



General Assembly

Substitute Bill No. 1239

January Session, 2023



AN ACT CONCERNING CERTAIN EMPLOYEE STOCK-SHARING ARRANGEMENTS.

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

1 Section 1. (NEW) (*Effective January 1, 2024*) (a) As used in this
2 section:

3 (1) "Company" means an entity subject to the tax under chapter 208
4 of the general statutes;

5 (2) "Eligible employee" means any full-time employee of the
6 company, who is based in the United States and is not one of the one
7 per cent of employees receiving the highest annual compensation from
8 such company;

9 (3) "Participating employee" means any eligible employee of the
10 company who participates in a share plan; and

11 (4) "Share plan" means an employee stock-sharing arrangement
12 offered by a company that provides for making periodic distributions
13 of common stock of such company to participating employees.

14 (b) Any company that offers a share plan to its eligible employees
15 shall be eligible to receive, for income years commencing on or after
16 January 1, 2026, an exemption from the additional tax imposed under

17 subdivision (4) of subsection (b) of section 12-214 of the general
18 statutes or subdivision (4) of subsection (b) of section 12-219 of the
19 general statutes, as applicable, if the Commissioner of Revenue
20 Services is satisfied that such share plan meets the requirements of this
21 section. If such additional tax expires or is eliminated on or after
22 January 1, 2026, such company shall be eligible to claim a credit against
23 the tax imposed under chapter 208 of the general statutes in an amount
24 equal to what such additional tax would have been if it were still in
25 effect.

26 (c) (1) An employee stock-sharing plan shall not be treated as a
27 share plan unless:

28 (A) At least eighty per cent of the company's eligible employees are
29 participating employees;

30 (B) At least some of the company's eligible employees who are
31 residents of this state are participating employees; and

32 (C) The distributions under such plan:

33 (i) Are made without compensation other than service as an
34 employee;

35 (ii) May be sold or transferred without restriction after a holding
36 period not to exceed three years, except that a distribution may be sold
37 or transferred during such period for any hardship of an employee in
38 accordance with Section 401(k)(2)(B)(i)(IV) of the Internal Revenue
39 Code of 1986, or any subsequent corresponding internal revenue code
40 of the United States, as amended from time to time;

41 (iii) Are made in equal amounts, except as provided in subdivision
42 (2) of this subsection, to each participating employee, determined in
43 the aggregate for any calendar year and adjusted with respect to any
44 employee not employed at all times during such calendar year; and

45 (iv) Vest immediately in the recipient, except as provided in

46 subdivision (3) of this subsection.

47 (2) The requirement under subparagraph (C)(iii) of subdivision (1)
48 of this subsection shall be treated as met if such requirement is met
49 when applied to separate groups of participating employees divided
50 under the terms of the share plan on the basis of the period for which
51 such employees have been employed by the company.

52 (3) In the case of any employee employed by the company for a
53 period of less than five years, such employee's interest in any
54 distribution under a share plan shall vest not later than the date on
55 which such employee has been so employed for a period of five years
56 or the first date after such distribution on which there is a change in
57 the control of such distributing company, whichever is earlier.

58 (d) (1) Any common stock under a share plan received by a
59 participating employee pursuant to this section shall not be considered
60 income for purposes of the tax imposed under chapter 229 of the
61 general statutes.

62 (2) In the case of the disposition during a taxable year by any
63 employee or former employee of share plan stock received by such
64 employee or former employee under a share plan, the amount of the
65 taxpayer's net share plan stock gain that does not exceed the taxpayer's
66 eligible expenses shall not be considered income for purposes of the
67 tax imposed under chapter 229 of the general statutes.

68 (3) For purposes of this subsection:

69 (A) "Net share plan stock gain" means, with respect to any taxpayer
70 for any taxable year, the excess of (i) the aggregate gains from the
71 disposition of share plan stock during such taxable year, or (ii) the
72 aggregate losses from such dispositions; and

73 (B) "Eligible expenses" means, with respect to any taxpayer for any
74 taxable year, amounts paid by such taxpayer for:

75 (i) Principal or interest on any qualified education loan, as defined
76 in Section 221 of the Internal Revenue Code of 1986, or any subsequent
77 corresponding internal revenue code of the United States, as amended
78 from time to time;

79 (ii) Medical care not compensated for by insurance or otherwise, for
80 the taxpayer, the taxpayer's spouse or the taxpayer's dependents; and

81 (iii) Principal or interest on indebtedness secured by the principal
82 residence of the taxpayer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	January 1, 2024	New section

Statement of Legislative Commissioners:

In Subsec. (c)(1)(C)(ii), "401(k)(2)(B)(i)(v)" was changed to "401(k)(2)(B)(i)(IV)" for accuracy.

FIN *Joint Favorable Subst.*