



House of Representatives

General Assembly

File No. 598

February Session, 2022

House Bill No. 5403

House of Representatives, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL INCOME TAX.

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

1 Section 1. (NEW) (*Effective July 1, 2022, and applicable to taxable years*
2 *commencing on or after January 1, 2022*) (a) As used in this section:

3 (1) "Child" means an individual who is under seventeen years of age;

4 (2) "Eligible taxpayer" means a resident of this state who is subject to
5 the tax under chapter 229 of the general statutes; and

6 (3) "Resident of this state" has the same meaning as provided in
7 subsection (a) of section 12-701 of the general statutes.

8 (b) (1) Any eligible taxpayer shall be allowed a credit against the tax
9 imposed under chapter 229 of the general statutes, other than the
10 liability imposed under section 12-707 of the general statutes, for each
11 child, up to a maximum of three children, that the eligible taxpayer
12 validly claims as a dependent on such taxpayer's return filed under the

13 federal income tax for the applicable taxable year.

14 (2) An eligible taxpayer may claim one of the options set forth in this
15 subdivision:

16 (A) Six hundred dollars per child, provided such amount shall be
17 reduced ten per cent for every one thousand dollars, or fraction thereof,
18 of federal adjusted gross income over (i) one hundred thousand dollars
19 for an individual who files a return under the federal income tax as an
20 unmarried individual or a married individual filing separately, (ii) one
21 hundred sixty thousand dollars for an individual who files a return
22 under the federal income tax as a head of household, and (iii) two
23 hundred thousand dollars for individuals who file a return under the
24 federal income tax as married individuals filing jointly or as a surviving
25 spouse, as defined in Section 2(a) of the Internal Revenue Code of 1986,
26 or any subsequent corresponding internal revenue code of the United
27 States, as amended from time to time. The credit allowed under this
28 subparagraph shall not be used to reduce the taxpayer's liability to less
29 than zero; or

30 (B) Four hundred twenty dollars per child, provided such amount
31 shall be reduced ten per cent for every one thousand dollars, or fraction
32 thereof, of federal adjusted gross income over (i) one hundred thousand
33 dollars for an individual who files a return under the federal income tax
34 as an unmarried individual or a married individual filing separately, (ii)
35 one hundred sixty thousand dollars for an individual who files a return
36 under the federal income tax as a head of household, and (iii) two
37 hundred thousand dollars for individuals who file a return under the
38 federal income tax as married individuals filing jointly or as a surviving
39 spouse. The credit allowed under this subparagraph shall not exceed
40 four and one-half per cent of the eligible taxpayer's federal adjusted
41 gross income. If the amount of the credit allowed pursuant to this
42 subparagraph exceeds the eligible taxpayer's liability for the tax
43 imposed under chapter 229 of the general statutes, the Commissioner of
44 Revenue Services shall treat such excess as an overpayment and, except
45 as provided under section 12-739 or 12-742 of the general statutes, shall

46 refund the amount of such excess, without interest, to the eligible
47 taxpayer.

48 (c) For the purposes of this section, the tax liability of an eligible
49 taxpayer shall be calculated without regard to the credit allowed under
50 section 12-704e of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022, and applicable to taxable years commencing on or after January 1, 2022</i>	New section

FIN *Joint Favorable*

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 23 \$	FY 24 \$
Revenue Serv., Dept.	GF - Revenue Loss	300 million	300 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a child tax credit against the personal income tax, results in a General Fund revenue loss of \$300 million annually beginning in FY 23.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to fluctuation in the number of eligible filers.

OLR Bill Analysis**HB 5403*****AN ACT ESTABLISHING A CHILD TAX CREDIT AGAINST THE PERSONAL INCOME TAX.*****SUMMARY**

The bill establishes a state child tax credit (CTC) that resident taxpayers with qualifying incomes may claim against the personal income tax. Taxpayers may claim the credit for up to three children (age 16 and younger) whom they validly claimed as dependents on their federal income tax return for the applicable tax year.

The bill allows taxpayers to claim either a nonrefundable or a refundable credit. The refundable credit is lower in value than the nonrefundable credit, but taxpayers who claim it may receive a refund for the portion of the credit that exceeds their income tax liability. Table 1 shows the maximum credit amounts.

Under the bill, taxpayers are eligible for the full CTC if their federal adjusted gross incomes (AGIs) fall at or below certain thresholds, which vary by filing status. For taxpayers with incomes exceeding these thresholds, the credit phases out at a rate of 10% for every \$1,000, or fraction of \$1,000, of AGI exceeding the threshold (e.g., a single filer with a federal AGI of \$101,500 is eligible for 80% of the full credit amount). Table 1 indicates the income thresholds at which taxpayers are (1) eligible for the full credit and (2) not eligible for the credit.

The bill specifies that (1) the credit does not apply against the withholding tax and (2) for purposes of the CTC, a taxpayer's tax liability must be calculated without regard to the state earned income tax credit.

EFFECTIVE DATE: July 1, 2022, and applicable to tax years beginning

on and after January 1, 2022.

MAXIMUM CREDIT AMOUNTS AND INCOME THRESHOLDS

Table 1: CTC Amounts and Thresholds Under the Bill

<i>Filing Status</i>	<i>Credit Amount (per child)</i>		<i>Maximum Credit Threshold</i>	<i>No Credit</i>
	<i>Refundable</i>	<i>Nonrefundable</i>	<i>Federal AGI ≤</i>	<i>Federal AGI ></i>
Single or Married Filing Separately	\$420 or 4.5% of the filer’s federal AGI, whichever is less	\$600	\$100,000	\$109,000
Head of Household			\$160,000	\$169,000
Joint Filers or Surviving Spouse			\$200,000	\$209,000

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 36 Nay 14 (04/05/2022)