



General Assembly

January Session, 2019

Committee Bill No. 6891

LCO No. 5400



Referred to Committee on HIGHER EDUCATION AND
EMPLOYMENT ADVANCEMENT

Introduced by:
(HED)

***AN ACT CONCERNING A DEDUCTION FROM THE PERSONAL
INCOME TAX FOR STUDENT LOAN INTEREST.***

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2 section 12-701 of the general statutes is repealed and the following is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 July 1, 2019, and applicable to taxable*
4 *years commencing on or after January 1, 2020*):

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, January 1, 2017, and January 1, 2018, twenty-five per cent of the
169 income received from the state teachers' retirement system, and (III)
170 for the taxable year commencing January 1, 2019, and each taxable year
171 thereafter, fifty per cent of the income received from the state teachers'

172 retirement system or the percentage, if applicable, pursuant to clause
173 (xxi) of this subparagraph;

174 (xxi) To the extent properly includable in gross income for federal
175 income tax purposes, except for retirement benefits under clause (iv) of
176 this subparagraph and retirement pay under clause (xvii) of this
177 subparagraph, for a person who files a return under the federal income
178 tax as an unmarried individual whose federal adjusted gross income
179 for such taxable year is less than seventy-five thousand dollars, or as a
180 married individual filing separately whose federal adjusted gross
181 income for such taxable year is less than seventy-five thousand dollars,
182 or as a head of household whose federal adjusted gross income for
183 such taxable year is less than seventy-five thousand dollars, or for a
184 husband and wife who file a return under the federal income tax as
185 married individuals filing jointly whose federal adjusted gross income
186 for such taxable year is less than one hundred thousand dollars, (I) for
187 the taxable year commencing January 1, 2019, fourteen per cent of any
188 pension or annuity income, (II) for the taxable year commencing
189 January 1, 2020, twenty-eight per cent of any pension or annuity
190 income, (III) for the taxable year commencing January 1, 2021, forty-
191 two per cent of any pension or annuity income, (IV) for the taxable
192 year commencing January 1, 2022, fifty-six per cent of any pension or
193 annuity income, (V) for the taxable year commencing January 1, 2023,
194 seventy per cent of any pension or annuity income, (VI) for the taxable
195 year commencing January 1, 2024, eighty-four per cent of any pension
196 or annuity income, and (VII) for the taxable year commencing January
197 1, 2025, and each taxable year thereafter, any pension or annuity
198 income;

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

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

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

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

220 (xxvi) To the extent not deductible in determining federal adjusted
221 gross income, and to the extent allowable under section 2 of this act,
222 the amount of payments made during the taxable year for interest on a
223 student loan.

224 Sec. 2. (NEW) (*Effective July 1, 2019, and applicable to taxable years*
225 *commencing on or after January 1, 2020*) (a) For the purposes of this
226 section:

227 (1) "Qualified student loan" means a loan taken out solely to pay
228 qualified education expenses (A) for the taxpayer, the taxpayer's
229 spouse or a person who was a dependent of the taxpayer at the time
230 when the taxpayer took out the loan, (B) paid or incurred within a
231 reasonable period of time before or after the taxpayer took out the
232 loan, (C) from a private or governmental lender, and (D) for education
233 provided during an academic period for an eligible student;

234 (2) "Qualified education expenses" means the total costs of attending
235 an eligible institution of higher education, including graduate school,
236 and includes amounts paid for the following items: (A) Tuition and
237 fees; (B) room and board, provided the cost of room and board
238 qualifies only to the extent that it is not more than the greater of (i) the
239 allowance for room and board, as determined by the eligible
240 institution of higher education, that was included in the cost of
241 attendance for a particular academic period and living arrangement of
242 the student, or (ii) the actual amount charged if the student is residing
243 in housing owned or operated by the eligible institution of higher
244 education; (C) books, supplies and equipment; and (D) other necessary
245 expenses, including, but not limited to, transportation;

246 (3) "Eligible institution of higher education" means any institution of
247 higher education that is eligible to participate in a student aid program
248 administered by the United States Department of Education; and

249 (4) "Eligible student" means a student who is or was enrolled at least
250 half-time in a certificate or degree program at an eligible institution of
251 higher education.

252 (b) The maximum annual modification under subparagraph (B)(xxi)
253 of subdivision (20) of subsection (a) of section 12-701 of the general
254 statutes, as amended by this act, shall be equal to the amount of
255 interest paid on a qualified student loan, but shall not exceed two
256 thousand five hundred dollars for each taxpayer, provided (1) the
257 taxpayer's filing status is any filing status except married filing
258 separately, (2) the taxpayer's modified adjusted gross income is not
259 more than seventy-five thousand dollars for taxpayers whose filing
260 status is single, head of household or qualifying widow or widower or
261 not more than one hundred fifty thousand dollars for taxpayers whose
262 filing status is married filing jointly, (3) no other person is claiming an
263 exemption for the taxpayer on such other person's return, (4) the
264 taxpayer is legally obligated to pay interest on a qualified student loan,
265 and (5) the taxpayer paid interest on a qualified student loan.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019, and applicable to taxable years commencing on or after January 1, 2020</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2019, and applicable to taxable years commencing on or after January 1, 2020</i>	New section

Statement of Purpose:

To provide a tax deduction from personal income tax for the payment of student loan interest.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: REP. HADDAD, 54th Dist.; SEN. FLEXER, 29th Dist.
REP. MICHEL, 146th Dist.

H.B. 6891