



House of Representatives

General Assembly

File No. 24

January Session, 2015

Substitute House Bill No. 6758

House of Representatives, March 5, 2015

The Committee on Housing reported through REP. BUTLER of the 72nd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE YOUNG PROFESSIONALS URBAN HOUSING INCENTIVE PROGRAM.

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

1 Section 1. (NEW) (*Effective July 1, 2015, and applicable to taxable years*
2 *commencing on or after January 1, 2016*) (a) The Commissioner of
3 Housing, in consultation with the Commissioner of Revenue Services,
4 may establish a Young Professionals Urban Housing Incentive
5 program to provide an incentive for graduates of a public institution of
6 higher education, a private university or college or a regional
7 community-technical college to lease rental housing or to purchase and
8 reside in a first home. Such home shall be bought or leased in urban
9 areas designated by the Commissioner of Housing for purposes of the
10 program. To be eligible for the program, a person shall (1) graduate on
11 or after January 1, 2016, from any such institution, university or
12 college, and (2) be personally liable for an amount equal to or
13 exceeding twenty thousand dollars in student loans.

14 (b) Any person meeting the qualifications set forth in subsection (a)

15 of this section may be eligible to receive a refundable tax credit against
 16 his or her state personal income tax liability under chapter 229 of the
 17 general statutes, other than the liability imposed by section 12-707 of
 18 the general statutes. Such credit shall be refundable in an amount of up
 19 to ten per cent of such person's annual rental or mortgage payments,
 20 provided the total tax credit allowed shall not exceed one thousand
 21 five hundred dollars annually.

22 (c) Any person meeting the qualifications set forth in subsection (a)
 23 of this section may apply to the Commissioner of Housing for
 24 acceptance to the Young Professionals Urban Housing Incentive
 25 program. Such application shall be made on such form as the
 26 Commissioner of Housing prescribes, and shall be accompanied by
 27 any supporting documentation required by the Commissioner of
 28 Housing.

29 (d) Participants in the Young Professionals Urban Housing
 30 Incentive program shall be eligible to participate during the period
 31 from the taxable year during which a participant graduates, and for
 32 nine taxable years thereafter, provided an application is made to the
 33 Commissioner of Housing pursuant to subsection (c) of this section
 34 every two years. Any benefits received under this section shall cease
 35 immediately if the participant fails to pay rent or to make mortgage
 36 payments on a primary residence located in an urban area designated
 37 by the Commissioner of Housing.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2016</i>	New section

Statement of Legislative Commissioners:

In subdivision (1) of subsection (a), "institutions, universities or colleges" was changed to the singular for proper grammar.

HSG *Joint Favorable Subst. -LCO*

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.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Potential Revenue Loss	15.3 million - 18.1 million	61.1 million - 72.2 million
Department of Revenue Services	GF - Potential Cost	226,000	171,000
Department of Housing	GF - Potential Cost	At least 100,000	At least 100,000
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	66,093	66,093

Municipal Impact: None

Explanation

The bill results in (1) a potential revenue loss of \$15.3 million - 18.1 million in FY 16 and \$61.1 million - \$72.2 million in FY 17 and (2) an annualized potential cost of \$392,093 in FY 16 and \$337,093 in FY 17 by allowing the Commissioner of Housing to establish a Young Professionals Urban Housing program.

The program would provide a refundable income tax credit of up to \$1,500 per year for 10 years to future college graduates with at least \$20,000 in student loans renting or owning housing in designated urban areas within the state. It is estimated that up to 24,080 graduates

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 38.65% of payroll in FY 16 and FY 17.

may be eligible for the program each year.² Assuming that all eligible graduates participate in the program as of January 1, 2016, this would result in a revenue loss of \$15.3 million - \$18.1 million in FY 16 and \$61.1 million - \$72.2 million in FY 17.³

It is unclear whether or how the credit extends to multiple residents within the same dwelling paying a portion of the rent or mortgage. For the purposes of this analysis, it assumed that all eligible graduates are individually responsible for the full amount of qualifying rent or mortgage.

To administer the tax credit, the Department of Revenue Services (DRS) would require two Tax Correction Examiners (\$55,000 for salary and \$21,258 for fringe costs per position) and one Revenue Examiner (\$61,000 for salary and \$23,577 for fringe costs) for initial review and on-going compliance, resulting in a total annualized cost of \$237,093. This estimate is based on the positions required to administer the state's earned income tax credit, which is the only other refundable tax credit offered against the state personal income tax.

The DRS would also incur a one-time cost of approximately \$55,000 to administer the new tax credit, including changes to the online Taxpayer Service Center (TSC), form alteration, printing costs, and programming changes to the Department's Integrated Tax Administration System (ITAS).

The Department of Housing would require at least \$100,000 annually for either staff positions or to hire a third party administrator to (1) implement the program, (2) review applications to the program and (3) conduct compliance audits to determine whether participants are in good standing on rental or mortgage payments.

² This estimate is based on the current number of in-state and out-of-state college graduates annually in Connecticut adjusted for the proportion living independently and having a student loan liability of \$20,000 or greater.

³ The lower range of the estimate assumes a refundable tax credit of \$1,270 based on average annual rent of \$12,696 in the Bridgeport, Hartford, New Haven, and Stamford areas. The higher range of the estimate assumes the maximum refundable tax credit of \$1,500 as provided in the bill.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 18 \$	FY 19 \$	FY 20 \$
Department of Revenue Services	GF - Potential Revenue Loss	91.7 million - 108.4 million	122.3 million - 144.5 million	152.9 million - 180.6 million

Municipal Impact: None

The annualized ongoing cost impact identified above would continue into the future subject to inflation.

Sources: Connecticut Department of Higher Education Degree Completions Database
National Center for Education Statistics 2010 Digest of Education Statistics
CollegeScholarships.org
Gallup February 13, 2014 Survey

OLR Bill Analysis**sHB 6758*****AN ACT CONCERNING THE YOUNG PROFESSIONALS URBAN HOUSING INCENTIVE PROGRAM.*****SUMMARY:**

This bill allows the housing commissioner, in consultation with the revenue services commissioner, to establish a program providing a refundable income tax credit to recent college and university graduates who rent or purchase their first home in designated urban areas. Eligible taxpayers qualify for the credit if they owe at least \$20,000 in student loan debt. The credit equals up to 10% of the taxpayer's rent or mortgage payments, to a maximum of \$1,500 per year for up to 10 years.

EFFECTIVE DATE: July 1, 2015, and applicable to income years beginning on or after January 1, 2016.

INCOME TAX CREDIT

Under the bill, the housing commissioner may establish a Young Professionals Urban Housing Incentive Program to provide a state income tax credit to eligible recent graduates. The credit equals up to 10% of an eligible taxpayer's rent or mortgage payments, to a maximum of \$1,500 per year for up to ten years.

The credited rent or mortgage payments must be for the taxpayer's primary residence in an urban area designated by the commissioner. Mortgage payments can be credited only if they are for the taxpayer's first home. (The bill does not specify whether the credit is available to more than one household member.)

ELIGIBLE TAXPAYERS

To qualify for the credit, taxpayers must:

1. have graduated from a public or private institution of higher education, including regional community-technical colleges, on or after January 1, 2016;
2. be personally liable for at least \$20,000 in student loans; and
3. pay rent or make mortgage payments on housing in an urban area designated by the housing commissioner.

Taxpayers are eligible to participate in the program only during the year in which they graduate and the nine taxable years that follow. An eligible taxpayer who stops making payments on an eligible property immediately becomes ineligible for the credit.

APPLICATION

After initial acceptance into the program, eligible taxpayers must reapply for the program biennially, using a form created by the commissioner and supplying supporting documentation.

COMMITTEE ACTION

Housing Committee

Joint Favorable
Yea 13 Nay 0 (02/19/2015)