Senate

General Assembly

File No. 696

January Session, 2023

Senate Bill No. 420

Senate, May 4, 2023

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

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

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

Section 1. (NEW) (*Effective January 1, 2024, and applicable to income and taxable years commencing on or after January 1, 2024*) (a) As used in this section:

(1) "Commissioner" means the Commissioner of Economic and Community Development;

(2) "Employer" means a person engaged in business or a related person engaged in business who has employees and who is subject to tax under chapter 207, 208, 212 or 229 of the general statutes;

(3) "Income year" means the income year or taxable year, as determined under chapter 207, 208, 212 or 229 of the general statutes, as the case may be;

(4) "New qualifying employee" means a person with disabilities, as

defined in section 17b-608 of the general statutes, who (A) (i) qualifies for the medical assistance program for persons with disabilities pursuant to section 17b-597 of the general statutes, (ii) has received or is receiving employment support services through the Bureau of Rehabilitation Services or the Bureau of Education and Services for the Blind at the Department of Aging and Disability Services, or (iii) has received or is receiving employment support services from the Department of Developmental Services, and (B) is hired by the employer to fill a job during the employer's income years commencing on or after January 1, 2024;

(5) "Related person" means (A) a corporation, limited liability company, partnership, association or trust controlled by the employer, (B) an individual, corporation, limited liability company, partnership, association or trust that is in the control of the employer, (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in the control of the employer, or (D) a member of the same controlled group as the employer; and

(6) "Control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership, limited liability company or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code of the United States, as amended from time to time, other than paragraph (3) of said Section 267(c).

(b) (1) There is established a job creation tax credit program for employers whereby an employer who hires a new qualifying employee who resides in this state and requires such employee to work at least fifteen hours or more per week for not less than twenty-four weeks in a calendar year may be allowed a tax credit against the tax imposed under chapter 207, 208, 212 or 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes.

(2) The tax credit shall be an amount equal to two hundred dollars per month for each new qualifying employee hired.

(3) No employer may claim a tax credit for any new qualifying employee who is an owner, member or partner in the business of the employer or who is not employed at the close of the income year of the employer.

(4) The employer shall claim the tax credit for the income year in which the employer hires a new qualifying employee and, if eligible, the two immediately succeeding income years. Any tax credit not used in an income year shall expire and shall not be refundable.

(c) To be eligible to claim the tax credit, an employer shall apply to the commissioner in accordance with the provisions of this section. The application shall be on a form provided by the commissioner and shall contain sufficient information as required by the commissioner, including, but not limited to, the activities that the employer primarily engages in, evidence the employee is a new qualified employee, the North American Industrial Classification System code of the employer and the name and position or job title of the new qualifying employee hired.

(d) (1) Upon receipt of an application, the commissioner shall render a decision on the application, in writing, not later than thirty days after the date of its receipt by the commissioner. If the commissioner approves the application of the employer, the commissioner shall issue a certification letter indicating that the tax credit will be available to be claimed by the employer if the employer otherwise meets the requirements of this section.

(2) No employer claiming the tax credit under this section, with respect to a new qualifying employee, may claim any credit against any tax under any other provision of the general statutes with respect to the same new qualifying employee.

(e) If the employer is an S corporation or an entity treated as a partnership for federal income tax purposes, the tax credit may be claimed by the shareholders or partners of the employer. If the employer is a single member limited liability company that is disregarded as an entity separate from its owner, the tax credit may be claimed by the limited liability company's owner.

(f) For an employer subject to the tax imposed under chapter 229 of the general statutes, no credit allowed under this section shall exceed the amount of tax imposed by chapter 229 of the general statutes. The commissioner shall annually provide to the Commissioner of Revenue Services a list detailing all tax credits that have been approved and all employers that have been issued a certification letter under subsection (d) of this section.

Sec. 2. (*Effective July 1, 2023*) The sum of one million dollars is appropriated to the Department of Aging and Disability Services from the General Fund and the sum of one million dollars is appropriated to the Department of Developmental Services from the General Fund, for the fiscal year ending June 30, 2024, for expansion of employment support services for persons with disabilities, as defined in section 17b-608 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*January 1, 2024, and applicable to income and taxable years commencing on or after January 1, 2024*	New section
Sec. 2	*July 1, 2023*	New section

HS	*Joint Favorable C/R*	FIN
FIN	*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 $
Aging and Disability Services, Dept.	GF - Appropriation	1 million	None
Department of Developmental Services	GF - Appropriation	1 million	None
Department of Revenue Services	GF - Revenue Loss	None	Less than 75,000
Department of Revenue Services	GF - Cost	None	Up to 150,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a job creation tax credit program for employers who hire certain new qualifying employees with disabilities, results in (1) a General Fund revenue loss of less than $75,000 annually beginning in FY 25, and (2) a one-time cost of up to $150,000 in FY 25 for programming updates to the CTax tax administration system and myconneCT online portal, and for form modification for multiple tax types.[1]

Section 2 appropriates $1 million each to the departments of Aging and Disability Services and Developmental Services in FY 24 to expand employment support services for people with disabilities.

[1] Under the bill, employers may apply the credit, with certain limitations, against the insurance premium, corporation business, utility, or personal income tax, but not the withholding tax.

sHB 6659, the FY 24 and FY 25 budget bill, as favorably reported by the Appropriations Committee, did not include any funding for this purpose. Consequently, the bill would result in the budget being under the spending cap by $12.2 million (rather than $14.2 million) in FY 24.

The Out Years

The annualized ongoing revenue impact identified above would continue into the future subject to inflation.

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)