

Aging Committee JOINT FAVORABLE REPORT

Bill No.: HB-6174

AN ACT EXEMPTING SOCIAL SECURITY BENEFITS FROM STATE INCOME TAX AND STUDYING THE EFFECT OF THE EXEMPTION ON TAXPAYER

Title: MIGRATION OUT OF STATE.

Vote Date: 2/20/2019

Vote Action: Joint Favorable

PH Date: 2/14/2019

File No.:

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SPONSORS OF BILL:

Aging Committee

REASONS FOR BILL:

The bill raises the income level at which Social Security benefits may be deducted from State income tax from the taxable year of January 1, 2019. For an unmarried person whose federal adjusted gross income or a married person filing separately the income level is increased from \$75,000 to \$100,000. For a husband and wife who file as a married individuals jointly or for a person who files a return as a head of household whose federal adjusted gross income is \$125,000 (increased from \$100,000) an amount equal to the difference between the amount of SSB includable for federal income tax purposes that the lesser of 25% of the SSB received during the taxable year or 25% of the excess.

The bill also directs the Commissioner of Revenue Services to study any change in the migration out of state of taxpayers 62 years of age or older after SS benefits are exempted from the income tax. He is to report to the committee of cognizance, Committee on Finance, Revenue and Bonding no later than July 1, 2020. The report should include any change in migration patterns, changes in tax revenues, any projected impacts on state revenue and projected impact on state revenues in 2021 to 2025 but is not limited to these items.

RESPONSE FROM ADMINISTRATION/AGENCY:

No testimony submitted

NATURE AND SOURCES OF SUPPORT:

Marie Allen, Executive Director, Connecticut Area Agencies on Aging(C4A): Their submitted testimony supports the bill as it pertains to exempting Social Security benefits from income taxes but they don't support the portion of the bill proposing a study. They believe that studying migration patterns might produce false conclusions between the tax exemption and the out of state migration unless significant time and resources are made available.

Rich Bright, Volunteer, Seymour, AARP Connecticut: They conceptually support this bill but details are important during these difficult budget times. They like that the bill would study to see if this measure is successful in encouraging people, over age 62, from leaving the state.

AARP Connecticut: They submitted testimony in support of this bill saying that this would have a beneficial impact on many people. In 2017 legislation was passed that phases in personal income tax deductions and this bill, if passed, would continue the trend.

The study would also help to determine if the tax deductions decrease the number of taxpayers, age 62 and older, leaving the state.

Mr. John Chunis, Rocky Hill: He offers testimony in support of this bill. He makes his point by saying that state taxpayers have already paid taxes on that money as it was earned. Also, according to Kiplinger, our state is one of the remaining 13 states that continue to tax Social Security Benefits, with Vermont and Rhode Island the ones in the Northeast.

Many retired people who remain in the state are active volunteers in their communities and charitable organizations and contribute to Connecticut society in many beneficial ways. He thinks that we should provide incentives for people to retire in the state.

Gordon Mackenzie, Volunteer, Fairfield Senior Advocates: They submitted testimony in support of this proposal that would increase the eligibility level for exemption of Social Security Benefits from the states income tax. In fact, their strategic objective is to eliminate the state's tax on social security benefits completely.

They do not support the study by Revenue Services proposed in Section 2 of this bill since it covers revenue impacts for 2019 and beyond to 2025 because the change in benefits is relatively modest, covering a sub-set of wages already exempted. Seniors focus on the total cost of living in Connecticut and not just on the tax on Social Security Benefits. They ask how someone would be able to incorporate the impact of external factors such as migration to warmer climates, or due to the death of a spouse or a move to be closer to family and friends in another state. It does not make sense to them in trying to secure future justification for this proposed legislation by means of a form of financial analysis that has little chance of clear results.

NATURE AND SOURCES OF OPPOSITION:

No Testimony Submitted

**Reported by: Gaia McDermott, Clerk
Richard Ferrari, Assistant Clerk**

2/28/19