



## State of Connecticut

### HOUSE OF REPRESENTATIVES STATE CAPITOL

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### *Testimony*

## ***In Support of HB 5122, An Act Concerning Personal Income Tax Deductions for Contributions to Family and Medical Leave Benefit Accounts***

*Finance, Revenue, and Bonding Committee*

*3/9/2016*

Good Morning Senator Fonfara, Representative Berger, Senator Frantz, Representative Davis, and all other distinguished members of the Finance, Revenue, and Bonding Committee. Thank you for the opportunity to testify in support of HB 5122, An Act Concerning Personal Income Tax Deductions for Contributions to Family and Medical Leave Benefit Accounts.

Just as businesses in every state, Connecticut employers must comply with the federal Family and Medical Leave Act, which allows eligible employees to take unpaid leave, with the right to reinstatement, for certain reasons. In addition, Connecticut laws give employees the right to take extended leaves of absence for family and health reasons. Connecticut employees, who are eligible, may take up to 16 weeks for serious health conditions, bonding with a new child or preparation for a family member's military service.

Certainly the concerns with this benefit being unpaid is an ongoing controversial issue with this program. We have all heard the arguments on both sides of this issue. Can many of our citizens really take advantage of this benefit and give up a paycheck to take care of family? How will expanding this benefit impact businesses? How will we protect especially our small businesses? What will the total cost of administering this program be? Who will pay for these costs or how will we pay for them?

HB 5122 offers a solution to many of these concerns. It provides for a simple employee payroll savings plan that is optional and will pay for itself. Modeled after the Connecticut Flexible Spending Plan (MedFlex) and the Dependent Care Spending Plan (DCAP), this program establishes a pretax payroll deduction under personal income tax for contributions to a family and medical leave benefit account.

It allows for a Trust to be established in order to pay for qualified family and medical expenses, pursuant to the federal Family & Medical Leave Act of 1993. It allows the State Treasurer to serve as Administrator of the Trust. All costs related to the administration of this program will be covered from gains and earnings of the Trust. Considering Connecticut's new financial reality – HB 5122 offers a viable legislative option to help provide for paid FMLA without burdening our taxpayers and smallest businesses with new tax mandates and bringing additional costs to the state budget. I have attached a brief comparison of HB 5122 and SB221 both dealing with FMLA.

Thank you for the opportunity to testify in support of HB 5122. I strongly urge the committee to pass the bill for debate and a vote by the full assembly. Thank you again and I will answer any questions.

Sincerely,

Noreen Kokoruda  
State Representative  
101<sup>st</sup> District  
Madison and Durham

**Table 1. Federal and State Family and Medical Leave Laws**

<b>Law</b>	<b>Leave Allowed</b>	<b>Covered Employers</b>	<b>Eligible Employees</b>
<b>Federal FMLA</b> Public Law 103-3 (1993) (29 U.S.C. 2601 et seq.)	12 weeks of unpaid leave in a 12-month period	All public and private sector employers with at least 50 employees	Eligible employees must have worked for the covered employer for at least 12 months with 1,250 hours of work time during the 12-month period immediately preceding the leave
<b>CT State Employee FMLA</b> PA 87-291 (CGS § 5-248a)	24 weeks of unpaid leave in a two year period	CT state government	State employees in the (1) classified service in permanent positions or (2) unclassified service who have served for at least six months
<b>CT State FMLA</b> PA 89-382 PA 96-140 (CGS § 31-51kk et seq.)	16 weeks of unpaid leave in a 24-month period	Private sector employers with at least 75 employees in CT	Eligible employees must have worked for the covered employer for at least 12 months with 1,000 hours of work time during the 12-month period immediately preceding the leave
<b>CT Family Violence Leave</b> PA 10-144 (CGS § 31-51ss)	12 days of unpaid leave per calendar year for victims of family violence to seek medical care, obtain victims' services, relocate, or participate in a court proceeding	All public and private sector employers with at least three employees	All employees (no service or work time requirements)
<b>CT School Paraprofessional FMLA</b> PA 12-43 (CGS § 31-51rr)	12 weeks of unpaid leave in a 12-month period (same as federal FMLA)	Political subdivisions (i.e., municipal school boards and districts)	School paraprofessionals (i.e., teachers' aides) who have worked been employed by the employer for at least 12 months and worked for at least 950 hours over the 12-month period prior to

the leave.

<b>*OPTIONAL PARTICIPATION*</b>	<b>*MANDATORY PARTICIPATION*</b>
<b><i>HB 5122 – FMLA Accounts</i></b>	<b><i>SB 221 – PAID FMLA Accounts</i></b>
<b><u>FAST FACTS</u></b>	<b><u>FAST FACTS</u></b>
Voluntarily funded by participants	Mandatory participation with a forced contribution by participants
Benefit limited only by what participants contributed	Benefit limited to \$1,000 per week, regardless of the amount of taxes deducted
Participants have the ability to take as many weeks paid leave as contributions cover, up to 26 weeks	Participants have the ability to take up to 12 weeks paid leave
No income threshold	Income threshold of \$9,300
<b><u>DETAILS</u></b>	<b><u>DETAILS</u></b>
Creates FMLA accounts that can be used to pay qualified family & medical leave expenses	Creates a Family & Medical Leave Compensation Trust Fund and FMLC Program
Contributions to the account are made by participants	Program requires employers to offer up to 12 weeks per year of paid leave
Contributions are tax deductible	Program is funded by contributions on participant's paycheck
No income requirement	Participant must have earned at least \$9,300 over 12 months to qualify
Contributions can be withdrawn to pay for eligible expenses without limit or penalty	Trust administrator begins collecting contributions as of 3/1/17 and must start paying out by 1/1/18
No minimum requirement to be sustainable	Contributions must be at least \$4 million per month to be sustainable
FMLA accounts are administered by the state treasurer through the CT Family and Medical Benefit Trust	Benefit is 100% of the participant's average weekly earnings up to \$1,000 per week
State treasurer submits annual reports on the trust operations to the governor, General Assembly and account holders	Labor commissioner submits annual reports to the General Assembly
Trust property and earnings are tax-exempt	Participant can take partial days of leave
Participant's account balances are disregarded for purposes of qualifying for government benefit programs, including tuition grants	N/A

No limitations on who is eligible to establish an account	Self-employed may enroll, but has a requirement of at least 3 years
N/A	Establishes a public education campaign about the program
N/A	Establishes a new complaint, hearing, and appeals process if compensation is denied
N/A	Requires employers to post notice (poster) of the benefit
N/A	Expands FMLA coverage to include siblings, grandparents, grandchildren, parents, spouses and parents-in-law
N/A	Makes conforming changes to FMLA for state employees
Adheres to federal and state guidelines, this program applies to employers of 50 or more employees	Does not adhere to federal or state guidelines, this program applies to all employers with 2 or more employees
Allows a variety of contribution sources to fund the account, including grants, gifts and donations	Relies solely on deductions from participant's paycheck