
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)