
OLR Bill Analysis

sSB 252

AN ACT ESTABLISHING TAX CREDITS FOR EMPLOYERS WHO MAKE PAYMENTS TOWARD TUITION COSTS OF EMPLOYEES AND FOR TAXPAYERS WHO DONATE TO ENDOWED PROFESSORSHIPS.

SUMMARY

This bill establishes a credit against the corporation business and insurance premiums taxes for licensed Connecticut corporations that make a payment to, or for, an employee for public or private higher education institution tuition costs. The credit equals 50% of the payment amount and is capped at \$2,500 for each employee.

Additionally, the bill allows individuals and certain business entities to claim a tax credit equal to 100% of the amount donated to an endowed professorship at a Connecticut public higher education institution. The bill caps the credit at \$50,000 for any taxpayer and \$2 million total for all taxpayers in any fiscal year. (It is unclear how the \$2 million cap would be implemented, because the bill does not establish a process for reserving or awarding credits to taxpayers.)

EFFECTIVE DATE: July 1, 2022, and applicable to income years beginning on and after January 1, 2023.

EMPLOYER TAX CREDIT FOR EMPLOYEE TUITION PAYMENTS

The bill establishes the following additional conditions on an employer who claims this tax credit:

1. the employer must make the tuition payment during the part of the income year when the employee worked and lived in Connecticut,
2. the employer must provide any documentation the Department of Revenue Services commissioner requires, and

3. the employer must not claim any other tax credit that may be available under state law for the same tuition cost payment.

The bill specifies that, for purposes of this tax credit, an employee who worked and lived in Connecticut for any part of a month is treated as though he or she has lived in the state for the entire month.

TAX CREDIT FOR ENDOWED PROFESSORSHIP DONATION

Under the bill, the tax credit for endowed professorships may be applied against the insurance premiums, utility companies, corporation business, or personal income taxes, but not the withholding tax. An “endowed professorship” is a faculty position permanently paid for with endowment fund revenue and specifically established for that purpose.

The bill requires the taxpayer to claim the credit in the income or tax year when it is earned, or else it expires and is nonrefundable. Additionally, if the taxpayer is an S corporation or partnership for federal income tax purposes, the bill allows the credit to be claimed by the taxpayer’s shareholders or partners. If the taxpayer is a single-member limited liability company (LLC) that is disregarded as a separate entity from its owner, then the bill allows the tax credit to be claimed by the LLC’s owner.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/17/2022)