



House of Representatives

General Assembly

File No. 666

February Session, 2016

Substitute House Bill No. 5424

House of Representatives, April 19, 2016

The Committee on Finance, Revenue and Bonding reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT CONCERNING THE IMPLEMENTATION OF THE LEARN
HERE, LIVE HERE PROGRAM.***

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

1 Section 1. Section 32-4i of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2016, and*
3 *applicable to taxable years commencing on or after January 1, 2016*):

4 (a) The Commissioner of Economic and Community Development,
5 in consultation with the Commissioner of Revenue Services and the
6 president of the Board of Regents for Higher Education, [may] shall
7 establish the Learn Here, Live Here program. Such program [may]
8 shall provide an incentive for graduates of a public institution of
9 higher education, private university or college, or health care training
10 school in this state, or graduates from a technical high school, to buy a
11 first home in the state. Persons who graduate on or after January 1,
12 [2014] 2016, from such institutions, universities, colleges or schools
13 may elect to become participants in said program and have their

14 income tax liability, up to a maximum of two thousand five hundred
15 dollars annually, segregated into the Connecticut first-time
16 homebuyers account established pursuant to section 32-4j, provided
17 not more than one million dollars from all [program] participants may
18 be so segregated in any calendar year. After a period not exceeding ten
19 years after graduation, any [amounts so] amount segregated on behalf
20 of a participant may be [withdrawn by a] used by such participant for
21 the purchase of a first home in the state. The Commissioner of
22 Economic and Community Development [may] shall make payments
23 from said account, in accordance with this section, [from said fund to
24 the] on behalf of participants. For the purposes of this section, "health
25 care training school" means a medical or dental school, chiropractic
26 college, school or college of optometry, school or college of chiropody
27 or podiatry, school of occupational therapy, hospital-based
28 occupational school, school or college of naturopathy, school of dental
29 hygiene, school of physical therapy or any other school or institution
30 giving instruction in the healing arts.

31 (b) (1) After a period not exceeding ten years after the date of
32 graduation, a participant in the program established pursuant to
33 subsection (a) of this section may apply to the Commissioner of
34 Economic and Community Development for a payment to be issued,
35 on behalf of such participant, and used as the down payment on a
36 house, which [must] shall be the first house such participant [has
37 bought] buys, either singly or jointly. Such payment may be in an
38 amount equal to the amount of segregated funds deposited on behalf
39 of such participant. If the payment is less than such amount, any excess
40 amount shall be deposited in the General Fund. If no such payment is
41 issued within such period, the entire amount of segregated funds
42 deposited on behalf of such participant shall be deposited in the
43 General Fund.

44 (2) If a participant ceases to live in the state at any time up to one
45 year after [such date] the date of issuance of such payment, such
46 participant shall repay one hundred per cent of the amount paid out. If
47 a participant ceases to live in the state at any time up to two years after

48 such date, such participant shall repay eighty per cent of the amount
49 paid out. If a participant ceases to live in the state at any time up to
50 three years after such date, such participant shall repay sixty per cent
51 of the amount paid out. If a participant ceases to live in the state at any
52 time up to four years after such date, such participant shall repay forty
53 per cent of the amount paid out. If a participant ceases to live in the
54 state at any time up to five years after such date, such participant shall
55 repay twenty per cent of the amount paid out. After five years, there
56 [is] shall be no repayment obligation. Any amounts repaid under this
57 subdivision shall be deposited in the General Fund.

58 (c) On or before December 1, [2012] 2016, the Commissioner of
59 Economic and Community Development [may] shall develop, within
60 available appropriations, a comprehensive public education program
61 to educate recent graduates of a public institution of higher education,
62 private university or college, or health care training school in the state,
63 or of a technical high school, about the program established under this
64 section for first-time home buyers. The public education program shall
65 include, but not be limited to, information concerning life-time savings
66 plans and information on the purchase of a home. [If the commissioner
67 develops such public education program, the] The department shall
68 [begin to] implement such program not later than January 1, [2014]
69 2017.

70 Sec. 2. Section 32-4k of the general statutes is repealed and the
71 following is substituted in lieu thereof (*Effective July 1, 2016, and*
72 *applicable to taxable years commencing on or after January 1, 2016*):

73 As part of the Learn Here, Live Here program established pursuant
74 to section 32-4i, as amended by this act, for taxable years commencing
75 on or after January 1, [2014] 2016, the Commissioner of Revenue
76 Services shall segregate the income taxes paid by a participant in said
77 program during a period not exceeding ten taxable years following the
78 year of graduation. Upon the request of such participant, the
79 commissioner shall segregate an annual amount of such tax liability,
80 up to a maximum of two thousand five hundred dollars per year. The

81 total amount segregated for all program participants shall not exceed
 82 one million dollars in any calendar year. The commissioner shall
 83 deposit such segregated amounts into the Connecticut first-time
 84 homebuyers account established pursuant to section 32-4j.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016, and applicable to taxable years commencing on or after January 1, 2016</i>	32-4i
Sec. 2	<i>July 1, 2016, and applicable to taxable years commencing on or after January 1, 2016</i>	32-4k

CE *Joint Favorable Subst. C/R*

FIN

FIN *Joint Favorable*

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 17 \$	FY 18 \$
Revenue Serv., Dept.	GF - Revenue Loss	1.5 million	1.0 million
Department of Economic & Community Development	GF - Cost	72,786	97,786
Department of Revenue Services	GF - Cost	100,000	None
State Comptroller - Fringe Benefits ¹	GF - Cost	29,071	29,071

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in (1) an annualized cost of \$97,786 (and \$29,071 in fringe costs) to the Department of Economic and Community Development (DECD) and (2) a one-time cost of \$100,000 to the Department of Revenue Services (DRS) in FY 17 only by requiring, rather than allowing, DECD to administer the Learn Here, Live Here program.

The bill also results in a revenue loss of up to \$1,500,000 in FY 17 and \$1,000,000 each year thereafter with a potential for recapture in subsequent years.

Administrative Costs

The bill requires DECD to establish the Learn Here, Live Here

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 39.94% of payroll in FY 17 and FY 18.

program. One full-time Community Development Specialist at an annual cost of approximately \$101,857 (\$72,786 salary plus \$29,071 fringe benefits) would be necessary to administer the program's initiation. It is anticipated that the Specialist would (1) develop a comprehensive public education program to educate students on Learn Here, Live Here, as permitted under current law, and (2) manage applications to the program. Additionally, the annual costs associated with printing and educational activities are estimated to be \$25,000.

Depending upon the level of participation in the program, a second full-time DECD Specialist at a similar cost of \$101,857 (\$72,786 salary plus \$29,071 fringe benefits) may be necessary in the out years to (1) assist in the processing of applications for payments by participants and (2) monitor the residency status of participants. The residency status is needed to determine the level of payment a participant may be eligible to receive.

The bill is estimated to result in a one-time set up and programming cost of \$100,000 in FY 17 to DRS to administer the tax provisions of the bill.

Revenue Impact

The bill permits up to \$1,000,000 in total income tax to be segregated for program participants in any calendar year. The maximum revenue loss per year is therefore \$1,000,000.² To the extent that graduates move out of the state, a portion of that revenue may be recaptured in subsequent years.

The Out Years

The annualized ongoing cost to DECD identified above would continue into the future subject to inflation. The cost to DRS occurs in FY 17 only.

² Because the bill is effective retroactively to the income year beginning January 1, 2016, the revenue impact on a fiscal year basis would be a loss of up to \$1.5 million in FY 17 only.

Additionally, the program is capped at \$1 million annually which results in a maximum of \$1 million in revenue loss per year.

OLR Bill Analysis

sHB 5424

AN ACT CONCERNING THE IMPLEMENTATION OF THE LEARN HERE, LIVE HERE PROGRAM.

SUMMARY:

This bill activates the Learn Here, Live Here program, which by law offers eligible students (see BACKGROUND) the option of segregating a portion of their income tax payments in a special account they can use to make a down payment on the purchase of their first home in Connecticut. The bill requires, rather than allows, the Department of Economic and Community Development (DECD) commissioner to establish the program, and resets the implementation deadlines that currently apply if she chooses to implement the program.

Once activated, the law allows participating students to segregate up to \$2,500 per year from their income tax payments for up to 10 years after graduation. It also limits the total amount the state may segregate for all participating students to \$1 million per year. A student may withdraw some or all of the funds for a down payment any time within 10 years of graduation, and any balance remaining after 10 years must be deposited in the General Fund. If the student does not withdraw any funds after 10 years, the bill requires the entire amount to be deposited in the General Fund.

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

IMPLEMENTATION DEADLINES

Current law's deadlines for starting the program and completing specific administrative tasks apply if the commissioner activates the program, which she has not done. Under current law, the program must be open to eligible students who graduate on or after January 1,

2014, from eligible institutions. The bill instead opens it to eligible students who graduate on or after January 1, 2016.

Current law requires her to market the program by December 1, 2012 and begin to implement it by January 1, 2014. The bill instead makes these deadlines December 1, 2016, and January 1, 2017, respectively.

By law, the revenue services commissioner must segregate the income tax payments for graduating students who participate in the program. The bill pushes back the deadline by which he must begin to do so from January 1, 2014, to January 1, 2016.

By law, the state treasurer must notify the DECD commissioner about the status of the participating students' accounts by September 1 annually (CGS § 32-4j).

BACKGROUND

Eligible Students

The Learn Here, Live Here program is designed to help students graduating from specific educational institutions save money toward the purchase of their first home in Connecticut. The program is open to students graduating from regional technical schools, public or private universities and colleges in Connecticut, and health care training schools located here. The latter includes medical or dental schools, chiropractic colleges, optometry schools or colleges, chiropody or podiatry schools or colleges, occupational therapy schools, hospital-based occupational schools, naturopathy schools or colleges, dental hygiene schools, physical therapy schools, and any other healing arts school or institution.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference

Yea 20 Nay 0 (03/15/2016)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 50 Nay 0 (04/07/2016)