



# Senate

General Assembly

**File No. 523**

February Session, 2024

Substitute Senate Bill No. 13

*Senate, April 17, 2024*

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 substitute bill ought to pass.

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

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

1 Section 1. Section 12-217qq of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective January 1, 2025, and*  
3 *applicable to calendar and income years commencing on or after January 1,*  
4 *2025*):

5 (a) As used in this section:

6 [(1) "Authority" means the Connecticut Higher Education  
7 Supplemental Loan Authority;]

8 [(2)] (1) "Commissioner" means the Commissioner of Revenue  
9 Services;

10 [(3) "Eligible education loan" means an authority loan, as defined in  
11 section 10a-223, that is in repayment;]

12 [(4)] (2) "Full-time" means required to work at least thirty-five hours  
13 per week;

14 [(5)] (3) "Qualified employee" means an individual who (A) is a  
15 resident of the state, (B) has earned his or her first bachelor's degree from  
16 an institution of higher education in the immediately preceding five-  
17 year period, (C) is employed full-time in the state by a qualified  
18 employer, (D) is not an owner, member or partner of such qualified  
19 employer or a family member of an owner, member or partner of such  
20 qualified employer, and (E) has received [an eligible] a student  
21 education loan;

22 [(6)] (4) "Qualified employer" means a corporation licensed to operate  
23 a business in the state that is subject to tax under this chapter or chapter  
24 207; [and]

25 [(7)] (5) "Qualified small business" means a qualified employer that  
26 has gross receipts of not more than five million dollars for the calendar  
27 or income year, as applicable, for which a credit under this section is  
28 allowed;

29 (6) "Student education loan" has the same meaning as provided in  
30 section 36a-846; and

31 (7) "Student loan servicer" has the same meaning as provided in  
32 section 36a-846.

33 (b) (1) For calendar or income years commencing on and after January  
34 1, [2022] 2025, each qualified employer that employs a qualified  
35 employee and makes a payment directly to [the authority] a student  
36 loan servicer on behalf of such qualified employee on [an eligible] a  
37 student education loan that was used to finance the qualified  
38 employee's attendance at an institution of higher education [may claim]  
39 shall be eligible for a credit against the tax imposed under this chapter  
40 or chapter 207. Such credit shall be [granted in an amount] equal to fifty  
41 per cent of the amount of payments made to the outstanding principal  
42 balance of such loans by the qualified employer during the calendar or

43 income year, provided (A) the credit shall not be allowed against the tax  
44 imposed under this chapter and chapter 207 for the same loan payment,  
45 and (B) the amount of credit allowed for any calendar or income year  
46 with respect to a specific qualified employee shall not exceed two  
47 thousand six hundred twenty-five dollars.

48 (2) A qualified employer may claim the credit under subdivision (1)  
49 of this subsection for a payment made during the part of the calendar or  
50 income year the qualified employee worked and resided in the state,  
51 provided a qualified employee who worked and resided in the state for  
52 any part of a month shall be deemed to have worked and resided in the  
53 state for the entire month for purposes of this section.

54 (c) (1) To claim a credit under subsection (b) of this section, an eligible  
55 qualified employer shall file an application with the commissioner in a  
56 form and manner prescribed by the commissioner. Such qualified  
57 employer shall include a list of qualified employees for whom the  
58 qualified employer will be making a payment pursuant to subsection (b)  
59 of this section, the total amount the qualified employer will pay toward  
60 such qualified employees' student education loans in the calendar or  
61 income year, the student loan servicer for each such student education  
62 loan and such other information as the commissioner may require for  
63 purposes of this section. Upon receipt of an application, the  
64 commissioner shall determine and reserve the amount of the credit the  
65 qualified employer will be entitled to claim and shall issue a voucher for  
66 such amount to the qualified employer. A qualified employer may not  
67 claim for any calendar or income year more than the amount set forth in  
68 such voucher.

69 (2) The aggregate amount of tax credits that may be reserved by the  
70 commissioner under this section shall not exceed ten million dollars in  
71 any one calendar or income year and credits shall be reserved in the  
72 order of applications received by the commissioner.

73 [(c)] (3) A qualified employer that claims the credit under subsection  
74 (b) of this section shall provide any documentation required by the  
75 commissioner in a form and manner prescribed by the commissioner.

76 (d) (1) A qualified small business may apply to the commissioner in  
77 accordance with the provisions of subdivision (2) of this subsection to  
78 exchange any credit allowed under subsection (b) of this section for a  
79 credit refund equal to the value of the credit. Any amount of credit  
80 refunded under this subsection shall be refunded to the qualified small  
81 business in accordance with the provisions of this chapter or chapter  
82 207, as applicable. No interest shall be allowed or paid on any amount  
83 of credit refunded under this subsection. Any amount of credit refunded  
84 under this subsection shall be subject to the provisions of section 12-39h.

85 (2) Each application for a credit refund under this subsection shall be  
86 filed, on such forms and containing such information as prescribed by  
87 the commissioner, on or before the original due date of the return  
88 prescribed under section 12-205 or 12-222, as applicable, for the calendar  
89 or income year for which such credit was earned or, if applicable, the  
90 extended due date of such year's return. No application for a credit  
91 refund under this subsection may be filed after the due date or extended  
92 due date, as the case may be, of such return.

93 (3) A qualified small business may not exchange for any calendar or  
94 income year more than the amount of the credit set forth in the voucher  
95 issued by the commissioner pursuant to subsection (c) of this section.

96 Sec. 2. (NEW) (*Effective July 1, 2024*) (a) As used in this section,  
97 "authority loan" and "eligible loan" have the same meanings as provided  
98 in section 10a-223 of the general statutes.

99 (b) The Connecticut Higher Education Supplemental Loan Authority  
100 shall, subject to available funding pursuant to subsection (d) of this  
101 section, establish a High Priority Occupation Loan Subsidy Program to  
102 subsidize interest rates on authority loans issued to refinance eligible  
103 loans to individuals who are employed in a high priority occupation and  
104 meet eligibility criteria established pursuant to subsection (c) of this  
105 section.

106 (c) The authority shall consult with the Office of Workforce Strategy  
107 to: (1) Designate, as high priority occupations under the High Priority

108 Occupation Loan Subsidy Program, occupations that (A) promote the  
 109 health, welfare or education of residents of the state, (B) have a high  
 110 demand for their services, as determined by the authority and the office,  
 111 and (C) are experiencing or are projected to experience a workforce  
 112 shortage that may affect the level of services provided; (2) establish  
 113 administrative guidelines for the implementation and operation of the  
 114 program; and (3) establish eligibility criteria for the program, which  
 115 shall include, but need not be limited to, (A) applicant requirements,  
 116 including employment requirements, (B) interest rate subsidies and  
 117 principal limits on authority loans subject to the program, (C) the  
 118 process for verifying the employment of applicants, and (D) the  
 119 requirement that an interest rate subsidy through the program shall  
 120 terminate for any subsidy recipient who ceases to meet the employment  
 121 requirements of the program during the term of such recipient's  
 122 authority loan.

123 (d) The authority shall maintain a separate, nonlapsing account to  
 124 hold funds for the High Priority Occupation Loan Subsidy Program.  
 125 The account shall contain any moneys required by law to be deposited  
 126 in the account, including, but not limited to, any state appropriation or  
 127 the proceeds from the sale of bonds issued for the purpose of the  
 128 program. Moneys in the account shall be used (1) for the purposes of the  
 129 program and for reasonable and necessary expenses for the  
 130 administration of such program, (2) for the issuance of authority loans  
 131 to refinance one or more eligible loans, and (3) to maintain a reserve held  
 132 by the authority to cover any losses incurred by the authority from the  
 133 issuance of such authority loans.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2025, and applicable to calendar and income years commencing on or after January 1, 2025</i>	12-217qq
Sec. 2	<i>July 1, 2024</i>	New section

**HED**      *Joint Favorable Subst. C/R*

FIN

**FIN**      *Joint Favorable*

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*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.*

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

### **Explanation**

The bill, which expands the number of loans eligible for the student loan payment tax credit and caps the program at \$10 million annually, does not result in any fiscal impact to the state or municipalities. Current revenue projections (January 16, 2024, Consensus Revenue) include an estimated \$10 million revenue loss associated with the existing program.

The bill also requires the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to establish a High Priority Occupation Loan Subsidy Program to subsidize interest rates on loans it issues to eligible individuals employed in high priority occupations, subject to available funding. As no funding is provided in the bill, it is anticipated that the program would not be undertaken until such funding becomes available.

### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

**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**

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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)