

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 24-52—sSB 13

*Higher Education and Employment Advancement Committee
Finance, Revenue and Bonding Committee*

AN ACT INCENTIVIZING STUDENT LOAN REPAYMENT ASSISTANCE

SUMMARY: This act 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 for any student education loan, rather than only loans issued by the Connecticut Higher Education Supplemental Loan Authority (CHESLA). It also establishes requirements an employer must follow when filing for a credit refund or exchange with the Department of Revenue Services (DRS).

The act caps the aggregate amount of tax credits the DRS commissioner may reserve for this program at \$10 million per calendar or income year and requires the credits to 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 its loans to eligible individuals employed in high priority occupations and (2) consult with the Office of Workforce Strategy (OWS) to designate these occupations.

Lastly, the act 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 act 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) for any student education loan, rather than only payments to CHESLA for CHESLA-issued loans.

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

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TAX CREDIT APPLICATION REQUIREMENTS

To claim the student loan payment tax credit, the act requires an eligible qualified employer to file an application with the DRS commissioner in a form and manner he sets. 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 employer will pay towards each 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 act requires the commissioner, upon receiving an application, to determine and reserve the credit amount the employer will be entitled to claim and issue a voucher in that amount to the employer. The act 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 act requires CHESLA to establish a High Priority Occupation Loan Subsidy Program, subject to available funding. The program must subsidize interest rates on CHESLA loans to refinance eligible loans to individuals employed in high priority occupations who meet the act's eligibility criteria.

High Priority Occupation Designation

Under the act, 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 determine; 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 administrative guidelines for implementing and operating the program, as well as eligibility criteria which must include the following:

1. applicant requirements, including employment requirements;
2. interest rate subsidies and principal limits on authority loans subject to the program;
3. the process for verifying applicants' employment; and
4. a requirement to terminate a recipient's subsidy if they no longer meet the program's employment requirements during the loan's term.

Account Expenditure Guidelines

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The act requires CHESLA to establish a separate, nonlapsing account to hold program funds. The account must hold any moneys the law requires to be deposited in it, including any state appropriation or any sale proceeds from bonds issued for that purpose.

CHESLA must use the funds in the account to do the following:

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