



Senate

General Assembly

File No. 278

January Session, 2021

Substitute Senate Bill No. 652

Senate, April 6, 2021

The Committee on Higher Education and Employment Advancement reported through SEN. SLAP of the 5th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING A TAX CREDIT FOR DONATIONS TO THE ROBERTA B. WILLIS SCHOLARSHIP PROGRAM.

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

1 Section 1. (NEW) (*Effective from passage and applicable to income and*
2 *taxable years commencing on or after January 1, 2021*) (a) For income and
3 taxable years commencing on or after January 1, 2021, any taxpayer that
4 donates to the Office of Higher Education for the Roberta B. Willis
5 Scholarship program, established pursuant to section 10a-173 of the
6 general statutes, as amended by this act, shall be allowed, pursuant to
7 the provisions of subsection (d) of this section, to claim a credit against
8 the tax imposed under chapter 208 or 229 of the general statutes, other
9 than the liability imposed by section 12-707 of the general statutes. Such
10 credit shall be equal to forty per cent of the total cash amount donated
11 to such scholarship program during the income or taxable year,
12 provided (1) the amount of credit allowed any taxpayer under the
13 provisions of this section for any income or taxable year may not exceed
14 sixty thousand dollars, and (2) no tax credit shall be granted to any

15 taxpayer for a donation of less than five hundred dollars.

16 (b) If the taxpayer is an S corporation or an entity treated as a
17 partnership for federal income tax purposes, the shareholders or
18 partners of such taxpayer may be allowed to claim the credit. If the
19 taxpayer is a single member limited liability company that is
20 disregarded as an entity separate from its owner, the limited liability
21 company's owner may be allowed to claim the credit, provided such
22 owner is subject to the tax imposed under chapter 229 of the general
23 statutes.

24 (c) The total amount of credits allowed under this section shall not
25 exceed sixteen million dollars in the first income and taxable year and
26 thirty-two million dollars in the second income and taxable year and
27 each income and taxable year thereafter.

28 (d) (1) To be eligible to claim the credit pursuant to subsection (a) of
29 this section for an income or taxable year, a taxpayer shall apply to the
30 Office of Higher Education in a form and manner prescribed by the
31 executive director of the Office of Higher Education. Such application
32 shall contain sufficient information as required by the office, including,
33 but not limited to, notice of the amount of the intended donation to the
34 Roberta B. Willis Scholarship program.

35 (2) Upon receipt of an application, the executive director shall render
36 a decision, in writing, on each completed application not later than
37 thirty days after the date of its receipt by the office. The executive
38 director shall issue a certification letter to the taxpayer indicating that
39 the credit will be available to be claimed by the taxpayer if the executive
40 director finds that (A) the donation meets the requirements of this
41 section, and (B) the total amount of credits claimed in any year have not
42 exceeded the limit set forth in subsection (c) of this section.

43 Sec. 2. (NEW) (*Effective from passage*) (a) There is established an
44 account to be known as the "Roberta B. Willis Scholarship program
45 donation account" which shall be a separate, nonlapsing account within
46 the General Fund. The Office of Higher Education shall deposit into the

47 account any donations received pursuant to section 1 of this act. Moneys
48 in the account shall be expended by said office for the purposes of the
49 Roberta B. Willis Scholarship program in accordance with section 10a-
50 173 of the general statutes, as amended by this act.

51 (b) Not later than January 1, 2022, and annually thereafter, the Office
52 of Higher Education shall report, in accordance with the provisions of
53 section 11-4a of the general statutes, to the joint standing committees of
54 the General Assembly having cognizance of matters relating to
55 appropriations and the budgets of state agencies and higher education
56 the amount of donations received in the Roberta B. Willis Scholarship
57 program donation account during the preceding calendar year.

58 (c) For the fiscal year ending June 30, 2022, and for each fiscal year
59 thereafter, the Office of Higher Education shall lapse, in accordance with
60 subsection (f) of section 4-89 of the general statutes, from the
61 appropriations for the Roberta B. Willis Scholarship program an amount
62 equal the amount of donations received in the Roberta B. Willis
63 Scholarship program donation account during the preceding calendar
64 year.

65 Sec. 3. Subsection (c) of section 10a-173 of the general statutes is
66 repealed and the following is substituted in lieu thereof (*Effective from*
67 *passage*):

68 (c) [Within available appropriations, the] The Roberta B. Willis
69 Scholarship program shall include a need and merit-based grant, a
70 need-based grant and a Charter Oak grant. The need and merit-based
71 grant shall be funded at not less than twenty per cent but not more than
72 thirty per cent of [available appropriations] the total amount of available
73 appropriations and any amount deposited into the Roberta B. Willis
74 Scholarship program donation account, established pursuant to section
75 2 of this act. The need-based grant shall be funded at up to eighty per
76 cent of [available appropriations] such total amount. The Charter Oak
77 grant shall be not less than one hundred thousand dollars of [available
78 appropriations] such total amount. There shall be an administrative
79 allowance based on one-quarter of one per cent of the available

80 appropriations, but not less than one hundred thousand dollars. In
 81 addition to the amount of the annual appropriation allocated to the
 82 regional community-technical colleges under subsection (e) of this
 83 section, and to regional community-technical college students under
 84 subsection (d) of this section, not less than two and one-half per cent of
 85 the annual appropriation shall be allocated to the regional community-
 86 technical colleges to be used for financial aid purposes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to income and taxable years commencing on or after January 1, 2021</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	10a-173(c)

Statement of Legislative Commissioners:

In Section 1(a), "established pursuant to section 10a-173 of the general statutes, as amended by this act," was inserted; in Section (1)(d)(1), "said office" was changed to "the Office of Higher Education" for clarity; and in Section 1(d)(2), Subpara. (A) was removed and the remaining Subparas. were redesignated for accuracy.

HED *Joint Favorable Subst.*

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 22 \$	FY 23 \$
Department of Revenue Services	GF - Potential Revenue Loss	Up to 16 million	Up to 32 million
Higher Ed., Off.; Constituent Units of Higher Education	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a tax credit against the corporation business and personal income taxes for certain donations, results in a potential General Fund revenue loss of up to \$16 million in FY 22 and up to \$32 million in FY 23 and annually thereafter.¹ It also results in a potential revenue gain to the Roberta B. Willis Scholarship program donation account as early as FY 21; beginning as early as FY 22 the potential revenue gain will be offset by a forced lapse in the account in a commensurate amount, making the net impact to the scholarship account zero at that time.²

The bill establishes a tax credit equal to 40% of eligible amounts donated (up to \$60,000 per taxpayer) to the Roberta B. Willis Scholarship program

¹ The bill caps the total annual credits for the first income and taxable year at \$16 million and \$32 million for subsequent years. It is assumed that this equates to a \$16 million cap for the 2021 income and taxable year and a \$32 million cap for all subsequent income and taxable years.

² Beginning in FY 22, the Office of Higher Education must lapse an amount equal to the amount of donations received during the previous calendar year.

donation account. To the extent such eligible donations are made, there is a General Fund revenue loss of up to \$16 million in FY 22 and up to \$32 million in FY 23 and annually thereafter. The actual amount and timing of any revenue loss is dependent upon the amount and timing of any credit-eligible donations and subsequent credit claims.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the \$32 million cap on total tax credits allowed annually under the bill.

OLR Bill Analysis**sSB 652*****AN ACT ESTABLISHING A TAX CREDIT FOR DONATIONS TO THE ROBERTA B. WILLIS SCHOLARSHIP PROGRAM.*****SUMMARY**

This bill allows any taxpayer that makes a minimum \$500 donation to the Office of Higher Education (OHE) for the Roberta B. Willis Scholarship program (hereafter “Willis Scholarship”) to claim a corporation business tax credit or income tax credit, beginning in the 2021 income or tax year respectively. The donation yields a credit equal to 40% of the total cash amount donated, up to a \$60,000 credit per taxpayer. The bill caps the total annual credits for the first income and taxable year at \$16 million and \$32 million for subsequent years.

Additionally, the bill establishes (1) taxpayer eligibility criteria for the credit; (2) an application process for taxpayers that wish to claim it; and (3) a non-lapsing, General Fund account into which OHE must deposit scholarship donations. It requires OHE to annually report on the amount of donations received.

The bill also incorporates the donations received into the funding formula for determining scholarship grant amounts available to award. It provides that the total base for grant funds includes any amount in the donation account plus available state appropriations, rather than just the latter as under current law.

EFFECTIVE DATE: Upon passage, and the tax credit provisions apply to income and taxable years beginning January 1, 2021, or later.

TAX CREDIT ELIGIBILITY***Eligible Taxpayers***

The bill allows eligible taxpayers to claim the credit against the

corporation business tax or income tax (but not the withholding tax).

In addition to taxpayers who are not business entities, the bill also allows S corporation shareholders and partners in partnerships that donate to claim the credit.

If the entity is structured as a limited liability company, has only one owner, and does not file a separate federal tax return (“disregarded entity”), the owner may claim the credit against the personal income tax.

APPLICATION PROCESS

The bill establishes an application process for taxpayers that wish to claim the credit. The OHE executive director determines the application form, which must contain information that includes the intended donation amount along with any other information the office requires.

Under the bill, within 30 days after the executive director receives the application, he must issue a written decision. He must issue a certification letter to the taxpayer indicating that the tax credit will be available to be claimed if he finds that the (1) donation meets the bill’s requirements and (2) total amount of credits claimed in the tax year have not exceeded the bill’s yearly cap.

SCHOLARSHIP PROGRAM DONATION ACCOUNT

The bill establishes the “Roberta B. Willis Scholarship program donation account” as a separate, non-lapsing account in the General Fund. OHE must deposit scholarship donations received into this account and spend the account funds for the scholarship program’s purposes. Additionally, the office must report to the Appropriations and Higher Education and Employment Advancement committees by January 1, 2022, and annually thereafter, about the amount of donations in the account received during the previous calendar year.

Beginning in FY 22, OHE must lapse from the state appropriations for the Willis Scholarship an amount equal to the amount of donations received during the previous calendar year. By law, appropriations for the Willis Scholarship do not lapse until the end of the fiscal year after

the one for which it was made.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 17 Nay 5 (03/18/2021)