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Connecticut Income Tax Information for Armed Forces Personnel and Veterans

Purpose: This publication explains how Connecticut income tax laws apply to both veterans of the US armed forces and members of the US armed forces on active duty. It explains the treatment of members of the armed forces and their spouses for Connecticut domicile and residency status, how Connecticut taxes the types of income they receive, how to file a Connecticut income tax return, and how to seek an extension of time to file a return under special conditions that apply to certain types of service assignments. This publication also addresses the impact of the Military Spouses Residency Relief Act (MSRRA) and the Veterans Benefits and Transition Act of 2018 on the rules relating to the domicile or residence of a military spouse for Connecticut income tax purposes.

Effective Date: On or after January 1, 2018.

Definitions: Definitions for Connecticut income tax purposes include:

A **combat zone** is an area designated by the President of the United States as a combat zone by executive order. A combat zone also includes an area designated by the federal government as a qualified hazardous duty area.

If you served in a combat zone or if you were injured and hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone, see Page 2 for instructions for filing a Connecticut income tax return.

A **contingency operation** is an armed forces operation generally designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing force. A contingency operation exists if the military operation results in the call to or retention of active duty members of the uniformed services during a war or national emergency declared by the President or Congress.

Resident: You are a resident if you are domiciled in Connecticut unless you meet the Group A or Group B Exceptions (see Page 6) or if you are not domiciled in Connecticut, but maintain a permanent place of abode in Connecticut and spend, in the aggregate, more than 183 days of the taxable year in Connecticut.

Nonresident: You are a nonresident if you are not a resident as defined above or if you meet the Group A or Group B Exceptions. See Page 6.

Part-Year Resident: You are a part-year resident if you changed your domicile (permanent legal residence) during the taxable year so neither Connecticut nor another jurisdiction was your domicile for the entire taxable year. A part-year resident is subject to tax on all income earned during the residency portion of his or her taxable year and on income from Connecticut sources during the nonresident portion of the taxable year.

Domicile and permanent place of abode: To determine your resident status for Connecticut income tax purposes, you must consider where your domicile was before you entered the armed forces and where you maintained a permanent place of abode during the taxable year.

Your **domicile** (permanent legal residence) is the place you intend to have as your permanent home. It is the place you intend to return to whenever you are away. You can have only one domicile although you may have more than one place to live. This also applies if you are working in a foreign country.

Your domicile does not change until you move to a new location and definitely intend to make your permanent home there. If you move to a new location but intend to stay there only for a limited period of time (no matter how long), your domicile does not change. Armed forces assignments do not generally affect your domicile.

If you have questions as to your state of domicile, contact your military Legal Assistance Office.

A **permanent place of abode** is a residence (a building or structure where a person can live) that you permanently maintain, whether or not you own it, and generally includes a residence owned by or leased to your spouse. A place of abode is not considered permanent if you maintain it only during a temporary stay for the accomplishment of a particular purpose.

The determination of whether an individual in the armed forces maintains a permanent place of abode outside Connecticut does not depend solely upon whether the individual lives on or off base. Other factors include the type and location of quarters occupied by the individual and how and by whom the quarters are maintained.

A temporary duty assignment does not change your permanent place of abode.

Barracks, bachelor officer's quarters, quarters on a ship, or any structure that contains only dormitory-type quarters and not facilities ordinarily found in a dwelling, such as facilities for cooking and bathing, generally do not qualify as a permanent place of abode.

Armed forces of the United States means Army, Navy, Air Force, Marine Corps and Coast Guard.

National Guard means Army National Guard and Air National Guard.

Servicemember means a member of the uniformed services as the term is defined in 10 U.S.C. § 101(a)(5).

Military spouse is a spouse of a servicemember.

Veterans: Disability pensions and any other benefits granted for relief of injuries or disabled veterans, as well as tuition payments, subsistence allowances, and any other benefits paid to or on account of a veteran or beneficiary under the laws relating to veterans are treated the same for Connecticut income tax purposes as for federal income tax purposes. If these amounts are excludable from gross income for federal income tax purposes, they are not subject to Connecticut income tax.

When computing Connecticut adjusted gross income (AGI), Connecticut law allows a retired member of the armed forces of the United States or National Guard to subtract from federal AGI 100% of the income received from the US government as retirement pay. This subtraction modification is allowed only to the extent the military retirement pay is properly includible in federal adjusted gross income (AGI).

Survivor benefits received by a beneficiary under an option or election made by a retired member, and that began upon the member's death, are also covered by this modification.

Payments received by a former spouse of a retired military member, under a final decree of divorce, dissolution, annulment, or legal separation or a court ordered, ratified, or approved property settlement

incident to a decree dividing military retirement pay, do not qualify for the 100% retirement pay exclusion. If you are a nonresident of Connecticut, your armed forces pension is not Connecticut-sourced income.

Serving in a Combat Zone or Contingency

Operation: An area generally becomes a **combat zone** and ceases to be a combat zone on the dates the President of the United States designates by executive order.

The following tax relief provisions apply to members of the armed forces and support personnel who:

- served or are currently serving in a combat zone or qualified hazardous duty area;
- are serving in a contingency operation; **or**
- are injured or hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone or contingency operation.

Extension of time to file return: Your Connecticut income tax return is due 180 days after whichever event is later:

- The last day of service in a combat zone or contingency operation or the last day the area is designated as a combat zone or contingency operation; **or**
- The last day of continuous hospitalization inside or outside Connecticut as a result of wounds, disease, or injury incurred while serving in a combat zone or contingency operation.

Spouses of armed forces personnel and civilians supporting the armed forces in these regions who are away from their permanent duty stations, but are not within the designated combat zone or contingency operations, are also eligible for the extension. Individuals requesting an extension under combat zone or contingency operations provisions should print both the name of the combat zone or contingency operation and the operation they served with at the top of their Connecticut return. This is the same combat zone or contingency operation name that they were instructed to print on their federal income tax return.

The same time extensions that apply to filing your return also extend the date for you and for the Department of Revenue Services (DRS) to:

- Pay Connecticut income tax and any use tax reportable on your Connecticut income tax return. See **Informational Publication 2019(3), Q & A on the Connecticut Individual Use Tax**;
- File a written protest with the Appellate Division of DRS for a proposed assessment or proposed disallowance;

- Take an appeal to the Superior Court for the Judicial District of New Britain from any final determination or disallowance by the Commissioner of Revenue Services;
- File an amended Connecticut income tax return reporting an overpayment to be refunded or credited to you;
- Conduct an audit and make an assessment of any income tax (by DRS);
- Send any notice or demand (by DRS) for payment of any income tax; **and**
- Collect any tax due (by DRS).

If you are entitled to an extension due to military service in a combat zone or contingency operation and you receive a DRS notice of examination or of any action covered by these provisions, contact DRS or your military Legal Assistance Office. No penalties or interest will be imposed for failure to file a return or pay taxes during the extension period.

Special Pay: Because combat pay and hostile fire or imminent danger special pay are not taxable for federal income tax purposes, they are not subject to Connecticut income tax.

Decedents: For any individual who dies while on active duty in a combat zone or as a result of injuries received in a combat zone:

- No income tax or return is due for the year of death or for any prior taxable year on or after the first day serving in a combat zone.
- Any tax due for those years which is unpaid at the date of death, including interest, additions to tax, and penalties, if any, will not be assessed. If assessed, the assessment will be abated, and if collected, it will be refunded to the legal representative of the estate.
- If any tax was previously paid for those years, the tax will be refunded to the legal representative of the estate or to the surviving spouse upon the filing of a return on behalf of the decedent.

In filing the return on behalf of the decedent, the legal representative or the surviving spouse should enter zero tax due and attach a statement to the return along with a copy of the death certificate. If the surviving spouse and the decedent filed a joint return for the year of death, only the decedent's part of the tax liability is eligible for the refund. To determine the decedent's portion of the joint liability, the surviving spouse must allocate income, deductions, and Connecticut additions and subtraction modifications in the same way they would have allocated it if the spouses had filed separate returns.

Nonresident Members Whose Armed Forces Pay Is Their Only Source of Income: If your permanent legal residence (domicile) was outside Connecticut when you entered the armed forces, you do not become a Connecticut resident because you are stationed and live in Connecticut.

If you and your spouse (if married) have no income other than your armed forces pay, you and your spouse are not subject to Connecticut income tax and are not required to file a Connecticut income tax return because you have no Connecticut-sourced income. See Examples 4A and 5A on Pages 8 and 9.

Nonresident Members With Connecticut-Sourced Income: Other non-armed forces income you receive from Connecticut sources while you are a nonresident is subject to Connecticut income tax. For example, if you are employed in Connecticut during your off-duty hours, your non-armed forces wages are subject to Connecticut income tax. If you have income or gain from property located in Connecticut or from a business, trade, or profession carried on in Connecticut, this income or gain is also subject to Connecticut income tax.

If you have other income in addition to your armed forces pay and that income is Connecticut-sourced, the Servicemembers Civil Relief Act, Pub. L. No. 108-189 provides that you may compute your Connecticut AGI by subtracting your armed forces pay, to the extent includible in your federal AGI, from your federal AGI. You are allowed to use this method to calculate the rate at which your other income is taxed for Connecticut income tax purposes only:

- If you are a nonresident of Connecticut; **or**
- If, under either the Group A or Group B Exception (see Page 6), you are treated as a nonresident of Connecticut although you are domiciled in Connecticut.

Spouses of armed forces personnel who are stationed in Connecticut may be considered residents of this state even if their domicile is elsewhere. See *Military Spouses* below.

Military Spouses: The Military Spouses Residency Relief Act, Pub. L. No. 111-97 (MSRRA), amended the Servicemembers Civil Relief Act (SCRA) to provide that if the servicemember and the military spouse have the same state of residence or domicile, then the military spouse will not be considered to have lost or acquired a residence or domicile in any state for purposes of income tax solely by reason of being absent from or present in that state to be with the servicemember

serving in compliance with military orders. This is referred to as the MSRRA exemption.

The Veterans Benefits and Transition Act of 2018, Pub. L. No. 115-407, further amended the SCRA to provide that, for any taxable year of the marriage, the military spouse of a servicemember may elect to use the same state of residence as the servicemember for state and local tax purposes regardless of when or where the two individuals were married. The election must be made on a yearly basis, and can be made for any taxable year beginning with taxable year 2018.

Military Spouses who previously did not qualify for the MSRRA exemption because their state of residence or domicile was different from the servicemember's, can now elect to use, for state income tax purposes, the same state of residence as the servicemember and qualify for the MSRRA exemption.

For purposes of this publication, the term "MSRRA exemption" is used to refer to the exemption under the original MSRRA legislation and to the additional election allowed by the Veterans Benefits and Transition Act of 2018.

Income exempt from Connecticut income tax:

Generally, income received by a nonresident is subject to Connecticut income tax if the income is Connecticut-sourced income. However, under the MSRRA, the income received by a military spouse for services performed in Connecticut is not considered Connecticut-sourced income if the following requirements are met:

- The military spouse and the servicemember have the same state of domicile other than Connecticut; or
- If the military spouse and the servicemember have different states of domicile other than Connecticut, the spouse elects to use the servicemember's state of domicile for state income tax purposes (Note: If Connecticut is the spouse's state of domicile, the spouse cannot make this election);
- The military spouse is in Connecticut solely to be with the servicemember; **and**
- The servicemember is in Connecticut serving in compliance with military orders.

Provided the requirements above are met, Connecticut-sourced income eligible for the MSRRA exemption is limited to:

- Wages, salaries, and other compensation for services performed in Connecticut by the military spouse as an employee; **and**
- Small business earnings if the military spouse is the sole proprietor, or the single member of a limited liability company (LLC) treated as a disregarded entity for federal income tax purposes, carrying on business in Connecticut and the income is included

in net earnings from self-employment for federal income tax purposes.

The MSRRA exemption does not apply to pass-through entity income (including S corporations with a sole shareholder), real estate rental income, and royalties. Other income such as interest and dividends are not taxable to an MSRRA qualifying taxpayer to the same extent the income would not be taxable to any other nonresident.

Military spouses claiming exemption from Connecticut income tax under the MSRRA may be required to provide proof that he or she qualifies for the exemption.

The MSRRA exemption only applies to the military spouse. It does not apply to nonmilitary income earned in Connecticut by the servicemember.

Servicemember who is a Connecticut domiciliary:

If the servicemember's domicile is in Connecticut, the military spouse does not qualify for exemption from Connecticut income tax under the MSRRA.

Servicemember and spouse with same state of domicile and the servicemember is not a Connecticut domiciliary:

For Connecticut income tax purposes, a military spouse is considered a nonresident of Connecticut if the servicemember and the military spouse have the same domicile outside of Connecticut and the military spouse is in Connecticut solely to be with the servicemember who is serving in compliance with military orders.

Servicemember and spouse with different state of domicile and the servicemember and the spouse are not Connecticut domiciliaries:

If the servicemember and the military spouse have different states of domiciles, the military spouse has a permanent place of abode in Connecticut, **and** spends more than 183 days in the state in the taxable year, unless the military spouse elects to use the same state of domicile as the servicemember, the military spouse is a resident for Connecticut income tax purposes and must file **Form CT-1040**, *Connecticut Resident Income Tax Return*, or electronically file a Connecticut income tax return.

Refund of withholding: A military spouse who qualifies for the MSRRA exemption, and who, if applicable, has made the election to use the servicemember's state of domicile, who had Connecticut income tax withheld from his or her wages, may file a claim for refund of any amount withheld from his or her wages. The military spouse must file a paper **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*, write "Military Spouse" across the top of the return and attach the following documents:

- A letter signed by the military spouse stating that he or she is claiming the MSRRA exemption on the wages earned in Connecticut and that he or she meets all the requirements to claim the exemption under the MSRRA;

- If the military spouse is electing to use the state of domicile (residence) of the servicemember, the letter must include the following statement: My spouse is a servicemember stationed in the state of _____. He or she is a resident of the State of _____. I am a resident of the State of _____. Pursuant to the Veterans Benefits and Transitions Act of 2018, I elect to use the State of _____ as my state of residence for Connecticut income tax purposes for taxable year _____;
- A copy of the servicemember's Leave and Earnings Statement; **and**
- A copy of the military ID issued to the military spouse.

Special Rules on Filing Status for Spouses

Filing Status Options: The Connecticut filing status options are single, married filing jointly, married filing separately, head of household, and qualifying widow(er) with dependent child.

Your military spouse's residency or nonresidency may be affected by where you, the servicemember, are stationed if you reside together. For Connecticut income tax purposes, there are three instances where the military spouse would not qualify for the MSRRA exemption: (1) if the servicemember was a Connecticut resident (domicile) when he or she entered the armed forces; (2) if the military spouse was a Connecticut resident (domicile) at the time the servicemember moved to Connecticut in compliance with military orders; **or** (3) if the servicemember and the military spouse have different states of domicile, other than Connecticut, and the military spouse does not elect to use the servicemember's state of residence for Connecticut income tax purposes. See *Military Spouses* on Page 3. If your military spouse does not qualify for exemption under the MSRRA, your spouse's residency status would be determined as noted below.

Generally, your military spouse is considered a resident of Connecticut if:

- Connecticut was your spouse's domicile for the entire taxable year; **or**
- Your spouse was domiciled elsewhere during the taxable year but maintained a permanent place of abode in Connecticut, spent in the aggregate more than 183 days in Connecticut during the taxable year, **and** your spouse was not a part-year resident.

Your military spouse is considered a nonresident if your spouse's domicile was in a jurisdiction other than Connecticut:

- For the entire taxable year and your spouse did not maintain a permanent place of abode in Connecticut; **or**
- During the entire taxable year and, if your spouse maintained a permanent place of abode in Connecticut, your spouse did not spend in the aggregate more than 183 days in Connecticut during the taxable year.

Your spouse is considered a part-year resident if your spouse changed his or her domicile (permanent legal residence) during the taxable year so that neither Connecticut nor another jurisdiction was your spouse's domicile for the entire year.

If you and your spouse are both Connecticut residents, your Connecticut filing status must match your filing status reported on your federal income tax return for the taxable year.

If you and your spouse are both nonresidents of Connecticut and both of you have income derived from Connecticut sources not exempt under the MSRRA, your Connecticut filing status must match your filing status reported on your federal income tax return for the taxable year. However, if only one spouse has Connecticut-sourced income, the Connecticut filing status of the spouse who is required to file a Connecticut income tax return is married filing separately unless:

- Your filing status reported on your federal income tax return is married filing jointly; **and**
- You both elect to be treated as if you both had Connecticut-sourced income for the taxable year.

If both conditions are met, you and your spouse will file a joint Form CT-1040NR/PY.

Generally, your filing status for Connecticut income tax purposes must match your federal income tax filing status for the year except as otherwise noted.

Married Filing Jointly: This is your Connecticut income tax filing status if your filing status for federal income tax purposes is married filing jointly except as noted below.

- If you are a **resident or nonresident** of Connecticut and your spouse is a **part-year resident** of Connecticut, married filing separately is your Connecticut income tax filing status.
- If you are **both part-year residents** of Connecticut but do not have the same period of residency, married filing separately is your Connecticut income tax filing status.

- If you are **both part-year residents** of Connecticut and have the same period of residency, married filing jointly is your Connecticut income tax filing status.
- If you are a **resident** of Connecticut and your spouse is a **nonresident** of Connecticut, married filing separately is your Connecticut income tax filing status unless you both elect to be treated as residents of Connecticut for the entire taxable year. In that case you will file a joint Connecticut income tax return and married filing jointly is your Connecticut income tax filing status.
- If you are **both nonresidents** of Connecticut and only one of you has income derived from or connected with sources within Connecticut, only that spouse is required to file a Connecticut income tax return and that spouse's Connecticut income tax filing status is married filing separately. However, if you both elect to file a joint Connecticut income tax return, married filing jointly is your Connecticut income tax filing status. See *Military Spouses* on Page 3.

Married Filing Separately: This is your Connecticut income tax filing status if your filing status for federal income tax purposes is married filing separately.

Qualifying Widow(er): If your filing status is qualifying widow(er) with dependent child on federal Form 1040, check the box for "Qualifying widow(er) with dependent child." Do not enter your deceased spouse's name or Social Security Number (SSN) in the spaces provided for spouse's name and spouse's SSN.

Part-Year Resident Members: If you have no income other than your armed forces pay, whether you are required to file a Connecticut income tax return depends on how much of your armed forces pay is received during the residency portion of the taxable year. If you have other income, however, the rate at which your other income is taxed for Connecticut income tax purposes is affected by the Servicemembers Civil Relief Act, Pub. L. No. 108-189. To compute your Connecticut AGI, subtract your armed forces pay from your federal AGI, to the extent includible in your federal AGI and to the extent it was received during the nonresidency portion of your taxable year.

Residents: If you are a Connecticut resident in the armed forces (and not treated as a nonresident under either the Group A Exception or Group B Exception)

and you meet either of the following conditions for the taxable year, then you must file a resident return if:

- You had Connecticut income tax withheld, made estimated Connecticut income tax payments or have PE Tax Credits that are not sufficient to cover your Connecticut tax liability; **or**
- Your federal gross income plus any income that is federally exempt, but subject to Connecticut income tax exceeds:
 - \$15,000** if your filing status is single;
 - \$12,000** if your filing status is married filing separately;
 - \$19,000** if your filing status is head of household; **or**
 - \$24,000** if your filing status is filing jointly or qualifying widow(er) with dependent child.

If your permanent residence or domicile was Connecticut when you entered the armed forces, but you were later assigned to another state or country, your domicile does not change. You are still a Connecticut resident and you are required to file Form CT-1040 and pay any tax due unless you meet all three conditions under either the Group A or Group B Exceptions.

Group A Exception

1. You did not maintain a permanent place of abode in Connecticut for the entire taxable year;
2. You maintained a permanent place of abode outside Connecticut for the entire taxable year; **and**
3. You spent a total of 30 days or less in the aggregate in Connecticut during the taxable year.

If you are domiciled in Connecticut and meet all three conditions in Group A, you are treated as a nonresident. To claim a refund of any Connecticut income tax withheld in error, you must file Form CT-1040NR/PY and attach an explanation that contains all of the following:

1. A statement that you did not maintain a permanent place of abode in Connecticut during the taxable year;
2. The location and a description of the permanent place of abode you maintained outside Connecticut and the beginning and ending dates of your stay there; **and**
3. The exact number of days you spent in Connecticut during the taxable year.

Group B Exception

1. Within any period of 548 consecutive days (the 548-day period), you are present in a foreign country (or countries) for at least 450 days;
2. During the 548-day period, you are not present in Connecticut for more than 90 days and you do not maintain a permanent place of abode in Connecticut at which your spouse (unless the spouse is legally separated) or minor children are present for more than 90 days; **and**
3. During the nonresident portion of the taxable year in which the 548-day period begins and during the nonresident portion of the taxable year in which the 548-day period ends, you are present in Connecticut for a number of days which does not exceed an amount that bears the same ratio to 90 as the number of days contained in the nonresident portion of the taxable year bears to 548.

The following calculation illustrates the Group B Exception:

$$\frac{\text{Number of days in the nonresident portion}}{548} \times 90 = \text{Maximum days allowed in Connecticut}$$

If you are domiciled in Connecticut, but meet all three conditions in Group B, you are treated as a nonresident. To claim a refund of any Connecticut income tax withheld in error, you must file Form CT-1040NR/PY (for each taxable year within the 548-day period) and attach a statement that explains how you met each of the Group B exceptions listed.

Examples for Group A Exception

Example 1: Steve was a resident of Connecticut when he joined the Army and has not established a new domicile. He does not maintain a permanent place of abode in Connecticut. He visited his parents' home in Connecticut for only two weeks during the taxable year. He lives in dormitory-type housing at his permanent duty assignment in Texas.

Steve did not meet all three conditions under the Group A Exception to be treated as a nonresident because dormitory-type housing does not qualify as a permanent place of abode. Steve is a resident of Connecticut for income tax purposes and must file a Connecticut resident income tax return.

Example 2: Moira was a Connecticut resident when she entered the Navy and has not established a new domicile. Her permanent duty assignment is

San Diego, California, where she rented an apartment for the entire taxable year.

She did not visit Connecticut during the taxable year and she does not have a permanent place of abode in Connecticut.

Renting or owning an apartment or house for the entire taxable year at a permanent duty assignment qualifies as maintaining a permanent place of abode outside Connecticut. Additionally, Moira did not maintain a permanent place of abode in Connecticut or spend more than 30 days in Connecticut during the taxable year.

Therefore, although Moira is still domiciled in Connecticut, she meets all three conditions under the Group A Exception for being treated as a nonresident for the taxable year.

Example for Group B Exception

Example 3: Jill is domiciled in Connecticut. During the period November 2, 2016, through May 3, 2018 (a period of 548 consecutive days), Jill was present in a foreign country 480 days.

During the period, Jill was present in Connecticut a total of 65 days, nine days during the period November 2, 2016, through December 31, 2016; 41 days during 2017; and 15 days during the period January 1, 2018, through May 3, 2018.

Because Jill was present in a foreign country 480 days, she meets the first requirement. Jill also meets the second requirement because she was present in Connecticut a total of 65 days during the 548-day period which is less than the maximum of 90 days allowed.

To decide if she meets the third requirement, Jill must determine if the number of days present in Connecticut during the period November 2, 2016, through December 31, 2016 (60 days), exceeds the maximum number of days allowed for the nonresident portion of the taxable year within which the 548-day period began.

The maximum number of days Jill may be present in Connecticut during the period November 2, 2016, through December 31, 2016, is ten as determined by the following computation:

$$\frac{60}{548} = \frac{d}{90}$$
$$90 \times \frac{60}{548} = d$$
$$d = 10 [9.85]$$

Because Jill was present in Connecticut nine days during the period November 1, 2016, through December 31, 2016, she did not exceed the maximum of ten days allowed for this period.

Jill must also determine if the number of days she was present in Connecticut during the period January 1, 2018, through May 3, 2018, exceeds the maximum allowed for the nonresident portion of the taxable year within which the 548-day period ended. The maximum number of days she may be present in Connecticut during the period January 1, 2018, through May 3, 2018, is 20 as determined by the following computation:

$$\frac{123}{548} = \frac{d}{90}$$
$$90 \times \frac{123}{548} = d$$
$$d = 20 [20.2]$$

Because Jill was present in Connecticut 15 days during the period January 1, 2018, through May 3, 2018, she did not exceed the maximum of 20 days allowed for this period.

Jill meets all the requirements of the Group B Exception. Therefore, she must file as a part-year resident individual for the 2016 taxable year, as a nonresident individual for the 2017 taxable year, and as a part-year resident individual for the 2018 taxable year.

Examples for Nonresidents Who Are Members of the Armed Forces

Example 4: Bob is a servicemember who was domiciled in Florida when he entered the Navy. Bob was stationed in Groton, Connecticut, for eight months during the 2018 taxable year. Sue, Bob's wife, is not a servicemember and was domiciled in California but lived in Groton with Bob in a house they rented during the entire time he was stationed there. Sue did not elect to use Bob's state of residence. For the 2018 taxable year, Bob's Navy pay includible in his federal AGI is \$38,000.

Bob is not a resident of Connecticut because armed forces personnel are considered residents of the state in which they resided when they enlisted. Because Sue does not meet the requirements under the MSRRA, she is not considered a nonresident of Connecticut. Sue is a resident of Connecticut because she maintained a permanent place of abode in Connecticut, and spent more than 183 days in Connecticut during the taxable year. Where one spouse is a resident and the other spouse is a nonresident, they are not permitted to file a joint Connecticut income tax return even if they elected

to file a joint federal income tax return unless they both elect to be treated as residents.

A. They had no other income. Bob is not required to file Form CT-1040NR/PY as married filing separately because he has no Connecticut-sourced income. Sue is not required to file Form CT-1040 as married filing separately because she has no income.

B. Bob had wages of \$10,000 from a Connecticut job during his off-duty hours. Bob's wages from his Connecticut job are Connecticut-sourced income and subject to Connecticut income tax. Because Bob has Connecticut-sourced income and meets the gross income test, he is required to file Form CT-1040NR/PY. Bob subtracts his Navy pay includible in his federal adjusted gross income (\$38,000) from his federal AGI (\$48,000) in computing his Connecticut AGI (\$10,000). Bob enters his federal AGI on Line 1 and his Navy pay on *Schedule 1*, Line 51. He enters "Exempt Military Pay" as the explanation beside Line 51. Bob carries his total subtraction modifications on Line 52 to Line 4 on the front of the form.

- If Bob files Form CT-1040NR/PY as married filing separately, he does not owe any Connecticut income tax because his Connecticut AGI is less than or equal to \$12,000.
- If Bob and Sue file jointly for federal income tax purposes for the 2018 taxable year and elect to be treated as if both were Connecticut residents, Bob and Sue file Form CT-1040 and report all their income whether or not it is from a Connecticut source. Bob's Navy pay is not subtracted from federal AGI and, along with his civilian wages, is subject to Connecticut income tax.

C. Sue had Connecticut wages of \$29,000 and interest income of \$1,000. Because Sue and Bob have different states of domicile, and she did not elect to use Bob's state of residence, Sue does not meet the requirement to claim exemption from Connecticut income tax under the MSRRA. Sue is considered a resident and must file a Connecticut resident income tax return and report all her income whether or not it is from a Connecticut source.

- If Sue files Form CT-1040 as married filing separately, she includes only her income on Form CT-1040, Line 1 (her share of the joint income reported on Line 1 of the federal return if they filed a joint return). Her income includes any income she earned in her own

name and her share of any joint income, such as interest income from a joint bank account, received in 2018.

- If Bob and Sue file jointly for federal income tax purposes for the 2018 taxable year and elect to be treated as if both were Connecticut residents. Bob and Sue file a joint Form CT-1040 and report all their income, whether or not it is from a Connecticut source. Bob's Navy pay is not subtracted from federal AGI and, along with his civilian wages, is subject to Connecticut income tax.

D. Sue had Connecticut wages of \$29,000 and interest income of \$1,000. Sue and Bob have different states of domicile but Sue elected to use Florida, Bob's state of domicile, as her state of residence for Connecticut income tax purposes. Although Sue has income from a Connecticut job and meets the gross income test, she is not required to file a Connecticut income tax return because she meets the requirements of the MSRRA and her income is not considered to be Connecticut-sourced income.

Example 5: Jim is a servicemember who was domiciled in Texas when he entered the Navy. Jim was stationed in Groton, Connecticut, during the entire 2018 taxable year. Ann, Jim's wife, is not a servicemember and is also domiciled in Texas but lived in Groton with Jim in an apartment they rented during five months of the 2018 taxable year. For the 2018 taxable year, Jim's Navy pay includible in his federal AGI was \$42,000.

Jim is not a resident of Connecticut because armed forces personnel are considered residents of the state in which they resided when they enlisted. Ann is not a resident of Connecticut because, although she maintained a permanent place of abode in Connecticut, Ann meets the requirements of the MSRRA to claim exemption from Connecticut income tax.

A. They had no other income. Jim and Ann are not required to file a Connecticut income tax return because they have no Connecticut-sourced income.

B. Jim had income of \$16,000 from a trade or business carried on in Connecticut during his off-duty hours. Jim's income from his trade or business is Connecticut-sourced income and is subject to Connecticut income tax. Because Jim has Connecticut-sourced income and meets the gross income test, he is required to file Form CT-1040NR/PY.

- If Jim files Form CT-1040NR/PY as married filing separately, he is subject to Connecticut

income tax on his Connecticut AGI of \$16,000. Jim subtracts his Navy pay includible in his federal AGI (\$42,000) from his federal AGI (\$58,000) in computing his Connecticut AGI (\$16,000). He enters \$16,000 of Connecticut-sourced income on Form CT-1040NR/PY, Line 6, and follows the instructions in the booklet to calculate the tax.

- If Jim and Ann file jointly for federal income tax purposes for the 2018 taxable year and elect to file Form CT-1040NR/PY as married filing jointly (although only Jim has Connecticut-sourced income), Jim's Navy pay includible in his federal AGI (\$42,000) is subtracted from their federal AGI (\$58,000) in computing their Connecticut AGI (\$16,000). They do not have any Connecticut income tax because their Connecticut AGI (\$16,000) is less than or equal to \$24,000.

C. Ann had wages of \$29,000 from a Connecticut job and interest income of \$1,000. Although Ann has income from a Connecticut job and meets the gross income test, she is not required to file a Connecticut income tax return because she meets the requirements of the MSRRA and her income is not considered to be Connecticut-sourced income.

Example 6: John was domiciled in Connecticut when he entered the Air Force. John was stationed in Houston, Texas, for the entire 2018 taxable year and meets all three conditions under the Group A Exception. Therefore, he is treated as a nonresident. For the 2018 taxable year, John's Air Force pay includible in his federal AGI is \$24,000.

A. John had no other income. In certain circumstances, armed forces personnel may not be treated as residents of Connecticut even though they are domiciled in Connecticut when they enlist in the armed forces. Because John was domiciled in Connecticut when he entered the Air Force, he would normally be considered a resident of Connecticut. However, since he meets all three conditions under the Group A Exception to be treated as a nonresident, he does not have to file a Connecticut return.

B. John recognized a gain of \$20,000 from the sale of property in Connecticut during the taxable year. John's gain from the sale of property in Connecticut is Connecticut-sourced income and is subject to Connecticut income tax. Because John has Connecticut-sourced income and meets the gross income test, he is required to file Form CT-1040NR/PY. John subtracts his Air

Force pay includible in his federal AGI (\$24,000) from his federal AGI (\$44,000) in computing his Connecticut AGI (\$20,000). John enters his federal AGI on Line 1 and his Air Force pay on *Schedule 1*, Line 51. He enters “Exempt Military Pay” as the explanation beside Line 51. John carries his total subtraction modifications on Line 52 to Line 4 on the front of the form. John owes Connecticut income tax on his Connecticut-sourced income of \$20,000. John follows the instructions in the booklet to calculate the tax.

Withholding and Payment of Estimated Income Tax:

If you are a Connecticut resident, your armed forces pay is subject to Connecticut income tax withholding. You should complete **Form CT-W4, Employer’s Withholding Certificate**, and provide it to your armed forces finance officer so the correct amount of Connecticut income tax is withheld from your pay. However, if you are a nonresident during the taxable year (or a resident treated as a nonresident under either the Group A or Group B Exception), you may request that no Connecticut income tax be withheld from your armed forces pay by entering Withholding Code “E” on Form CT-W4, Line 1, and filing the form with your armed forces finance officer. Do not send Form CT-W4 to DRS.

If you are the military spouse of a servicemember and you meet the requirements to claim the exemption from Connecticut income tax under the MSRRA, you must complete Form CT-W4 and follow the instructions to claim an exemption from withholding. Provide Form CT-W4 to your employer. Do not send Form CT-W4 to DRS.

If you expect to owe \$1,000 or more in Connecticut income tax after subtracting Connecticut income tax withheld during the taxable year and after taking into account any PE Tax Credit, you should make estimated Connecticut income tax payments or increase your Connecticut income tax withholding. See **Informational Publication 2019(7), *Is My Connecticut Withholding Correct?***, **Informational Publication 2018(16), *Estimated Connecticut Income Taxes***, and **OCG-7, *Office of the Commissioner Guidance Regarding the Pass-Through Entity Tax Credit***. Visit the **Taxpayer Service Center (TSC)** at portal.ct.gov/TSC or use **Form CT-1040ES, *Estimated Connecticut Income Tax Payment Coupon for Individuals***, to make estimated Connecticut income tax payments.

When to File Your Return: As a member of the armed forces, you must file your return at the same time and in the same manner as any other taxpayer. File your return as soon as possible but no later than the filing deadline. Military and support personnel serving in a combat zone, qualified hazardous duty area, or contingency operation, see *Serving in a Combat Zone or Contingency Operation* on Page 2.

Extension of Time to File Returns: To request an extension of time to file your return, you must file **Form CT-1040 EXT, *Application for Extension of Time to File Connecticut Income Tax Return for Individuals***, and pay all the tax you expect to owe on or before the due date.

You **do not** need to file Form CT-1040 EXT if you:

- Have requested an extension of time to file your federal income tax return and you expect to owe no additional Connecticut income tax for the taxable year after taking into account any Connecticut income tax withheld from your wages, any Connecticut income tax payments you have made and any PE Tax Credit you expect to receive from a pass-through entity of which you are a member; **or**
- If you pay your expected Connecticut income tax due using a credit card on or before April 15.

You **must** file Form CT-1040 EXT if you:

- Did not request an extension of time to file your federal income tax return, but you are requesting an extension of time to file your Connecticut income tax return; **or**
- You have requested an extension of time to file your federal income tax return but you expect to owe additional Connecticut income tax and wish to submit a payment with Form CT-1040 EXT.

If you file an extension request with a payment after the due date, generally April 15, DRS will deny your extension request.

US Citizens Living Abroad: If you are a US citizen or resident living outside the United States and Puerto Rico or in the US armed forces serving outside the United States and Puerto Rico and are unable to file a timely Connecticut income tax return, you must file Form CT-1040 EXT. You must also pay the amount of tax due on or before the original due date of the return. Include with Form CT-1040 EXT a statement that you are a US citizen or resident living outside the United States and Puerto Rico or in the US armed forces serving outside the United States and Puerto Rico and that you qualify for a federal automatic extension. If your application is approved, the due date will be extended for six months. If you are still unable to file

your return and you were granted an additional extension of time to file for federal purposes, you may file your Connecticut return using the federal extension due date. Submit a copy of the approved federal Form 2350, Application for Extension of Time to File U.S. Income Tax Return, by attaching it to the front of your Form CT-1040.

Group B Exception: If you believe that you will ultimately meet all three requirements of the Group B Exception and you need additional time to file your return, you may apply for a further extension of time to file by attaching a letter to a subsequently filed Form CT-1040 EXT explaining why additional time to file is being requested. This request must be made before the expiration of the original extension.

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

If you do not pay the tax when due, you will owe interest at the rate of 1% per month or fraction of a month until the tax is paid in full.

If you did not pay enough tax through withholding or estimated payments, or both, by any installment due date or if your PE Tax Credit is not sufficient to cover your Connecticut income tax liability, you may be charged interest. This is true even if you are due a refund when you file your tax return.

Interest on underpayments or late payments of tax cannot be waived.

The penalty for late payment or underpayment of income tax or use tax is 10% of the tax due. If a request for an extension of time has been granted, you can avoid a penalty for failure to pay the full amount due by the original due date if you pay:

- At least 90% of the income tax shown to be due on the return on or before the original due date of the return; **and**
- The balance due with the return on or before the extended due date. If you file your return electronically and pay your balance due by check, then your check must be postmarked on whichever is earlier: the date of acceptance of the electronic return or 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.

If you do not file your return and DRS files a return for you, the penalty for failure to file is 10% of the balance due or \$50, whichever is greater.

If you are serving in a combat zone or in a contingency operation, see *Serving in a Combat Zone or Contingency Operation* on Page 2.

Related Forms and Publications:

- **Informational Publication 2018(16)**, *Estimated Connecticut Income Taxes*
- **Informational Publication 2019(7)**, *Is My Connecticut Withholding Correct?*
- **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*
- **Form CT-1040**, *Connecticut Resident Income Tax Return and Instructions*
- **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return and Instructions*
- **OCG-7**, *Office of the Commissioner Guidance Regarding the Pass-Through Entity Tax Credit*

Effect on Other Documents: Informational Publication 2018(15), *Connecticut Income Tax Information for Armed Forces Personnel and Veterans*, is superseded and may not be relied upon once this publication is issued.

Effect of This Document: An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **800-382-9463** (Connecticut calls outside the Greater Hartford calling area only), **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at portal.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payments Methods (fast, easy, free, and confidential): Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at portal.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Choose a payment date up to the due date of the tax and mail a paper return to complete the filing process.

Pay by Credit Card or Debit Card

You may elect to pay your Connecticut income tax liability using a credit card (American Express®, Discover®, MasterCard®, VISA®) or comparable debit card. A convenience fee will be charged by the service provider. You will be informed of the amount of the fee and you may elect to cancel the transaction. At the end of the transaction, you will be given a confirmation number for your records. Visit www.officialpayments.com and select *State Payments*.

Your payment is effective on the date you make the charge.

IP 2019(5)
Income Tax
Military Personnel
Issued: 04/04/2019