Senate

General Assembly **File No. 744**

January Session, 2017 Substitute Senate Bill No. 734

Senate, May 10, 2017

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS TO A CITIZENS IN NEED ACCOUNT.

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

Section 1. (NEW) (*Effective July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017*) (a) (1) There is established an account to be known as the "citizens in need account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account.

(2) Moneys in the account shall be expended by the Comptroller, in consultation with the Commissioner of Social Services, to assist residents of this state who have had their benefits from social services programs administered by the Department of Social Services reduced due to state budgetary constraints. Such moneys shall not be used for administrative purposes.

(b) Any taxpayer may make a charitable contribution to the citizens in need account and such taxpayer shall be allowed a deduction from the tax imposed under chapter 229 of the general statutes at the rate of two hundred per cent of the amount of such contribution.

(c) The Commissioner of Social Services may adopt regulations, in consultation with the Comptroller and in accordance with the provisions of chapter 54 of the general statutes, to establish standards or criteria for determining what social services programs are eligible to receive moneys from the account and how disbursements from the account will be made, methods to determine the amounts of and a schedule for making such disbursements and any other regulations necessary to implement the provisions of this section.

Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017*):

(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, (xvii) to the extent properly includable in gross income for federal income tax purposes, any 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, (xviii) to the extent properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, to the extent any such income was added to federal adjusted gross income pursuant to subparagraph (A)(xi) of this subdivision in computing Connecticut adjusted gross income for a preceding taxable year, (xix) to the extent not deductible in determining federal adjusted gross income, the amount of any contribution to a manufacturing reinvestment account established pursuant to section 32-9zz in the taxable year that such contribution is made, **[**and**]** (xx) to the extent properly includable in gross income for federal income tax purposes, for the taxable year commencing January 1, 2015, ten per cent of the income received from the state teachers' retirement system, for the taxable year commencing

January 1, 2016, twenty-five per cent of the income received from the state teachers' retirement system, and for the taxable year commencing January 1, 2017, and each taxable year thereafter, fifty per cent of the income received from the state teachers' retirement system, and (xxi) the amount calculated pursuant to subsection (b) of section 1 of this act for contributions made during the taxable year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017*	New section
Sec. 2	*July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017*	12-701(a)(20)(B)

Statement of Legislative Commissioners:

In Section 1, the effective date and applicability were changed for consistency, "chapter 219" was changed to "chapter 229" in Subsec. (b) for accuracy, and "social services" was added in Subsec. (c) for consistency; and in Section 2, "donations" was changed to "contributions" for consistency.

FIN *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 18 $	FY 19 $
Comptroller	GF- Citizens In Need Account - Revenue Gain	300,000	300,000
Comptroller	GF - Cost	55,800	55,800
State Comptroller - Fringe Benefits[1]	GF - Cost	21,249	21,249
Department of Revenue Services	GF - Cost	40,000	None
Department of Revenue Services	GF - Revenue Loss	31,500	31,500

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a "citizens in need account" that is funded through voluntary contributions for which a 200% state income tax deduction is available, is estimated to result in: 1) a $300,000 annual revenue gain to the "citizens in need account" within the General Fund beginning in FY 18, 2) a $31,500 annual General Fund revenue loss beginning in FY 18, 3) an annual cost to the Office of the State Comptroller (OSC) of approximately $77,049 beginning in FY 18, and 4) a one-time cost to the Department of Revenue Services (DRS) in FY 18 only.

The estimated $300,000 revenue gain to the "citizens in need

[1]The 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 38.08% of payroll in FY 18 and FY 19.

account" is based on the average annual amount of voluntary contributions currently made to various charitable programs via state income tax refunds. The estimated revenue loss assumes an average effective income tax rate of 5.2% applied to the estimated $300,000 in voluntary contributions, the product of which is doubled to estimate the impact of the 200% deduction provision.

It is anticipated that the OSC would require one Assistant Accountant to administer the "citizens in need account" at an annual cost of $77,049 ($55,800 for salary and $21,249 for fringe benefits). Additionally, the bill results in a one-time cost of $40,000 in FY 18 for the DRS to establish a new subtraction modification and accompanying schedule on the income tax, as well as changes to the online Taxpayer Service Center and internal Integrated Tax Administration System.

The Out Years

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

OLR Bill Analysis
sSB 734

AN ACT ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS TO A CITIZENS IN NEED ACCOUNT.

SUMMARY

This bill creates a mechanism to obtain voluntary contributions from taxpayers to assist Connecticut residents whose social service benefits have been reduced because of budget constraints. The mechanism is a 200% personal income tax deduction for taxpayers who contribute to a separate nonlapsing General Fund account the bill establishes exclusively to help these residents (i.e., the "citizens in need account"). The account must also contain any other funds that must be deposited there by law.

The comptroller, in consultation with the Department of Social Service (DSS) commissioner, must use the account to fund only benefits provided through DSS programs. The commissioner cannot use the account for administrative purposes. The commissioner may adopt regulations, in consultation with the comptroller, establishing:

1. standards or criteria for determining the programs that may be funded from the account,

2. the schedule for determining and making benefit payments, and

3. other requirements for funding these payments.

EFFECTIVE DATE: July 1 2017 and applicable to taxable years starting on or after January 1, 2017.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea	38	Nay	11	(04/27/2017)