



General Assembly

Amendment

January Session, 2023

LCO No. 8555



Offered by:
SEN. FONFARA, 1st Dist.

To: Senate Bill No. 1239

File No. 736

Cal. No. 481

"AN ACT CONCERNING CERTAIN EMPLOYEE STOCK-SHARING ARRANGEMENTS."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

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

4 (1) "Company" means an entity that is subject to the tax under chapter
5 208 of the general statutes and has one hundred or more full-time
6 employees in the state;

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

11 (3) "Participating employee" means any eligible employee who
12 participates in a share plan; and

13 (4) "Share plan" means an employee stock-sharing arrangement

14 offered by a company, that provides for making distributions of
15 common stock of such company to participating employees and meets
16 the requirements under subsection (c) of this section.

17 (b) (1) Any company that offers a share plan to its eligible employees
18 in accordance with the provisions of this section shall be eligible to
19 receive, for income years commencing on or after January 1, 2026, an
20 exemption from the additional tax imposed under subdivision (4) of
21 subsection (b) of section 12-214 of the general statutes or subdivision (4)
22 of subsection (b) of section 12-219 of the general statutes, as applicable,
23 if the Commissioner of Revenue Services is satisfied that such share plan
24 meets the requirements of subsection (c) of this section. If such
25 additional tax expires or is eliminated after a company has begun
26 claiming the exemption under this subsection, such company shall be
27 eligible to claim a credit against the tax imposed under chapter 208 of
28 the general statutes in an amount equal to what such additional tax
29 would have been if it were still in effect.

30 (2) Any such company may claim the exemption or credit, as
31 applicable, for a period of ten successive income years, as follows:

32 (A) For any company that commences offering a share plan on or
33 after January 1, 2024, but prior to January 1, 2025, the exemption or
34 credit, as applicable, that such company earns for said income year shall
35 be allowed beginning with the second income year after said income
36 year. For each subsequent income year, the exemption or credit, as
37 applicable, such company earns for such income year shall be allowed
38 in the same manner until the exemption or credit, as applicable, has been
39 claimed for ten successive income years, provided the company offers a
40 share plan that meets the requirements under subsection (c) of this
41 section for each such income year.

42 (B) For any company that commences offering a share plan on or after
43 January 1, 2025, but prior to January 1, 2026, the exemption or credit, as
44 applicable, that such company earns for said income year shall be
45 allowed beginning with the first income year after said income year. For

46 each subsequent income year, the exemption or credit, as applicable,
47 such company earns for such income year shall be allowed in the same
48 manner until the exemption or credit, as applicable, has been claimed
49 for ten successive income years, provided the company offers a share
50 plan that meets the requirements under subsection (c) of this section for
51 each such income year.

52 (C) For any company that commences offering a share plan on or after
53 January 1, 2026, the exemption or credit, as applicable, for which such
54 company is eligible shall be allowed beginning with the income year in
55 which such exemption or credit, as applicable, was earned and shall be
56 allowed in the same manner until the exemption or credit, as applicable,
57 has been claimed for ten successive income years, provided the
58 company offers a share plan that meets the requirements under
59 subsection (c) of this section for each such income year.

60 (D) If, during the ten-year period, the share plan offered by the
61 company fails to meet the requirements under subsection (c) of this
62 section or the company ceases to offer such share plan, the company
63 may not claim the exemption or credit, as applicable, for the remainder
64 of such period.

65 (3) If both of the additional taxes imposed under subdivision (4) of
66 subsection (b) of section 12-214 of the general statutes and subdivision
67 (4) of subsection (b) of section 12-219 of the general statutes expire or are
68 eliminated, a company that did not offer a share plan prior to such
69 expiration or elimination shall be ineligible to receive a credit under this
70 section.

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

73 (A) At least eighty per cent of the company's eligible employees are
74 participating employees; and

75 (B) The distributions under such plan:

76 (i) Are of not less than three hundred shares per participating
77 employee, as adjusted for any stock split or reverse stock split
78 performed by the company on or after January 1, 2024;

79 (ii) Are made without compensation other than service as an
80 employee;

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

87 (iv) Are made in equal amounts to each participating employee,
88 determined in the aggregate for any calendar year and adjusted with
89 respect to any employee not employed at all times during such calendar
90 year; and

91 (v) Vest not later than five years after the date of distribution to a
92 participating employee, whether on such date such employee is
93 employed by the company or has voluntarily terminated such
94 employee's employment with the company.

95 (2) Notwithstanding the provisions of subparagraph (B)(v) of
96 subdivision (1) of this subsection, distributions under a share plan shall
97 vest as follows for any of the following events that occur prior to the
98 date a distribution will vest pursuant to said subparagraph:

99 (A) If a participating employee (i) retires from the company and
100 receives or will receive retirement benefits under the company's
101 retirement plan, or (ii) is laid off or terminated without cause by the
102 company, such employee's interest in any distribution under a share
103 plan shall vest not later than the date such employee's retirement, layoff
104 or termination without cause, as applicable, is effective; and

105 (B) If there is a change in the control of the distributing company after

106 the date of distribution under a share plan, the participating employees'
107 interests in any such distribution shall vest not later than the date such
108 change is effective.

109 (d) Any company claiming the exemption or credit, as applicable,
110 under subsection (b) of this section shall provide to the Department of
111 Revenue Services any information requested by the department for any
112 applicable income year to verify that such company's share plan meets
113 the requirements of subsection (c) of this section and substantiate such
114 company's eligibility for such exemption or credit.

115 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
116 section 12-701 of the general statutes is repealed and the following is
117 substituted in lieu thereof (*Effective January 1, 2024, and applicable to*
118 *taxable years commencing on or after January 1, 2024*):

119 (B) There shall be subtracted therefrom:

120 (i) To the extent properly includable in gross income for federal
121 income tax purposes, any income with respect to which taxation by any
122 state is prohibited by federal law;

123 (ii) To the extent allowable under section 12-718, exempt dividends
124 paid by a regulated investment company;

125 (iii) To the extent properly includable in gross income for federal
126 income tax purposes, the amount of any refund or credit for
127 overpayment of income taxes imposed by this state, or any other state
128 of the United States or a political subdivision thereof, or the District of
129 Columbia;

130 (iv) To the extent properly includable in gross income for federal
131 income tax purposes and not otherwise subtracted from federal
132 adjusted gross income pursuant to clause (x) of this subparagraph in
133 computing Connecticut adjusted gross income, any tier 1 railroad
134 retirement benefits;

135 (v) To the extent any additional allowance for depreciation under

136 Section 168(k) of the Internal Revenue Code for property placed in
137 service after September 27, 2017, was added to federal adjusted gross
138 income pursuant to subparagraph (A)(ix) of this subdivision in
139 computing Connecticut adjusted gross income, twenty-five per cent of
140 such additional allowance for depreciation in each of the four
141 succeeding taxable years;

142 (vi) To the extent properly includable in gross income for federal
143 income tax purposes, any interest income from obligations issued by or
144 on behalf of the state of Connecticut, any political subdivision thereof,
145 or public instrumentality, state or local authority, district or similar
146 public entity created under the laws of the state of Connecticut;

147 (vii) To the extent properly includable in determining the net gain or
148 loss from the sale or other disposition of capital assets for federal income
149 tax purposes, any gain from the sale or exchange of obligations issued
150 by or on behalf of the state of Connecticut, any political subdivision
151 thereof, or public instrumentality, state or local authority, district or
152 similar public entity created under the laws of the state of Connecticut,
153 in the income year such gain was recognized;

154 (viii) Any interest on indebtedness incurred or continued to purchase
155 or carry obligations or securities the interest on which is subject to tax
156 under this chapter but exempt from federal income tax, to the extent that
157 such interest on indebtedness is not deductible in determining federal
158 adjusted gross income and is attributable to a trade or business carried
159 on by such individual;

160 (ix) Ordinary and necessary expenses paid or incurred during the
161 taxable year for the production or collection of income which is subject
162 to taxation under this chapter but exempt from federal income tax, or
163 the management, conservation or maintenance of property held for the
164 production of such income, and the amortizable bond premium for the
165 taxable year on any bond the interest on which is subject to tax under
166 this chapter but exempt from federal income tax, to the extent that such
167 expenses and premiums are not deductible in determining federal

168 adjusted gross income and are attributable to a trade or business carried
169 on by such individual;

170 (x) (I) For taxable years commencing prior to January 1, 2019, for a
171 person who files a return under the federal income tax as an unmarried
172 individual whose federal adjusted gross income for such taxable year is
173 less than fifty thousand dollars, or as a married individual filing
174 separately whose federal adjusted gross income for such taxable year is
175 less than fifty thousand dollars, or for a husband and wife who file a
176 return under the federal income tax as married individuals filing jointly
177 whose federal adjusted gross income for such taxable year is less than
178 sixty thousand dollars or a person who files a return under the federal
179 income tax as a head of household whose federal adjusted gross income
180 for such taxable year is less than sixty thousand dollars, an amount
181 equal to the Social Security benefits includable for federal income tax
182 purposes;

183 (II) For taxable years commencing prior to January 1, 2019, for a
184 person who files a return under the federal income tax as an unmarried
185 individual whose federal adjusted gross income for such taxable year is
186 fifty thousand dollars or more, or as a married individual filing
187 separately whose federal adjusted gross income for such taxable year is
188 fifty thousand dollars or more, or for a husband and wife who file a
189 return under the federal income tax as married individuals filing jointly
190 whose federal adjusted gross income from such taxable year is sixty
191 thousand dollars or more or for a person who files a return under the
192 federal income tax as a head of household whose federal adjusted gross
193 income for such taxable year is sixty thousand dollars or more, an
194 amount equal to the difference between the amount of Social Security
195 benefits includable for federal income tax purposes and the lesser of
196 twenty-five per cent of the Social Security benefits received during the
197 taxable year, or twenty-five per cent of the excess described in Section
198 86(b)(1) of the Internal Revenue Code;

199 (III) For the taxable year commencing January 1, 2019, and each
200 taxable year thereafter, for a person who files a return under the federal

201 income tax as an unmarried individual whose federal adjusted gross
202 income for such taxable year is less than seventy-five thousand dollars,
203 or as a married individual filing separately whose federal adjusted gross
204 income for such taxable year is less than seventy-five thousand dollars,
205 or for a husband and wife who file a return under the federal income tax
206 as married individuals filing jointly whose federal adjusted gross
207 income for such taxable year is less than one hundred thousand dollars
208 or a person who files a return under the federal income tax as a head of
209 household whose federal adjusted gross income for such taxable year is
210 less than one hundred thousand dollars, an amount equal to the Social
211 Security benefits includable for federal income tax purposes; and

212 (IV) For the taxable year commencing January 1, 2019, and each
213 taxable year thereafter, for a person who files a return under the federal
214 income tax as an unmarried individual whose federal adjusted gross
215 income for such taxable year is seventy-five thousand dollars or more,
216 or as a married individual filing separately whose federal adjusted gross
217 income for such taxable year is seventy-five thousand dollars or more,
218 or for a husband and wife who file a return under the federal income tax
219 as married individuals filing jointly whose federal adjusted gross
220 income from such taxable year is one hundred thousand dollars or more
221 or for a person who files a return under the federal income tax as a head
222 of household whose federal adjusted gross income for such taxable year
223 is one hundred thousand dollars or more, an amount equal to the
224 difference between the amount of Social Security benefits includable for
225 federal income tax purposes and the lesser of twenty-five per cent of the
226 Social Security benefits received during the taxable year, or twenty-five
227 per cent of the excess described in Section 86(b)(1) of the Internal
228 Revenue Code;

229 (xi) To the extent properly includable in gross income for federal
230 income tax purposes, any amount rebated to a taxpayer pursuant to
231 section 12-746;

232 (xii) To the extent properly includable in the gross income for federal
233 income tax purposes of a designated beneficiary, any distribution to

234 such beneficiary from any qualified state tuition program, as defined in
235 Section 529(b) of the Internal Revenue Code, established and
236 maintained by this state or any official, agency or instrumentality of the
237 state;

238 (xiii) To the extent allowable under section 12-701a, contributions to
239 accounts established pursuant to any qualified state tuition program, as
240 defined in Section 529(b) of the Internal Revenue Code, established and
241 maintained by this state or any official, agency or instrumentality of the
242 state;

243 (xiv) To the extent properly includable in gross income for federal
244 income tax purposes, the amount of any Holocaust victims' settlement
245 payment received in the taxable year by a Holocaust victim;

246 (xv) To the extent properly includable in gross income for federal
247 income tax purposes of an account holder, as defined in section 31-
248 51ww, interest earned on funds deposited in the individual
249 development account, as defined in section 31-51ww, of such account
250 holder;

251 (xvi) To the extent properly includable in the gross income for federal
252 income tax purposes of a designated beneficiary, as defined in section
253 3-123aa, interest, dividends or capital gains earned on contributions to
254 accounts established for the designated beneficiary pursuant to the
255 Connecticut Homecare Option Program for the Elderly established by
256 sections 3-123aa to 3-123ff, inclusive;

257 (xvii) To the extent properly includable in gross income for federal
258 income tax purposes, any income received from the United States
259 government as retirement pay for a retired member of (I) the Armed
260 Forces of the United States, as defined in Section 101 of Title 10 of the
261 United States Code, or (II) the National Guard, as defined in Section 101
262 of Title 10 of the United States Code;

263 (xviii) To the extent properly includable in gross income for federal
264 income tax purposes for the taxable year, any income from the discharge

265 of indebtedness in connection with any reacquisition, after December
266 31, 2008, and before January 1, 2011, of an applicable debt instrument or
267 instruments, as those terms are defined in Section 108 of the Internal
268 Revenue Code, as amended by Section 1231 of the American Recovery
269 and Reinvestment Act of 2009, to the extent any such income was added
270 to federal adjusted gross income pursuant to subparagraph (A)(xi) of
271 this subdivision in computing Connecticut adjusted gross income for a
272 preceding taxable year;

273 (xix) To the extent not deductible in determining federal adjusted
274 gross income, the amount of any contribution to a manufacturing
275 reinvestment account established pursuant to section 32-9zz in the
276 taxable year that such contribution is made;

277 (xx) To the extent properly includable in gross income for federal
278 income tax purposes, (I) for the taxable year commencing January 1,
279 2015, ten per cent of the income received from the state teachers'
280 retirement system, (II) for the taxable years commencing January 1,
281 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
282 received from the state teachers' retirement system, and (III) for the
283 taxable year commencing January 1, 2021, and each taxable year
284 thereafter, fifty per cent of the income received from the state teachers'
285 retirement system or, for a taxpayer whose federal adjusted gross
286 income does not exceed the applicable threshold under clause (xxi) of
287 this subparagraph, the percentage pursuant to said clause of the income
288 received from the state teachers' retirement system, whichever
289 deduction is greater;

290 (xxi) To the extent properly includable in gross income for federal
291 income tax purposes, except for retirement benefits under clause (iv) of
292 this subparagraph and retirement pay under clause (xvii) of this
293 subparagraph, for a person who files a return under the federal income
294 tax as an unmarried individual whose federal adjusted gross income for
295 such taxable year is less than seventy-five thousand dollars, or as a
296 married individual filing separately whose federal adjusted gross
297 income for such taxable year is less than seventy-five thousand dollars,

298 or as a head of household whose federal adjusted gross income for such
299 taxable year is less than seventy-five thousand dollars, or for a husband
300 and wife who file a return under the federal income tax as married
301 individuals filing jointly whose federal adjusted gross income for such
302 taxable year is less than one hundred thousand dollars, (I) for the taxable
303 year commencing January 1, 2019, fourteen per cent of any pension or
304 annuity income, (II) for the taxable year commencing January 1, 2020,
305 twenty-eight per cent of any pension or annuity income, (III) for the
306 taxable year commencing January 1, 2021, forty-two per cent of any
307 pension or annuity income, and (IV) for the taxable year commencing
308 January 1, 2022, and each taxable year thereafter, one hundred per cent
309 of any pension or annuity income;

310 (xxii) The amount of lost wages and medical, travel and housing
311 expenses, not to exceed ten thousand dollars in the aggregate, incurred
312 by a taxpayer during the taxable year in connection with the donation
313 to another person of an organ for organ transplantation occurring on or
314 after January 1, 2017;

315 (xxiii) To the extent properly includable in gross income for federal
316 income tax purposes, the amount of any financial assistance received
317 from the Crumbling Foundations Assistance Fund or paid to or on
318 behalf of the owner of a residential building pursuant to sections 8-442
319 and 8-443;

320 (xxiv) To the extent properly includable in gross income for federal
321 income tax purposes, the amount calculated pursuant to subsection (b)
322 of section 12-704g for income received by a general partner of a venture
323 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to
324 time;

325 (xxv) To the extent any portion of a deduction under Section 179 of
326 the Internal Revenue Code was added to federal adjusted gross income
327 pursuant to subparagraph (A)(xiv) of this subdivision in computing
328 Connecticut adjusted gross income, twenty-five per cent of such
329 disallowed portion of the deduction in each of the four succeeding

330 taxable years;

331 (xxvi) To the extent properly includable in gross income for federal
332 income tax purposes, for a person who files a return under the federal
333 income tax as an unmarried individual whose federal adjusted gross
334 income for such taxable year is less than seventy-five thousand dollars,
335 or as a married individual filing separately whose federal adjusted gross
336 income for such taxable year is less than seventy-five thousand dollars,
337 or as a head of household whose federal adjusted gross income for such
338 taxable year is less than seventy-five thousand dollars, or for a husband
339 and wife who file a return under the federal income tax as married
340 individuals filing jointly whose federal adjusted gross income for such
341 taxable year is less than one hundred thousand dollars, (I) for the taxable
342 year commencing January 1, 2023, twenty-five per cent of any
343 distribution from an individual retirement account other than a Roth
344 individual retirement account, (II) for the taxable year commencing
345 January 1, 2024, fifty per cent of any distribution from an individual
346 retirement account other than a Roth individual retirement account, (III)
347 for the taxable year commencing January 1, 2025, seventy-five per cent
348 of any distribution from an individual retirement account other than a
349 Roth individual retirement account, and (IV) for the taxable year
350 commencing January 1, 2026, and each taxable year thereafter, any
351 distribution from an individual retirement account other than a Roth
352 individual retirement account; [and]

353 (xxvii) To the extent properly includable in gross income for federal
354 income tax purposes, for the taxable year commencing January 1, 2022,
355 the amount or amounts paid or otherwise credited to any eligible
356 resident of this state under (I) the 2020 Earned Income Tax Credit
357 enhancement program from funding allocated to the state through the
358 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,
359 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned
360 Income Tax Credit enhancement program from funding allocated to the
361 state pursuant to Section 9901 of Subtitle M of Title IX of the American
362 Rescue Plan Act of 2021, P.L. 117-2; and

363 (xxviii) To the extent properly includable in gross income for federal
 364 income tax purposes, any common stock received by the taxpayer
 365 during the taxable year under a share plan, as defined in section 1 of this
 366 act."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2024</i>	New section
Sec. 2	<i>January 1, 2024, and applicable to taxable years commencing on or after January 1, 2024</i>	12-701(a)(20)(B)