OLR Bill Analysis
sSB 435

AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS MAKING EDUCATION LOAN PAYMENTS FOR EMPLOYEES.

SUMMARY

This bill establishes a tax credit for qualified employers making student loan payments directly to a lender on an eligible loan on behalf of a qualified employee. The credit is equal to 50% of the amount of the monthly loan payment multiplied by the number of months during the taxable year in which (1) the employer made such loan payments, and (2) the employer employed the person. The employer can claim the credit for up to 36 months, and apply the credit against their insurer and health care center or corporation business tax.

Under the bill, an eligible education loan is a loan made by (1) the Connecticut Higher Education Supplemental Loan Authority (CHESLA) or (2) a private or governmental lender, and used to finance a qualified employee’s attendance at a state private occupational school or public or independent higher education institution. Refinanced or consolidated loans are not eligible unless such loan is made by CHESLA.

The bill requires a qualified employer claiming such tax credit to provide any required documentation to the Department of Revenue Services commissioner in a form and manner he prescribes.

EFFECTIVE DATE: January 1, 2020, and applicable to taxable years beginning on or after that date.

QUALIFIED EMPLOYERS AND EMPLOYEES

Under the bill, a “qualified employer” is a corporation that (1) is licensed to operate a business in the state, (2) employs a qualified employee, and (3) is subject to the state’s insurer and health care center or corporation business tax.
A “qualified employee” is an employee who is (1) required to work at least 35 hours per week, (2) a state resident, and (3) not an owner, member, or partner of a qualified employer, or a family member of a qualified employer’s owner, member, or partner.

CLAIMING CREDITS

The bill allows a qualified employer to claim a tax credit for a loan payment made to a lender during the part of the taxable year that the qualified employee worked and lived in the state. For this purpose, the bill specifies that a qualified employee who worked and lived in the state for any part of a month is considered to have done so for the entire month.

The employer may not claim a tax credit for (1) a loan payment made during a month during which the employee was not a qualified employee, (2) loan payments in excess of the amounts due on the eligible education loan during the taxable year, and (3) more than 36 months of loan payments made on the employee’s behalf. Under the bill, a qualified employer cannot claim a tax credit against both the state’s insurer and health care center tax and the corporation business tax for the same loan payment amount.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/12/2019)