



General Assembly

February Session, 2026

Raised Bill No. 5445

LCO No. 2399



Referred to Committee on FINANCE, REVENUE AND
BONDING

Introduced by:
(FIN)

**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2 section 12-701 of the 2026 supplement to the general statutes is repealed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
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 (xxxi) 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*