General Assembly **Substitute Bill No. 1462**

January Session, 2025

SB01462FIN 042425

AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYER CONTRIBUTIONS TO EMPLOYEES' CHET ACCOUNTS AND CONCERNING THE CONNECTICUT HIGHER EDUCATION TRUST AND CONNECTICUT BABY SCHOLARS FUND.

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

Section 1. (NEW) (*Effective July 1, 2025, and applicable to income and taxable years commencing on or after January 1, 2025*) (a) (1) There shall be allowed a credit against the tax imposed under chapter 207, 208 or 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes, for contributions made by an employer into a CHET account, as defined in section 3-22f of the general statutes, as amended by this act, of an employee of such employer, provided such employee is not an owner, member or partner of such employer or a family member of an owner, member or partner of such employer.

(2) The amount of the credit shall be equal to twenty-five per cent of the amount of the contributions made by the employer into the CHET accounts of employees of such employer for the income or taxable year, provided the amount of the credit allowed for any income or taxable year with respect to a specific employee shall not exceed five hundred dollars.

(b) If the employer is an S corporation or an entity treated as a

partnership for federal income tax purposes, the 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 credit may be claimed by such limited liability company's owner, provided such owner is a person subject to the tax imposed under chapter 207, 208 or 229 of the general statutes.

Sec. 2. Section 3-22f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

As used in sections 3-22f to 3-22p, inclusive, as amended by this act:

(1) **[**"Depositor" means any person making a deposit, payment, contribution, gift or otherwise to the trust pursuant to a participation agreement**]** "Account owner" means the owner or any successor owner of a CHET account;

(2) "CHET account" means an account in the trust, established pursuant to a participation agreement, into which contributions are made for the purpose of meeting the qualified higher education expenses of a designated beneficiary of such account;

[(2)**]** (3) "Designated beneficiary" **[**means (A) any individual (i) state resident originally designated in the participation agreement, (ii) subsequently designated who is a family member as defined in Section 2032A(e)(2) of the Internal Revenue Code, or (iii) receiving a scholarship from interests in the trust purchased by a state or local government or an organization described in Section 501(c)(3) of the Internal Revenue Code and qualified under Section 529 of the Internal Revenue Code, or (B) any other designated beneficiary qualifying under said Section 529 enrolled in the trust**]** has the same meaning as provided in Section 529 of the Internal Revenue Code;

[(3)**]** (4) "Eligible educational institution" **[**means an institution of higher education qualifying under**]** has the same meaning as provided in Section 529 of the Internal Revenue Code; **[**as an eligible educational institution;**]**

[(4)**]** (5) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time; **[**amended;**]**

[(5) "Participation agreements" means agreements between the trust and depositors for participation in a savings plan for a designated beneficiary**]**

(6) "Participation agreement" means the agreement between the trust and the account owner for participation in a CHET account for a designated beneficiary;

[(6)**]** (7) "Qualified higher education expenses" **[**means tuition, fees, books, supplies and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution, including undergraduate and graduate schools and any other higher education expenses that may be permitted by**]** has the same meaning as provided in Section 529 of the Internal Revenue Code; and

[(7)**]** (8) "Trust" means the Connecticut Higher Education Trust.

Sec. 3. Section 3-22h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

The Treasurer, on behalf of the trust and for purposes of the trust, may:

(1) Receive and invest moneys in the trust in any instruments, obligations, securities or property in accordance with section 3-22i, as amended by this act;

(2) Establish **[**consistent**]** terms for **[**each**]** the participation agreement **[**, bulk deposit, coupon or installment payments**]** and the administration of CHET accounts, including, but not limited to, (A) the method of payment into the trust by payroll deduction, transfer from bank accounts or otherwise, (B) the termination, withdrawal or transfer of payments under the trust, including transfers to or from a qualified tuition program established by another state pursuant to Section 529 of

the Internal Revenue Code, (C) penalties for distributions not used **[**or made in accordance with Section 529(b)(3) of the Internal Revenue Code**]** for qualified higher education expenses, (D) changing of the identity of the designated beneficiary, and (E) any charges or fees in connection with the administration of the trust;

(3) Enter into one or more contractual agreements, including, but not limited to, contracts for legal, actuarial, accounting, custodial, advisory, management, administrative, advertising, marketing and consulting services for the trust and pay for such services from the gains and earnings of the trust;

(4) Procure insurance in connection with the trust's property, assets, activities, or deposits or contributions to the trust;

(5) Apply for, accept and expend gifts, grants, or donations from public or private sources to enable the trust to carry out its objectives;

(6) Adopt regulations in accordance with chapter 54 for purposes of sections 3-22f to 3-22p, inclusive, as amended by this act;

(7) Sue and be sued;

(8) Establish one or more funds within the trust and maintain separate accounts for each designated beneficiary; and

(9) Take any other action necessary to carry out the purposes of sections 3-22f to 3-22p, inclusive, as amended by this act, and incidental to the duties imposed on the Treasurer pursuant to said sections.

Sec. 4. Section 3-22i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) Notwithstanding sections 3-13 to 3-13h, inclusive, the Treasurer shall invest the amounts on deposit in the trust in a manner reasonable and appropriate to achieve the objectives of the trust, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. The Treasurer shall give due consideration to rate of

return, risk, term or maturity, diversification of the total portfolio within the trust, liquidity, the projected disbursements and expenditures, and the expected payments, deposits, contributions and gifts to be received. The Treasurer shall not require the trust to invest directly in obligations of the state or any political subdivision of the state or in any investment or other fund administered by the Treasurer.

(b) (1) The Treasurer may retain investment advisors to make such investments on behalf of the Treasurer and may delegate to such advisors the authority to act in place of the Treasurer in (A) the investment or reinvestment of all or parts of the amounts on deposit in the trust, and (B) the holding, purchasing, selling, assigning, transferring or disposing of any or all of the securities and investments in which such amounts have been invested and the proceeds of such securities and investments. Any such investment advisor shall be registered with the Securities and Exchange Commission unless such advisor is exempt from registration pursuant to federal law.

(2) Any investments made by an investment advisor pursuant to this subsection shall be made solely in the interest of account owners and designated beneficiaries and for the exclusive purposes of providing benefits to designated beneficiaries for qualified higher education expenses and for defraying reasonable expenses of administering the trust and CHET accounts. The assets of the trust shall be continuously invested and reinvested in a manner consistent with the objectives of the trust until disbursed**,** **[**for qualified educational expenses,**]** expended on expenses incurred by the operations of the trust **[**,**]** or refunded to the **[**depositor**]** account owner or designated beneficiary **[**on**]** in accordance with the conditions provided in the participation agreement.

Sec. 5. Section 3-22k of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

On or before December thirty-first, annually, the Treasurer shall submit a financial report, pursuant to section 3-37, to the Governor on the operations of the trust including the receipts, disbursements, assets,

investments **[**,**]** and liabilities and administrative costs of the trust for the prior fiscal year. The Treasurer shall also submit such report to the Connecticut Higher Education Trust Advisory Committee established pursuant to section 3-22e, and make the report available to each **[**depositor**]** account owner and designated beneficiary.

Sec. 6. Section 3-22m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

The state pledges to **[**depositors**]** account owners, designated beneficiaries and with any party who enters into contracts with the trust, pursuant to the provisions of sections 3-22f to 3-22p, inclusive, as amended by this act, that the state will not limit or alter the rights under said sections vested in the trust or contract with the trust until such obligations are fully met and discharged and such contracts are fully performed on the part of the trust, provided nothing contained in this section shall preclude such limitation or alteration if adequate provision is made by law for the protection of such **[**depositors**]** account owners and designated beneficiaries pursuant to the obligations of the trust or parties who entered into such contracts with the trust. The trust, on behalf of the state, may include this pledge and undertaking for the state in participation agreements and such other obligations or contracts.

Sec. 7. Section 3-22o of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

The Treasurer shall take any action necessary to ensure that the trust complies with all applicable requirements of federal and state laws, rules and regulations to the extent necessary for the trust to constitute a qualified **[**state**]** tuition program and be exempt from taxation under Section 529 of the Internal Revenue Code.

Sec. 8. Section 3-22p of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) Notwithstanding any provision of the general statutes, **[**no**]** moneys invested in the Connecticut Higher Education Trust**,** **[**shall be

considered to be an asset for purposes of determining an individual's eligibility for assistance under the temporary family assistance program, as described in section 17b-112, programs funded under the federal Low Income Home Energy Assistance Program block grant, and the federally appropriated weatherization assistance program, as described in section 16a-41i**]** contributions to a CHET account, distributions from a CHET account for qualified higher education expenses and any other distributions that are not includable in federal gross income under Section 529 of the Internal Revenue Code shall be disregarded for purposes of determining an individual's eligibility for assistance under any means-tested public assistance program administered by the state or any political subdivision thereof.

(b) Notwithstanding any provision of the general statutes, no moneys invested in said trust shall be considered to be an asset for purposes of determining an individual's eligibility for need-based, institutional aid grants offered to an individual at the public eligible educational institutions in the state.

(c) Notwithstanding any provision of the general statutes, an account owner may transfer money from a CHET account via any rollover distribution that is not includable in federal gross income under Section 529 of the Internal Revenue Code.

Sec. 9. Section 12-743 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2025*):

(a) Any taxpayer filing a return under this chapter may contribute any part of a refund under this chapter to (1) the organ transplant account established pursuant to section 17b-288, (2) the AIDS research education account established pursuant to section 19a-32a, (3) the endangered species, natural area preserves and watchable wildlife account established pursuant to section 22a-27*l*, (4) the breast cancer research and education account established pursuant to section 19a-32b, (5) the safety net services account established pursuant to section 17b-112f, (6) **[**an individual savings plan established**]** a CHET account under

the Connecticut Higher Education Trust established pursuant to sections 3-22f to 3-22p, inclusive, as amended by this act, or to the **[**CHET Baby Scholars fund established pursuant to section 3-22u**]** Connecticut Baby Bond Trust established pursuant to section 3-36b, or (7) the mental health community investment account established pursuant to section 17a-451g. Such contribution shall be made by indicating on the tax return, in a manner provided for by the Commissioner of Revenue Services pursuant to subsection (b) of this section, the amount to be contributed to the account.

(b) (1) The Commissioner of Revenue Services shall revise the tax return form to implement the provisions of subsection (a) of this section, which form shall include spaces on the return in which taxpayers may indicate their intention to make a contribution, in a whole dollar amount, in accordance with this section. The commissioner shall include in the instructions accompanying the tax return a description of the purposes for which the accounts and funds set forth in subsection (a) of this section were created.

(2) For purposes of facilitating the registration of a taxpayer as an organ donor, the commissioner shall include information in the instructions accompanying the tax return that (A) indicates the manner by which a taxpayer may contact an organ donor registry organization, or (B) provides electronic links to appropriate organ donor registry organizations for such purpose.

[(3) For purposes of facilitating the participation of a taxpayer in the Connecticut Higher Education Trust and the CHET Baby Scholars fund, the commissioner shall include spaces on the return, as provided in subdivision (1) of this subsection as follows: (A) There shall be a space indicating a taxpayer's intention to contribute any part of a refund to someone known to the taxpayer who is a designated beneficiary, as defined in section 3-22f, including a space for the taxpayer to provide the name and Social Security number of such designated beneficiary; and (B) there shall be a space indicating a taxpayer's intention to contribute any part of a refund to the CHET Baby Scholars fund,

including a description of such fund and a statement that such contribution shall not benefit a specific child. The commissioner shall include information in the instructions accompanying the tax return that indicates the manner by which the taxpayer may contact the administrator of the Connecticut Higher Education Trust and the CHET Baby Scholars fund, or provides electronic links to such administrator for such purpose.**]**

(c) A designated contribution of all or part of any refund shall be irrevocable upon the filing of the return and shall be made in the full amount designated if the refund found due the taxpayer upon the initial processing of the return, and after any deductions required by this chapter, is greater than or equal to the designated contribution. If the refund due, as determined upon initial processing, and after any deductions required by this chapter, is less than the designated contribution, the contribution shall be made in the full amount of the refund. The Commissioner of Revenue Services shall subtract the amount of any contribution of all or part of any refund from the amount of the refund initially found due the taxpayer and shall certify the difference to the Secretary of the Office of Policy and Management and the Treasurer for payment to the taxpayer in accordance with this chapter. For the purposes of any subsequent determination of the taxpayer's net tax payment, such contribution shall be considered a part of the refund paid to the taxpayer.

(d) Except for any funds collected for purposes of subdivision (6) of subsection (a) of this section, the Commissioner of Revenue Services, after notification of and approval by the Secretary of the Office of Policy and Management, may deduct and retain from the remaining funds so collected an amount equal to the costs of implementing this section and sections 17b-288, 19a-32a, 22a-27*l*, 19a-32b and 17b-112f but not to exceed seven and one-half per cent of the funds contributed in any fiscal year and in no event shall exceed the total cost of implementation of said sections.

Sec. 10. Section 3-22u of the general statutes is repealed. (*Effective July*

1, 2025)

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2025, and applicable to income and taxable years commencing on or after January 1, 2025*	New section
Sec. 2	*July 1, 2025*	3-22f
Sec. 3	*July 1, 2025*	3-22h
Sec. 4	*July 1, 2025*	3-22i
Sec. 5	*July 1, 2025*	3-22k
Sec. 6	*July 1, 2025*	3-22m
Sec. 7	*July 1, 2025*	3-22o
Sec. 8	*July 1, 2025*	3-22p
Sec. 9	*July 1, 2025*	12-743
Sec. 10	*July 1, 2025*	Repealer section

FIN *Joint Favorable Subst.*