



Senate

General Assembly

File No. 630

February Session, 2018

Substitute Senate Bill No. 532

Senate, April 23, 2018

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 CREDIT FOR EMPLOYERS MAKING EDUCATION LOAN PAYMENTS FOR COMPUTER PROGRAMMER AND SOFTWARE DEVELOPER EMPLOYEES.

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

1 Section 1. (NEW) (*Effective January 1, 2019, and applicable to income or*
2 *taxable years commencing on or after January 1, 2019*) (a) As used in this
3 section:

4 (1) "Qualified employee" means an employee who is employed at
5 least part time in the state as a computer programmer or software
6 developer;

7 (2) "Computer programmer" means an individual who creates,
8 modifies and tests the code, forms and script that allow computer
9 applications to run, including, but not limited to, the development and
10 writing of computer programs to store, locate and retrieve specific
11 documents, data and information;

12 (3) "Software developer" means an individual who researches,

13 designs, develops and tests operating systems-level software,
14 compilers and network distribution software for medical, industrial,
15 military, communications, aerospace, business, scientific and general
16 computing applications, including, but not limited to, the setting of
17 operational specifications and formulation and analysis of software
18 requirements;

19 (4) "Financial aid package" means financial aid obtained by a
20 qualified employee as a student for attendance at an institution of
21 higher education in this or another state; and

22 (5) "Part time" employment means employment with a normal
23 workweek of less than thirty-two hours.

24 (b) (1) Commencing January 1, 2019, and in each income or taxable
25 year thereafter, as applicable, any employer that employs a qualified
26 employee and makes loan payments directly to a lender or lenders on
27 a loan included in such qualified employee's financial aid package may
28 claim a credit against the tax imposed under chapter 208 or 229 of the
29 general statutes, as applicable. Such credit shall be equal to the amount
30 of the actual monthly loan payment made by the employer on the loan,
31 multiplied by the number of months during the income or taxable
32 year, as applicable, the employer made loan payments on behalf of the
33 qualified employee during the term of employment.

34 (2) An employer may claim a credit under this subsection for loan
35 payments actually made to a relevant lender or lenders only with
36 respect to (A) loans that are part of a qualified employee's financial aid
37 package, and (B) loan payment amounts paid by the employer during
38 that part of the income or taxable year, as applicable, that the qualified
39 employee worked in the state, provided a qualified employee who
40 worked in the state for any part of a month shall be deemed to have
41 worked in the state for the entire month. Any payment of loan
42 amounts in excess of the amounts due during the income or taxable
43 year, as applicable, shall not qualify for the credit.

44 (3) Refinanced or consolidated loans that are part of the qualified

45 employee's financial aid package are eligible for the credit under this
46 subsection if the refinanced or consolidated loan remains separate
47 from other debt, except for debt incurred in an educational program,
48 but only in proportion to the portion of the loan payments that are
49 otherwise eligible under this section.

50 (4) An employer may not claim the credit under this subsection with
51 respect to months of the income or taxable year, as applicable, during
52 which the employee was not a qualified employee. If the qualified
53 employee is employed on a part-time basis during the income or
54 taxable year, as applicable, the credit for such qualified employee shall
55 be limited to fifty per cent of the credit otherwise determined under
56 this subsection.

57 (5) An employer eligible for the credit under this subsection may
58 carry over for any one or more of the next succeeding ten years the
59 portion, as reduced from year to year, of any unused credits.

60 (c) An employer that claims the credit under subsection (b) of this
61 section shall provide any documentation required by the
62 Commissioner of Revenue Services in a form and manner prescribed
63 by said commissioner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2019, and applicable to income or taxable years commencing on or after January 1, 2019</i>	New section

Statement of Legislative Commissioners:

In Section 1, references to income year and "as applicable" were added for accuracy.

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 19 \$	FY 20 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	Up to 25 million
Revenue Serv., Dept.	GF - Cost	Less than 75,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a business tax credit for qualified student loan payments made by employers on behalf of a computer programmer or software developer, results in: 1) an annualized revenue loss of up to \$25 million beginning in FY 20, and 2) a one-time cost to the Department of Revenue Services of less than \$75,000 in FY 19 associated with updates to the online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

The estimate assumes approximately 35% of 14,030 software developers in Connecticut have student loans outstanding and an average repayment amount of \$5,000 per employee annually (based on amounts from companies that currently offer the benefit, such as Aetna, PwC, and Fidelity).

The Out Years

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

Sources: Connecticut Department of Labor 2017 Occupational Employment & Wages

Federal Reserve Bank of New York "Quarterly Report on Household Debt and Credit 2017:Q3"

StudentLoanHero.com "17 Companies That Help Employees Pay Off Their Student Loans"

United States Census Bureau 2015 County Business Patterns

OLR Bill Analysis**sSB 532*****AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS MAKING EDUCATION LOAN PAYMENTS FOR COMPUTER PROGRAMMER AND SOFTWARE DEVELOPER EMPLOYEES.*****SUMMARY**

This bill creates a new corporate and personal income tax credit for employers that make student loan payments on behalf of individuals they employ as computer programmers or software developers. Employers may claim this credit starting in the income or taxable year (“year”) that begins on or after January 1, 2019, and in each subsequent year.

Under the bill, the credit is equal to the amount of the actual eligible monthly payment the employer paid on such an employee’s qualified loans, multiplied by the number of months during the year that the employer made the payment. Employers may carry forward unused credits for ten years.

The bill prohibits employers from claiming the credit for months in which the individual was not employed at least part-time as a computer programmer or software developer. It also limits the credit for payments made on behalf of individuals employed on a part-time basis to 50% of the credit amount.

The bill requires employers claiming the credit to provide to the revenue services commissioner any documentation he requires, in the form and manner he determines.

EFFECTIVE DATE: January 1, 2019, and applicable to income or taxable years starting on or after that date.

QUALIFIED EMPLOYEES

Under the bill, payments are eligible for the credit only if they are made on behalf of a person employed at least part-time in the state as a computer programmer or software developer (i.e., qualified employee). "Part-time" means employment with a normal workweek of less than 32 hours.

The bill defines "computer programmer" as an individual who creates, modifies, and tests code, forms, and script that allow computer applications to run, including developing and writing programs to store, locate, and retrieve specific documents and information.

It defines a "software developer" as an individual who researches, designs, develops, and tests operating systems-level software, compilers, and network distribution software for medical, industrial, military, communications, aerospace, business, scientific, and general computing applications, including setting operational specifications and formulating and analyzing software requirements.

ELIGIBLE LOANS AND PAYMENTS

Under the bill, only payments on loans that are part of an employee's "financial aid package" are eligible for the credit. "Financial aid package" refers to financial aid an employee obtained as a student to attend a higher education institution in any state. To qualify, the payments also must be (1) made directly to a relevant lender or lenders and (2) paid during the part of the income or taxable year in which the employee worked in Connecticut. Employees who work in the state for any part of a month are deemed to have worked here for the entire month.

Under the bill, refinanced or consolidated loans that are part of an employee's financial aid package are eligible for the credit if such loans remain separate from debt that was not incurred in an educational program. But such loans are only eligible in proportion to the portion of the loan payments that are otherwise eligible under this section. (It appears that payments on any debt incurred in an educational program would be eligible for the credit, so presumably 100% of such

a refinanced or consolidated loan would qualify if it met all other requirements.)

Under the bill, any amount an employer pays on an employee's loan that exceeds the loan payments due during the year does not qualify for the credit.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 36 Nay 13 (04/05/2018)