



House of Representatives

General Assembly

File No. 624

January Session, 2025

Substitute House Bill No. 7147

House of Representatives, April 9, 2025

The Committee on Planning and Development reported through REP. KAVROS DEGRAW of the 17th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT AUTHORIZING MUNICIPALITIES TO IMPOSE A TAX ON THE
ENDOWMENT FUNDS OF PRIVATE INSTITUTIONS OF HIGHER
EDUCATION.***

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

1 Section 1. (NEW) (*Effective October 1, 2025, and applicable to taxable*
2 *years commencing on or after January 1, 2026*) (a) As used in this section:
3 (1) "Applicable educational institution" means an independent
4 institution of higher education, as defined in section 10a-173 of the
5 general statutes, whose assets have an aggregate fair market value
6 exceeding three hundred million dollars at the end of the preceding
7 taxable year; and (2) "net investment income" has the same meaning as
8 provided in 26 USC 4940(c), as amended from time to time.

9 (b) A municipality in which greater than fifty per cent of the students
10 enrolled in an applicable educational institution attend classes may,
11 upon the affirmative vote of the legislative body of such municipality,
12 impose a tax not exceeding two per cent of the net investment income

13 of such institution for each taxable year.

14 (c) The legislative body of a municipality, upon approving the
15 imposition of a tax pursuant to this section, shall determine whether
16 such tax shall be due and payable in a single installment or in two
17 semiannual installments and shall designate the date or dates on which
18 such installment or installments shall be due and payable.

19 (d) This section shall be administered by the tax collector of a
20 municipality. All forms necessary or convenient for the enforcement of
21 this section shall be prescribed by the Commissioner of Revenue
22 Services and shall be printed and furnished by such tax collector. The
23 Commissioner of Revenue Services may adopt and enforce rules and
24 regulations relating to the administration and enforcement of this
25 chapter, in accordance with chapter 54 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2025, and applicable to taxable years commencing on or after January 1, 2026</i>	New section

Statement of Legislative Commissioners:

In the effective date line, "assessment years commencing on and after October 1, 2025" was changed to "taxable years commencing on or after January 1, 2026" for accuracy and consistency with the general statutes.

PD

Joint Favorable Subst. -LCO

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 26 \$	FY 27 \$
Various Municipalities	Potential Revenue Gain	Potential Significant	Potential Significant

Explanation

The bill allows municipalities to impose a tax on the net investment of certain private nonprofit higher education institutions beginning in FY 26. This may result in a potentially significant revenue gain to municipalities that have an institution located within their town borders that meet the requirements outlined in the bill.

The bill specifies that this tax may only be imposed on institutions with assets valued at more than \$300 million and the tax may equal up to 2 percent of the institution's net investment income.

The bill specifies that all related forms be provided by the Commissioner of Revenue Services but printed and furnished by the municipal tax collector administering the tax. This does not result in any fiscal impact to the Department of Revenue Services as the potential volume of form development is not anticipated to be great enough to require additional resources.

The Out Years

The annualized ongoing fiscal impact identified above would

continue into the future subject to inflation.

OLR Bill Analysis**sHB 7147*****AN ACT AUTHORIZING MUNICIPALITIES TO IMPOSE A TAX ON THE ENDOWMENT FUNDS OF PRIVATE INSTITUTIONS OF HIGHER EDUCATION.*****SUMMARY**

This bill authorizes municipalities, by vote of their legislative body, to impose a tax on the net investment income of certain private nonprofit institutions of higher education (see BACKGROUND), if the main campus is in their jurisdiction (i.e. the campus at which more than 50% of the institution's students attend classes). The tax may only be imposed on institutions with assets valued at more than \$300 million at the end of the preceding taxable year. However, the bill does not apply to certain institutions with special act charters that exempt them from taxation and are not changed by the bill (such as Trinity College, Wesleyan University, and Yale College).

The locally imposed tax may equal up to 2% of the institution's net investment income for the taxable year. The bill requires that "net investment income" be determined under the rules that apply to the federal excise tax on private foundations' investment income. It is unclear whether this type of income would be considered "funds and estate," which when held by certain institutions is exempt from municipal taxation (CGS § 12-81(8)).

Under the bill, the revenue services commissioner may adopt and enforce rules and regulations on the administration and enforcement of the tax, which must be administered locally by tax collectors.

EFFECTIVE DATE: October 1, 2025, and applicable to taxable years beginning on or after January 1, 2026.

TAX ADMINISTRATION

The local tax may be imposed by vote of the municipality's legislative body. If approved, the legislative body determines whether the tax is payable in a single or two semiannual installments and the date or dates it is due. The municipal tax collector is responsible for administering the tax.

Under the bill, any forms needed to administer the tax must be (1) prescribed by the revenue services commissioner and (2) printed and furnished by the local tax collector.

BACKGROUND

Independent Institutions of Higher Education

By law, "independent institutions of higher education" are nonprofit colleges or universities with degree-granting authority that (1) are established in Connecticut and have their main campuses here, (2) are not part of the state public higher education system, and (3) do not have the primary function of preparing students for a religious vocation.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 16 Nay 3 (03/21/2025)