



General Assembly

January Session, 2023

Raised Bill No. 6928

LCO No. 6439



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING THE PERSONAL INCOME TAX TREATMENT OF CERTAIN STUDENT LOAN FORGIVENESS AMOUNTS.

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

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2 section 12-701 of the general statutes is repealed and the following is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

5 (B) There shall be subtracted therefrom:

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

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

11 (iii) To the extent properly includable in gross income for federal
12 income tax purposes, the amount of any refund or credit for
13 overpayment of income taxes imposed by this state, or any other state

14 of the United States or a political subdivision thereof, or the District of
15 Columbia;

16 (iv) To the extent properly includable in gross income for federal
17 income tax purposes and not otherwise subtracted from federal
18 adjusted gross income pursuant to clause (x) of this subparagraph in
19 computing Connecticut adjusted gross income, any tier 1 railroad
20 retirement benefits;

21 (v) To the extent any additional allowance for depreciation under
22 Section 168(k) of the Internal Revenue Code for property placed in
23 service after September 27, 2017, was added to federal adjusted gross
24 income pursuant to subparagraph (A)(ix) of this subdivision in
25 computing Connecticut adjusted gross income, twenty-five per cent of
26 such additional allowance for depreciation in each of the four
27 succeeding taxable years;

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

33 (vii) To the extent properly includable in determining the net gain
34 or loss from the sale or other disposition of capital assets for federal
35 income tax purposes, any gain from the sale or exchange of obligations
36 issued by or on behalf of the state of Connecticut, any political
37 subdivision thereof, or public instrumentality, state or local authority,
38 district or similar public entity created under the laws of the state of
39 Connecticut, in the income year such gain was recognized;

40 (viii) Any interest on indebtedness incurred or continued to
41 purchase or carry obligations or securities the interest on which is
42 subject to tax under this chapter but exempt from federal income tax,
43 to the extent that such interest on indebtedness is not deductible in
44 determining federal adjusted gross income and is attributable to a

45 trade or business carried on by such individual;

46 (ix) Ordinary and necessary expenses paid or incurred during the
47 taxable year for the production or collection of income which is subject
48 to taxation under this chapter but exempt from federal income tax, or
49 the management, conservation or maintenance of property held for the
50 production of such income, and the amortizable bond premium for the
51 taxable year on any bond the interest on which is subject to tax under
52 this chapter but exempt from federal income tax, to the extent that
53 such expenses and premiums are not deductible in determining federal
54 adjusted gross income and are attributable to a trade or business
55 carried on by such individual;

56 (x) (I) For taxable years commencing prior to January 1, 2019, for a
57 person who files a return under the federal income tax as an
58 unmarried individual whose federal adjusted gross income for such
59 taxable year is less than fifty thousand dollars, or as a married
60 individual filing separately whose federal adjusted gross income for
61 such taxable year is less than fifty thousand dollars, or for a husband
62 and wife who file a return under the federal income tax as married
63 individuals filing jointly whose federal adjusted gross income for such
64 taxable year is less than sixty thousand dollars or a person who files a
65 return under the federal income tax as a head of household whose
66 federal adjusted gross income for such taxable year is less than sixty
67 thousand dollars, an amount equal to the Social Security benefits
68 includable for federal income tax purposes;

69 (II) For taxable years commencing prior to January 1, 2019, for a
70 person who files a return under the federal income tax as an
71 unmarried individual whose federal adjusted gross income for such
72 taxable year is fifty thousand dollars or more, or as a married
73 individual filing separately whose federal adjusted gross income for
74 such taxable year is fifty thousand dollars or more, or for a husband
75 and wife who file a return under the federal income tax as married
76 individuals filing jointly whose federal adjusted gross income from
77 such taxable year is sixty thousand dollars or more or for a person who

78 files a return under the federal income tax as a head of household
79 whose federal adjusted gross income for such taxable year is sixty
80 thousand dollars or more, an amount equal to the difference between
81 the amount of Social Security benefits includable for federal income tax
82 purposes and the lesser of twenty-five per cent of the Social Security
83 benefits received during the taxable year, or twenty-five per cent of the
84 excess described in Section 86(b)(1) of the Internal Revenue Code;

85 (III) For the taxable year commencing January 1, 2019, and each
86 taxable year thereafter, for a person who files a return under the
87 federal income tax as an unmarried individual whose federal adjusted
88 gross income for such taxable year is less than seventy-five thousand
89 dollars, or as a married individual filing separately whose federal
90 adjusted gross income for such taxable year is less than seventy-five
91 thousand dollars, or for a husband and wife who file a return under
92 the federal income tax as married individuals filing jointly whose
93 federal adjusted gross income for such taxable year is less than one
94 hundred thousand dollars or a person who files a return under the
95 federal income tax as a head of household whose federal adjusted
96 gross income for such taxable year is less than one hundred thousand
97 dollars, an amount equal to the Social Security benefits includable for
98 federal income tax purposes; and

99 (IV) For the taxable year commencing January 1, 2019, and each
100 taxable year thereafter, for a person who files a return under the
101 federal income tax as an unmarried individual whose federal adjusted
102 gross income for such taxable year is seventy-five thousand dollars or
103 more, or as a married individual filing separately whose federal
104 adjusted gross income for such taxable year is seventy-five thousand
105 dollars or more, or for a husband and wife who file a return under the
106 federal income tax as married individuals filing jointly whose federal
107 adjusted gross income from such taxable year is one hundred
108 thousand dollars or more or for a person who files a return under the
109 federal income tax as a head of household whose federal adjusted
110 gross income for such taxable year is one hundred thousand dollars or

111 more, an amount equal to the difference between the amount of Social
112 Security benefits includable for federal income tax purposes and the
113 lesser of twenty-five per cent of the Social Security benefits received
114 during the taxable year, or twenty-five per cent of the excess described
115 in Section 86(b)(1) of the Internal Revenue Code;

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

119 (xii) To the extent properly includable in the gross income for
120 federal income tax purposes of a designated beneficiary, any
121 distribution to such beneficiary from any qualified state tuition
122 program, as defined in Section 529(b) of the Internal Revenue Code,
123 established and maintained by this state or any official, agency or
124 instrumentality of the state;

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

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

133 (xv) To the extent properly includable in gross income for federal
134 income tax purposes of an account holder, as defined in section 31-
135 51ww, interest earned on funds deposited in the individual
136 development account, as defined in section 31-51ww, of such account
137 holder;

138 (xvi) To the extent properly includable in the gross income for
139 federal income tax purposes of a designated beneficiary, as defined in
140 section 3-123aa, interest, dividends or capital gains earned on
141 contributions to accounts established for the designated beneficiary

142 pursuant to the Connecticut Homecare Option Program for the Elderly
143 established by sections 3-123aa to 3-123ff, inclusive;

144 (xvii) To the extent properly includable in gross income for federal
145 income tax purposes, any income received from the United States
146 government as retirement pay for a retired member of (I) the Armed
147 Forces of the United States, as defined in Section 101 of Title 10 of the
148 United States Code, or (II) the National Guard, as defined in Section
149 101 of Title 10 of the United States Code;

150 (xviii) To the extent properly includable in gross income for federal
151 income tax purposes for the taxable year, any income from the
152 discharge of indebtedness in connection with any reacquisition, after
153 December 31, 2008, and before January 1, 2011, of an applicable debt
154 instrument or instruments, as those terms are defined in Section 108 of
155 the Internal Revenue Code, as amended by Section 1231 of the
156 American Recovery and Reinvestment Act of 2009, to the extent any
157 such income was added to federal adjusted gross income pursuant to
158 subparagraph (A)(xi) of this subdivision in computing Connecticut
159 adjusted gross income for a preceding taxable year;

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

164 (xx) To the extent properly includable in gross income for federal
165 income tax purposes, (I) for the taxable year commencing January 1,
166 2015, ten per cent of the income received from the state teachers'
167 retirement system, (II) for the taxable years commencing January 1,
168 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
169 received from the state teachers' retirement system, and (III) for the
170 taxable year commencing January 1, 2021, and each taxable year
171 thereafter, fifty per cent of the income received from the state teachers'
172 retirement system or, for a taxpayer whose federal adjusted gross
173 income does not exceed the applicable threshold under clause (xxi) of

174 this subparagraph, the percentage pursuant to said clause of the
175 income received from the state teachers' retirement system, whichever
176 deduction is greater;

177 (xxi) To the extent properly includable in gross income for federal
178 income tax purposes, except for retirement benefits under clause (iv) of
179 this subparagraph and retirement pay under clause (xvii) of this
180 subparagraph, for a person who files a return under the federal income
181 tax as an unmarried individual whose federal adjusted gross income
182 for such taxable year is less than seventy-five thousand dollars, or as a
183 married individual filing separately whose federal adjusted gross
184 income for such taxable year is less than seventy-five thousand dollars,
185 or as a head of household whose federal adjusted gross income for
186 such taxable year is less than seventy-five thousand dollars, or for a
187 husband and wife who file a return under the federal income tax as
188 married individuals filing jointly whose federal adjusted gross income
189 for such taxable year is less than one hundred thousand dollars, (I) for
190 the taxable year commencing January 1, 2019, fourteen per cent of any
191 pension or annuity income, (II) for the taxable year commencing
192 January 1, 2020, twenty-eight per cent of any pension or annuity
193 income, (III) for the taxable year commencing January 1, 2021, forty-
194 two per cent of any pension or annuity income, and (IV) for the taxable
195 year commencing January 1, 2022, and each taxable year thereafter,
196 one hundred per cent of any pension or annuity income;

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

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

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

212 (xxv) To the extent any portion of a deduction under Section 179 of
213 the Internal Revenue Code was added to federal adjusted gross income
214 pursuant to subparagraph (A)(xiv) of this subdivision in computing
215 Connecticut adjusted gross income, twenty-five per cent of such
216 disallowed portion of the deduction in each of the four succeeding
217 taxable years;

218 (xxvi) To the extent properly includable in gross income for federal
219 income tax purposes, for a person who files a return under the federal
220 income tax as an unmarried individual whose federal adjusted gross
221 income for such taxable year is less than seventy-five thousand dollars,
222 or as a married individual filing separately whose federal adjusted
223 gross income for such taxable year is less than seventy-five thousand
224 dollars, or as a head of household whose federal adjusted gross income
225 for such taxable year is less than seventy-five thousand dollars, or for a
226 husband and wife who file a return under the federal income tax as
227 married individuals filing jointly whose federal adjusted gross income
228 for such taxable year is less than one hundred thousand dollars, (I) for
229 the taxable year commencing January 1, 2023, twenty-five per cent of
230 any distribution from an individual retirement account other than a
231 Roth individual retirement account, (II) for the taxable year
232 commencing January 1, 2024, fifty per cent of any distribution from an
233 individual retirement account other than a Roth individual retirement
234 account, (III) for the taxable year commencing January 1, 2025,
235 seventy-five per cent of any distribution from an individual retirement
236 account other than a Roth individual retirement account, and (IV) for
237 the taxable year commencing January 1, 2026, and each taxable year
238 thereafter, any distribution from an individual retirement account
239 other than a Roth individual retirement account; [and]

240 (xxvii) To the extent properly includable in gross income for federal
241 income tax purposes, for the taxable year commencing January 1, 2022,
242 the amount or amounts paid or otherwise credited to any eligible
243 resident of this state under (I) the 2020 Earned Income Tax Credit
244 enhancement program from funding allocated to the state through the
245 Coronavirus Relief Fund established under the Coronavirus Aid,
246 Relief, and Economic Security Act, P.L. 116-136, and (II) the 2021
247 Earned Income Tax Credit enhancement program from funding
248 allocated to the state pursuant to Section 9901 of Subtitle M of Title IX
249 of the American Rescue Plan Act of 2021, P.L. 117-2; and

250 (xxviii) To the extent properly includable in gross income for federal
251 income tax purposes, the amount of any student loan forgiveness
252 received by a taxpayer, not to exceed ten thousand dollars in the
253 aggregate.

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

FIN Joint Favorable