



General Assembly

February Session, 2016

**Committee Bill No. 5122**

LCO No. 2584



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

***AN ACT CONCERNING PERSONAL INCOME TAX DEDUCTIONS FOR CONTRIBUTIONS TO FAMILY AND MEDICAL LEAVE BENEFIT ACCOUNTS.***

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 2016 supplement to the general statutes is  
3 repealed and the following is substituted in lieu thereof (*Effective*  
4 *January 1, 2017, and applicable to taxable years commencing on or after*  
5 *January 1, 2017*):

6 (B) There shall be subtracted therefrom (i) to the extent properly  
7 includable in gross income for federal income tax purposes, any  
8 income with respect to which taxation by any state is prohibited by  
9 federal law, (ii) to the extent allowable under section 12-718, exempt  
10 dividends paid by a regulated investment company, (iii) the amount of  
11 any refund or credit for overpayment of income taxes imposed by this  
12 state, or any other state of the United States or a political subdivision  
13 thereof, or the District of Columbia, to the extent properly includable  
14 in gross income for federal income tax purposes, (iv) to the extent

15 properly includable in gross income for federal income tax purposes  
16 and not otherwise subtracted from federal adjusted gross income  
17 pursuant to clause (x) of this subparagraph in computing Connecticut  
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
19 extent any additional allowance for depreciation under Section 168(k)  
20 of the Internal Revenue Code, as provided by Section 101 of the Job  
21 Creation and Worker Assistance Act of 2002, for property placed in  
22 service after December 31, 2001, but prior to September 10, 2004, was  
23 added to federal adjusted gross income pursuant to subparagraph  
24 (A)(ix) of this subdivision in computing Connecticut adjusted gross  
25 income for a taxable year ending after December 31, 2001, twenty-five  
26 per cent of such additional allowance for depreciation in each of the  
27 four succeeding taxable years, (vi) to the extent properly includable in  
28 gross income for federal income tax purposes, any interest income  
29 from obligations issued by or on behalf of the state of Connecticut, any  
30 political subdivision thereof, or public instrumentality, state or local  
31 authority, district or similar public entity created under the laws of the  
32 state of Connecticut, (vii) to the extent properly includable in  
33 determining the net gain or loss from the sale or other disposition of  
34 capital assets for federal income tax purposes, any gain from the sale  
35 or exchange of obligations issued by or on behalf of the state of  
36 Connecticut, any political subdivision thereof, or public  
37 instrumentality, state or local authority, district or similar public entity  
38 created under the laws of the state of Connecticut, in the income year  
39 such gain was recognized, (viii) any interest on indebtedness incurred  
40 or continued to purchase or carry obligations or securities the interest  
41 on which is subject to tax under this chapter but exempt from federal  
42 income tax, to the extent that such interest on indebtedness is not  
43 deductible in determining federal adjusted gross income and is  
44 attributable to a trade or business carried on by such individual, (ix)  
45 ordinary and necessary expenses paid or incurred during the taxable  
46 year for the production or collection of income which is subject to  
47 taxation under this chapter but exempt from federal income tax, or the  
48 management, conservation or maintenance of property held for the

49 production of such income, and the amortizable bond premium for the  
50 taxable year on any bond the interest on which is subject to tax under  
51 this chapter but exempt from federal income tax, to the extent that  
52 such expenses and premiums are not deductible in determining federal  
53 adjusted gross income and are attributable to a trade or business  
54 carried on by such individual, (x) (I) for a person who files a return  
55 under the federal income tax as an unmarried individual whose  
56 federal adjusted gross income for such taxable year is less than fifty  
57 thousand dollars, or as a married individual filing separately whose  
58 federal adjusted gross income for such taxable year is less than fifty  
59 thousand dollars, or for a husband and wife who file a return under  
60 the federal income tax as married individuals filing jointly whose  
61 federal adjusted gross income for such taxable year is less than sixty  
62 thousand dollars or a person who files a return under the federal  
63 income tax as a head of household whose federal adjusted gross  
64 income for such taxable year is less than sixty thousand dollars, an  
65 amount equal to the Social Security benefits includable for federal  
66 income tax purposes; and (II) for a person who files a return under the  
67 federal income tax as an unmarried individual whose federal adjusted  
68 gross income for such taxable year is fifty thousand dollars or more, or  
69 as a married individual filing separately whose federal adjusted gross  
70 income for such taxable year is fifty thousand dollars or more, or for a  
71 husband and wife who file a return under the federal income tax as  
72 married individuals filing jointly whose federal adjusted gross income  
73 from such taxable year is sixty thousand dollars or more or for a  
74 person who files a return under the federal income tax as a head of  
75 household whose federal adjusted gross income for such taxable year  
76 is sixty thousand dollars or more, an amount equal to the difference  
77 between the amount of Social Security benefits includable for federal  
78 income tax purposes and the lesser of twenty-five per cent of the Social  
79 Security benefits received during the taxable year, or twenty-five per  
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
81 Code, (xi) to the extent properly includable in gross income for federal  
82 income tax purposes, any amount rebated to a taxpayer pursuant to

83 section 12-746, (xii) to the extent properly includable in the gross  
84 income for federal income tax purposes of a designated beneficiary,  
85 any distribution to such beneficiary from any qualified state tuition  
86 program, as defined in Section 529(b) of the Internal Revenue Code,  
87 established and maintained by this state or any official, agency or  
88 instrumentality of the state, (xiii) to the extent allowable under section  
89 12-701a, contributions to accounts established pursuant to any  
90 qualified state tuition program, as defined in Section 529(b) of the  
91 Internal Revenue Code, established and maintained by this state or  
92 any official, agency or instrumentality of the state, (xiv) to the extent  
93 properly includable in gross income for federal income tax purposes,  
94 the amount of any Holocaust victims' settlement payment received in  
95 the taxable year by a Holocaust victim, (xv) to the extent properly  
96 includable in gross income for federal income tax purposes of an  
97 account holder, as defined in section 31-51ww, interest earned on  
98 funds deposited in the individual development account, as defined in  
99 section 31-51ww, of such account holder, (xvi) to the extent properly  
100 includable in the gross income for federal income tax purposes of a  
101 designated beneficiary, as defined in section 3-123aa, interest,  
102 dividends or capital gains earned on contributions to accounts  
103 established for the designated beneficiary pursuant to the Connecticut  
104 Homecare Option Program for the Elderly established by sections 3-  
105 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in  
106 gross income for federal income tax purposes, any income received  
107 from the United States government as retirement pay for a retired  
108 member of (I) the Armed Forces of the United States, as defined in  
109 Section 101 of Title 10 of the United States Code, or (II) the National  
110 Guard, as defined in Section 101 of Title 10 of the United States Code,  
111 (xviii) to the extent properly includable in gross income for federal  
112 income tax purposes for the taxable year, any income from the  
113 discharge of indebtedness in connection with any reacquisition, after  
114 December 31, 2008, and before January 1, 2011, of an applicable debt  
115 instrument or instruments, as those terms are defined in Section 108 of  
116 the Internal Revenue Code, as amended by Section 1231 of the

117 American Recovery and Reinvestment Act of 2009, to the extent any  
118 such income was added to federal adjusted gross income pursuant to  
119 subparagraph (A)(xi) of this subdivision in computing Connecticut  
120 adjusted gross income for a preceding taxable year, (xix) to the extent  
121 not deductible in determining federal adjusted gross income, the  
122 amount of any contribution to a manufacturing reinvestment account  
123 established pursuant to section 32-9zz in the taxable year that such  
124 contribution is made, [and] (xx) to the extent properly includable in  
125 gross income for federal income tax purposes, for the taxable year  
126 commencing January 1, 2015, ten per cent of the income received from  
127 the state teachers' retirement system, for the taxable year commencing  
128 January 1, 2016, twenty-five per cent of the income received from the  
129 state teachers' retirement system, and for the taxable year commencing  
130 January 1, 2017, and each taxable year thereafter, fifty per cent of the  
131 income received from the state teachers' retirement system, and (xxi)  
132 contributions to a family and medical leave benefit account established  
133 pursuant to sections 2 to 8, inclusive, of this act, established and  
134 maintained by this state or any official, agency or instrumentality of  
135 the state.

136 Sec. 2. (NEW) (*Effective October 1, 2016*) As used in this section and  
137 sections 3 to 9, inclusive, of this act:

138 (1) "Family and medical leave benefit account" or "FMLA account"  
139 means an account established and maintained pursuant to sections 3 to  
140 9, inclusive, of this act for the purposes of paying qualified family and  
141 medical leave expenses.

142 (2) "Deposit" means a deposit, payment, contribution, gift or other  
143 transfer of funds.

144 (3) "Depositor" means any person making a deposit into an FMLA  
145 account pursuant to a participation agreement.

146 (4) "Designated beneficiary" means any individual state resident  
147 originally designated in the participation agreement who is the owner

148 of an FMLA account.

149 (5) "Participation agreement" means an agreement between the trust  
150 established pursuant to section 3 of this act and depositors that  
151 provides for participation in an FMLA account for the benefit of a  
152 designated beneficiary.

153 (6) "Qualified family and medical leave expenses" means any  
154 expenses incurred during periods when the designated beneficiary is  
155 on approved leave pursuant to the provisions of the federal Family  
156 and Medical Leave Act of 1993 and the regulations promulgated  
157 pursuant to said act or pursuant to section 5-248a of the general  
158 statutes or sections 31-51kk to 31-51qq, inclusive, of the general  
159 statutes.

160 Sec. 3. (NEW) (*Effective October 1, 2016*) (a) (1) The State Treasurer  
161 shall establish an FMLA account program pursuant to sections 2 to 8,  
162 inclusive, of this act. Under the program: (A) The State Treasurer shall  
163 administer individual FMLA accounts to encourage and assist eligible  
164 individuals in saving private funds to provide support during periods  
165 of approved job protected leave pursuant to the provisions of the  
166 federal Family and Medical Leave Act of 1993 and the regulations  
167 promulgated pursuant to said act, and (B) a person may make  
168 contributions to an individual FMLA account to meet the qualified  
169 family and medical leave expenses of the designated beneficiary of the  
170 account.

171 (2) For the purposes of the program, there is established within the  
172 Office of the State Treasurer the Connecticut Family and Medical  
173 Benefit Trust. The trust shall constitute an instrumentality of the state  
174 and shall perform essential governmental functions, as provided in  
175 sections 2 to 8, inclusive, of this act. The trust shall receive and hold all  
176 payments and deposits intended for FMLA accounts as well as gifts,  
177 bequests, endowments or federal, state or local grants and any other  
178 funds from public or private sources and all earnings, until disbursed  
179 in accordance with sections 2 to 8, inclusive, of this act.

180 (b) (1) The amounts on deposit in the trust shall not constitute  
181 property of the state and the trust shall not be construed to be a  
182 department, institution or agency of the state. Amounts on deposit in  
183 the trust shall not be commingled with state funds and the state shall  
184 have no claim to or against, or interest in, such amounts, except as  
185 provided in subdivision (2) of this subsection. Any contract entered  
186 into by, or any obligation of, the trust shall not constitute a debt or  
187 obligation of the state and the state shall have no obligation to any  
188 designated beneficiary or any other person on account of the trust and  
189 all amounts obligated to be paid from the trust shall be limited to  
190 amounts available for such obligation on deposit in the trust. The  
191 amounts on deposit in the trust may only be disbursed in accordance  
192 with the provisions of sections 2 to 8, inclusive, of this act.

193 (2) The trust shall continue in existence as long as it holds any  
194 deposits or other funds or has any obligations and until its existence is  
195 terminated by law, and upon termination of the trust, any unclaimed  
196 assets of the trust shall return to the state. Property of the trust shall be  
197 governed by section 3-61a of the general statutes.

198 (c) The State Treasurer shall be responsible for the receipt,  
199 maintenance, administration, investment and disbursements of  
200 amounts from the trust. The trust shall not receive deposits in any  
201 form other than cash. No depositor or designated beneficiary may  
202 direct the investment of any contributions or amounts held in the trust  
203 other than in the specific fund options provided for by the trust and  
204 shall not direct investments in such specific fund options more than  
205 two times in any calendar year. No interest, or portion of any interest,  
206 in the program shall be used as security for a loan.

207 (d) A person may make deposits to an FMLA account to meet their  
208 qualified family and medical leave expenses, provided the trust and  
209 deposits meet the other requirements of this section and any  
210 regulations adopted by the State Treasurer.

211 (e) On or before December 31, 2017, and annually thereafter, the

212 State Treasurer shall submit (1) in accordance with the provisions of  
213 subsection (a) of section 3-37 of the general statutes, a report to the  
214 Governor on the operations of the trust, including the receipts,  
215 disbursements, assets, investments and liabilities and administrative  
216 costs of the trust for the prior fiscal year, and (2) in accordance with the  
217 provisions of section 11-4a of the general statutes, a report on the trust  
218 to the joint standing committee of the General Assembly having  
219 cognizance of matters relating to finance, and shall make such report  
220 available to each depositor and designated beneficiary. The report  
221 required under subdivision (2) of this subsection shall include, but  
222 need not be limited to: (A) The number of FMLA accounts; (B) the total  
223 amount of contributions to such accounts; (C) the total amount and  
224 nature of distributions from such accounts; and (D) a description of  
225 issues relating to the abuse of such accounts, if any.

226 Sec. 4. (NEW) (*Effective October 1, 2016*) The State Treasurer, on  
227 behalf of the trust and for purposes of the trust, may:

228 (1) Receive and invest moneys in the trust in any instruments,  
229 obligations, securities or property in accordance with section 5 of this  
230 act;

231 (2) Establish consistent terms for each participation agreement, bulk  
232 deposit, coupon or installment payments, including, but not limited to,  
233 (A) the method of payment into an FMLA account by payroll  
234 deduction, transfer from bank accounts or otherwise, (B) the  
235 termination, withdrawal or transfer of payments under an FMLA  
236 account, (C) penalties for distributions not used for qualified family  
237 and medical leave expenses, and (D) the amount of any charges or fees  
238 to be assessed in connection with the administration of the trust;

239 (3) Enter into one or more contractual agreements, including  
240 contracts for legal, actuarial, accounting, custodial, advisory,  
241 management, administrative, advertising, marketing and consulting  
242 services for the trust and pay for such services from the gains and  
243 earnings of the trust;

244 (4) Procure insurance in connection with the trust's property, assets,  
245 activities or deposits or contributions to the trust;

246 (5) Apply for, accept and expend gifts, grants or donations from  
247 public or private sources to enable the Connecticut Family and  
248 Medical Benefit Trust to carry out its objectives;

249 (6) Sue and be sued;

250 (7) Establish one or more funds within the trust and maintain  
251 separate FMLA accounts for each designated beneficiary; and

252 (8) Take any other action necessary to carry out the purposes of  
253 sections 2 to 8, inclusive, of this act and incidental to the duties  
254 imposed on the State Treasurer pursuant to said sections.

255 Sec. 5. (NEW) (*Effective October 1, 2016*) Notwithstanding the  
256 provisions of sections 3-13 to 3-13h, inclusive, of the general statutes,  
257 the State Treasurer shall invest the amounts on deposit in the trust in a  
258 manner reasonable and appropriate to achieve the objectives of the  
259 trust, exercising the discretion and care of a prudent person in similar  
260 circumstances with similar objectives. The State Treasurer shall give  
261 due consideration to the rate of return, risk, term or maturity,  
262 diversification of the total portfolio within the trust, liquidity,  
263 projected disbursements and expenditures and the expected payments,  
264 deposits, contributions and gifts to be received. The State Treasurer  
265 shall not require the trust to invest directly in obligations of the state or  
266 any political subdivision of the state or in any investment or other  
267 fund administered by the State Treasurer. The assets of the trust shall  
268 be continuously invested and reinvested in a manner consistent with  
269 the objectives of the trust until disbursed for qualified family and  
270 medical leave expenses, expended on expenses incurred by the  
271 operations of the trust or refunded to the depositor or designated  
272 beneficiary on the conditions provided in the participation agreement.

273 Sec. 6. (NEW) (*Effective October 1, 2016*) Participation in the trust and

274 the offering, sale and solicitation of opportunities to participate in the  
275 trust are exempt from sections 36b-16 and 36b-22 of the general  
276 statutes, provided the State Treasurer has obtained written advice of  
277 counsel or written advice from the Securities Exchange Commission,  
278 or both, that the trust and the offering, sale and solicitation of  
279 opportunities to participate in the trust are not subject to federal  
280 securities laws.

281       Sec. 7. (NEW) (*Effective October 1, 2016*) The property of the trust and  
282 the earnings on the trust shall be exempt from taxation by the state and  
283 political subdivisions of the state.

284       Sec. 8. (NEW) (*Effective October 1, 2016*) The state pledges to  
285 depositors, designated beneficiaries and any party who enters into  
286 contracts with the trust, pursuant to the provisions of sections 2 to 8,  
287 inclusive, of this act, that the state will not limit or alter the rights  
288 under said sections vested in the trust or contract with the trust until  
289 such obligations are fully met and discharged and such contracts are  
290 fully performed on the part of the trust, provided nothing in this  
291 section shall preclude such limitation or alteration if adequate  
292 provision is made by law for the protection of such depositors and  
293 designated beneficiaries pursuant to the obligations of the trust or  
294 parties who entered into such contracts with the trust. The trust, on  
295 behalf of the state, may include a description of such pledge and  
296 undertaking for the state in participation agreements and such other  
297 obligations or contracts.

298       Sec. 9. (NEW) (*Effective October 1, 2016*) (a) Notwithstanding any  
299 provision of the general statutes, moneys invested in an individual  
300 FMLA account, contributions to an individual FMLA account and  
301 distributions for qualified family and medical leave expenses pursuant  
302 to sections 2 to 8, inclusive, of this act, shall be disregarded for  
303 purposes of determining an individual's eligibility for assistance under  
304 the temporary family assistance program, as described in section 17b-  
305 112 of the general statutes, programs funded under the federal Low

306 Income Home Energy Assistance Program block grant and any other  
 307 federally funded assistance or benefit program, including, but not  
 308 limited to, the state's medical assistance program, whenever such  
 309 program requires consideration of one or more financial circumstances  
 310 of an individual for the purpose of determining the individual's  
 311 eligibility to receive any assistance or benefit or the amount of any  
 312 assistance or benefit.

313 (b) Notwithstanding any provision of the general statutes, no  
 314 moneys invested in the FMLA accounts shall be considered to be an  
 315 asset for purposes of determining an individual's eligibility for need-  
 316 based, institutional aid grants offered to an individual at the public  
 317 eligible educational institutions in the state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2017, and applicable to taxable years commencing on or after January 1, 2017</i>	12-701(a)(20)(B)
Sec. 2	<i>October 1, 2016</i>	New section
Sec. 3	<i>October 1, 2016</i>	New section
Sec. 4	<i>October 1, 2016</i>	New section
Sec. 5	<i>October 1, 2016</i>	New section
Sec. 6	<i>October 1, 2016</i>	New section
Sec. 7	<i>October 1, 2016</i>	New section
Sec. 8	<i>October 1, 2016</i>	New section
Sec. 9	<i>October 1, 2016</i>	New section

**Statement of Purpose:**

To establish a deduction under the personal income tax for contributions to a family and medical leave benefit account and to allow for the establishment of such accounts by the State Treasurer.

*[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: REP. HOYDICK, 120th Dist.; REP. CANDELORA, 86th Dist.  
REP. KOKORUDA, 101st Dist.

H.B. 5122