



**AN ACT ESTABLISHING DISASTER SAVINGS ACCOUNTS AND A RELATED TAX DEDUCTION AND CREDIT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) For the purposes of this  
2 section:

3 (1) "Account holder" means an individual who, either individually or  
4 jointly with another individual, establishes a disaster savings account;

5 (2) "Commissioner" means the Commissioner of Revenue Services;

6 (3) "Disaster savings account" means an account established by one  
7 or more account holders with a financial institution that the account  
8 holders designate as an account exclusively containing funds to pay or  
9 reimburse eligible costs incurred by the qualified beneficiary of the  
10 account;

11 (4) "Eligible costs" means costs incurred by a qualified beneficiary for  
12 payment (A) of an insurance deductible under a homeowners insurance  
13 policy that insures against loss or damage by wildfire, flood, rain,  
14 hurricane, tornado or other severe storm, which was incurred because  
15 of a claim made for such loss or damage, and (B) for loss or damage to  
16 such qualified beneficiary's single-family residence caused by wildfire,  
17 flood, rain, hurricane, tornado or other severe storm;

18 (5) "Financial institution" means a bank, out-of-state bank,

19 Connecticut credit union, federal credit union or out-of-state credit  
20 union, as those terms are defined in section 36a-2 of the general statutes,  
21 and any affiliate or third-party provider of such entities;

22 (6) "Qualified beneficiary" means a homeowner who (A) is  
23 designated as the qualified beneficiary of a disaster savings account, and  
24 (B) resides in a single-family residence in this state that is owned by the  
25 homeowner; and

26 (7) "Single-family residence" means a single-family residential  
27 dwelling, including, but not limited to, a mobile manufactured home, as  
28 defined in section 21-64 of the general statutes, or a residential unit in a  
29 cooperative, common interest community or condominium, as such  
30 terms are defined in section 47-202 of the general statutes.

31 (b) For purposes of implementing the deductions allowed under  
32 subparagraphs (B)(xxxvi) and (B)(xxxvii) of subdivision (20) of  
33 subsection (a) of section 12-701 of the general statutes, as amended by  
34 this act, and the credit allowed under section 3 of this act, the  
35 commissioner shall prepare forms for (1) the designation of accounts as  
36 disaster savings accounts, (2) the designation of qualified beneficiaries,  
37 and (3) account holders to submit to the commissioner the information  
38 described in subparagraph (B) of subdivision (1) of subsection (d) of this  
39 section and any additional information that the commissioner  
40 reasonably requires pursuant to the provisions of this section.

41 (c) An individual may establish not more than one disaster savings  
42 account with a financial institution. Two individuals may jointly  
43 establish and serve as the account holders of a disaster savings account,  
44 provided such account holders shall file a joint return for the tax  
45 imposed under chapter 229 of the general statutes for each taxable year  
46 during which such account exists. The account holder or account  
47 holders shall, not later than April fifteenth of the taxable year  
48 immediately following the taxable year during which such account  
49 holder or account holders established a disaster savings account,  
50 designate the qualified beneficiary of such account. The account holder

51 or account holders of a disaster savings account may designate a new  
52 qualified beneficiary of the account at any time, provided there shall not  
53 be more than one qualified beneficiary of such account at any time. No  
54 individual may establish or serve as an account holder of multiple  
55 disaster savings accounts that have the same qualified beneficiary.  
56 Disaster savings accounts shall exclusively contain cash and there shall  
57 be no limit on the amount of contributions made to, or contained in, such  
58 accounts. Any person may contribute to a disaster savings account,  
59 including, but not limited to, the employers of the qualified beneficiary,  
60 account holder or account holders of such account. If a qualified  
61 beneficiary or account holder of a disaster savings account leaves  
62 employment with an employer that contributed to such account while  
63 such qualified beneficiary or account holder was employed by such  
64 employer, such employer shall not seek reimbursement of any  
65 contribution to such account. The account holder or account holders  
66 may invest funds deposited in a disaster savings account in money  
67 market funds.

68 (d) (1) Each account holder shall:

69 (A) Not use any portion of the funds deposited in a disaster savings  
70 account to pay any administrative fees or expenses, other than service  
71 fees imposed by the depository financial institution, for such account;  
72 and

73 (B) Submit to the commissioner such account holder's tax return for  
74 each taxable year beginning on or after January 1, 2025, during which a  
75 disaster savings account established by such account holder exists,  
76 along with:

77 (i) Any information required by the commissioner concerning such  
78 disaster savings account for purposes of implementing the deductions  
79 allowed under subparagraphs (B)(xxxvi) and (B)(xxxvii) of subdivision  
80 (20) of subsection (a) of section 12-701 of the general statutes, as  
81 amended by this act, and the credit allowed under section 3 of this act;

82 (ii) The Internal Revenue Service Form 1099 issued by the depository

83 financial institution for such disaster savings account; and

84 (iii) If such account holder withdrew funds from such disaster  
85 savings account during the taxable year that is the subject of such return,  
86 a detailed accounting of all eligible costs and ineligible costs paid or  
87 reimbursed using such funds during such taxable year and the balance  
88 of funds remaining in such account.

89 (2) Each account holder may withdraw all, or any portion of, the  
90 funds contributed to and deposited in a disaster savings account and  
91 deposit such funds in another disaster savings account established by  
92 such account holder at any financial institution.

93 (e) (1) The commissioner may require that financial institutions  
94 furnish certain information about each disaster savings account.

95 (2) A financial institution shall designate an account as a disaster  
96 savings account when the account is opened by an account holder.

97 (3) No financial institution shall be required to (A) track the use of  
98 any funds withdrawn from a disaster savings account, or (B) allocate  
99 funds in a disaster savings account among account holders.

100 (4) No financial institution shall be liable or responsible for (A)  
101 determining whether, or ensuring that, an account satisfies the  
102 requirements established in this section concerning disaster savings  
103 accounts or the funds in disaster savings accounts are used to pay or  
104 reimburse eligible costs, or (B) disclosing or remitting taxes or penalties  
105 concerning disaster savings accounts unless such disclosure or  
106 remittance is required by applicable law.

107 (5) Upon receiving proof of the death of an account holder and all  
108 other information required by any contract governing a disaster savings  
109 account established by the account holder, the depository financial  
110 institution shall distribute the funds in the disaster savings account in  
111 accordance with the terms of such contract.

112 (f) (1) Except as provided in subdivision (2) of this subsection, each

113 account holder who withdraws funds from a disaster savings account  
114 for any reason other than paying or reimbursing the qualified  
115 beneficiary of such account for eligible costs incurred by such qualified  
116 beneficiary shall be liable to this state for a civil penalty in an amount  
117 equal to ten per cent of the withdrawn amount. Such civil penalty shall  
118 be collectible by the commissioner. If such funds were deducted by an  
119 account holder in accordance with subparagraph (B)(xxxvi) or  
120 (B)(xxxvii) of subdivision (20) of subsection (a) of section 12-701 of the  
121 general statutes, as amended by this act, then such withdrawn funds  
122 shall be considered income.

123 (2) No account holder shall be liable for a penalty under subdivision  
124 (1) of this subsection, nor shall funds withdrawn from a disaster savings  
125 account be considered income, if the funds withdrawn from the disaster  
126 savings account:

127 (A) Are deposited in another disaster savings account pursuant to  
128 subdivision (2) of subsection (d) of this section;

129 (B) Are withdrawn due to the death or disability of an account holder  
130 who established such account;

131 (C) Constitute a disbursement of the assets of such account pursuant  
132 to a filing for protection under the United States Bankruptcy Code, as  
133 amended from time to time; or

134 (D) Are not claimed as a deduction pursuant to subparagraph  
135 (B)(xxxvi) or (B)(xxxvii) of subdivision (20) of subsection (a) of section  
136 12-701 of the general statutes, as amended by this act, by the account  
137 holder on a return for the tax imposed under chapter 229 of the general  
138 statutes.

139 (g) The commissioner may adopt regulations, in accordance with the  
140 provisions of chapter 54 of the general statutes, to implement the  
141 provisions of this section.

142 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of

143 section 12-701 of the general statutes is repealed and the following is  
144 substituted in lieu thereof (*Effective from passage and applicable to taxable*  
145 *years commencing on or after January 1, 2025*):

146 (B) There shall be subtracted therefrom:

147 (i) To the extent properly includable in gross income for federal  
148 income tax purposes, any income with respect to which taxation by any  
149 state is prohibited by federal law;

150 (ii) To the extent allowable under section 12-718, exempt dividends  
151 paid by a regulated investment company;

152 (iii) To the extent properly includable in gross income for federal  
153 income tax purposes, the amount of any refund or credit for  
154 overpayment of income taxes imposed by this state, or any other state  
155 of the United States or a political subdivision thereof, or the District of  
156 Columbia;

157 (iv) To the extent properly includable in gross income for federal  
158 income tax purposes and not otherwise subtracted from federal  
159 adjusted gross income pursuant to clause (x) of this subparagraph in  
160 computing Connecticut adjusted gross income, any tier 1 railroad  
161 retirement benefits;

162 (v) To the extent any additional allowance for depreciation under  
163 Section 168(k) of the Internal Revenue Code for property placed in  
164 service after September 27, 2017, was added to federal adjusted gross  
165 income pursuant to subparagraph (A)(ix) of this subdivision in  
166 computing Connecticut adjusted gross income, twenty-five per cent of  
167 such additional allowance for depreciation in each of the four  
168 succeeding taxable years;

169 (vi) To the extent properly includable in gross income for federal  
170 income tax purposes, any interest income from obligations issued by or  
171 on behalf of the state of Connecticut, any political subdivision thereof,  
172 or public instrumentality, state or local authority, district or similar

173 public entity created under the laws of the state of Connecticut;

174 (vii) To the extent properly includable in determining the net gain or  
175 loss from the sale or other disposition of capital assets for federal income  
176 tax purposes, any gain from the sale or exchange of obligations issued  
177 by or on behalf of the state of Connecticut, any political subdivision  
178 thereof, or public instrumentality, state or local authority, district or  
179 similar public entity created under the laws of the state of Connecticut,  
180 in the income year such gain was recognized;

181 (viii) Any interest on indebtedness incurred or continued to purchase  
182 or carry obligations or securities the interest on which is subject to tax  
183 under this chapter but exempt from federal income tax, to the extent that  
184 such interest on indebtedness is not deductible in determining federal  
185 adjusted gross income and is attributable to a trade or business carried  
186 on by such individual;

187 (ix) Ordinary and necessary expenses paid or incurred during the  
188 taxable year for the production or collection of income which is subject  
189 to taxation under this chapter but exempt from federal income tax, or  
190 the management, conservation or maintenance of property held for the  
191 production of such income, and the amortizable bond premium for the  
192 taxable year on any bond the interest on which is subject to tax under  
193 this chapter but exempt from federal income tax, to the extent that such  
194 expenses and premiums are not deductible in determining federal  
195 adjusted gross income and are attributable to a trade or business carried  
196 on by such individual;

197 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
198 person who files a return under the federal income tax as an unmarried  
199 individual whose federal adjusted gross income for such taxable year is  
200 less than fifty thousand dollars, or as a married individual filing  
201 separately whose federal adjusted gross income for such taxable year is  
202 less than fifty thousand dollars, or for a husband and wife who file a  
203 return under the federal income tax as married individuals filing jointly  
204 whose federal adjusted gross income for such taxable year is less than

205 sixty thousand dollars or a person who files a return under the federal  
206 income tax as a head of household whose federal adjusted gross income  
207 for such taxable year is less than sixty thousand dollars, an amount  
208 equal to the Social Security benefits includable for federal income tax  
209 purposes;

210 (II) For taxable years commencing prior to January 1, 2019, for a  
211 person who files a return under the federal income tax as an unmarried  
212 individual whose federal adjusted gross income for such taxable year is  
213 fifty thousand dollars or more, or as a married individual filing  
214 separately whose federal adjusted gross income for such taxable year is  
215 fifty thousand dollars or more, or for a husband and wife who file a  
216 return under the federal income tax as married individuals filing jointly  
217 whose federal adjusted gross income from such taxable year is sixty  
218 thousand dollars or more or for a person who files a return under the  
219 federal income tax as a head of household whose federal adjusted gross  
220 income for such taxable year is sixty thousand dollars or more, an  
221 amount equal to the difference between the amount of Social Security  
222 benefits includable for federal income tax purposes and the lesser of  
223 twenty-five per cent of the Social Security benefits received during the  
224 taxable year, or twenty-five per cent of the excess described in Section  
225 86(b)(1) of the Internal Revenue Code;

226 (III) For the taxable year commencing January 1, 2019, and each  
227 taxable year thereafter, for a person who files a return under the federal  
228 income tax as an unmarried individual whose federal adjusted gross  
229 income for such taxable year is less than seventy-five thousand dollars,  
230 or as a married individual filing separately whose federal adjusted gross  
231 income for such taxable year is less than seventy-five thousand dollars,  
232 or for a husband and wife who file a return under the federal income tax  
233 as married individuals filing jointly whose federal adjusted gross  
234 income for such taxable year is less than one hundred thousand dollars  
235 or a person who files a return under the federal income tax as a head of  
236 household whose federal adjusted gross income for such taxable year is  
237 less than one hundred thousand dollars, an amount equal to the Social  
238 Security benefits includable for federal income tax purposes; and



239 (IV) For the taxable year commencing January 1, 2019, and each  
240 taxable year thereafter, for a person who files a return under the federal  
241 income tax as an unmarried individual whose federal adjusted gross  
242 income for such taxable year is seventy-five thousand dollars or more,  
243 or as a married individual filing separately whose federal adjusted gross  
244 income for such taxable year is seventy-five thousand dollars or more,  
245 or for a husband and wife who file a return under the federal income tax  
246 as married individuals filing jointly whose federal adjusted gross  
247 income from such taxable year is one hundred thousand dollars or more  
248 or for a person who files a return under the federal income tax as a head  
249 of household whose federal adjusted gross income for such taxable year  
250 is one hundred thousand dollars or more, an amount equal to the  
251 difference between the amount of Social Security benefits includable for  
252 federal income tax purposes and the lesser of twenty-five per cent of the  
253 Social Security benefits received during the taxable year, or twenty-five  
254 per cent of the excess described in Section 86(b)(1) of the Internal  
255 Revenue Code;

256 (xi) To the extent properly includable in gross income for federal  
257 income tax purposes, any amount rebated to a taxpayer pursuant to  
258 section 12-746;

259 (xii) To the extent properly includable in the gross income for federal  
260 income tax purposes of a designated beneficiary, any distribution to  
261 such beneficiary from any qualified state tuition program, as defined in  
262 Section 529(b) of the Internal Revenue Code, established and  
263 maintained by this state or any official, agency or instrumentality of the  
264 state;

265 (xiii) To the extent allowable under section 12-701a, contributions to  
266 accounts established pursuant to any qualified state tuition program, as  
267 defined in Section 529(b) of the Internal Revenue Code, established and  
268 maintained by this state or any official, agency or instrumentality of the  
269 state;

270 (xiv) To the extent properly includable in gross income for federal

271 income tax purposes, the amount of any Holocaust victims' settlement  
272 payment received in the taxable year by a Holocaust victim;

273 (xv) To the extent properly includable in the gross income for federal  
274 income tax purposes of a designated beneficiary, as defined in section  
275 3-123aa, interest, dividends or capital gains earned on contributions to  
276 accounts established for the designated beneficiary pursuant to the  
277 Connecticut Homecare Option Program for the Elderly established by  
278 sections 3-123aa to 3-123ff, inclusive;

279 (xvi) To the extent properly includable in gross income for federal  
280 income tax purposes, any income received from the United States  
281 government as retirement pay for a retired member of (I) the Armed  
282 Forces of the United States, as defined in Section 101 of Title 10 of the  
283 United States Code, or (II) the National Guard, as defined in Section 101  
284 of Title 10 of the United States Code;

285 (xvii) To the extent properly includable in gross income for federal  
286 income tax purposes for the taxable year, any income from the discharge  
287 of indebtedness in connection with any reacquisition, after December  
288 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
289 instruments, as those terms are defined in Section 108 of the Internal  
290 Revenue Code, as amended by Section 1231 of the American Recovery  
291 and Reinvestment Act of 2009, to the extent any such income was added  
292 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
293 this subdivision in computing Connecticut adjusted gross income for a  
294 preceding taxable year;

295 (xviii) To the extent not deductible in determining federal adjusted  
296 gross income, the amount of any contribution to a manufacturing  
297 reinvestment account established pursuant to section 32-9zz in the  
298 taxable year that such contribution is made;

299 (xix) To the extent properly includable in gross income for federal  
300 income tax purposes, (I) for the taxable year commencing January 1,  
301 2015, ten per cent of the income received from the state teachers'  
302 retirement system, (II) for the taxable years commencing January 1,

303 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
304 received from the state teachers' retirement system, and (III) for the  
305 taxable year commencing January 1, 2021, and each taxable year  
306 thereafter, fifty per cent of the income received from the state teachers'  
307 retirement system or, for a taxpayer whose federal adjusted gross  
308 income does not exceed the applicable threshold under clause (xx) of  
309 this subparagraph, the percentage pursuant to said clause of the income  
310 received from the state teachers' retirement system, whichever  
311 deduction is greater;

312 (xx) To the extent properly includable in gross income for federal  
313 income tax purposes, except for retirement benefits under clause (iv) of  
314 this subparagraph and retirement pay under clause (xvi) of this  
315 subparagraph, for a person who files a return under the federal income  
316 tax as an unmarried individual whose federal adjusted gross income for  
317 such taxable year is less than seventy-five thousand dollars, or as a  
318 married individual filing separately whose federal adjusted gross  
319 income for such taxable year is less than seventy-five thousand dollars,  
320 or as a head of household whose federal adjusted gross income for such  
321 taxable year is less than seventy-five thousand dollars, or for a husband  
322 and wife who file a return under the federal income tax as married  
323 individuals filing jointly whose federal adjusted gross income for such  
324 taxable year is less than one hundred thousand dollars, (I) for the taxable  
325 year commencing January 1, 2019, fourteen per cent of any pension or  
326 annuity income, (II) for the taxable year commencing January 1, 2020,  
327 twenty-eight per cent of any pension or annuity income, (III) for the  
328 taxable year commencing January 1, 2021, forty-two per cent of any  
329 pension or annuity income, and (IV) for the taxable years commencing  
330 January 1, 2022, and January 1, 2023, one hundred per cent of any  
331 pension or annuity income;

332 (xxi) To the extent properly includable in gross income for federal  
333 income tax purposes, except for retirement benefits under clause (iv) of  
334 this subparagraph and retirement pay under clause (xvi) of this  
335 subparagraph, any pension or annuity income for the taxable year  
336 commencing on or after January 1, 2024, and each taxable year

337 thereafter, in accordance with the following schedule, for a person who  
338 files a return under the federal income tax as an unmarried individual  
339 whose federal adjusted gross income for such taxable year is less than  
340 one hundred thousand dollars, or as a married individual filing  
341 separately whose federal adjusted gross income for such taxable year is  
342 less than one hundred thousand dollars, or as a head of household  
343 whose federal adjusted gross income for such taxable year is less than  
344 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
T2	Less than \$75,000	100.0%
T3	\$75,000 but not over \$77,499	85.0%
T4	\$77,500 but not over \$79,999	70.0%
T5	\$80,000 but not over \$82,499	55.0%
T6	\$82,500 but not over \$84,999	40.0%
T7	\$85,000 but not over \$87,499	25.0%
T8	\$87,500 but not over \$89,999	10.0%
T9	\$90,000 but not over \$94,999	5.0%
T10	\$95,000 but not over \$99,999	2.5%
T11	\$100,000 and over	0.0%

345 (xxii) To the extent properly includable in gross income for federal  
346 income tax purposes, except for retirement benefits under clause (iv) of  
347 this subparagraph and retirement pay under clause (xvi) of this  
348 subparagraph, any pension or annuity income for the taxable year  
349 commencing on or after January 1, 2024, and each taxable year  
350 thereafter, in accordance with the following schedule for married  
351 individuals who file a return under the federal income tax as married  
352 individuals filing jointly whose federal adjusted gross income for such  
353 taxable year is less than one hundred fifty thousand dollars:

T12	Federal Adjusted Gross Income	Deduction
T13	Less than \$100,000	100.0%
T14	\$100,000 but not over \$104,999	85.0%
T15	\$105,000 but not over \$109,999	70.0%

T16	\$110,000 but not over \$114,999	55.0%
T17	\$115,000 but not over \$119,999	40.0%
T18	\$120,000 but not over \$124,999	25.0%
T19	\$125,000 but not over \$129,999	10.0%
T20	\$130,000 but not over \$139,999	5.0%
T21	\$140,000 but not over \$149,999	2.5%
T22	\$150,000 and over	0.0%

354 (xxiii) The amount of lost wages and medical, travel and housing  
355 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
356 by a taxpayer during the taxable year in connection with the donation  
357 to another person of an organ for organ transplantation occurring on or  
358 after January 1, 2017;

359 (xxiv) To the extent properly includable in gross income for federal  
360 income tax purposes, the amount of any financial assistance received  
361 from the Crumbling Foundations Assistance Fund or paid to or on  
362 behalf of the owner of a residential building pursuant to sections 8-442  
363 and 8-443;

364 (xxv) To the extent properly includable in gross income for federal  
365 income tax purposes, the amount calculated pursuant to subsection (b)  
366 of section 12-704g for income received by a general partner of a venture  
367 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to  
368 time;

369 (xxvi) To the extent any portion of a deduction under Section 179 of  
370 the Internal Revenue Code was added to federal adjusted gross income  
371 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
372 Connecticut adjusted gross income, twenty-five per cent of such  
373 disallowed portion of the deduction in each of the four succeeding  
374 taxable years;

375 (xxvii) To the extent properly includable in gross income for federal  
376 income tax purposes, for a person who files a return under the federal  
377 income tax as an unmarried individual whose federal adjusted gross

378 income for such taxable year is less than seventy-five thousand dollars,  
379 or as a married individual filing separately whose federal adjusted gross  
380 income for such taxable year is less than seventy-five thousand dollars,  
381 or as a head of household whose federal adjusted gross income for such  
382 taxable year is less than seventy-five thousand dollars, or for a husband  
383 and wife who file a return under the federal income tax as married  
384 individuals filing jointly whose federal adjusted gross income for such  
385 taxable year is less than one hundred thousand dollars, for the taxable  
386 year commencing January 1, 2023, twenty-five per cent of any  
387 distribution from an individual retirement account other than a Roth  
388 individual retirement account;

389 (xxviii) To the extent properly includable in gross income for federal  
390 income tax purposes, for a person who files a return under the federal  
391 income tax as an unmarried individual whose federal adjusted gross  
392 income for such taxable year is less than one hundred thousand dollars,  
393 or as a married individual filing separately whose federal adjusted gross  
394 income for such taxable year is less than one hundred thousand dollars,  
395 or as a head of household whose federal adjusted gross income for such  
396 taxable year is less than one hundred thousand dollars, (I) for the taxable  
397 year commencing January 1, 2024, fifty per cent of any distribution from  
398 an individual retirement account other than a Roth individual  
399 retirement account, (II) for the taxable year commencing January 1, 2025,  
400 seventy-five per cent of any distribution from an individual retirement  
401 account other than a Roth individual retirement account, and (III) for  
402 the taxable year commencing January 1, 2026, and each taxable year  
403 thereafter, any distribution from an individual retirement account other  
404 than a Roth individual retirement account. The subtraction under this  
405 clause shall be made in accordance with the following schedule:

T23	Federal Adjusted Gross Income	Deduction
T24	Less than \$75,000	100.0%
T25	\$75,000 but not over \$77,499	85.0%
T26	\$77,500 but not over \$79,999	70.0%
T27	\$80,000 but not over \$82,499	55.0%

T28	\$82,500 but not over \$84,999	40.0%
T29	\$85,000 but not over \$87,499	25.0%
T30	\$87,500 but not over \$89,999	10.0%
T31	\$90,000 but not over \$94,999	5.0%
T32	\$95,000 but not over \$99,999	2.5%
T33	\$100,000 and over	0.0%

406 (xxix) To the extent properly includable in gross income for federal  
407 income tax purposes, for married individuals who file a return under  
408 the federal income tax as married individuals filing jointly whose  
409 federal adjusted gross income for such taxable year is less than one  
410 hundred fifty thousand dollars, (I) for the taxable year commencing  
411 January 1, 2024, fifty per cent of any distribution from an individual  
412 retirement account other than a Roth individual retirement account, (II)  
413 for the taxable year commencing January 1, 2025, seventy-five per cent  
414 of any distribution from an individual retirement account other than a  
415 Roth individual retirement account, and (III) for the taxable year  
416 commencing January 1, 2026, and each taxable year thereafter, any  
417 distribution from an individual retirement account other than a Roth  
418 individual retirement account. The subtraction under this clause shall  
419 be made in accordance with the following schedule:

T34	Federal Adjusted Gross Income	Deduction
T35	Less than \$100,000	100.0%
T36	\$100,000 but not over \$104,999	85.0%
T37	\$105,000 but not over \$109,999	70.0%
T38	\$110,000 but not over \$114,999	55.0%
T39	\$115,000 but not over \$119,999	40.0%
T40	\$120,000 but not over \$124,999	25.0%
T41	\$125,000 but not over \$129,999	10.0%
T42	\$130,000 but not over \$139,999	5.0%
T43	\$140,000 but not over \$149,999	2.5%
T44	\$150,000 and over	0.0%

420 (xxx) To the extent properly includable in gross income for federal

421 income tax purposes, for the taxable year commencing January 1, 2022,  
422 the amount or amounts paid or otherwise credited to any eligible  
423 resident of this state under (I) the 2020 Earned Income Tax Credit  
424 enhancement program from funding allocated to the state through the  
425 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,  
426 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned  
427 Income Tax Credit enhancement program from funding allocated to the  
428 state pursuant to Section 9901 of Subtitle M of Title IX of the American  
429 Rescue Plan Act of 2021, P.L. 117-2;

430 (xxxix) For the taxable year commencing January 1, 2023, and each  
431 taxable year thereafter, for a taxpayer licensed under the provisions of  
432 chapter 420f or 420h, the amount of ordinary and necessary expenses  
433 that would be eligible to be claimed as a deduction for federal income  
434 tax purposes under Section 162(a) of the Internal Revenue Code but that  
435 are disallowed under Section 280E of the Internal Revenue Code  
436 because marijuana is a controlled substance under the federal  
437 Controlled Substance Act;

438 (xxxix) To the extent properly includable in gross income for federal  
439 income tax purposes, for the taxable year commencing on or after  
440 January 1, 2025, and each taxable year thereafter, any common stock  
441 received by the taxpayer during the taxable year under a share plan, as  
442 defined in section 12-217ss;

443 (xxxix) To the extent properly includable in gross income for federal  
444 income tax purposes, the amount of any student loan reimbursement  
445 payment received by a taxpayer pursuant to section 10a-19m;

446 (xxxix) Contributions to an ABL account established pursuant to  
447 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for  
448 each individual taxpayer or ten thousand dollars for taxpayers filing a  
449 joint return; [and]

450 (xxxix) To the extent properly includable in gross income for federal  
451 income tax purposes, the amount of any payment received pursuant to  
452 subsection (c) of section 3-122a;



453 (xxxvi) For an account holder, as defined in section 1 of this act, who  
454 files a return under the federal income tax as an unmarried individual,  
455 a married individual filing separately or a head of household and whose  
456 federal adjusted gross income for the taxable year is less than one  
457 hundred thousand dollars, or for an account holder, as defined in  
458 section 1 of this act, who files a return under the federal income tax as a  
459 married individual filing jointly and whose federal adjusted gross  
460 income for the taxable year is less than two hundred thousand dollars:

461 (I) To the extent not deductible in determining federal adjusted gross  
462 income, an amount equal to the contributions deposited during the  
463 taxable year in a disaster savings account established pursuant to  
464 subsection (c) of section 1 of this act, less any amounts withdrawn  
465 during the taxable year by the account holder from such account  
466 pursuant to subparagraph (D) of subdivision (2) of subsection (f) of  
467 section 1 of this act. The amount allowed to be claimed under this  
468 subclause for the taxable year shall not exceed two thousand five  
469 hundred dollars for an unmarried individual, a married individual  
470 filing separately or a head of household and five thousand dollars for  
471 married individuals filing jointly; and

472 (II) To the extent properly includable in gross income for federal  
473 income tax purposes, an amount equal to the sum of all interest accrued  
474 on a disaster savings account, established pursuant to subsection (c) of  
475 section 1 of this act, during the taxable year; and

476 (xxxvii) To the extent properly includable in gross income for federal  
477 income tax purposes, for an account holder who is a qualified  
478 beneficiary of a disaster savings account, as those terms are defined in  
479 section 1 of this act, who files a return under the federal income tax as  
480 an unmarried individual, a married individual filing separately or a  
481 head of household and whose federal adjusted gross income for the  
482 taxable year is less than one hundred thousand dollars, or for an account  
483 holder who is a qualified beneficiary of a disaster savings account, as  
484 those terms are defined in section 1 of this act, who files a return under  
485 the federal income tax as a married individual filing jointly and whose

486 federal adjusted gross income for the taxable year is less than two  
487 hundred thousand dollars, an amount equal to any withdrawal from  
488 such account that is used to pay or reimburse such qualified beneficiary  
489 for eligible costs, as defined in section 1 of this act, incurred by the  
490 qualified beneficiary.

491       Sec. 3. (NEW) (*Effective January 1, 2026*) (a) (1) For the taxable or  
492 income year commencing on or after January 1, 2026, but prior to  
493 January 1, 2027, there shall be allowed a credit against the tax imposed  
494 under chapter 208 or 229 of the general statutes, other than the liability  
495 imposed by section 12-707 of the general statutes, for contributions  
496 deposited by the employer of an account holder in a disaster savings  
497 account, established pursuant to subsection (c) of section 1 of this act,  
498 during the taxable or income years commencing on or after January 1,  
499 2025, but prior to January 1, 2027, provided such account holder was  
500 employed by such employer at the time such contributions were made.

501       (2) For the taxable or income years commencing on or after January  
502 1, 2027, there shall be allowed a credit against the tax imposed under  
503 chapter 208 or 229 of the general statutes, other than the liability  
504 imposed by section 12-707 of the general statutes, for contributions  
505 deposited by the employer of an account holder in a disaster savings  
506 account, established pursuant to subsection (c) of section 1 of this act,  
507 during the taxable or income year, provided such account holder was  
508 employed by such employer at the time such contributions were made.

509       (3) The amount of the credit allowed under subdivisions (1) and (2)  
510 of this subsection shall be equal to ten per cent of the amount of the  
511 contributions made by the employer into the disaster savings accounts  
512 of account holders of such accounts during the income or taxable year,  
513 provided the amount of the credit allowed for any income or taxable  
514 year with respect to a specific account holder shall not exceed two  
515 thousand five hundred dollars.

516       (b) If the employer is an S corporation or an entity treated as a  
517 partnership for federal income tax purposes, the credit may be claimed

518 by the shareholders or partners of the employer. If the employer is a  
519 single member limited liability company that is disregarded as an entity  
520 separate from its owner, the credit may be claimed by such limited  
521 liability company's owner, provided such owner is a person subject to  
522 the tax imposed under chapter 208 or 229 of the general statutes. Any  
523 employer claiming the credit shall provide to the Department of  
524 Revenue Services documentation supporting such claim in the form and  
525 manner prescribed by the Commissioner of Revenue Services.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2025</i>	12-701(a)(20)(B)
Sec. 3	<i>January 1, 2026</i>	New section

**Statement of Legislative Commissioners:**

In Section 1(c), "employers of the qualified" was changed to "the employers of the qualified" for clarity; in Section 1(d)(1)(B)(i), "the deduction allowed under subparagraph (B) of subdivision (20)" was changed to "the deductions allowed under subparagraphs (B)(xxxvi) and (B)(xxxvii) of subdivision (20)" for accuracy; and in Sections 1(f)(1) and 1(f)(2)(D), "subparagraph (B) of subdivision (20)" was changed to "subparagraph (B)(xxxvi) or (B)(xxxvii) of subdivision (20)" for accuracy.

**BA**      *Joint Favorable Subst.*