General Assembly

Committee Bill No. 327

January Session, 2009

LCO No. **3530**

03530SB00327GAE

Referred to Committee on Government Administration and Elections

Introduced by:
(GAE)

AN ACT ESTABLISHING A STATE SAVINGS PLAN FOR RECENT COLLEGE GRADUATES WHO WORK IN CONNECTICUT.

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

Section 1. (NEW) (*Effective October 1, 2009*) (a) For purposes of sections 1 to 7, inclusive, of this act:

(1) "Depositor" means any person making a deposit, payment, contribution, gift or other deposit to the program pursuant to a participation agreement.

(2) "Designated beneficiary" means any individual who has been designated as a beneficiary in the participation agreement, and may include any individual who enters into a participation agreement or is subsequently designated as a spouse or the partner to a civil union of the designated beneficiary.

(3) "Participation agreement" means the agreement between the trust and depositors for participation in a savings plan for a designated beneficiary.

(4) "Program" means the Connecticut graduates' first home purchase program.

(5) "Fund" means the Connecticut Graduates' First Home Purchase Fund.

(b) There is established the Connecticut graduates' first home purchase program to allow individuals who have recently graduated college and are employed in the state to save for the cost of purchasing a condominium or house in the state. The Comptroller shall establish the Connecticut Graduates' First Home Purchase Fund, which shall be comprised of individual savings accounts for the purpose of the graduates' use to purchase a condominium or house in the state. Withdrawals from the fund may be used to purchase a condominium or house in the state, upon receipt by the fund of an executed purchase agreement. Upon the death of a designated beneficiary, any available funds in such beneficiary's account shall be an asset of the estate of such beneficiary.

Sec. 2. (NEW) (*Effective October 1, 2009*) The Comptroller, on behalf of the fund and for purposes of the fund, may:

(1) Receive and invest moneys in the fund in any instruments, obligations, securities or property in accordance with section 3 of this act;

(2) Procure insurance in connection with the fund's property, assets, activities, or deposits or contributions to the fund;

(3) Establish one or more funds within the fund and maintain separate accounts for each designated beneficiary; and

(4) Take any other actions necessary to carry out the purposes of sections 1 to 7, inclusive, of this act and incidental to the duties imposed on the Comptroller pursuant to said sections 1 to 7, inclusive.

Sec. 3. (NEW) (*Effective October 1, 2009*) The Comptroller shall invest the amounts on deposit in the fund in a manner reasonable and appropriate to achieve the objectives of the program, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Comptroller shall give due consideration to rate of return, risk, term or maturity, diversification of the total portfolio within the trust, liquidity, the projected disbursements and expenditures, and the expected payments, deposits, contributions and gifts to be received. The Comptroller shall not require the fund to invest directly in obligations of the state or any political subdivision of the state or in any investment or other fund administered by the Comptroller. The assets of the fund shall be continuously invested and reinvested in a manner consistent with the objectives of the fund until disbursed for the purchase of a condominium or home in the state, expended on expenses incurred by the operations of the fund, or refunded to the depositor or designated beneficiary on the conditions provided in the participation agreement.

Sec. 4. (NEW) (*Effective October 1, 2009*) The Comptroller, on behalf of the program and for purposes of the program, may:

(1) Establish consistent terms for each participation agreement, bulk deposit, coupon or installment payments, including, but not limited to, (A) the method of payment into the fund by payroll deduction, transfer from bank accounts or otherwise, (B) the termination, withdrawal or transfer of payments under the fund, including transfers to an eligible home care provider, (C) penalties for distributions not used or made in accordance with this section, (D) changing the identity of the designated beneficiary, and (E) any charges or fees in connection with the administration of the fund;

(2) Enter into one or more contractual agreements, including contracts for legal, actuarial, accounting, custodial, advisory, management, administrative, advertising, marketing and consulting services for the program and pay for such services from the gains and earnings of the fund;

(3) Apply for, accept and expend gifts, grants or donations from public or private sources to enable the program to carry out its objectives;

(4) Adopt regulations, in accordance with chapter 54 of the general statutes, to implement the purposes of sections 1 to 7, inclusive, of this act;

(5) Sue and be sued; and

(6) Take any other action necessary to carry out the purposes of sections 1 to 7, inclusive, of this act, and incidental to the duties imposed on the Comptroller pursuant to said sections 1 to 7, inclusive.

Sec. 5. (NEW) (*Effective October 1, 2009*) Participation in the program and the offering and solicitation of the fund are exempt from sections 36b-16 and 36b-22 of the general statutes. The Comptroller shall obtain written advice of counsel or written advice from the Securities Exchange Commission, or both, that the fund and the offering of participation in the fund are not subject to federal securities laws.

Sec. 6. (NEW) (*Effective October 1, 2009*) The state pledges to depositors, designated beneficiaries and with any party who enters into contracts with the fund, pursuant to the provisions of sections 1 to 7, inclusive, of this act, that the state will not limit or alter the rights under said sections 1 to 7, inclusive, vested in the program or contract with the fund until such obligations are fully met and discharged and such contracts are fully performed on the part of the fund, provided nothing contained in this section shall preclude such limitation or alteration if adequate provision is made by law for the protection of such depositors and designated beneficiaries pursuant to the obligations of the fund or parties who entered into such contracts with the fund. The program, on behalf of the state, may include this pledge and undertaking for the state in participation agreements and such other obligations or contracts.

Sec. 7. (NEW) (*Effective October 1, 2009*) (a) The Connecticut Graduates' First Home Purchase Fund constitutes an instrumentality of the state and shall perform essential governmental functions, as provided in this section and sections 1 to 6, inclusive, of this act. The fund shall receive and hold all payments and deposits or contributions intended for the program, as well as gifts, bequests, endowments or federal, state or local grants, and any other funds from any public or private source and all earnings until disbursed in accordance with section 1 of this act.

(b) The amounts on deposit in the fund as individual savings accounts shall not constitute property of the state and such amounts shall not be construed to be a department, institution or agency of the state. Amounts on deposit in the fund shall not be commingled with state funds and the state shall have no claim to or against, or interest in, such funds. Any contract entered into by or any obligation of the fund shall not constitute a debt or obligation of the state and the state shall have no obligation to any designated beneficiary or any other person on account of the fund and all amounts obligated to be paid from the fund shall be limited to amounts available for such obligation on deposit in the fund. The amounts on deposit in the fund may only be disbursed in accordance with the provisions of this section and sections 1 to 6, inclusive, of this act. The fund shall continue in existence as long as it holds any deposits or has any obligations and until its existence is terminated by law. Upon termination, any unclaimed assets shall return to the state.

(c) The Comptroller shall be responsible for the receipt, maintenance, administration, investing and disbursements of amounts from the fund. The fund shall not receive deposits in any form other than cash. No depositor or designated beneficiary may direct the investment of any contributions or amounts held in the fund other than in the specific fund options provided for by the fund.

Sec. 8. Subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2009*):

(20) "Connecticut adjusted gross income" means adjusted gross income, with the following modifications:

(A) There shall be added thereto (i) to the extent not properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of any state, political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity, exclusive of such income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of any such income with respect to which taxation by any state is prohibited by federal law, (ii) any exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-interest dividends derived from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law, (iii) any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes, (iv) to the extent included in gross income for federal income tax purposes for the taxable year, the total taxable amount of a lump sum distribution for the taxable year deductible from such gross income in calculating federal adjusted gross income, (v) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized, (vi) to the extent deductible in determining federal adjusted gross income, any income taxes imposed by this state, (vii) to the extent deductible in determining federal adjusted gross income, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is exempt from tax under this chapter, (viii) expenses paid or incurred during the taxable year for the production or collection of income which is exempt from taxation under this chapter or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from tax under this chapter to the extent that such expenses and premiums are deductible in determining federal adjusted gross income, and (ix) for property placed in service after September 10, 2001, but prior to September 11, 2004, in taxable years ending after September 10, 2001, any additional allowance for depreciation under subsection (k) of Section 168 of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, to the extent deductible in determining federal adjusted gross income.

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent allowable under section 12-701a, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiv) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, (xv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, (xvi) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, as defined in section 3-123aa, interest, dividends or capital gains earned on contributions to accounts established for the designated beneficiary pursuant to the Connecticut Homecare Option Program for the Elderly established by sections 3-123aa to 3-123ff, inclusive, **[**and**]** (xvii) to the extent properly included in gross income for federal income tax purposes, fifty per cent of the income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code, and (xviii) to the extent properly includable in the gross income for federal income tax purposes of a college graduate participating in the Connecticut Graduate's First Home Purchase Fund, pursuant to sections 1 to 7, inclusive, of this act, interest, dividends or capital gains earned on contributions to accounts established for such graduates.

(C) With respect to a person who is the beneficiary of a trust or estate, there shall be added or subtracted, as the case may be, from adjusted gross income such person's share, as determined under section 12-714, in the Connecticut fiduciary adjustment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2009*	New section
Sec. 2	*October 1, 2009*	New section
Sec. 3	*October 1, 2009*	New section
Sec. 4	*October 1, 2009*	New section
Sec. 5	*October 1, 2009*	New section
Sec. 6	*October 1, 2009*	New section
Sec. 7	*October 1, 2009*	New section
Sec. 8	*October 1, 2009*	12-701(a)(20)

Statement of Purpose:

To provide an incentive for recent college graduates to stay and work in Connecticut and make it easier for such graduates to save for and afford a home in the state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: SEN. FASANO, 34th Dist.

S.B. 327