



General Assembly

January Session, 2023

***Raised Bill No. 1241***

LCO No. 6622



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

***AN ACT CONCERNING A PAYROLL EXPENSE TAX.***

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

- 1 Section 1. (NEW) (*Effective July 1, 2023*) (a) As used in this section:
- 2 (1) "Covered employee" means an employee of an employer who is  
3 required to have amounts withheld from wages pursuant to section 12-  
4 705 of the general statutes. "Covered employee" does not include  
5 employees who are paid the minimum fair wage set forth in section 31-  
6 58 of the general statutes or employees employed by the state, a  
7 municipality, an Indian tribe or the federal government; and
- 8 (2) "Employer" means an employer required to deduct and withhold  
9 tax from wages pursuant to section 12-705 of the general statutes.
- 10 (b) (1) The Commissioner of Revenue Services shall calculate, not  
11 later than December 1, 2023, an estimated tax filers' effective federal  
12 income tax rate using taxpayers' adjusted gross income for the  
13 preceding taxable year, for the purposes of subsection (c) of this section.

14 (2) The Commissioner of Revenue Services, the Comptroller and the  
15 Treasurer shall jointly develop a program to provide state Social  
16 Security payments to covered employees, using the funds deposited  
17 under subdivision (3) of subsection (c) of this section. Such program  
18 shall include eligibility and payment requirements that are substantially  
19 similar to those set forth under the Social Security Act, 42 USC 301 et  
20 seq., as amended from time to time, and a system that will allow each  
21 covered employee to track the amount deposited for such covered  
22 employee's benefit. Not later than February 1, 2024, the commissioner  
23 shall submit a report, in accordance with the provisions of section 11-4a  
24 of the general statutes, to the joint standing committee of the General  
25 Assembly having cognizance of matters relating to finance, revenue and  
26 bonding, describing the program and system and including  
27 recommendations for legislative changes to be made and the amount of  
28 funding required to establish such program and system.

29 (c) (1) For the taxable year commencing January 1, 2025, and each  
30 taxable year thereafter, each covered employee shall be allowed a credit  
31 against the tax imposed under chapter 229 of the general statutes, other  
32 than the liability imposed under section 12-707 of the general statutes,  
33 for the amount of tax paid pursuant to subdivision (1) of subsection (b)  
34 of section 2 of this act that is attributable to such covered employee. Such  
35 credit shall be reduced by the rate calculated by the commissioner under  
36 subsection (b) of this section.

37 (2) If the amount of the credit allowed pursuant to this subsection  
38 exceeds the taxpayer's liability for the tax imposed under chapter 229 of  
39 the general statutes, the commissioner shall treat such excess as an  
40 overpayment and, except as provided under section 12-739 or 12-742 of  
41 the general statutes, shall refund the amount of such excess, without  
42 interest, to the taxpayer.

43 (3) The amount of the difference between the full credit and the  
44 reduced credit shall be deposited in the state Social Security program  
45 account established under subsection (d) of this section, to be invested  
46 by the Treasurer for the benefit of covered employees.

47 (d) There is established an account to be known as the "state Social  
48 Security program account" which shall be a separate, nonlapsing  
49 account within the General Fund. The account shall contain any moneys  
50 required by law to be deposited in the account. Moneys in the account  
51 shall be expended by the Comptroller for the purposes of making state  
52 Social Security payments under the program developed under  
53 subdivision (2) of subsection (b) of this section.

54 (e) The Commissioner of Revenue Services, the Comptroller or the  
55 Treasurer may adopt regulations, in accordance with the provisions of  
56 chapter 54 of the general statutes, to implement the provisions of this  
57 section.

58 Sec. 2. (NEW) (*Effective January 1, 2025*) (a) As used in this section:

59 (1) "Employer" has the same meaning as provided in section 1 of this  
60 act;

61 (2) "Payroll expense" means (A) wages, as defined in Section 3121 of  
62 the Internal Revenue Code of 1986, or any subsequent corresponding  
63 internal revenue code of the United States, as amended from time to  
64 time, without regard to Section 3231 of said code, paid to covered  
65 employees, and (B) compensation, as defined in Section 3231 of said  
66 code, without regard to Section 3231(e)(2)(A)(i) of said code, paid to  
67 covered employees; and

68 (3) "Covered employee" has the same meaning as provided in section  
69 1 of this act.

70 (b) (1) On and after January 1, 2025, each employer shall pay a tax on  
71 such employer's payroll expense at the rate of five per cent of such  
72 employer's payroll expense for each quarter. An employer may not  
73 deduct from the wages or compensation of an employee any amount  
74 that represents all or any portion of the tax imposed on such employer  
75 pursuant to this section.

76 (2) Each employer shall submit a return to the Department of

77 Revenue Services in such form and manner as prescribed by the  
78 Commissioner of Revenue Services, which return shall include the  
79 amount of tax paid by such employer for each employee during such  
80 quarter and any other information required by the commissioner to  
81 administer the provisions of this section.

82 (3) The provisions of sections 12-548 to 12-554, inclusive, of the  
83 general statutes and section 12-555a of the general statutes shall apply  
84 to the provisions of this section in the same manner and with the same  
85 force and effect as if the language of sections 12-548 to 12-554, inclusive,  
86 of the general statutes and section 12-555a of the general statutes had  
87 been incorporated in full into this section and had expressly referred to  
88 the tax under this section, except to the extent that any such provision is  
89 inconsistent with a provision of this section.

90 (c) The commissioner may adopt regulations, in accordance with the  
91 provisions of chapter 54 of the general statutes, to implement the  
92 provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2023</i>	New section
Sec. 2	<i>January 1, 2025</i>	New section

**Statement of Purpose:**

To establish a payroll expense tax and a tax credit for certain employees and require the development of a state Social Security program.

*[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.]*