



# House of Representatives

General Assembly

**File No. 668**

February Session, 2026

House Bill No. 5445

*House of Representatives, April 16, 2026*

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING THE AMORTIZABLE BOND PREMIUM  
SUBTRACTION FOR PURPOSES OF THE PERSONAL INCOME TAX.***

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

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of  
2 section 12-701 of the 2026 supplement to the general statutes is repealed  
3 and the following is substituted in lieu thereof (*Effective January 1, 2027,*  
4 *and applicable to taxable years commencing on or after January 1, 2027*):

5 (B) There shall be subtracted therefrom:

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

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

11 (iii) To the extent properly includable in gross income for federal  
12 income tax purposes, the amount of any refund or credit for

13 overpayment of income taxes imposed by this state, or any other state  
14 of the United States or a political subdivision thereof, or the District of  
15 Columbia;

16 (iv) To the extent properly includable in gross income for federal  
17 income tax purposes and not otherwise subtracted from federal  
18 adjusted gross income pursuant to clause (x) of this subparagraph in  
19 computing Connecticut adjusted gross income, any tier 1 railroad  
20 retirement benefits;

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

28 (vi) To the extent properly includable in gross income for federal  
29 income tax purposes, any interest income from obligations issued by or  
30 on behalf of the state of Connecticut, any political subdivision thereof,  
31 or public instrumentality, state or local authority, district or similar  
32 public entity created under the laws of the state of Connecticut;

33 (vii) To the extent properly includable in determining the net gain or  
34 loss from the sale or other disposition of capital assets for federal income  
35 tax purposes, any gain from the sale or exchange of obligations issued  
36 by or on behalf of the state of Connecticut, any political subdivision  
37 thereof, or public instrumentality, state or local authority, district or  
38 similar public entity created under the laws of the state of Connecticut,  
39 in the income year such gain was recognized;

40 (viii) (I) Any interest on indebtedness incurred or continued to  
41 purchase or carry obligations or securities the interest on which is  
42 subject to tax under this chapter but exempt from federal income tax, to  
43 the extent that such interest on indebtedness is not deductible in  
44 determining federal adjusted gross income and is attributable to a trade

45 or business carried on by such individual, and (II) the amortizable bond  
46 premium for the taxable year on any bond the interest on which is  
47 subject to tax under this chapter but exempt from federal income tax, to  
48 the extent that such premiums are not deductible in determining federal  
49 adjusted gross income;

50 (ix) Ordinary and necessary expenses paid or incurred during the  
51 taxable year for the production or collection of income which is subject  
52 to taxation under this chapter but exempt from federal income tax, or  
53 the management, conservation or maintenance of property held for the  
54 production of such income, [and the amortizable bond premium for the  
55 taxable year on any bond the interest on which is subject to tax under  
56 this chapter but exempt from federal income tax,] to the extent that such  
57 expenses [and premiums] are not deductible in determining federal  
58 adjusted gross income and are attributable to a trade or business carried  
59 on by such individual;

60 (x) (I) For taxable years commencing prior to January 1, 2019, for a  
61 person who files a return under the federal income tax as an unmarried  
62 individual whose federal adjusted gross income for such taxable year is  
63 less than fifty thousand dollars, or as a married individual filing  
64 separately whose federal adjusted gross income for such taxable year is  
65 less than fifty thousand dollars, or for a husband and wife who file a  
66 return under the federal income tax as married individuals filing jointly  
67 whose federal adjusted gross income for such taxable year is less than  
68 sixty thousand dollars or a person who files a return under the federal  
69 income tax as a head of household whose federal adjusted gross income  
70 for such taxable year is less than sixty thousand dollars, an amount  
71 equal to the Social Security benefits includable for federal income tax  
72 purposes;

73 (II) For taxable years commencing prior to January 1, 2019, for a  
74 person who files a return under the federal income tax as an unmarried  
75 individual whose federal adjusted gross income for such taxable year is  
76 fifty thousand dollars or more, or as a married individual filing  
77 separately whose federal adjusted gross income for such taxable year is

78 fifty thousand dollars or more, or for a husband and wife who file a  
79 return under the federal income tax as married individuals filing jointly  
80 whose federal adjusted gross income from such taxable year is sixty  
81 thousand dollars or more or for a person who files a return under the  
82 federal income tax as a head of household whose federal adjusted gross  
83 income for such taxable year is sixty thousand dollars or more, an  
84 amount equal to the difference between the amount of Social Security  
85 benefits includable for federal income tax purposes and the lesser of  
86 twenty-five per cent of the Social Security benefits received during the  
87 taxable year, or twenty-five per cent of the excess described in Section  
88 86(b)(1) of the Internal Revenue Code;

89 (III) For the taxable year commencing January 1, 2019, and each  
90 taxable year thereafter, for a person who files a return under the federal  
91 income tax as an unmarried individual whose federal adjusted gross  
92 income for such taxable year is less than seventy-five thousand dollars,  
93 or as a married individual filing separately whose federal adjusted gross  
94 income for such taxable year is less than seventy-five thousand dollars,  
95 or for a husband and wife who file a return under the federal income tax  
96 as married individuals filing jointly whose federal adjusted gross  
97 income for such taxable year is less than one hundred thousand dollars  
98 or a person who files a return under the federal income tax as a head of  
99 household whose federal adjusted gross income for such taxable year is  
100 less than one hundred thousand dollars, an amount equal to the Social  
101 Security benefits includable for federal income tax purposes; and

102 (IV) For the taxable year commencing January 1, 2019, and each  
103 taxable year thereafter, for a person who files a return under the federal  
104 income tax as an unmarried individual whose federal adjusted gross  
105 income for such taxable year is seventy-five thousand dollars or more,  
106 or as a married individual filing separately whose federal adjusted gross  
107 income for such taxable year is seventy-five thousand dollars or more,  
108 or for a husband and wife who file a return under the federal income tax  
109 as married individuals filing jointly whose federal adjusted gross  
110 income from such taxable year is one hundred thousand dollars or more  
111 or for a person who files a return under the federal income tax as a head

112 of household whose federal adjusted gross income for such taxable year  
113 is one hundred thousand dollars or more, an amount equal to the  
114 difference between the amount of Social Security benefits includable for  
115 federal income tax purposes and the lesser of twenty-five per cent of the  
116 Social Security benefits received during the taxable year, or twenty-five  
117 per cent of the excess described in Section 86(b)(1) of the Internal  
118 Revenue Code;

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

122 (xii) To the extent properly includable in the gross income for federal  
123 income tax purposes of a designated beneficiary, any distribution to  
124 such beneficiary from any qualified state tuition program, as defined in  
125 Section 529(b) of the Internal Revenue Code, established and  
126 maintained by this state or any official, agency or instrumentality of the  
127 state;

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

133 (xiv) To the extent properly includable in gross income for federal  
134 income tax purposes, the amount of any Holocaust victims' settlement  
135 payment received in the taxable year by a Holocaust victim;

136 (xv) To the extent properly includable in the gross income for federal  
137 income tax purposes of a designated beneficiary, as defined in section  
138 3-123aa, interest, dividends or capital gains earned on contributions to  
139 accounts established for the designated beneficiary pursuant to the  
140 Connecticut Homecare Option Program for the Elderly established by  
141 sections 3-123aa to 3-123ff, inclusive;

142 (xvi) To the extent properly includable in gross income for federal

143 income tax purposes, any income received from the United States  
144 government as retirement pay for a retired member of (I) the Armed  
145 Forces of the United States, as defined in Section 101 of Title 10 of the  
146 United States Code, or (II) the National Guard, as defined in Section 101  
147 of Title 10 of the United States Code;

148 (xvii) To the extent properly includable in gross income for federal  
149 income tax purposes for the taxable year, any income from the discharge  
150 of indebtedness in connection with any reacquisition, after December  
151 31, 2008, and before January 1, 2011, of an applicable debt instrument or  
152 instruments, as those terms are defined in Section 108 of the Internal  
153 Revenue Code, as amended by Section 1231 of the American Recovery  
154 and Reinvestment Act of 2009, to the extent any such income was added  
155 to federal adjusted gross income pursuant to subparagraph (A)(xi) of  
156 this subdivision in computing Connecticut adjusted gross income for a  
157 preceding taxable year;

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

162 (xix) To the extent properly includable in gross income for federal  
163 income tax purposes, (I) for the taxable year commencing January 1,  
164 2015, ten per cent of the income received from the state teachers'  
165 retirement system, (II) for the taxable years commencing January 1,  
166 2016, to January 1, 2020, inclusive, twenty-five per cent of the income  
167 received from the state teachers' retirement system, and (III) for the  
168 taxable year commencing January 1, 2021, and each taxable year  
169 thereafter, fifty per cent of the income received from the state teachers'  
170 retirement system or, for a taxpayer whose federal adjusted gross  
171 income does not exceed the applicable threshold under clause (xx) of  
172 this subparagraph, the percentage pursuant to said clause of the income  
173 received from the state teachers' retirement system, whichever  
174 deduction is greater;

175 (xx) To the extent properly includable in gross income for federal

176 income tax purposes, except for retirement benefits under clause (iv) of  
 177 this subparagraph and retirement pay under clause (xvi) of this  
 178 subparagraph, for a person who files a return under the federal income  
 179 tax as an unmarried individual whose federal adjusted gross income for  
 180 such taxable year is less than seventy-five thousand dollars, or as a  
 181 married individual filing separately whose federal adjusted gross  
 182 income for such taxable year is less than seventy-five thousand dollars,  
 183 or as a head of household whose federal adjusted gross income for such  
 184 taxable year is less than seventy-five thousand dollars, or for a husband  
 185 and wife who file a return under the federal income tax as married  
 186 individuals filing jointly whose federal adjusted gross income for such  
 187 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 188 year commencing January 1, 2019, fourteen per cent of any pension or  
 189 annuity income, (II) for the taxable year commencing January 1, 2020,  
 190 twenty-eight per cent of any pension or annuity income, (III) for the  
 191 taxable year commencing January 1, 2021, forty-two per cent of any  
 192 pension or annuity income, and (IV) for the taxable years commencing  
 193 January 1, 2022, and January 1, 2023, one hundred per cent of any  
 194 pension or annuity income;

195 (xxi) To the extent properly includable in gross income for federal  
 196 income tax purposes, except for retirement benefits under clause (iv) of  
 197 this subparagraph and retirement pay under clause (xvi) of this  
 198 subparagraph, any pension or annuity income for the taxable year  
 199 commencing on or after January 1, 2024, and each taxable year  
 200 thereafter, in accordance with the following schedule, for a person who  
 201 files a return under the federal income tax as an unmarried individual  
 202 whose federal adjusted gross income for such taxable year is less than  
 203 one hundred thousand dollars, or as a married individual filing  
 204 separately whose federal adjusted gross income for such taxable year is  
 205 less than one hundred thousand dollars, or as a head of household  
 206 whose federal adjusted gross income for such taxable year is less than  
 207 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
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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%

208 (xxii) To the extent properly includable in gross income for federal  
 209 income tax purposes, except for retirement benefits under clause (iv) of  
 210 this subparagraph and retirement pay under clause (xvi) of this  
 211 subparagraph, any pension or annuity income for the taxable year  
 212 commencing on or after January 1, 2024, and each taxable year  
 213 thereafter, in accordance with the following schedule for married  
 214 individuals who file a return under the federal income tax as married  
 215 individuals filing jointly whose federal adjusted gross income for such  
 216 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%

217 (xxiii) The amount of lost wages and medical, travel and housing

218 expenses, not to exceed ten thousand dollars in the aggregate, incurred  
219 by a taxpayer during the taxable year in connection with the donation  
220 to another person of an organ for organ transplantation occurring on or  
221 after January 1, 2017;

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

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

232 (xxvi) To the extent any portion of a deduction under Section 179 of  
233 the Internal Revenue Code was added to federal adjusted gross income  
234 pursuant to subparagraph (A)(xiv) of this subdivision in computing  
235 Connecticut adjusted gross income, twenty-five per cent of such  
236 disallowed portion of the deduction in each of the four succeeding  
237 taxable years;

238 (xxvii) To the extent properly includable in gross income for federal  
239 income tax purposes, for a person who files a return under the federal  
240 income tax as an unmarried individual whose federal adjusted gross  
241 income for such taxable year is less than seventy-five thousand dollars,  
242 or as a married individual filing separately whose federal adjusted gross  
243 income for such taxable year is less than seventy-five thousand dollars,  
244 or as a head of household whose federal adjusted gross income for such  
245 taxable year is less than seventy-five thousand dollars, or for a husband  
246 and wife who file a return under the federal income tax as married  
247 individuals filing jointly whose federal adjusted gross income for such  
248 taxable year is less than one hundred thousand dollars, for the taxable  
249 year commencing January 1, 2023, twenty-five per cent of any  
250 distribution from an individual retirement account other than a Roth

251 individual retirement account;

252 (xxviii) To the extent properly includable in gross income for federal  
 253 income tax purposes, for a person who files a return under the federal  
 254 income tax as an unmarried individual whose federal adjusted gross  
 255 income for such taxable year is less than one hundred thousand dollars,  
 256 or as a married individual filing separately whose federal adjusted gross  
 257 income for such taxable year is less than one hundred thousand dollars,  
 258 or as a head of household whose federal adjusted gross income for such  
 259 taxable year is less than one hundred thousand dollars, (I) for the taxable  
 260 year commencing January 1, 2024, fifty per cent of any distribution from  
 261 an individual retirement account other than a Roth individual  
 262 retirement account, (II) for the taxable year commencing January 1, 2025,  
 263 seventy-five per cent of any distribution from an individual retirement  
 264 account other than a Roth individual retirement account, and (III) for  
 265 the taxable year commencing January 1, 2026, and each taxable year  
 266 thereafter, any distribution from an individual retirement account other  
 267 than a Roth individual retirement account. The subtraction under this  
 268 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%

269 (xxix) To the extent properly includable in gross income for federal  
 270 income tax purposes, for married individuals who file a return under  
 271 the federal income tax as married individuals filing jointly whose

272 federal adjusted gross income for such taxable year is less than one  
 273 hundred fifty thousand dollars, (I) for the taxable year commencing  
 274 January 1, 2024, fifty per cent of any distribution from an individual  
 275 retirement account other than a Roth individual retirement account, (II)  
 276 for the taxable year commencing January 1, 2025, seventy-five per cent  
 277 of any distribution from an individual retirement account other than a  
 278 Roth individual retirement account, and (III) for the taxable year  
 279 commencing January 1, 2026, and each taxable year thereafter, any  
 280 distribution from an individual retirement account other than a Roth  
 281 individual retirement account. The subtraction under this clause shall  
 282 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%

283 (xxx) To the extent properly includable in gross income for federal  
 284 income tax purposes, for the taxable year commencing January 1, 2022,  
 285 the amount or amounts paid or otherwise credited to any eligible  
 286 resident of this state under (I) the 2020 Earned Income Tax Credit  
 287 enhancement program from funding allocated to the state through the  
 288 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,  
 289 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned  
 290 Income Tax Credit enhancement program from funding allocated to the  
 291 state pursuant to Section 9901 of Subtitle M of Title IX of the American  
 292 Rescue Plan Act of 2021, P.L. 117-2;

293 (xxxix) For the taxable year commencing January 1, 2023, and each  
294 taxable year thereafter, for a taxpayer licensed under the provisions of  
295 chapter 420f or 420h, the amount of ordinary and necessary expenses  
296 that would be eligible to be claimed as a deduction for federal income  
297 tax purposes under Section 162(a) of the Internal Revenue Code but that  
298 are disallowed under Section 280E of the Internal Revenue Code  
299 because marijuana is a controlled substance under the federal  
300 Controlled Substance Act;

301 (xxxii) To the extent properly includable in gross income for federal  
302 income tax purposes, for the taxable year commencing on or after  
303 January 1, 2025, and each taxable year thereafter, any common stock  
304 received by the taxpayer during the taxable year under a share plan, as  
305 defined in section 12-217ss;

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

309 (xxxiv) Contributions to an ABLE account established pursuant to  
310 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for  
311 each individual taxpayer or ten thousand dollars for taxpayers filing a  
312 joint return;

313 (xxxv) To the extent properly includable in gross income for federal  
314 income tax purposes, the amount of any payment received pursuant to  
315 subsection (c) of section 3-122a;

316 (xxxvi) For an account holder, as defined in section 12-724b, who files  
317 a return under the federal income tax as an unmarried individual, a  
318 married individual filing separately or a head of household, whose  
319 federal adjusted gross income for the taxable year is less than one  
320 hundred twenty-five thousand dollars or who files a return under the  
321 federal income tax as married individuals filing jointly whose federal  
322 adjusted gross income for the taxable year is less than two hundred fifty  
323 thousand dollars;

324 (I) To the extent not deductible in determining federal adjusted gross  
325 income, for the taxable year commencing January 1, 2027, an amount  
326 equal to the contributions deposited during the taxable years  
327 commencing January 1, 2026, and January 1, 2027, in a first-time  
328 homebuyer savings account established pursuant to subsection (c) of  
329 section 12-724b, less any amounts withdrawn during said taxable years  
330 by the account holder from such account under subparagraph (D) of  
331 subdivision (2) of subsection (f) of section 12-724b. The amount claimed  
332 under this subclause shall not exceed two thousand five hundred  
333 dollars for each such taxable year for an unmarried individual, a  
334 married individual filing separately or a head of household and five  
335 thousand dollars for each such taxable year for married individuals  
336 filing jointly;

337 (II) To the extent not deductible in determining federal adjusted gross  
338 income, for the taxable year commencing January 1, 2028, and each  
339 taxable year thereafter, an amount equal to the contributions deposited  
340 during the taxable year in a first-time homebuyer savings account  
341 established pursuant to subsection (c) of section 12-724b, less any  
342 amounts withdrawn during the taxable year by the account holder from  
343 such account pursuant to subparagraph (D) of subdivision (2) of  
344 subsection (f) of section 12-724b. The amount allowed to be claimed  
345 under this subclause for the taxable year shall not exceed two thousand  
346 five hundred dollars for an unmarried individual, a married individual  
347 filing separately or a head of household and five thousand dollars for  
348 married individuals filing jointly; and

349 (III) To the extent properly includable in gross income for federal  
350 income tax purposes, for the taxable year commencing January 1, 2027,  
351 and each taxable year thereafter, an amount equal to the sum of all  
352 interest accrued on a first-time homebuyer savings account, established  
353 pursuant to subsection (c) of section 12-724b, during the taxable year;  
354 and

355 (xxxvii) To the extent properly includable in gross income for federal  
356 income tax purposes, for the taxable year commencing January 1, 2027,

357 and each taxable year thereafter, for an account holder who is a qualified  
 358 beneficiary of a first-time homebuyer savings account, as those terms  
 359 are defined in section 12-724b, and who files a return under the federal  
 360 income tax as an unmarried individual, a married individual filing  
 361 separately or a head of household, whose federal adjusted gross income  
 362 for the taxable year is less than one hundred twenty-five thousand  
 363 dollars or who files a return under the federal income tax as married  
 364 individuals filing jointly whose federal adjusted gross income for the  
 365 taxable year is less than two hundred fifty thousand dollars, an amount  
 366 equal to any withdrawal from such account that is used to pay or  
 367 reimburse such qualified beneficiary for eligible costs, as defined in  
 368 section 12-724b, incurred by the qualified beneficiary.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027</i>	12-701(a)(20)(B)

**FIN**      *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	100,000

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which expands the personal income tax deduction for amortizable bond premiums paid on out-of-state government bonds, results in a General Fund revenue loss of approximately \$100,000 annually beginning in FY 28.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to the amount of applicable bond premium amortized annually.

**OLR Bill Analysis****HB 5445*****AN ACT CONCERNING THE AMORTIZABLE BOND PREMIUM SUBTRACTION FOR PURPOSES OF THE PERSONAL INCOME TAX.*****SUMMARY**

Under current law, Connecticut allows personal income taxpayers to deduct amortizable bond premium paid on out-of-state government bonds (which are exempt from federal income tax but subject to state income tax) if they incurred the premium in the course of a trade or business. This bill expands this deduction to allow all taxpayers to deduct amortizable bond premium on out-of-state government bonds, rather than just those who incurred them as a business expense.

EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date.

**BACKGROUND*****Federal Tax Treatment of Amortizable Bond Premium***

Bond premium is the amount a bond purchaser pays in excess of the bond's face value. For federal income tax purposes, the ability to amortize bond premium depends on whether the bond is taxable or tax-exempt. For taxable bonds, taxpayers can either:

1. treat the premium as part of the bond's cost basis, reducing the taxpayer's capital gain (or increasing the loss) when the bond is eventually sold or matures, or
2. amortize the bond premium over the life of the bond, reducing the bond's cost basis and the amount of taxable interest income reported each year.

For tax-exempt bonds (such as state and municipal bonds), taxpayers

must amortize any bond premium. Unlike with premium on a taxable bond, there is no tax benefit for amortizing premium on tax-exempt bonds because the bond's interest is already tax-exempt.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 54 Nay 0 (03/30/2026)