a mutual fund that are derived from state and municipal government obligations, other than obligations of the State of Connecticut or its municipalities. If the exempt-interest dividends are derived from obligations of Connecticut or other states, enter only the percentage derived from non-Connecticut obligations. Do not enter exempt-interest dividends derived from government obligations of Puerto Rico, Guam, American Samoa, or U.S. Virgin Islands.

Example: A fund invests in obligations of many states, including Connecticut. Assuming that 20% of the distribution is from Connecticut obligations, the remaining 80% would be added back on Line 2.

Line 3 - Shareholder's Pro Rata Share of S Corporation Nonseparately Computed Loss

(This modification is only for shareholders of an S corporation that was subject to the Connecticut corporation business tax for its taxable year beginning during 2000 and the S corporation's taxable year for federal income tax purposes is other than the calendar year.)

S corporations are no longer subject to the Connecticut corporation business tax for taxable years beginning on or after January 1, 2001. Therefore, shareholders of such corporations are no longer required to make a modification in computing Connecticut taxable income.

However, if the trust or estate is a shareholder of an S corporation that is subject to the Connecticut corporation business tax for the 2000 taxable year, and the S corporation's taxable year for federal income tax purposes is **other than the calendar year**, multiply 30% of the pro rata share of the S corporation's nonseparately computed loss by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 3.

The trust's or estate's pro rata share of the S corporation's nonseparately computed loss will be reported on federal Form 1120S, Schedule K-1, furnished to the fiduciary by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to the fiduciary by the S corporation.

IMPORTANT: If any federal limitations apply, add back only 30% of the net loss included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

Line 4 - Loss on Sale of Connecticut State and Local Government Bonds

Enter the total amount of losses from the sale or exchange of notes, bonds, or other obligations of the State of Connecticut or its municipalities.

Line 5 - Connecticut Income Tax Payments Deducted in Determining Federal Taxable Income

Add back any Connecticut income tax paid or accrued to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Line 6 - Other

Use Line 6 to add back any:

1. Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for the production) or collection of income exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries;

2. Amortizable bond premium on bonds producing interest income exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries;
3. Interest or dividend income on obligations or securities of any authority, commission, or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes; **or**
4. Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax, to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Line 7 - Total Additions

Add Lines 1 through 6. Enter the total on Line 7.

SUBTRACTIONS TO FEDERAL TAXABLE INCOME

Enter All Amounts as Positive Numbers.

Line 8 - Interest on United States Government Obligations

Enter the total of any interest income (to the extent includable in federal taxable income) derived from U.S. government obligations, which federal law prohibits states from taxing (for example, U.S. government bonds such as Savings Bonds Series EE and Series HH, U.S. Treasury bills and notes).

Do not enter the amount of interest earned on Federal National Mortgage Association (Fannie Mae) bonds, Government National Mortgage Association (Ginnie Mae) bonds, and Federal Home Loan Mortgage Corporation (Freddie Mac) securities. Federal law does not prohibit states from taxing interest income derived from these obligations and this interest income is taxable for Connecticut income tax purposes. Do not enter the amount of interest paid to you on any federal income tax refund.

Line 9 - Exempt Dividends From Certain Mutual Funds Derived From U.S. Government Obligations

Enter the total amount of exempt dividends received from a qualifying mutual fund that are derived from U.S. government obligations. A mutual fund is a qualifying fund if, **at the close of each quarter of its taxable year**, at least 50% of the value of its assets consists of U.S. Government obligations. The percentage of dividends that are exempt dividends should be reported to you by the mutual fund. (See Line 8 instructions above.)

Line 10 - Shareholder's Pro Rata Share of S Corporation Nonseparately Computed Income

(This modification is only for shareholders of an S corporation that was subject to the Connecticut corporation business tax for its taxable year beginning during 2000 and the S corporation's taxable year for federal income tax purposes is other than the calendar year.)

S corporations are no longer subject to the Connecticut corporation business tax for taxable years beginning on or after January 1, 2001. Therefore, shareholders of such corporations are no longer required to make a modification in computing Connecticut taxable income.

However, if the trust or estate is a shareholder of an S corporation that is subject to the Connecticut corporation business tax for the 2000 taxable year, and the S corporation's taxable year for federal income tax purposes is **other than the calendar year**, multiply 30% of the pro rata share of the S corporation's nonseparately computed income by the S corporation's Connecticut corporation business tax apportionment percentage and enter this amount on Line 10.

The trust's or estate's pro rata share of the S corporation's nonseparately computed income will be reported on federal Form 1120S, Schedule K-1, furnished to you by the S corporation. The S corporation's Connecticut corporation business tax apportionment percentage will be furnished to the fiduciary by the S corporation.

IMPORTANT: If you have deductible losses from a prior year or other adjustments, subtract only 30% of the net income included on federal Schedule E, multiplied by the S corporation's Connecticut corporation business tax apportionment percentage.

Line 11 - Gain on Sale of Connecticut State and Local Government Bonds

Enter the total amount of all gains from the sale or exchange of notes, bonds, or other obligations of the State of Connecticut or its municipalities.

Line 12 - Refunds of Connecticut Income Tax

Enter the amount of taxable refunds of Connecticut income tax reported on federal Form 1041, Line 8.

Line 13 - Other

Use Line 13 to report any of the following modifications:

1. To subtract any interest paid on indebtedness incurred to acquire investments that provide income taxable in Connecticut but not taxable for federal purposes, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries;
2. To subtract expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production)

or collection of income taxable in Connecticut but exempt from federal income tax, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries; **or**

3. To subtract any amortizable bond premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax, to the extent not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

Do **not** use Line 13 to subtract income subject to tax in another jurisdiction. See *Worksheet for Income Taxes Paid to Qualifying Jurisdictions*, **Form CT-1041**, Line 4.

Line 14 - Total Subtractions

Add Lines 8 through 13. Enter the total on Line 14.

Line 15 - Connecticut Fiduciary Adjustment

Subtract Line 14 from Line 7. Enter here and on **Form CT-1041**, *Schedule B*, Part 1, Line f, Column 5. This amount may be positive or negative.

INSTRUCTIONS FOR SCHEDULE B

If you have a Connecticut fiduciary adjustment, complete *Schedule B*, Part 1, to calculate the fiduciary's and each beneficiary's share of the Connecticut fiduciary adjustment.

Schedule B, Part 2, should only be completed by full-year resident or part-year resident inter vivos trusts with any nonresident noncontingent beneficiaries, to calculate the percentage of resident noncontingent beneficiaries. The status of the beneficiaries is determined as of year end.

Part 1 - Shares of Connecticut Fiduciary Adjustment

Part 1 shows the distribution of the Connecticut fiduciary adjustment among the beneficiaries and the fiduciary of the trust or estate. The shares of the beneficiaries and of the fiduciary in the Connecticut fiduciary adjustment, **Form CT-1041**, *Schedule A*, Line 15, are in proportion to their respective shares of federal distributable net income of the trust or estate.

Report on Part 1 the names and addresses of all beneficiaries, both resident and nonresident, to whom income is distributable, whether or not the income is taxable to the nonresident beneficiaries. **Complete this section even if there is no distribution to the beneficiaries.**

Columns 1 and 2

Enter in Columns 1 and 2, the name, address, and identifying number of each beneficiary of the trust or estate. If the mailing address differs from the home address, give both. If a beneficiary is a nonresident, check the appropriate box to

the right of the beneficiary's name. If there are more than four beneficiaries, attach a schedule identical to Part 1 for the additional beneficiaries.

Column 3

Enter the respective share of federal distributable net income of each beneficiary and of the fiduciary on the appropriate lines of Column 3. Entries must be made for all beneficiaries, both resident and nonresident.

If the distributable net income of a trust or estate for the taxable year is zero or less than zero, each beneficiary's share in the Connecticut fiduciary adjustment is in proportion to that beneficiary's share of the income of the trust or estate for the taxable year, and any other amounts that are properly paid or credited or required to be distributed during the taxable year. Any balance of the fiduciary adjustment not allocable to any beneficiary is allocated to the trust or estate.

Column 4

Determine the percentage interest of each beneficiary and of the fiduciary in federal distributable net income of the trust or estate, based upon amounts in Column 3. Enter that percentage on the appropriate line of Column 4.

Column 5

Enter the amount of the Connecticut fiduciary adjustment (from **Form CT-1041**, *Schedule A*, Line 15) as the total on Line f, Column 5. The share of each beneficiary and of the fiduciary in the total amount is determined by multiplying the total fiduciary adjustment by the Column 4 percentage.

If the trust or estate has no federal distributable net income, each beneficiary's share in the fiduciary adjustment must be in proportion to his or her share of the trust or estate income for the taxable year, under local law or the governing instrument, which is required to be distributed currently, and any amounts of the income distributed during the year. Any balance of the fiduciary adjustment not allocable to beneficiaries must be allocated to the trust or estate. If the shares in the Connecticut fiduciary adjustment are apportioned in accordance with this paragraph, show the apportionment in a schedule attached to the return.

IMPORTANT: The fiduciary must provide each beneficiary with a schedule of modifications to include on *Schedule 1* of his or her **Form CT-1040** or **Form CT-1040NR/PY**.

Part 2 - Percentage of Resident Noncontingent Beneficiaries

Complete Part 2 to calculate the resident noncontingent beneficiary percentage of a full-year resident or part-year resident inter vivos trust with nonresident noncontingent beneficiaries. These trusts are taxed on income derived from or connected with sources within Connecticut and all other income earned during the period of residency multiplied by the resident noncontingent beneficiary percentage. The

percentage is a fraction, the numerator of which is the total number of resident noncontingent beneficiaries, and the denominator of which is the sum of both resident noncontingent and nonresident noncontingent beneficiaries. An example follows the line instructions. (For an explanation of inter vivos trust and noncontingent beneficiary, see *Definitions* on Page 4.)

Line 1

Enter the number, if any, of resident noncontingent beneficiaries on Line 1.

Line 2

Enter the number of nonresident noncontingent beneficiaries on Line 2.

Line 3

Add Lines 1 and 2 and enter the result on Line 3.

Line 4

Divide Line 1 by Line 3 and enter the result as a decimal on Line 4. Round to four decimal places.

If the trust is a full-year resident inter vivos trust, enter this decimal on **Form CT-1041, Schedule C**, Line 11.

If the trust is a part-year resident inter vivos trust, enter this decimal on **Form CT-1041, Schedule CT-1041FA, Fiduciary Allocation**, Part 1, Line 5.

Example: Mr. Jones, a Connecticut resident, established an irrevocable trust in 1989 for the benefit of his three grandchildren, beneficiaries A, B, and C. Since the trust consists of property transferred from a Connecticut resident, the trust is considered a *resident trust*. Because the trust was not created by the will of the decedent, the trust is an *inter vivos trust*. The trust agreement permits the trustee to distribute income or corpus (or both) to all three beneficiaries during the year. This makes all three beneficiaries *noncontingent beneficiaries*. Beneficiaries A and B are Connecticut residents but beneficiary C is a Vermont resident. Since there are one or more nonresident noncontingent beneficiaries, the fiduciary of this trust must complete **Form CT-1041, Schedule B**, Part 2 as follows:

1. Indicate the number, if any, of resident noncontingent beneficiaries.	2
2. Indicate the number of nonresident noncontingent beneficiaries.	1
3. Add Lines 1 and 2.	3
4. Divide Line 1 by Line 3 and enter as a decimal to four places.	0.6667

The decimal on Line 4 (rounded to four decimal places) is entered on **Form CT-1041, Schedule C**, Line 11.

If the trust in the example is a part-year resident trust, the amount on Line 4 is entered on **Form CT-1041, Schedule CT-1041FA**, Part 1, Line 5.

INSTRUCTIONS FOR SCHEDULE C

IMPORTANT: Verify line references from federal Form 1041 at time of completing this schedule. See note on cover.

Resident estates or full-year resident trusts must complete this schedule to calculate Connecticut taxable income.

Lines 1, 2, and 3

Each **resident estate or full-year resident trust**, except for Quick-Filers, must select one of the applicable boxes pertaining to the status of its beneficiaries. Inter vivos trusts with nonresident noncontingent beneficiaries calculate Connecticut taxable income differently than other trusts. (For further information see *Connecticut Taxable Income for Certain Inter Vivos Trusts* on Page 6.)

Check **Box 1 for a resident trust or estate without any nonresident beneficiaries**. Proceed to Line 4 of the instructions. (Skip Lines 7 through 13.)

Check **Box 2 for a resident estate or a resident testamentary trust with one or more nonresident beneficiaries or an inter vivos trust with nonresident contingent beneficiaries but without any nonresident noncontingent beneficiaries**.

- Complete *Schedule CT-1041FA*, Parts 3 and 2, before proceeding to Line 4 of the instructions. (Skip Lines 7 through 13.)

Check **Box 3 for a resident inter vivos trust with one or more nonresident noncontingent beneficiaries**.

- Complete *Schedule CT-1041FA*, Parts 3 and 2, before proceeding to Line 4 of the instructions. (Be sure to complete Lines 7 through 14.)
- You must complete Questions A, B, and C on Page 2 of **Form CT-1041**. All inter vivos trusts claiming a resident noncontingent beneficiary percentage on *Schedule B*, Part 2, must complete Question A or this percentage could be disallowed.

Line 4 - Federal Taxable Income of Fiduciary

Enter on Line 4 the amount of federal taxable income of the fiduciary as reported on federal Form 1041, Line 22.

Line 5 - Fiduciary's Share of Connecticut Fiduciary Adjustment

Enter on Line 5, the fiduciary's share of the Connecticut fiduciary adjustment from *Schedule B*, Part 1, Line e, Column 5. This may be a positive or negative number.

Line 6 - Gross Taxable Income of Fiduciary as Modified

Combine Line 4 and Line 5 and enter the result on Line 6.

Full-year resident inter vivos trusts with one or more nonresident noncontingent beneficiaries complete Lines 7 through 14 — all others go to Line 14 instructions.

Line 7 - Fiduciary's Share of Income From Connecticut Sources

Enter the fiduciary's share of income derived from or connected with sources within Connecticut from *Schedule CT-1041FA*, Part 2, Line e, Column 3.

Line 8

Enter on Line 8a, the amount from *Schedule CT-1041FA*, Part 3, Line 4, Column b. Enter on Line 8b, the amount from *Schedule CT-1041FA*, Part 3, Line 18, Column b. Subtract Line 8b from Line 8a and enter the result on Line 8c.

Line 9 - Income From Connecticut Sources of Fiduciary as Modified

Add Line 7 and Line 8c and enter the result on Line 9.

Line 10 - Connecticut Taxable Income of Fiduciary From Non-Connecticut Sources as Modified

Subtract Line 9 from Line 6 and enter the result on Line 10.

Line 11 - Percentage of Resident Noncontingent Beneficiaries

Enter on Line 11 the decimal, rounded to four places, from **Form CT-1041**, *Schedule B*, Part 2, Line 4.

Line 12 - Connecticut Taxable Portion of Non-Connecticut Source Income of Fiduciary

Multiply Line 10 by Line 11 and enter the result on Line 12.

Line 13 - Connecticut Taxable Income of Fiduciary of a Resident Inter Vivos Trust With One or More Nonresident Noncontingent Beneficiaries

Add Line 9 and Line 12 and enter the result on Line 13.

Line 14 - Connecticut Taxable Income of Fiduciary

If the taxpayer is a resident inter vivos trust with one or more nonresident noncontingent beneficiaries, enter the amount from Line 13. Otherwise, enter the amount from Line 6.

The amount on Line 14 must also be entered on **Form CT-1041**, Line 1.

INSTRUCTIONS FOR SCHEDULE CT-1041FA

IMPORTANT: Verify line references from federal Form 1041. See note on cover.

Schedule CT-1041FA, *Fiduciary Allocation*, must be completed and attached to **Form CT-1041** that is filed for a:

1. Nonresident trust or estate having income derived from or connected with sources within Connecticut;
2. Part-year resident trust;
3. Resident trust or estate with a nonresident beneficiary; **or**
4. Resident inter vivos trust with one or more nonresident noncontingent beneficiaries.

Refer to the front page of *Schedule CT-1041FA* to determine which parts must be completed and in what order.

Part 1 - Computation of Connecticut Tax of a Nonresident Estate or Trust and Part-Year Resident Trust

Line 1 - Federal Taxable Income of Fiduciary

Enter the federal taxable income of the fiduciary as reported on federal Form 1041, Line 22.

Line 2 - Fiduciary's Share of Connecticut Fiduciary Adjustment

Enter on Line 2 the amount from **Form CT-1041**, *Schedule B*, Part 1, Line e, Column 5. This may be a positive or negative number.

Line 3 - Gross Taxable Income of Fiduciary as Modified

Add Line 1 and Line 2 and enter the result on Line 3.

Line 4 - Connecticut Taxable Income of Fiduciary From Connecticut Sources

To determine the Connecticut taxable income of the fiduciary from Connecticut sources, complete the *Schedule CT-1041FA - Line 4 Worksheet* below:

<i>Schedule CT-1041FA - Line 4 Worksheet</i>	
a. Fiduciary's share of income from Connecticut sources from <i>Schedule CT-1041FA</i> , Part 2, Line e, Column 3.	
b. Subtract the amount on <i>Schedule CT-1041FA</i> , Part 3, Line 18, Column b from the amount on Part 3, Line 4, Column b. Enter result here.	
c. Subtotal (Add Line a and Line b).	

Part-year resident inter vivos trusts with nonresident noncontingent beneficiaries, complete Lines a through i. All others, enter Subtotal from Line c on Schedule CT-1041FA, Part 1, Line 4, and go to Line 9 of Schedule CT-1041FA.

The amount entered on Line c includes the fiduciary's share of distributable net income and certain gains that are derived from or connected with Connecticut sources for the residency and nonresidency portions of the taxable year, and the share for the residency portion of the taxable year may include income that is not from Connecticut sources. If so, complete Lines d through i to determine the amount to be subtracted from the amount entered on Line c.

d. Enter the portion of the amount on <i>Schedule CT-1041FA</i> , Part 3, Line 24, Column b, that was non-Connecticut source income during the residency portion of the taxable year.	
e. Enter the percentage from Form CT-1041 , <i>Schedule B</i> , Part 1, Line e, Column 4.	
f. Multiply Line d by Line e.	
g. Enter the portion of Line b that was non-Connecticut source income during the residency portion of taxable year.	
h. Subtotal (Add Line f and Line g).	
i. Total (Subtract Line h from Line c and enter the result here and on <i>Schedule CT-1041FA</i> , Part 1, Line 4).	

Complete Lines 5 through 8 only for part-year resident inter vivos trusts with nonresident noncontingent beneficiaries.

Line 5 - Percentage of Resident Noncontingent Beneficiaries

Enter on Line 5 the decimal (rounded to four places) from **Form CT-1041**, *Schedule B*, Part 2, Line 4.

Line 6 - Connecticut Taxable Income of Fiduciary From Non-Connecticut Sources During the Residency Portion of the Taxable Year as Modified

Enter on Line 6 the amount from *Schedule CT-1041FA - Line 4 Worksheet*, Line h above.

Line 7 - Connecticut Taxable Portion of Non-Connecticut Source Income of Fiduciary

Multiply Line 6 by Line 5 and enter the result on Line 7.

Line 8 - Connecticut Taxable Income of Fiduciary of a Part-Year Resident Inter Vivos Trust With Nonresident Noncontingent Beneficiaries

Add Line 4 and Line 7 and enter the result on Line 8.

Line 9

For a part-year resident inter vivos trust with nonresident noncontingent beneficiaries, enter the amount from Line 8. Otherwise, enter the greater of Line 3 or Line 4.

Line 10 - Connecticut Income Tax

Multiply Line 9 by 4.5% (.045) and enter the result on Line 10. If Line 9 is less than zero, enter "0."

Line 11

Part-year resident inter vivos trusts with one or more nonresident noncontingent beneficiaries:

- If Line 9 is greater than zero, enter 1.0000.
- If Line 9 is less than or equal to zero, enter "0."

All others:

- If Line 4 is greater than zero and Line 4 is greater than or equal to Line 3, enter 1.0000.
- If Line 4 is greater than zero and less than Line 3, divide Line 4 by Line 3, and enter the result as a decimal on Line 11. Round to four decimal places.
- If Line 4 is less than or equal to zero, enter "0."

Line 12 - Allocated Connecticut Tax

Multiply Line 10 by Line 11. Enter the result here and on **Form CT-1041**, Line 3.

Part 2 - Fiduciary's and Beneficiary's Share of Income From Connecticut Sources

The federal distributable net income derived from or connected with sources within Connecticut (Part 3, Line 24, Column b) is allocated in Part 2 to the trust or estate (fiduciary) and its beneficiaries in proportion to their respective shares in the federal distributable net income of the trust or estate. If Part 3, Line 24, Column b is zero, do not complete Part 2.

Columns 1 and 2

Using Columns 3 and 4 of **Form CT-1041**, *Schedule B*, Part 1, enter the respective amount and percentage of federal distributable net income of each beneficiary and of the fiduciary on the appropriate lines of Columns 1 and 2. List beneficiaries in the same order as used on **Form CT-1041**, *Schedule B*, Part 1, Column 1. The entries on *Schedule B*, Part 1, Columns 3 and 4, and *Schedule CT-1041FA*, Part 2, Columns 1 and 2 are identical.

For resident beneficiaries, their entire distributable share of trust or estate income, not just the portion derived from or connected with Connecticut sources, is included in their Connecticut adjusted gross income.

Column 3

Enter on the Total Line of Column 3, the amount entered on Part 3, Line 24, Column b.

Determine the share of each nonresident beneficiary or of the fiduciary of a nonresident estate or trust or part-year resident trust in the total amount by multiplying the total in Column 3 by the percent in Column 2. For part-year resident trusts, the amounts in Column 3 for nonresident beneficiaries should not include amounts received during the residency portion of the taxable year that were not derived from or connected with sources within Connecticut.

IMPORTANT: The fiduciary must provide each nonresident beneficiary with a schedule of income derived from or connected with sources within Connecticut to include on his or her **Form CT-1040NR/PY, Schedule CT-SI**.

Part 3 - Details of Federal Distributable Net Income and Amounts of Income Derived From or Connected With Sources Within Connecticut

Enter in Column a the amount reported on federal Form 1041 as modified for the applicable items reported on **Form CT-1041, Schedule A, Connecticut Fiduciary Adjustments**. For information on federal amounts which may be modified, such as a shareholder's share of S corporation nonseparately computed income or loss, if the S corporation's taxable year for federal income tax purposes is other than the calendar year, or the gain or loss on the sale of Connecticut state and local government bonds, see *Instructions For Schedule A*, on Page 19. Enter in Column b the portion of each amount in Column a that is income or deductions derived from or connected with sources within Connecticut.

Passive Activity Loss Limitations

In completing Column b, recompute any deduction for passive activity losses to determine the amounts that would be allowed if the federal taxable income took into account only items of income, gain, loss, or deduction of income derived from or connected with sources within Connecticut.

Part-Year Resident Trusts Only

For a part-year resident trust, include in Column b all income during the residency portion of the taxable year and all income derived from or connected with sources within Connecticut during the nonresidency portion of the taxable year. If the trust was a part-year resident trust, include in Column b all items of special accruals. See *Special Accruals* on Page 8.

Do not include in Column b any capital loss carried over from taxable years prior to 1991.

Part-year resident inter vivos trusts with one or more nonresident noncontingent beneficiaries should create a

worksheet for *Schedule CT-1041FA*, Part 3, Column b. This worksheet should indicate the amount from Column b that is attributable to non-Connecticut source income during the residency portion of the taxable year. Use this determination to complete the worksheet for *Schedule CT-1041FA*, Part 1, Line 4, on Page 23.

Line 1 and Line 2 - Interest Income and Dividends

Report on Line 1 and Line 2 of Column b, income from interest and dividends included in Column a that is from a trade or business carried on in Connecticut. Also include amounts which relate to items of income, gain, loss, or deduction of the trust or estate derived from or connected with sources within Connecticut. Include in Column a and, if applicable, Column b, interest on state and local obligations other than Connecticut and exempt-interest dividends on state and local obligations other than Connecticut.

However, do not include in Column a or Column b any income which is exempt from state taxes under the laws of the United States or of Connecticut, such as interest on United States government bonds or dividends from qualifying mutual funds that are derived from U.S. government obligations. A mutual fund is a qualifying fund if at the close of each quarter of its taxable year, at least 50% of the value of its assets consists of U.S. government obligations.

Line 3 - Business Income (or Loss)

Enter in Column b the net profit from a trade or business carried on in Connecticut by the trust or estate. If business is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the business, enter on Line 3, Column b, the net profit from business carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the business, refer to **Form CT-1040NR/PY, Schedule CT-1040BA**, for instructions on how to determine the portion related to the Connecticut business operations.

Line 4 - Capital Gain (or Loss)

Enter in Column b, the amount of capital gain (or loss) from income derived from or connected with sources within Connecticut.

Part-Year Residents and Nonresidents: Do not include in Column b a capital loss carried over from taxable years prior to 1991. (See *Conn. Agencies Regs. §12-711(b)-6*)

Line 5 - Rents, Royalties, Partnerships, Other Trusts and Estates

Include in Column b net rents and royalties from:

1. Real property situated in Connecticut whether or not used in or connected with a business;
2. Tangible personal property not used in or connected with a business, if such property has an actual location in Connecticut; **and**

3. Tangible and intangible personal property used in or connected with a trade or business carried on in Connecticut by the trust or estate.

If the trust or estate is a partner in a partnership, its distributive share of partnership income, gain, loss, or deduction derived from or connected with Connecticut sources is entered in Column b. This information is reported by the partnership on **Form CT-1065, Connecticut Partnership Income Tax Return**.

Line 6 - Farm Income (or Loss)

Enter in Column b, the net profit from farming carried on in Connecticut by the trust or estate. If farming is carried on both within and outside of Connecticut and the Connecticut income can be adequately determined from the books and records of the farm, enter on Line 6, Column b, the net profit from farming carried on in Connecticut. If the Connecticut income cannot be adequately determined from the books and records of the farm, refer to **Form CT-1040NR/PY, Schedule CT-1040BA**, for instructions on how to determine the portion related to the Connecticut business operations.

Line 7 - Ordinary Gain (or Loss)

Enter in Column b, the amount of any ordinary gain (or loss) from federal Form 4797 derived from or connected with sources within Connecticut.

Line 8 - Other Income

Enter in Column b any income derived from or connected with sources within Connecticut that is not reportable elsewhere in Part 3. If the trust or estate is a shareholder of an S corporation, and the S corporation's taxable year for federal income tax purposes is other than the calendar year, enter in Column b its pro rata share of S corporation separately stated income or loss derived from or connected with Connecticut sources. Also enter in Column b its pro rata share of the S corporation's nonseparately stated items of income or loss (to the extent includable in Connecticut taxable income of the fiduciary) that are derived from or connected with Connecticut sources. (The S corporation should provide this information, which is reported in Part V of the S corporation's **Form CT-1120SI**, to you.) If its share includes items of income, such as dividends or capital gains, those items must be included elsewhere on the appropriate lines of *Schedule CT-1041FA*.

Part-Year Residents and Nonresidents: Do not include in Column b any net operating loss carried over from taxable years prior to 1991.

Line 9

Add Lines 1 through 8 and enter the total on Line 9.

Lines 10 through 14

Enter in Column b only that portion of each item of deduction reported in Column a that relates to income derived from or connected with sources within Connecticut (as reported in Column b on Lines 1 through 8).

Line 15

Enter on Line 15, Column a, the deduction allowed to trusts and estates under I.R.C. §642(b). Use the following calculation to determine the amount of the §642 deduction to be reported on Line 15, Column b:

$$\text{Line 15, Column b} = \frac{\text{Part 3, Line 9, Column b}}{\text{Part 3, Line 9, Column a}} \times \text{Line 15, Column a}$$

Line 16

Add Lines 10 through 15 and enter the total on Line 16.

Line 17 - Adjusted Total Income (or Loss)

Subtract Line 16 from Line 9 and enter the result on Line 17.

For Lines 18 through 24 enter in Column b only that portion of Column a that relates to Connecticut sources.

Line 18

Enter on Line 18, Column a, the amount from federal Form 1041, Schedule D, Line 16, Column 1.

Line 19

Enter on Line 19, Column a, the amount from federal Form 1041, Schedule A, Line 1 (long term and short term capital gain portion only).

Line 20

Enter on Line 20, Column a, the amount from federal Form 1041, Schedule A, Line 4.

Line 21

If the amount on Line 4 of this schedule is a loss, enter that amount on Line 21, Column a (as a positive figure). Otherwise, enter "0."

Line 22

Add Lines 17 through 21 and enter the total on Line 22.

Line 23

If Line 4 above is a gain, enter that amount on Line 23. Otherwise, enter "0."

Line 24 - Distributable Net Income

Subtract Line 23 from Line 22 and enter the result on Line 24. Enter the amount from Part 3, Line 24, Column b on Part 2, TOTAL Line, Column 3.

Amended Returns

Use **Form CT-1041** to amend a previously filed Connecticut income tax return. Check the *Amended Return* box on the front of Form CT-1041. Enter the amount paid with the original return on Line 12. If an amended Form CT-1041 is filed to have an overpayment of Connecticut income tax refunded or credited, it must be filed before the Connecticut statute of limitations expires. Generally, the Connecticut statute of limitations for refunding or crediting any Connecticut income tax overpayment expires three years after the due date of the return, but if a timely request for an extension of time to file a return was filed, the statute of limitations expires three years after the extended due date of the return, or three years after the date of filing the return, whichever is earlier. If an amended return is not timely filed, a penalty may be imposed. If additional tax is due, interest will apply. See *Interest and Penalties*, on Page 11. The following circumstances require the filing of an amended Form CT-1041.

1. The IRS or federal courts change or correct the federal income tax return, and the change or correction results in the trust's or estate's Connecticut income tax being overpaid or underpaid.	File no later than 90 days after the final determination. If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate, even if the Connecticut statute of limitations has otherwise expired.
2. The fiduciary of the trust or estate filed a timely amended federal income tax return, and the amendment results in the Connecticut income tax being overpaid or underpaid.	File no later than 90 days after the date you filed a timely amended federal income tax return. If the fiduciary files an amended Form CT-1041 no later than 90 days after the date of filing the timely amended federal income tax return, any Connecticut income tax overpayment resulting from filing the timely amended federal income tax return will be refunded or credited to the trust or estate, even if the Connecticut statute of limitations has otherwise expired.
3. The fiduciary claimed a credit for income tax paid to a qualifying jurisdiction on the original income tax return and the tax officials or courts of that qualifying jurisdiction made a change or correction to the income tax return and the change or correction results in the Connecticut income tax being overpaid or underpaid (by increasing or decreasing the amount of the allowable credit).	File no later than 90 days after the final determination. If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate, even if the Connecticut statute of limitations has otherwise expired.
4. The fiduciary claimed a credit for income tax paid to a qualifying jurisdiction on the original income tax return and the fiduciary filed a timely amended income tax return with that qualifying jurisdiction, and the amendment results in the Connecticut income tax being overpaid or underpaid (by increasing or decreasing the amount of the allowable credit).	File no later than 90 days after the date you filed an amended return with the qualifying jurisdiction. If the fiduciary files an amended Form CT-1041 no later than 90 days after the final determination, any Connecticut income tax overpayment resulting from the final determination will be refunded or credited to the trust or estate, even if the Connecticut statute of limitations has otherwise expired.
5. None of the above circumstances apply, but the fiduciary made a mistake or omission on the Connecticut income tax return, and the mistake or omission results in the Connecticut income tax being overpaid or underpaid.	File no later than three years after the due date of the return, or if you filed a timely request for an extension of time to file, three years after the date of filing the return, or three years after the extended due date, whichever is earlier.

Do not file an amended **Form CT-1041** to have an overpayment refunded instead of applied to next year's estimated tax or to change contributions made to designated funds. The elections that you made on the original return cannot be changed by filing an amended Form CT-1041.

Financial Disability

If you are financially disabled, as defined in I.R.C. §6511(h)(2), the statute of limitations for having an

overpayment of Connecticut income tax refunded or credited to you is extended for as long as you are financially disabled. You are considered 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 considered financially disabled during any period that your spouse or any other person is authorized to act on your behalf in financial matters.

CONNECTICUT TAX ASSISTANCE

FOR TAX INFORMATION

- Visit the DRS Web site at:
www.drs.state.ct.us
- Call **CONN-TAX**:
1-800-382-9463 (toll-free from within Connecticut) or
860-297-5962 (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

Personal taxpayer assistance is available during business hours listed at right. Extended hours are offered January through April. Call Conn-Tax or visit our Web site for details.

- Write to:
Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford CT 06106-5032

FORMS AND PUBLICATIONS

May be obtained 24 hours a day, seven days a week by using any of the following resources:

- **Internet**
Preview and download forms and publications from the DRS Web site at: www.drs.state.ct.us
- **DRS TaxFax**
Call **860-297-5698** from the handset attached to your fax machine and select from the menu; or
- **Telephone**
From a touch-tone phone call:
1-800-382-9463 (toll-free from within Connecticut) and select **Option 2**, or
860-297-4753 (from anywhere).

WALK-IN OFFICES

For free assistance or forms, visit our offices from Monday through Friday 8:00 a.m. to 5:00 p.m. For pre-recorded directions to DRS offices call CONN-TAX. If you require special accommodations, please advise the DRS representative.

BRIDGEPORT
10 Middle Street
203-579-6251

HAMDEN
3074 Whitney Avenue, Bldg. #2
203-287-8243

HARTFORD
25 Sigourney Street
860-297-5962

NORWICH
2 Cliff Street
860-889-2669

WATERBURY
Rowland State Government Center
55 West Main Street, Suite 100
203-805-6789

STATEWIDE SERVICES

For information on statewide services and programs, visit the ConneCT Web site at www.state.ct.us

For questions about federal taxes, contact the Internal Revenue Service (IRS) at 1-800-829-1040.
To order federal tax forms, call 1-800-829-3676.

DEPARTMENT OF REVENUE SERVICES MISSION STATEMENT

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient, and courteous customer services; and perform in a manner which instills public confidence in the integrity, and fairness of the state's tax programs.

State of Connecticut, Department of Revenue Services
25 Sigourney Street, Hartford CT 06106-5032

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