OLR Bill Analysis
SB 72 (File 256, as amended by Senate "A" and "B")*

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.

SUMMARY
This bill establishes a state business tax credit of up to $2,625 per employee for an employer that makes eligible education loan payments on a qualified employee’s behalf. The credit, which starts with the January 1, 2022 income year, equals 50% of the portion of payments an employer makes that is applied to a qualified employee’s outstanding principal balance (i.e., the portion of an employer payment applied to interest is not included when calculating the credit). The credit may be applied against the corporation business or insurance premium tax. If a company is subject to more than one of these taxes, it may apply a credit earned from a single loan payment towards only one of them.

Eligible loans are those issued by the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to refinance student loans. Qualified employees are Connecticut residents who (1) earned their first bachelor’s degree within the last five years and (2) are working full time (at least 35 hours per week) at a corporation, insurer, or health care center that is licensed in Connecticut and subject to the applicable tax. However, a qualified employee cannot be an owner, member, partner, or family member of such an employer.

(By limiting eligibility to those employees who graduated within the last five years, the bill correspondingly allows employers to claim the tax credit for a maximum of five income years per employee.)

The bill allows an employer to claim the credit for any payment made during the income year the employee worked, and deems that
an employee who works and lives in Connecticut for any part of the month did so for the entire month for credit purposes.

To claim the credit, the employer must submit any documentation required by the revenue services commissioner in a form and manner he prescribes.

*Senate Amendment “A” extends the credit to the insurance and health care center taxes; delays the effective date until January 1, 2022; eliminates a requirement that eligible employees live and work in Connecticut for five years before a company may claim the credit; and limits the total credit to $2,625 per employee.

*Senate Amendment “B” specifies that a credit earned cannot be applied towards different taxes for the same loan payment, requires an eligible employee to have earned his or her first bachelor’s degree within the past five years, and makes technical changes.

EFFECTIVE DATE: January 1, 2022, and applicable to income years commencing on or after that date.

COMMITTEE ACTION

Banking Committee

Joint Favorable
Yea 10 Nay 5 (03/12/2019)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 47 Nay 1 (05/14/2019)