



House of Representatives

General Assembly

File No. 883

January Session, 2025

Substitute House Bill No. 6884

House of Representatives, May 12, 2025

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT EXPANDING TAX CREDITS FOR STUDENT LOAN PAYMENTS TO INCLUDE EMPLOYERS SUBJECT TO TAX UNDER CHAPTER 229.

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 Section 12-217qq of the general statutes is repealed and the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, 2026, and*
3 *applicable to taxable years commencing on or after January 1, 2026*):

4 (a) As used in this section:

5 (1) "Commissioner" means the Commissioner of Revenue Services;

6 (2) "Full-time" means required to work at least thirty-five hours per
7 week;

8 (3) "Qualified employee" means an individual who (A) is a resident
9 of the state, (B) has earned [his or her] such individual's first bachelor's
10 degree from an institution of higher education in the immediately

11 preceding five-year period, (C) is employed full-time in the state by a
12 qualified employer, (D) is not an owner, member or partner of such
13 qualified employer or a family member of an owner, member or partner
14 of such qualified employer, and (E) has received a student education
15 loan;

16 (4) "Qualified employer" means a [corporation] taxpayer licensed to
17 operate a business in the state that is subject to tax under this chapter or
18 chapter 207 or 229;

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

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

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

27 (b) (1) For calendar or income years commencing on and after January
28 1, 2025, and for taxable years commencing on and after January 1, 2026,
29 each qualified employer that employs a qualified employee and makes
30 a payment directly to a student loan servicer on behalf of such qualified
31 employee on a student education loan that was used to finance the
32 qualified employee's attendance at an institution of higher education
33 shall be eligible for a credit against the tax imposed under this chapter
34 or chapter 207 or 229, other than the liability imposed by section 12-707.
35 Such credit shall be equal to fifty per cent of the amount of payments
36 made to the outstanding principal balance of such loans by the qualified
37 employer during the calendar, [or] income or taxable year, provided (A)
38 the credit shall not be allowed against the tax imposed under this
39 chapter and [chapter] chapters 207 and 229 for the same loan payment,
40 and (B) the amount of credit allowed for any calendar, [or] income or
41 taxable year with respect to a specific qualified employee shall not
42 exceed two thousand six hundred twenty-five dollars.

43 (2) A qualified employer may claim the credit under subdivision (1)
44 of this subsection for a payment made during the part of the calendar,
45 [or] income or taxable year, as applicable, the qualified employee
46 worked and resided in the state, provided a qualified employee who
47 worked and resided in the state for any part of a month shall be deemed
48 to have worked and resided in the state for the entire month for
49 purposes of this section.

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

65 (2) The aggregate amount of tax credits that may be reserved by the
66 commissioner under this section shall not exceed ten million dollars in
67 any one [calendar or income] fiscal year and credits shall be reserved in
68 the order of applications received by the commissioner.

69 (3) A qualified employer that claims the credit under subsection (b)
70 of this section shall provide any documentation required by the
71 commissioner in a form and manner prescribed by the commissioner.

72 (4) If a qualified employer is an S corporation or an entity treated as
73 a partnership for federal income tax purposes, the shareholders or
74 partners of such qualified employer may claim the credit. If the qualified
75 employer is a single member limited liability company that is

76 disregarded as an entity separate from its owner, the limited liability
77 company's owner may claim the credit.

78 (d) (1) A qualified small business may apply to the commissioner in
79 accordance with the provisions of subdivision (2) of this subsection to
80 exchange any credit allowed under subsection (b) of this section for a
81 credit refund equal to the value of the credit. Any amount of credit
82 refunded under this subsection shall be refunded to the qualified small
83 business in accordance with the provisions of this chapter or chapter 207
84 or 229, as applicable. No interest shall be allowed or paid on any amount
85 of credit refunded under this subsection. Any amount of credit refunded
86 under this subsection shall be subject to the provisions of section 12-39g.

87 (2) Each application for a credit refund under this subsection shall be
88 filed, on such forms and containing such information as prescribed by
89 the commissioner, on or before the original due date of the return
90 prescribed under section 12-205, [or] 12-222 or 12-719, as applicable, for
91 the calendar, [or] income or taxable year for which such credit was
92 earned or, if applicable, the extended due date of such year's return. No
93 application for a credit refund under this subsection may be filed after
94 the due date or extended due date, as the case may be, of such return.

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2026, and applicable to taxable years commencing on or after January 1, 2026</i>	12-217qq

Statement of Legislative Commissioners:

The title was changed.

HED *Joint Favorable Subst. C/R*

FIN

FIN *Joint Favorable Subst.-LCO*

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 26 \$	FY 27 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	Up to 10 million
Revenue Serv., Dept.	GF - Cost	None	Up to 175,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which expands the types of employers that may earn a tax credit for making student loan payments on behalf of qualified employees, results in a (1) General Fund revenue loss of up to \$10 million annually beginning in FY 27 and (2) one-time cost to the Department of Revenue Services of up to \$175,000 in FY 27 associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the \$10 million annual credit cap.

OLR Bill Analysis**sHB 6884*****AN ACT EXPANDING TAX CREDITS FOR STUDENT LOAN PAYMENTS TO INCLUDE EMPLOYERS SUBJECT TO TAX UNDER CHAPTER 229.*****SUMMARY**

This bill expands the types of employers that may earn a tax credit for making student loan payments on behalf of qualified employees. Specifically, it allows:

1. employers subject to the state's income tax laws to receive the credit, in addition to corporations allowed under current law;
2. the credit to be applied against an employer's income tax, rather than just against their corporate or insurance company tax;
3. if the employer is an S corporation or entity treated as a partnership for federal income tax purposes, for the shareholders or partners to claim the credit; and
4. if the employer is a single member limited liability company (LLC) that is disregarded as an entity separate from its owner, for the LLC owner to claim the credit.

However, the bill specifies that this credit does not apply to taxes the employer is required to withhold on behalf of its employees.

By law, unchanged by the bill, the credit is 50% of the amount of payments made toward the principal balance of student loans (up to \$2,625 per year). Small businesses (employers with up to \$5 million in gross receipts in a year) may apply to exchange the credit for a credit refund in an equal amount.

Currently, the revenue services commissioner can only authorize a

total of \$10 million in credits for this purpose in any calendar or income year. Instead, the bill imposes this limit in each fiscal year.

The bill also makes conforming changes.

EFFECTIVE DATE: January 1, 2026, and applicable to taxable years commencing on or after that date.

BACKGROUND

Qualified Employees

By law, a qualified employee is a state resident employed full-time in the state who received his or her first bachelor’s degree in the past five years and has a student loan. The person cannot be an owner, member, or partner of the employer.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute Change of Reference - FIN
Yea 18 Nay 0 (02/27/2025)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 52 Nay 0 (04/24/2025)