OLR Bill Analysis
SB 420

AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS WHO HIRE PERSONS WITH DISABILITIES.

SUMMARY

This bill establishes a job creation tax credit program for employers who hire new qualifying employees with disabilities who live in the state and meet other requirements. Under this program, employers who hire these employees and require them to work at least 15 hours per week for at least 24 weeks in a calendar year receive a $200 per month tax credit for each new qualifying employee hired.

The employer may apply the credit, with certain limitations, against the insurance premium, corporation business, utility, or personal income tax, but not the withholding tax. The bill requires employers to apply to the Department of Economic and Community Development (DECD) commissioner to be eligible to claim the tax credit. The DECD commissioner must annually give the Department of Revenue Services (DRS) commissioner a list of approved tax credits.

The bill requires employers to claim the tax credit for the income year in which they hire a new qualifying employee and, if eligible, the next two income years. Unused tax credits expire and are not refundable.

Lastly, the bill appropriates from the General Fund $1 million each to the departments of Aging and Disability Services (ADS) and Developmental Services (DDS) for FY 24 to expand employment support services for people with disabilities (§ 2).

EFFECTIVE DATE: January 1, 2024, and applicable to income and taxable years beginning on or after that date, except the appropriations to ADS and DDS are effective July 1, 2023.

ELIGIBILITY

The bill allows employers who hire new qualifying employees with disabilities to apply for the tax credit.

Employers

Under the bill, an employer is a person engaged in business or a related person engaged in business who has employees and is subject to one of the taxes against which the credit may be applied. A related person is (1) a corporate entity (i.e., a corporation, limited liability company (LLC), partnership, association, or trust) controlled by or in the control of an employer; (2) an individual who is in the control of an employer; (3) a corporate entity controlled by an individual or corporate entity in the control of an employer; or (4) a member of the same controlled group as the employer. In the case of a corporation, "control" is directly or indirectly owning 50% or more of the combined voting power of all classes of its voting stock. For a trust, control is directly or indirectly owning 50% or more of the beneficial interest of the trust's principal or income. "Ownership" is defined as under federal income tax law. (It is unclear how a related person can be both an employer and an individual or corporate entity controlled by an employer.)

Under the bill, an employer's shareholders or partners may claim the tax credit if the employer is an S corporation or treated as a partnership for federal income tax purposes. If the employer is a single member LLC that is disregarded as an entity separate from its owner, the tax credit may be claimed by the LLC's owner.

New Qualifying Employees With Disabilities

Under the bill, a new qualifying employee is a person:

1. with disabilities (see below);

2. hired by the employer to fill a job during the employer's income years beginning or after January 1, 2024; and

3. who qualifies for Med-Connect (see BACKGROUND) or receives or has received employment support services from DDS or ADS's Bureau of Rehabilitation Services or Bureau of Education and

Services for the Blind.

Under existing law, a person is considered to have a disability if the disability:

1. is attributable to a mental or physical impairment or both;

2. is likely to continue indefinitely;

3. results in functional limitations in at least one area of major life activity (i.e., self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living or economic self-sufficiency); and

4. reflects the person's need for special, interdisciplinary, or generic care, treatment, or other lifelong or extended duration individually planned and coordinated services (CGS § 17b-608).

APPLICATION PROCESS

To be eligible to claim the tax credit, the bill requires employers to apply to the DECD commissioner on a form she provides. The application must contain sufficient information the commissioner requires, including the following:

1. the activities the employer primarily engages in,

2. evidence the employee is a new qualified employee,

3. the employer's North American Industrial Classification System code, and

4. the new qualifying employee's name and position or job title.

The bill requires the DECD commissioner to render a written decision on the application within 30 days after receiving it. If she approves it, she must issue a certification letter indicating that the employer may claim the tax credit if the employer otherwise meets the bill's requirements.

The bill requires the DECD commissioner to give the DRS commissioner a list of all approved tax credits and employers that received a certification letter.

LIMITATIONS

The bill prohibits employers from claiming a tax credit for any new qualifying employee who is (1) an owner, member, or partner in the employer's business or (2) not employed at the close of the employer's income year (the income or taxable year as determined under the applicable tax law). The bill also prohibits employers that claim a tax credit under the bill's provisions from claiming a tax credit under any other state law for the same employee.

For employers subject to the state income tax, the bill prohibits the tax credit amount from exceeding the amount of income tax imposed.

BACKGROUND

MED-Connect

MED-Connect provides full Medicaid coverage to employed people who have a medically certified disability or blindness and are working for taxable wages. The program's current income limit is $75,000 per year and the current asset limit is $10,000 for a single person and $15,000 for a married couple (CGS § 17b-597).

Related Bill

sSB 82 (File 4), favorably reported by the Human Services Committee, expands eligibility for Med-Connect by eliminating the program's income and asset limits.

COMMITTEE ACTION

Human Services Committee

Joint Favorable Change of Reference - FIN
Yea 22 Nay 0 (03/07/2023)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 51 Nay 0 (04/18/2023)