



# Senate

General Assembly

**File No. 218**

February Session, 2022

Substitute Senate Bill No. 252

*Senate, March 30, 2022*

The Committee on Higher Education and Employment Advancement reported through SEN. SLAP of the 5th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT ESTABLISHING TAX CREDITS FOR EMPLOYERS WHO MAKE PAYMENTS TOWARD TUITION COSTS OF EMPLOYEES AND FOR TAXPAYERS WHO DONATE TO ENDOWED PROFESSORSHIPS.***

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 income years*  
2 *commencing on or after January 1, 2023*) (a) As used in this section:

3 (1) "Eligible tuition cost" means the expense incurred by a qualified  
4 employee for tuition at a public or independent institution of higher  
5 education;

6 (2) "Qualified employee" means any individual who works and  
7 resides in the state; and

8 (3) "Qualified employer" means a corporation licensed to operate a  
9 business in the state that employs a qualified employee and is subject to  
10 tax under chapter 207 or 208 of the general statutes.

11 (b) (1) For income years commencing on or after January 1, 2023, an  
12 employer that makes a payment to or on behalf of a qualified employee  
13 for an eligible tuition cost of such qualified employee may claim a credit  
14 against the tax imposed under chapter 207 or 208 of the general statutes.  
15 Such credit shall be equal to fifty per cent of the amount of the payment  
16 made during the income year by such employer for an eligible tuition  
17 cost and shall not exceed two thousand five hundred dollars for each  
18 qualified employee for whom such employer makes such payment. An  
19 employer claiming a credit under this section shall not claim any other  
20 credit against the employer's tax liability under any provision of the  
21 general statutes for the same payment of an eligible tuition cost.

22 (2) An employer may claim the credit under subdivision (1) of this  
23 subsection for a payment made during the part of the income year that  
24 the qualified employee worked and resided in the state, provided a  
25 qualified employee who worked and resided in the state for any part of  
26 a month shall be deemed to have worked and resided in the state for the  
27 entire month.

28 (c) An employer that claims the credit under subsection (b) of this  
29 section shall provide any documentation required by the Commissioner  
30 of Revenue Services in a form and manner prescribed by the  
31 commissioner.

32 Sec. 2. (NEW) (*Effective July 1, 2022, and applicable to income years and*  
33 *taxable years commencing on or after January 1, 2023*) (a) As used in this  
34 section:

35 (1) "Taxpayer" means an individual or business entity subject to tax  
36 under chapter 207, 208, 212 or 229 of the general statutes; and

37 (2) "Endowed professorship" means a faculty position at a public  
38 institution of higher education that is permanently paid for with the  
39 revenue from an endowment fund that was specifically established for  
40 that purpose.

41 (b) (1) There is established an endowed professorship tax credit

42 program whereby a taxpayer may be allowed a credit against the tax  
43 imposed under chapter 207, 208, 212 or 229 of the general statutes, other  
44 than the liability imposed by section 12-707 of the general statutes.

45 (2) The tax credit shall be in an amount equal to one hundred per cent  
46 of the amount donated by such taxpayer to an endowed professorship  
47 at a public institution of higher education in this state, provided (A) the  
48 credit shall not exceed fifty thousand dollars for any taxpayer, and (B)  
49 the total amount of credits granted to all taxpayers under this section  
50 shall not exceed two million dollars in any one fiscal year.

51 (3) The taxpayer shall claim the credit in the income year or taxable  
52 year in which it is earned. Any credit not claimed by the taxpayer in  
53 such income year or taxable year shall expire and shall not be  
54 refundable.

55 (c) If the taxpayer is an S corporation or an entity treated as a  
56 partnership for federal income tax purposes, the tax credit may be  
57 claimed by the shareholders or partners of such taxpayer. If the taxpayer  
58 is a single member limited liability company that is disregarded as an  
59 entity separate from its owner, the tax credit may be claimed by the  
60 limited liability company's owner.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022, and applicable to income years commencing on or after January 1, 2023</i>	New section
Sec. 2	<i>July 1, 2022, and applicable to income years and taxable years commencing on or after January 1, 2023</i>	New section

**HED** Joint Favorable Subst.

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 \$
Department of Revenue Services	GF - Revenue Loss	None	115-160 million
Department of Revenue Services	GF - Cost	110,465	72,703
State Comptroller - Fringe Benefits <sup>1</sup>	GF - Cost	14,374	29,467

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which establishes tax credits for tuition reimbursement and endowed professorship donations, results in: 1) a General Fund revenue loss of \$115 million to \$160 million annually beginning in FY 24, 2) a one-time cost to the Department of Revenue Services (DRS) of \$75,000 in FY 23 only, and 3) an on-going cost to DRS of \$49,839 in FY 23 (partial year) and \$102,170 in FY 24 for salary and fringe benefit costs associated with one Revenue Examiner.

**Section 1** establishes a tax credit under the corporation business and insurance premiums taxes for 50% of tuition reimbursement costs, capped at \$2,500 per employee. Based on a national employer tuition reimbursement market estimated to be between \$20 billion and \$28 billion annually, this results in a revenue loss of between \$113 million

<sup>1</sup>The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

and \$158 million each year beginning in FY 24.<sup>2</sup>

**Section 1** also results in a one-time cost to DRS of \$75,000 in FY 23 for updates to the online Taxpayer Service Center and internal CTax integrated tax administration system, as well as an ongoing annualized cost of \$102,170 (\$72,703 for salary and \$29,467 for fringe benefit costs) for one Revenue Examiner for audit and compliance.

**Section 2** allows a tax credit under various taxes for amounts donated to an endowed professorship at a Connecticut public higher education institution.<sup>3</sup> This results in a revenue loss of up to \$2 million each year beginning in FY 24.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Georgetown University Center on Education and the Workforce  
International Foundation of Employee Benefit Plans*

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<sup>2</sup> Data from the International Foundation of Employee Benefit Plans indicates that the most popular reimbursement amount to employees is \$5,000 to \$5,999.

<sup>3</sup> For context, there are currently 122 endowed professorships and chairs between UConn and UConn Health.

**OLR Bill Analysis****sSB 252*****AN ACT ESTABLISHING TAX CREDITS FOR EMPLOYERS WHO MAKE PAYMENTS TOWARD TUITION COSTS OF EMPLOYEES AND FOR TAXPAYERS WHO DONATE TO ENDOWED PROFESSORSHIPS.*****SUMMARY**

This bill establishes a credit against the corporation business and insurance premiums taxes for licensed Connecticut corporations that make a payment to, or for, an employee for public or private higher education institution tuition costs. The credit equals 50% of the payment amount and is capped at \$2,500 for each employee.

Additionally, the bill allows individuals and certain business entities to claim a tax credit equal to 100% of the amount donated to an endowed professorship at a Connecticut public higher education institution. The bill caps the credit at \$50,000 for any taxpayer and \$2 million total for all taxpayers in any fiscal year. (It is unclear how the \$2 million cap would be implemented, because the bill does not establish a process for reserving or awarding credits to taxpayers.)

EFFECTIVE DATE: July 1, 2022, and applicable to income years beginning on and after January 1, 2023.

**EMPLOYER TAX CREDIT FOR EMPLOYEE TUITION PAYMENTS**

The bill establishes the following additional conditions on an employer who claims this tax credit:

1. the employer must make the tuition payment during the part of the income year when the employee worked and lived in Connecticut,
2. the employer must provide any documentation the Department

of Revenue Services commissioner requires, and

- 3. the employer must not claim any other tax credit that may be available under state law for the same tuition cost payment.

The bill specifies that, for purposes of this tax credit, an employee who worked and lived in Connecticut for any part of a month is treated as though he or she has lived in the state for the entire month.

**TAX CREDIT FOR ENDOWED PROFESSORSHIP DONATION**

Under the bill, the tax credit for endowed professorships may be applied against the insurance premiums, utility companies, corporation business, or personal income taxes, but not the withholding tax. An “endowed professorship” is a faculty position permanently paid for with endowment fund revenue and specifically established for that purpose.

The bill requires the taxpayer to claim the credit in the income or tax year when it is earned, or else it expires and is nonrefundable. Additionally, if the taxpayer is an S corporation or partnership for federal income tax purposes, the bill allows the credit to be claimed by the taxpayer’s shareholders or partners. If the taxpayer is a single-member limited liability company (LLC) that is disregarded as a separate entity from its owner, then the bill allows the tax credit to be claimed by the LLC’s owner.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/17/2022)