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## **OLR Bill Analysis**

### **sSB 13**

#### ***AN ACT INCENTIVIZING STUDENT LOAN REPAYMENT ASSISTANCE.***

#### **SUMMARY**

This bill expands the student loan payment tax credit for qualified employers that make eligible student loan payments on a qualified employee's behalf (see below). It does so by allowing the employer to claim the credit for eligible payments it made to a student loan servicer on a qualified employee's behalf on any student education loan, rather than only loans the Connecticut Higher Education Supplemental Loan Authority (CHESLA) issued. It also establishes requirements an employer must follow when filing for a credit refund or exchange with the Department of Revenue Services (DRS).

The bill also caps the aggregate amount of tax credits the DRS commissioner may reserve for this program at \$10 million per calendar or income year, and the credits must be reserved in the order of applications the commissioner receives.

It also requires CHESLA to (1) establish a High Priority Occupation Loan Subsidy Program to subsidize interest rates on loans it issues to eligible individuals employed in high priority occupations and (2) consult with the Office of Workforce Strategy (OWS) to designate occupations as such.

Lastly, the bill makes technical and conforming changes.

**EFFECTIVE DATE:** July 1, 2024, except the tax credit expansion is effective January 1, 2025, and applicable to calendar or income years commencing on or after that date.

#### **QUALIFIED EMPLOYER TAX CREDIT OR REFUND**

Existing law allows qualified employers that make payments on

qualified employees' eligible student loans (i.e., CHESLA loans) to claim a tax credit or refund equal to 50% of the payments made up to a maximum annual credit of \$2,625 per employee per calendar or income year. By law, "qualified employees" are Connecticut residents who (1) earned their first bachelor's degree within the last five years; (2) are employed full time (i.e., at least 35 hours per week) at a qualified employer; and (3) are not an owner, member, partner, or family member of an otherwise qualified employer.

The bill expands this tax credit by allowing qualified employers to claim it for eligible student loan payments it made on behalf of an eligible employee to a student loan servicer (see below) on any student education loan, rather than only payments to CHESLA for CHESLA-issued loans.

By law, and under the bill, a "student loan servicer" is any person, regardless of location, that is responsible for servicing any student education loan to any student loan borrower (CGS § 36a-846(12)).

### **TAX CREDIT APPLICATION REQUIREMENTS**

To claim the student loan payment tax credit, the bill requires an eligible qualified employer to file an application with the DRS commissioner in a form and manner he prescribes. The application must include the following:

1. a list of qualified employees on whose behalf the qualified employer will be making an eligible student loan payment,
2. the total amount the qualified employer will pay towards each qualified employee's student education loan in the calendar or income year,
3. the employee's student loan servicer, and
4. any other information the commissioner requires.

The bill requires the DRS commissioner, upon receiving an application, to determine and reserve the credit amount the qualified

employer will be entitled to claim and to issue a voucher in that amount to the employer. The bill prohibits a qualified employer from claiming or a qualified small business (i.e., a qualified employer with gross receipts of \$5 million or less) from exchanging more than the amount in the voucher for any calendar or income year.

### **HIGH PRIORITY OCCUPATION LOAN SUBSIDY PROGRAM**

The bill requires CHESLA to establish a High Priority Occupation Loan Subsidy Program, subject to available funding. The program must subsidize interest rates on loans CHESLA issues to refinance eligible loans to individuals employed in high priority occupations who meet the eligibility criteria established by the bill.

#### ***High Priority Occupation Designation***

Under the bill, CHESLA must consult with OWS to designate high priority occupations under the program that (1) promote state residents' health, welfare, or education; (2) have a high demand for their services, as CHESLA and OWS determines; and (3) are experiencing or are projected to experience a workforce shortage that may affect the level of services provided.

#### ***Eligibility Criteria and Administrative Guidelines***

CHESLA must also consult with OWS to establish program eligibility criteria, which under the bill must include the following:

1. applicant requirements, including employment requirements;
2. interest rate subsidies and principal limits on authority loans subject to the High Priority Occupation Loan Subsidy Program;
3. the process for verifying applicants' employment; and
4. the requirement that an interest rate subsidy through the program terminate for a subsidy recipient who no longer meets the program's employment requirements during the loan's term.

#### ***Account Expenditure Guidelines***

The bill requires CHESLA to establish a separate, non-lapsing

account to hold program funds. The account must contain any moneys required by law to be deposited in it, including any state appropriation or any sale proceeds from bonds issued for that purpose.

Additionally, CHESLA must use the funds in the program's account to do the following:

1. subsidize loans under the program,
2. cover reasonable and necessary expenses for the program's administration,
3. issue authority loans to refinance one or more eligible loans, and
4. maintain a reserve to cover any losses from issuing authority loans.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute Change of Reference - FIN

Yea 22 Nay 0 (03/14/2024)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 44 Nay 7 (04/02/2024)