



## Connecticut Tax Tips for Senior Citizens

**Purpose:** This Informational Publication is designed to acquaint senior citizens with Connecticut taxes. It includes information on income tax, sales and use taxes, gift, estate, real estate conveyance, and local property taxes.

### Income Tax

The Connecticut income tax applies to Connecticut residents, part-year residents, and nonresidents who have income from Connecticut sources. The tax is computed on your Connecticut taxable income. See the Connecticut instruction booklets for **Form CT-1040**, *Connecticut Resident Income Tax Return*, and **Form CT-1040NR/PY**, *Connecticut Nonresident and Part-Year Resident Income Tax Return*.

**Income Tax Return:** For calendar year filers, the Connecticut income tax return is due on or before **April 15 of the next calendar year**. If you are not a calendar year filer, your return is due on or before the fifteenth day of the fourth month following the close of your taxable year. If the due date falls on a Saturday, Sunday, or legal holiday, the Connecticut income tax return will be treated as timely if the return is mailed or transmitted on the next business day. You may be required to file an income tax return even if you do not owe any tax. Information on filing requirements is included in all Connecticut income tax instruction booklets. Residents must file Form CT-1040 and nonresidents and part-year residents must file Form CT-1040NR/PY.

**Income Subject to Tax:** Generally, income **included** in your federal adjusted gross income is subject to Connecticut income tax and income **excluded** from your federal adjusted gross income is **not** subject to Connecticut income tax. For example, interest from Connecticut state or local bonds is not subject to federal or Connecticut income tax. Likewise, the gain from the sale of your primary residence is subject to Connecticut income tax only to the extent it is subject to federal income tax.

**Modifications to Federal Adjusted Gross Income:** Certain income is treated differently for Connecticut income tax purposes than it is for federal income tax purposes.

You must make the appropriate modifications to your federal adjusted gross income to compute your Connecticut adjusted gross income (AGI) if you have:

- Social security benefits;
- Refunds of state and local income taxes;
- Interest or dividend income from U.S. government obligations, for example, U.S. Savings Bonds or Treasury Notes;
- Interest income from bonds issued by another state;
- Gain (loss) on the sale of Connecticut state and local government bonds;
- Interest, dividends, or capital gain earned on contributions to accounts established for a designated beneficiary under the Connecticut Homecare Option Program for the Elderly;
- Contributions to a Connecticut Higher Education Trust (CHET) account or accounts;
- Retirement pay from the U.S. government to a retired member of the armed forces of the United States, the National Guard, or to a beneficiary receiving survivor benefits under an option or election made by a deceased retired military member;
- Domestic production activity deduction allowed under Internal Revenue Code (IRC) §199; **or**
- Any other allowable addition or subtraction modification.

Allowable modifications are explained in the instruction booklets for Form CT-1040 or Form CT-1040NR/PY. See the section for *Schedule 1*.

**Social Security Benefit Adjustment:** Social Security recipients who pay federal income tax on their benefits may be able to reduce the amount of benefits taxable for Connecticut income tax purposes by completing the *Schedule 1 Social Security Benefit Adjustment Worksheet* included in the instruction booklet for Form CT-1040 or Form CT-1040NR/PY. For example, if a couple filing jointly have taxable social security benefits on their federal income tax return, they may be required to make a Social Security benefit adjustment by completing *Schedule 1*. The instructions for *Schedule 1* may not apply if you meet any of the following exceptions:

- You made a contribution to a traditional Individual Retirement Account (IRA) for the taxable year and you or your spouse were covered by a retirement plan as an employee or through self-employment.
- You repaid any benefits during the taxable year and the total repayments reported on your Form SSA-1099, box 4, were more than the total benefits reported on your Form SSA-1099, box 3.
- You filed federal Form 2555, Form 2555-EZ, Form 4563, or Form 8815 or excluded employer-provided adoption benefits or income from sources within Puerto Rico.

If you meet any of these exceptions, see **Announcement 2010(7) Taxability of Social Security Benefits for Connecticut Income Tax Purposes**.

Social Security recipients whose filing status is single or filing separately and whose federal adjusted gross income is **less than \$50,000** or filing jointly, qualifying widow(er) with dependent child, or head of household and whose federal adjusted gross income is **less than \$60,000** are not subject to Connecticut income tax on federally taxable Social Security benefits.

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

Any reference in this publication to filing jointly includes filing jointly for federal and Connecticut and filing jointly for Connecticut only. Likewise, filing separately includes filing separately for federal and Connecticut and filing separately for Connecticut only.

**Tax Rate:** The rate of tax for Connecticut taxable income for single filers and taxpayers filing separately is:

- 3% on the first \$10,000;
- 5% of the excess over \$10,000, but not over \$500,000; **and**
- 6.5% of the excess over \$500,000.

The rate of tax for Connecticut taxable income for head of household filers is:

- 3% on the first \$16,000;
- 5% of the excess over \$16,000, but not over \$800,000; **and**
- 6.5% of the excess over \$800,000.

The rate of tax for Connecticut taxable income for taxpayers filing jointly and qualifying widow(er) with dependent child is:

- 3% on the first \$20,000;
- 5% of the excess over \$20,000, but not over \$1,000,000; **and**
- 6.5% of the excess over \$1,000,000.

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**Taxable Income:** To compute your Connecticut taxable income, subtract your personal exemption from Connecticut AGI. If your Connecticut AGI is less than or equal to the maximum personal exemption amount for your filing status, you do not owe any Connecticut income tax.

Maximum personal exemption amounts are:

**\$12,000 filing separately**

For every \$1,000 (or part of \$1,000) of Connecticut AGI over \$24,000, the personal exemption amount is reduced by \$1,000.

**\$13,000 single filers (for 2010 through 2011 taxable years)**

For every \$1,000 (or part of \$1,000) of Connecticut AGI over \$26,000, the personal exemption amount is reduced by \$1,000.

**\$19,000 head of household**

For every \$1,000 (or part of \$1,000) of Connecticut AGI over \$38,000, the personal exemption amount is reduced by \$1,000.

**\$24,000 filing jointly or qualifying widow(er) with dependent child**

For every \$1,000 (or part of \$1,000) of Connecticut AGI over \$48,000, the personal exemption amount is reduced by \$1,000.

**Computing Your Income Tax:** The example below shows how to compute the income tax liability for a resident couple filing jointly. The tax is rounded to the nearest whole dollar.

CT AGI .....	\$45,000
Personal exemption .....	<u>-24,000</u>
CT taxable income .....	<b>\$21,000</b>

**Calculation of Tax**

Income taxable at 3% .....	\$20,000
Tax rate (.03) .....	<u>x .03</u>
Tax .....	<b>\$600</b>
Income taxable at 5% .....	\$1,000
Tax rate (.05) .....	<u>x .05</u>
Tax .....	<b>\$50</b>
Total tax .....	\$650
Personal tax credit	
Total tax of \$650 x 15% from Table C in the Form CT-1040 Connecticut resident income tax instructions booklet .....	(\$98)
Tax due before subtracting any property tax credit .....	<b><u>\$552</u></b>

**Property Tax Credit:** A property tax credit is also available to resident individuals for property taxes paid to a Connecticut political subdivision on a primary residence, a motor vehicle, or both. Generally, this credit is allowed for property tax bills first becoming **due** during a taxable year and **paid** during the taxable year. The maximum property tax credit is \$500 per return for the 2010 taxable year. Depending on the amount of property taxes you paid to a Connecticut municipality and your Connecticut AGI, the property tax credit may be reduced or you may not be eligible for a credit. The amount of credit is reduced by 10% for each \$10,000 or fraction of \$10,000 increase in Connecticut AGI. The property tax credit AGI limitation is \$56,500 for any taxpayer who files as single for 2010 and 2011 taxable years.

Spouses or civil union partners who file a joint Connecticut income tax return may include property tax bills for which each spouse is individually or jointly liable. If you are claiming a property tax credit, you must complete and attach the property tax schedule to your return or the Department of Revenue Services (DRS) will disallow your credit.

See **Informational Publication 2010(23)**, *Q & A: Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision*.

**Credit for Income Taxes Paid to a Qualifying Jurisdiction:** If you are a **resident** of Connecticut and any part of your income was taxed by a **qualifying jurisdiction** or if you are a **part-year resident** of Connecticut and any part of your income earned during the residency portion of your taxable year was taxed by a **qualifying jurisdiction**, you may be able to claim a credit against your Connecticut income tax liability for qualifying income tax payments you have made. See the current year instruction booklets for Form CT-1040 and Form CT-1040NR/PY.

**Withholding From Your Pension:** If you are a Connecticut resident and receive a pension, you may be able to have Connecticut income tax withheld from your pension payments. Contact your pension payer and ask for **Form CT-W4P**, *Withholding Certificate for Pension or Annuity Payments*. Retired federal civil service employees must contact the U.S. Office of Personnel Management (USOPM) to start, stop, or change Connecticut income tax withholding. Call USOPM at 1-888-767-6738 to use the automated request system or 1-202-606-1800 to speak with a representative.

If you are a nonresident and receive a pension, your pension is not subject to Connecticut income tax even if a former employer pays you a pension for services performed while you were employed in Connecticut.

**Estimated Income Tax Filing Requirements:** You must make estimated Connecticut income tax payments if your Connecticut income tax due after tax credits minus Connecticut income tax withheld is **\$1,000 or more** and you expect your Connecticut income tax withheld to be less than your required annual payment. Estimated payments are generally made in four equal installments: April 15, June 15, September 15 of the current year, and January 15 of the next year.

However, if your income varies throughout the year, you may be able to reduce or eliminate the amount of one or more estimated payments by using the annualized installment method. See **Informational Publication 2010(27)**, *Estimated Connecticut Income Taxes*, and **Informational Publication 2010(28)**, *A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040 AES*.

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## Sales and Use Taxes

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Retail sales or leases of tangible personal property and certain services are subject to sales and use taxes at a 6% rate. Computer and data processing services are taxable at a 1% rate.

Some items and services not subject to sales or use taxes include:

- All newspapers, magazines by subscription;
- Internet access services;
- Clothing and footwear items costing under \$50 each;
- Current United States and Connecticut flags;
- Diabetic supplies such as test strips and tablets, lancets and glucose monitoring equipment, and repair and replacement parts for the equipment;
- Doctor, dentist, medical laboratory, lawyer, and travel agent fees;
- Eyeglasses, dentures, hearing aids, and hearing aid batteries;
- Instruction classes such as knitting, sewing, dog obedience, music, ballroom dancing, etc.;
- Adult diapers and disposable pads for incontinence;
- Most nonprescription over-the-counter drugs for humans or animals used internally or externally. This includes vitamins or mineral concentrates; dietary supplements; natural or herbal medicines; eye, ear, or nose medications; antacids; cough, cold, asthma, and allergy products; antihistamines; analgesics; antibiotic, antibacterial, antiviral, and antifungal medicines; laxatives; steroidal medicines; antidiarrheal medicines; antiseptics; anthelmintics; astringents; anesthetics; and emetics or antiemetics. Cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps, and deodorants are taxable;
- Prescription drugs, syringes, and needles;
- Canes;
- Support hose specially designed to aid in the circulation of blood purchased by persons with a medical need for the hose;
- Oxygen and oxygen equipment, customized trusses and braces, crutches, walkers, wheelchairs, and inclined stairway chairlifts, and repair and replacement part services for the equipment;
- Repair services and repair and replacement parts for artificial limbs, artificial eyes, hearing aids, and other equipment used to support vital life functions;
- Telephone equipment designed exclusively for deaf or blind persons;
- Electricity and gas for residential use;
- Closed circuit television equipment used as reading aids by visually impaired persons;
- Equipment for people with physical disabilities installed in motor vehicles and repair and replacement parts for the equipment;
- Fuel for residential heating or cooking such as oil, propane, kerosene, wood, coal, and charcoal;
- Fabric, thread, buttons, zippers, trim, and similar materials for noncommercial sewing used to make clothing;
- Shoe repair services;
- Yarn for noncommercial use;
- Items purchased in the Supplemental Nutrition Assistance Program;
- Food products for human consumption: The exemption does not include meals, carbonated beverages, candy, and alcoholic beverages;
- Food products sold through coin-operated vending machines;
- Sales of food, meals, candy, confectionery, and beverages to persons in health care facilities. Health care facilities include assisted living facilities, senior centers, day care centers, hospitals, residential care homes, convalescent homes, nursing homes, and rest homes;
- Meals delivered to homes of elderly persons and provided by special programs, such as Meals on Wheels;
- Labor for many home repairs and services including plumbing, electrical, refuse removal, septic cleaning services, painting, staining, roofing, wallpapering, paving, siding, and exterior sheet metal work;
- Landscaping and horticulture services, window cleaning, and maintenance services when rendered at the residence of a person eligible to receive, and currently receiving, total disability benefits under the Social Security Act;
- Repair and maintenance services to vessels and fabrication labor to existing vessels;
- Vegetable seeds;
- Bicycle helmets;
- Firearm safety devices;
- Personal property used in a burial or cremation with a value of up to \$2,500;
- Caskets used for burial or cremation;
- Compact fluorescent light bulbs; **and**
- Other nontaxable services including animal grooming and boarding services, laundry, hair styling, towing, and real estate and jewelry appraisal.

**Discounts:** When a senior citizen discount or other discount is offered on a taxable item, the sales tax is applied to the discounted price.

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**Coupons:** A coupon entitles a purchaser to an immediate reduction in the sales price of an item when the coupon is presented to a retailer. No additional action is required of the purchaser.

Sales and use taxes are calculated on the sales price after reducing the price by the value of any coupons presented. Any additional value assigned by the retailer, such as to double or triple the coupon, is also excluded from the sales price.

For example, if the original price of an item is \$3 and you present a coupon for 50 cents off the item, the taxable price is \$2.50. The total price of the item, including the sales tax, is \$2.65.

In contrast, rebates do not reduce the taxable sales price of an item being purchased. See **Policy Statement 2007(5)**, *Sales Tax Treatment of Coupons, Scan Cards, Cash Equivalents, Promotional Items and Rebates*.

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**Use Tax:** When the seller of goods or provider of taxable services does not collect the sales tax, you must pay use tax. You must file a use tax return annually to report purchases of taxable goods or services on which you have not paid Connecticut sales tax.

If you purchased goods from mail order, catalog companies, or over the Internet and had the goods shipped to Connecticut, you must pay Connecticut use tax if you did not pay Connecticut sales tax. If you purchased goods at out-of-state locations for use in Connecticut and the tax paid is less than the Connecticut tax, you must pay the difference between the Connecticut tax and the tax paid in the other state. If all the items purchased and brought into Connecticut at one time total \$25 or less, you do not have to pay Connecticut use tax. The \$25 exemption does not apply to items shipped or mailed to you.

You must pay the use tax for purchases you made during the prior calendar year on or before April 15 on either your Connecticut income tax return or on **Form OP-186**, *Connecticut Individual Use Tax Return*. In general, the use tax rate for taxable goods and services is 6%.

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## Estate Tax

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The *Connecticut taxable estate* is the sum of:

- A. The total value of the decedent's federal gross estate less allowable deductions other than the deduction for state death taxes paid under IRC §2058; **and**
- B. The aggregate amount of Connecticut taxable gifts made by the decedent during his or her lifetime for all calendar years beginning on or after January 1, 2005.

**For estates of decedents dying on or after January 1, 2005, but before January 1, 2010:** Resident and nonresident estates are liable for the Connecticut estate tax if the amount of the Connecticut taxable estate is more than \$2 million. If the Connecticut taxable estate exceeds \$2 million, Connecticut estate tax is payable on the total amount including the first \$2 million. A resident estate is an estate of a decedent who at the time of death was domiciled in Connecticut.

**For estates of decedents dying on or after January 1, 2010:** Resident and nonresident estates are liable for the Connecticut estate tax if the amount of the Connecticut taxable estate is more than \$3.5 million. Connecticut estate tax is payable only on the amount of the Connecticut taxable estate that exceeds \$3.5 million.

If Connecticut estate and gift tax is due, the estate must file **Form CT-706/709**, *Connecticut Estate and Gift Tax Return*, with DRS. A copy of Form CT-706/709 must also be filed with the appropriate Connecticut probate court.

If Connecticut estate and gift tax is not due, the estate must file **Form CT-706 NT**, *Connecticut Estate Tax Return (For Nontaxable Estates)*, with the Connecticut probate court for the district in which the decedent resided at the date of death or, if the decedent died as a nonresident of Connecticut, with the Connecticut probate court for the district in which the decedent's real property or tangible personal property is located.

See **Special Notice 2005(10)**, *2005 Legislation Repealing the Succession Tax and Amending the Connecticut Gift Tax and the Connecticut Estate Tax*, **Special Notice 2006(5)**, *2006 Legislation and Other Developments Affecting the Connecticut Estate and Gift Taxes*, and **Special Notice 2009(8)**, *2009 Legislative Changes Affecting the Connecticut Estate Tax and Connecticut Gift Tax*.

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## Gift Tax

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If you made a gift, you may be required to file federal Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, and Form CT-706/709.

The Connecticut gift tax applies to Connecticut taxable gifts, which are also federal taxable gifts, made by a resident or nonresident of Connecticut on or after January 1, 2005:

- For a donor who is a Connecticut resident, the taxable gifts include real property or tangible personal property located in Connecticut as well as intangible personal property wherever located; **and**
- For a donor who is a nonresident of Connecticut, the taxable gifts include only real property or tangible personal property located in Connecticut.

A Connecticut gift tax return must be filed to report all Connecticut taxable gifts made in any calendar year on or after January 1, 2005, even though Connecticut gift tax may not be due.

**For gifts made on or after January 1, 2005, but before January 1, 2010:** Connecticut gift tax is payable only when the aggregate amount of all Connecticut taxable gifts made by the donor on or after January 1, 2005, exceeds \$2 million. Once the \$2 million threshold is exceeded, Connecticut gift tax is payable on the aggregate amount of Connecticut taxable gifts including the first \$2 million.

**For gifts made on or after January 1, 2010:** Connecticut gift tax is payable only when the aggregate amount of all Connecticut taxable gifts made by the donor on or after January 1, 2005, exceeds \$3.5 million. Once the \$3.5 million threshold is exceeded, Connecticut gift tax is payable only on the amount of Connecticut taxable gifts that exceeds \$3.5 million.

A credit is allowed for Connecticut gift taxes paid on Connecticut taxable gifts made on or after January 1, 2005. However, the credit **cannot** exceed the amount of the Connecticut gift tax.

See SN 2005(10), SN 2006(5), and SN 2009(8).

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## Local Real Estate and Personal Property Taxes

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State law governs the manner in which a city or town assessor determines property assessments and the procedures tax collectors use to collect property taxes.

State law also authorizes property tax exemptions, credits, and abatements. For more information on property tax, write to Office of Policy and Management, Intergovernmental Policy Division, 450 Capitol Avenue, Mail Stop 54 GSU, Hartford CT 06106-1379, or visit the website of the Office of Policy and Management at [www.ct.gov/OPM](http://www.ct.gov/OPM) and select *Intergovernmental* from the *Offices & Divisions* pull down menu. Scroll down to *Intergovernmental Affairs Unit* and select *Statutes Relating to Assessment and Taxation*. You may also obtain specific information from a city or town assessor.

**October 1** is the assessment date for all municipalities. All owners of personal property, other than registered motor vehicles, must file a declaration with the assessor on or before **November 1**.

**Homeowner/Renter Tax Credit:** An annual property tax credit or rent rebate is available to residents age 65 or older, or to a surviving spouse age 50 or older, who meet certain residence and income requirements.

Regardless of age, a totally and permanently disabled person is also eligible for the tax credit or rent rebate if he or she meets the requirements. Contact the assessor in your town or city for details and forms.

**Veteran Exemption:** A variable, annual property tax exemption on the assessed value of an owner-occupied dwelling or on a motor vehicle is available to any qualified veteran or surviving spouse. Contact the assessor in your town or city for details and forms.

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## Real Estate Conveyance Tax

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A state and municipal real estate conveyance tax is imposed on deeds conveying an interest in realty where the consideration for the interest in property equals or exceeds \$2,000. A deed for no consideration or less than \$2,000 in consideration is not taxable for real estate conveyance tax but may be subject to gift tax or gift tax filing requirements.

The following deeds are exempt from the state real estate conveyance tax, but subject to the municipal real estate conveyance tax: a deed conveying the principal residence of any person receiving property tax benefits for the elderly; and deeds transferring realty in enterprise zones, enterprise corridor zones, and entertainment districts. For deeds that are exempt from both the state real estate conveyance tax and the municipal real estate conveyance tax, see **Form OP-236I, Line Instructions for the OP-236, Real Estate Conveyance Tax Return**.

The state tax rate on the consideration received for the real estate is as follows:

Type of Real Estate	Rate
Unimproved land	0.5%
Residential property (other than residential dwelling)	0.5%
Nonresidential property (other than unimproved land)	1.0%
Residential dwelling (portion not exceeding \$800,000)	0.5%
Residential dwelling (portion exceeding \$800,000)	1.0%
Property conveyed by a delinquent mortgagor*	0.5%

\* If mortgage payments are delinquent for six months or more and property is conveyed to a financial institution.

The grantor/seller conveying the property pays the state and municipal taxes. The grantor/seller must present separate checks, one payable to the town clerk and one payable to the Commissioner of Revenue Services, in payment of the municipal and state real estate conveyance taxes at the time the deed is presented for recording.

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## Succession Tax

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The succession tax remains in effect for estates of all decedents dying prior to January 1, 2005.

**Effect on Other Documents:** This Informational Publication modifies and supersedes **Informational Publication 2009(22)**, *Connecticut Tax Tips for Senior Citizens*.

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

IP 2010(26)  
 Multiple  
 Connecticut Tax Tips for Senior Citizens  
 Issued: 01/18/2011

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

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only), **or**
- **860-297-5962** (from anywhere).

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

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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

### Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

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

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

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