AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS THAT MAKE PAYMENTS ON LOANS ISSUED TO CERTAIN EMPLOYEES BY THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

OFA Fiscal Note

State Impact:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Fund-Effect</th>
<th>FY 20 ($)</th>
<th>FY 21 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>GF - Revenue Loss</td>
<td>None</td>
<td>Up to 10.5 million</td>
</tr>
<tr>
<td>Department of Revenue Services</td>
<td>GF - Cost</td>
<td>141,213</td>
<td>68,531</td>
</tr>
<tr>
<td>State Comptroller - Fringe Benefits</td>
<td>GF - Cost</td>
<td>27,273</td>
<td>28,228</td>
</tr>
</tbody>
</table>

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a credit against the Corporation Business Tax for certain student loan payments on employees’ behalf, results in: 1) a General Fund revenue loss of up to $10.5 million annually beginning in FY 21, 2) a one-time cost to the Department of Revenue Services (DRS) of $75,000 for updates to the online Taxpayer Service Center and internal Integrated Tax Administration System in FY 20 only, and 3) an on-going cost to the DRS of $93,486 in FY 21 and $96,759 in FY 21 for salary and fringe benefit costs associated with one Revenue Examiner.

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 41.19% of payroll in FY 20 and FY 21.
The actual revenue loss is dependent on: 1) the number of firms making eligible loan payments, 2) the number of qualified employees with eligible loans, and 3) the total amount of qualified loan repayment by employers.

The tax credit is equal to 50% of all payments made on behalf of a qualified employee to the Connecticut Higher Education Supplemental Loan Authority (CHESLA) on loans the authority issued. Based on the information available in CHESLA’s latest annual report the Authority has $125 million in student loans outstanding, with approximately $21 million considered current in 2018.

**The Out Years**

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

*Sources: Connecticut Higher Education Supplemental Loan Authority Annual Report Fiscal Year Ended June 30, 2018*