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## OLR Bill Analysis

### sHB 6884

#### ***AN ACT EXPANDING TAX CREDITS FOR STUDENT LOAN PAYMENTS TO INCLUDE EMPLOYERS SUBJECT TO TAX UNDER CHAPTER 229.***

#### **SUMMARY**

This bill expands the types of employers that may earn a tax credit for making student loan payments on behalf of qualified employees. Specifically, it allows:

1. employers subject to the state's income tax laws to receive the credit, in addition to corporations allowed under current law;
2. the credit to be applied against an employer's income tax, rather than just against their corporate or insurance company tax;
3. if the employer is an S corporation or entity treated as a partnership for federal income tax purposes, for the shareholders or partners to claim the credit; and
4. if the employer is a single member limited liability company (LLC) that is disregarded as an entity separate from its owner, for the LLC owner to claim the credit.

However, the bill specifies that this credit does not apply to taxes the employer is required to withhold on behalf of its employees.

By law, unchanged by the bill, the credit is 50% of the amount of payments made toward the principal balance of student loans (up to \$2,625 per year). Small businesses (employers with up to \$5 million in gross receipts in a year) may apply to exchange the credit for a credit refund in an equal amount.

Currently, the revenue services commissioner can only authorize a total of \$10 million in credits for this purpose in any calendar or income

year. Instead, the bill imposes this limit in each fiscal year.

The bill also makes conforming changes.

EFFECTIVE DATE: January 1, 2026, and applicable to taxable years commencing on or after that date.

## **BACKGROUND**

### ***Qualified Employees***

By law, a qualified employee is a state resident employed full-time in the state who received his or her first bachelor's degree in the past five years and has a student loan. The person cannot be an owner, member, or partner of the employer.

## **COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable Substitute Change of Reference - FIN  
Yea 18 Nay 0 (02/27/2025)

Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 52 Nay 0 (04/24/2025)