



House of Representatives

General Assembly

File No. 190

January Session, 2023

House Bill No. 6753

House of Representatives, March 23, 2023

The Committee on Banking reported through REP. DOUCETTE of the 13th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING ABLE ACCOUNTS.

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

1 Section 1. Subdivision (1) of subsection (b) of section 3-39k of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective October 1, 2023*):

4 (b) (1) Under the program established pursuant to subdivision (1) of
5 subsection (a) of this section: (A) The State Treasurer shall administer
6 individual ABLE accounts to encourage and assist eligible individuals
7 and their families in saving private funds to provide support for eligible
8 individuals, [and] (B) a person may make contributions to an individual
9 ABLE account to meet the qualified disability expenses of the
10 designated beneficiary of the account, and (C) the State Treasurer shall
11 designate a director of outreach for the ABLE program, who shall
12 coordinate outreach and marketing efforts concerning ABLE accounts.

13 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
14 section 12-701 of the general statutes is repealed and the following is

15 substituted in lieu thereof (*Effective January 1, 2024, and applicable to*
16 *taxable years commencing on or after January 1, 2024*):

17 (B) There shall be subtracted therefrom:

18 (i) To the extent properly includable in gross income for federal
19 income tax purposes, any income with respect to which taxation by any
20 state is prohibited by federal law;

21 (ii) To the extent allowable under section 12-718, exempt dividends
22 paid by a regulated investment company;

23 (iii) To the extent properly includable in gross income for federal
24 income tax purposes, the amount of any refund or credit for
25 overpayment of income taxes imposed by this state, or any other state
26 of the United States or a political subdivision thereof, or the District of
27 Columbia;

28 (iv) To the extent properly includable in gross income for federal
29 income tax purposes and not otherwise subtracted from federal
30 adjusted gross income pursuant to clause (x) of this subparagraph in
31 computing Connecticut adjusted gross income, any tier 1 railroad
32 retirement benefits;

33 (v) To the extent any additional allowance for depreciation under
34 Section 168(k) of the Internal Revenue Code for property placed in
35 service after September 27, 2017, was added to federal adjusted gross
36 income pursuant to subparagraph (A)(ix) of this subdivision in
37 computing Connecticut adjusted gross income, twenty-five per cent of
38 such additional allowance for depreciation in each of the four
39 succeeding taxable years;

40 (vi) To the extent properly includable in gross income for federal
41 income tax purposes, any interest income from obligations issued by or
42 on behalf of the state of Connecticut, any political subdivision thereof,
43 or public instrumentality, state or local authority, district or similar
44 public entity created under the laws of the state of Connecticut;

45 (vii) To the extent properly includable in determining the net gain or
46 loss from the sale or other disposition of capital assets for federal income
47 tax purposes, any gain from the sale or exchange of obligations issued
48 by or on behalf of the state of Connecticut, any political subdivision
49 thereof, or public instrumentality, state or local authority, district or
50 similar public entity created under the laws of the state of Connecticut,
51 in the income year such gain was recognized;

52 (viii) Any interest on indebtedness incurred or continued to purchase
53 or carry obligations or securities the interest on which is subject to tax
54 under this chapter but exempt from federal income tax, to the extent that
55 such interest on indebtedness is not deductible in determining federal
56 adjusted gross income and is attributable to a trade or business carried
57 on by such individual;

58 (ix) Ordinary and necessary expenses paid or incurred during the
59 taxable year for the production or collection of income which is subject
60 to taxation under this chapter but exempt from federal income tax, or
61 the management, conservation or maintenance of property held for the
62 production of such income, and the amortizable bond premium for the
63 taxable year on any bond the interest on which is subject to tax under
64 this chapter but exempt from federal income tax, to the extent that such
65 expenses and premiums are not deductible in determining federal
66 adjusted gross income and are attributable to a trade or business carried
67 on by such individual;

68 (x) (I) For taxable years commencing prior to January 1, 2019, for a
69 person who files a return under the federal income tax as an unmarried
70 individual whose federal adjusted gross income for such taxable year is
71 less than fifty thousand dollars, or as a married individual filing
72 separately whose federal adjusted gross income for such taxable year is
73 less than fifty thousand dollars, or for a husband and wife who file a
74 return under the federal income tax as married individuals filing jointly
75 whose federal adjusted gross income for such taxable year is less than
76 sixty thousand dollars or a person who files a return under the federal
77 income tax as a head of household whose federal adjusted gross income

78 for such taxable year is less than sixty thousand dollars, an amount
79 equal to the Social Security benefits includable for federal income tax
80 purposes;

81 (II) For taxable years commencing prior to January 1, 2019, for a
82 person who files a return under the federal income tax as an unmarried
83 individual whose federal adjusted gross income for such taxable year is
84 fifty thousand dollars or more, or as a married individual filing
85 separately whose federal adjusted gross income for such taxable year is
86 fifty thousand dollars or more, or for a husband and wife who file a
87 return under the federal income tax as married individuals filing jointly
88 whose federal adjusted gross income from such taxable year is sixty
89 thousand dollars or more or for a person who files a return under the
90 federal income tax as a head of household whose federal adjusted gross
91 income for such taxable year is sixty thousand dollars or more, an
92 amount equal to the difference between the amount of Social Security
93 benefits includable for federal income tax purposes and the lesser of
94 twenty-five per cent of the Social Security benefits received during the
95 taxable year, or twenty-five per cent of the excess described in Section
96 86(b)(1) of the Internal Revenue Code;

97 (III) For the taxable year commencing January 1, 2019, and each
98 taxable year thereafter, for a person who files a return under the federal
99 income tax as an unmarried individual whose federal adjusted gross
100 income for such taxable year is less than seventy-five thousand dollars,
101 or as a married individual filing separately whose federal adjusted gross
102 income for such taxable year is less than seventy-five thousand dollars,
103 or for a husband and wife who file a return under the federal income tax
104 as married individuals filing jointly whose federal adjusted gross
105 income for such taxable year is less than one hundred thousand dollars
106 or a person who files a return under the federal income tax as a head of
107 household whose federal adjusted gross income for such taxable year is
108 less than one hundred thousand dollars, an amount equal to the Social
109 Security benefits includable for federal income tax purposes; and

110 (IV) For the taxable year commencing January 1, 2019, and each

111 taxable year thereafter, for a person who files a return under the federal
112 income tax as an unmarried individual whose federal adjusted gross
113 income for such taxable year is seventy-five thousand dollars or more,
114 or as a married individual filing separately whose federal adjusted gross
115 income for such taxable year is seventy-five thousand dollars or more,
116 or for a husband and wife who file a return under the federal income tax
117 as married individuals filing jointly whose federal adjusted gross
118 income from such taxable year is one hundred thousand dollars or more
119 or for a person who files a return under the federal income tax as a head
120 of household whose federal adjusted gross income for such taxable year
121 is one hundred thousand dollars or more, an amount equal to the
122 difference between the amount of Social Security benefits includable for
123 federal income tax purposes and the lesser of twenty-five per cent of the
124 Social Security benefits received during the taxable year, or twenty-five
125 per cent of the excess described in Section 86(b)(1) of the Internal
126 Revenue Code;

127 (xi) To the extent properly includable in gross income for federal
128 income tax purposes, any amount rebated to a taxpayer pursuant to
129 section 12-746;

130 (xii) To the extent properly includable in the gross income for federal
131 income tax purposes of a designated beneficiary, any distribution to
132 such beneficiary from any qualified state tuition program, as defined in
133 Section 529(b) of the Internal Revenue Code, established and
134 maintained by this state or any official, agency or instrumentality of the
135 state;

136 (xiii) To the extent allowable under section 12-701a, contributions to
137 accounts established pursuant to any qualified state tuition program, as
138 defined in Section 529(b) of the Internal Revenue Code, established and
139 maintained by this state or any official, agency or instrumentality of the
140 state;

141 (xiv) To the extent properly includable in gross income for federal
142 income tax purposes, the amount of any Holocaust victims' settlement
143 payment received in the taxable year by a Holocaust victim;

144 (xv) To the extent properly includable in gross income for federal
145 income tax purposes of an account holder, as defined in section 31-
146 51ww, interest earned on funds deposited in the individual
147 development account, as defined in section 31-51ww, of such account
148 holder;

149 (xvi) To the extent properly includable in the gross income for federal
150 income tax purposes of a designated beneficiary, as defined in section
151 3-123aa, interest, dividends or capital gains earned on contributions to
152 accounts established for the designated beneficiary pursuant to the
153 Connecticut Homecare Option Program for the Elderly established by
154 sections 3-123aa to 3-123ff, inclusive;

155 (xvii) To the extent properly includable in gross income for federal
156 income tax purposes, any income received from the United States
157 government as retirement pay for a retired member of (I) the Armed
158 Forces of the United States, as defined in Section 101 of Title 10 of the
159 United States Code, or (II) the National Guard, as defined in Section 101
160 of Title 10 of the United States Code;

161 (xviii) To the extent properly includable in gross income for federal
162 income tax purposes for the taxable year, any income from the discharge
163 of indebtedness in connection with any reacquisition, after December
164 31, 2008, and before January 1, 2011, of an applicable debt instrument or
165 instruments, as those terms are defined in Section 108 of the Internal
166 Revenue Code, as amended by Section 1231 of the American Recovery
167 and Reinvestment Act of 2009, to the extent any such income was added
168 to federal adjusted gross income pursuant to subparagraph (A)(xi) of
169 this subdivision in computing Connecticut adjusted gross income for a
170 preceding taxable year;

171 (xix) To the extent not deductible in determining federal adjusted
172 gross income, the amount of any contribution to a manufacturing
173 reinvestment account established pursuant to section 32-9zz in the
174 taxable year that such contribution is made;

175 (xx) To the extent properly includable in gross income for federal

176 income tax purposes, (I) for the taxable year commencing January 1,
177 2015, ten per cent of the income received from the state teachers'
178 retirement system, (II) for the taxable years commencing January 1,
179 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
180 received from the state teachers' retirement system, and (III) for the
181 taxable year commencing January 1, 2021, and each taxable year
182 thereafter, fifty per cent of the income received from the state teachers'
183 retirement system or, for a taxpayer whose federal adjusted gross
184 income does not exceed the applicable threshold under clause (xxi) of
185 this subparagraph, the percentage pursuant to said clause of the income
186 received from the state teachers' retirement system, whichever
187 deduction is greater;

188 (xxi) To the extent properly includable in gross income for federal
189 income tax purposes, except for retirement benefits under clause (iv) of
190 this subparagraph and retirement pay under clause (xvii) of this
191 subparagraph, for a person who files a return under the federal income
192 tax as an unmarried individual whose federal adjusted gross income for
193 such taxable year is less than seventy-five thousand dollars, or as a
194 married individual filing separately whose federal adjusted gross
195 income for such taxable year is less than seventy-five thousand dollars,
196 or as a head of household whose federal adjusted gross income for such
197 taxable year is less than seventy-five thousand dollars, or for a husband
198 and wife who file a return under the federal income tax as married
199 individuals filing jointly whose federal adjusted gross income for such
200 taxable year is less than one hundred thousand dollars, (I) for the taxable
201 year commencing January 1, 2019, fourteen per cent of any pension or
202 annuity income, (II) for the taxable year commencing January 1, 2020,
203 twenty-eight per cent of any pension or annuity income, (III) for the
204 taxable year commencing January 1, 2021, forty-two per cent of any
205 pension or annuity income, and (IV) for the taxable year commencing
206 January 1, 2022, and each taxable year thereafter, one hundred per cent
207 of any pension or annuity income;

208 (xxii) The amount of lost wages and medical, travel and housing
209 expenses, not to exceed ten thousand dollars in the aggregate, incurred

210 by a taxpayer during the taxable year in connection with the donation
211 to another person of an organ for organ transplantation occurring on or
212 after January 1, 2017;

213 (xxiii) To the extent properly includable in gross income for federal
214 income tax purposes, the amount of any financial assistance received
215 from the Crumbling Foundations Assistance Fund or paid to or on
216 behalf of the owner of a residential building pursuant to sections 8-442
217 and 8-443;

218 (xxiv) To the extent properly includable in gross income for federal
219 income tax purposes, the amount calculated pursuant to subsection (b)
220 of section 12-704g for income received by a general partner of a venture
221 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to
222 time;

223 (xxv) To the extent any portion of a deduction under Section 179 of
224 the Internal Revenue Code was added to federal adjusted gross income
225 pursuant to subparagraph (A)(xiv) of this subdivision in computing
226 Connecticut adjusted gross income, twenty-five per cent of such
227 disallowed portion of the deduction in each of the four succeeding
228 taxable years;

229 (xxvi) To the extent properly includable in gross income for federal
230 income tax purposes, for a person who files a return under the federal
231 income tax as an unmarried individual whose federal adjusted gross
232 income for such taxable year is less than seventy-five thousand dollars,
233 or as a married individual filing separately whose federal adjusted gross
234 income for such taxable year is less than seventy-five thousand dollars,
235 or as a head of household whose federal adjusted gross income for such
236 taxable year is less than seventy-five thousand dollars, or for a husband
237 and wife who file a return under the federal income tax as married
238 individuals filing jointly whose federal adjusted gross income for such
239 taxable year is less than one hundred thousand dollars, (I) for the taxable
240 year commencing January 1, 2023, twenty-five per cent of any
241 distribution from an individual retirement account other than a Roth
242 individual retirement account, (II) for the taxable year commencing

243 January 1, 2024, fifty per cent of any distribution from an individual
244 retirement account other than a Roth individual retirement account, (III)
245 for the taxable year commencing January 1, 2025, seventy-five per cent
246 of any distribution from an individual retirement account other than a
247 Roth individual retirement account, and (IV) for the taxable year
248 commencing January 1, 2026, and each taxable year thereafter, any
249 distribution from an individual retirement account other than a Roth
250 individual retirement account; [and]

251 (xxvii) To the extent properly includable in gross income for federal
252 income tax purposes, for the taxable year commencing January 1, 2022,
253 the amount or amounts paid or otherwise credited to any eligible
254 resident of this state under (I) the 2020 Earned Income Tax Credit
255 enhancement program from funding allocated to the state through the
256 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,
257 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned
258 Income Tax Credit enhancement program from funding allocated to the
259 state pursuant to Section 9901 of Subtitle M of Title IX of the American
260 Rescue Plan Act of 2021, P.L. 117-2; and

261 (xxviii) Contributions to an ABLE account established pursuant to
262 sections 3-39k to 3-39q, inclusive, as amended by this act, not to exceed
263 five thousand dollars for each individual taxpayer or ten thousand
264 dollars for taxpayers filing a joint return.

265 Sec. 3. (NEW) (*Effective January 1, 2024, and applicable to income years*
266 *and taxable years commencing on or after January 1, 2024*) (a) (1) There shall
267 be allowed a credit against the tax imposed under chapter 208 or 229 of
268 the general statutes, other than the liability imposed by section 12-707
269 of the general statutes, for contributions made by taxpayers into the
270 ABLE accounts of employees who are employed by such taxpayers. For
271 purposes of this section, "ABLE account" has the same meaning as
272 provided in section 3-39j of the general statutes.

273 (2) The amount of the credit shall be equal to the amount of the
274 contributions made by the taxpayer into the ABLE accounts of
275 employees of such taxpayer during the income or taxable year, provided

276 the amount of credit allowed for any income or taxable year with respect
277 to a specific employee shall not exceed ten thousand dollars.

278 (b) If the taxpayer is an S corporation or an entity treated as a
279 partnership for federal income tax purposes, the credit may be claimed
280 by the shareholders or partners of the taxpayer. If the taxpayer is a single
281 member limited liability company that is disregarded as an entity
282 separate from its owner, the credit may be claimed by such limited
283 liability company's owner, provided such owner is a person subject to
284 the tax imposed under chapter 208 or 229 of the general statutes.

285 Sec. 4. Subsection (a) of section 17b-95 of the general statutes is
286 repealed and the following is substituted in lieu thereof (*Effective October*
287 *1, 2023*):

288 (a) Upon the death of any person who has at any time been a
289 beneficiary of the Medicaid program, the state shall have a claim against
290 such person's estate for all amounts paid on behalf of such person under
291 the Medicaid program for which the state has not been reimbursed and
292 that the state is required to recover under federal law, provided such
293 claim shall not include, to the extent permissible under federal law,
294 moneys invested in an individual ABLE account established pursuant
295 to section 3-39k, as amended by this act. The claim of the state shall only
296 be to the extent that the amount which the surviving spouse, parent or
297 dependent children of the decedent would otherwise take from such
298 estate is not needed for their support.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2023	3-39k(b)(1)
Sec. 2	January 1, 2024, and applicable to taxable years commencing on or after January 1, 2024	12-701(a)(20)(B)

Sec. 3	<i>January 1, 2024, and applicable to income years and taxable years commencing on or after January 1, 2024</i>	New section
Sec. 4	<i>October 1, 2023</i>	17b-95(a)

BA *Joint Favorable*

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 24 \$	FY 25 \$
Department of Revenue Services	GF - Revenue Loss	None	Up to 4.1 million
Treasurer	GF - Cost	63,750	85,000
State Comptroller - Fringe Benefits ¹	GF - Cost	27,298	36,397
Department of Revenue Services	GF - Cost	Up to 75,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which makes a number of changes to the state's Achieving a Better Life (ABLE) program, results in the following impacts:

Section 1 requires the State Treasurer to designate a director of outreach for the ABLE program, which results in a cost to the State Treasurer of \$91,048 in FY 24 and \$121,397 annually beginning in FY 25 associated with hiring one executive assistant (\$85,000 annual salary and \$36,397 fringe benefit cost).

Section 2 establishes a personal income tax deduction for ABLE account contributions, which results in a General Fund revenue loss of approximately \$100,000 annually beginning in FY 25. This is based on data from the Office of the State Treasurer indicating contributions

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 42.82% of payroll in FY 24.

totalled \$1,421,902 in FY 22 and \$610,477 in FY 21.

Section 3 establishes a tax credit for businesses making contributions to employees' ABLÉ accounts. This results in a General Fund revenue loss of up to \$4 million annually beginning in FY 25.

Sections 2 & 3 also result in a one-time cost of up to \$75,000 to the Department of Revenue Services in FY 24 only associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

Section 4 specifies that, to the extent allowed under federal law, the state cannot conduct estate recoveries against funds originating from ABLÉ accounts of Medicaid beneficiaries, which has no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and growth in the number of ABLÉ accounts established.

Sources: Office of the State Treasurer Annual Report of the ABLÉ Trust to the General Assembly's Committees on Finance, Revenue, and Bonding and Public Health

OLR Bill Analysis**HB 6753*****AN ACT CONCERNING ABLE ACCOUNTS.*****SUMMARY**

This bill makes several changes to the state treasurer's federally qualified Achieving a Better Life Experience (ABLE) program (see BACKGROUND). Specifically, it:

1. requires the state treasurer to designate a director of outreach for the ABLE program who must coordinate outreach and marketing efforts for ABLE accounts (§ 1);
2. authorizes a personal income tax deduction for contributions made to ABLE accounts up to \$5,000 for individual taxpayers or \$10,000 for joint filers (§ 2);
3. establishes a credit against the corporation business and personal income taxes for contributions employers make into employees' ABLE accounts capped at \$10,000 per employee per year (§ 3); and
4. exempts ABLE accounts, to the extent allowed by federal law, from claims by the state against the estates of Medicaid beneficiaries (§ 4).

EFFECTIVE DATE: October 1, 2023, except the tax deduction and tax credit provisions take effect January 1, 2024, and apply to taxable and income years beginning on or after that date.

INCOME TAX DEDUCTION

Under the bill, the deduction is allowed for contributions made to ABLE accounts established through Connecticut's ABLE program and capped at \$5,000 for individuals and \$10,000 for joint filers.

A similar deduction applies under existing law for contributions to Connecticut Higher Education Trust (CHET) accounts (the state's 529 education savings plan). The deduction is capped at \$5,000 for individuals and \$10,000 for joint filers, and any contribution that is not deducted in the taxable year in which it was made may be carried forward for the succeeding five years, subject to the cap (CGS § 12-701a). (The bill does not specify whether the ABLE account deduction is limited to contributions made in the taxable year or whether contributions may be carried forward.)

EMPLOYER ABLE ACCOUNT CONTRIBUTION TAX CREDIT

Under the bill, taxpayers may claim this credit against the corporation business or personal income tax (but not the withholding tax) for contributions they make to the state-administered ABLE accounts of their employees, up to \$10,000 per employee per income or taxable year, as applicable. (It is unclear if the bill applies to contributions to just ABLE accounts that employees establish for themselves or if it extends to cover those that employees establish on behalf of someone else, like a child.)

The tax credit under the bill may be claimed by the shareholders or partners of S corporations or entities treated as partnerships for federal income tax purposes. For single member limited liability companies treated as disregarded entities for federal tax purposes, it may be claimed by their owners.

BACKGROUND***ABLE Program***

Similar to 529 plans for education savings, ABLE accounts (also known as 529A plans) are tax-advantaged savings plans designed to encourage savings for a designated beneficiary's future expenses. They

allow individuals to retain assets to offset costs associated with living with a disability (up to certain account limits) without affecting eligibility for means-tested public programs such as supplemental security income (SSI) and Medicaid. Individuals may open an ABLE account, or one may be opened on their behalf, if they developed their disability before age 26 and either (1) qualify for SSI or Social Security disability income (SSDI) or (2) have a certification from a licensed physician stating that their disability meets the “marked and severe” standard set forth in federal law. Account funds may be used to cover “qualified disability expenses,” which are disability-related expenses that help increase or maintain a person’s health, independence, or quality of life (e.g., housing, transportation, education, and assistive technology costs).

Total annual contributions to an ABLE account by all individuals are generally capped at the federal gift tax exclusion amount (\$17,000 per year, as of January 1, 2023), though certain employed ABLE account owners may make additional deposits.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 12 Nay 0 (03/07/2023)