
OLR Bill Analysis

sHB 5478

AN ACT SUPPORTING "LEARN AND EARN" INTERNSHIP OPPORTUNITIES.

SUMMARY

This bill establishes various programs and creates tax credits to support internships. It:

1. requires the UConn Board of Trustees and Board of Regents for Higher Education to each establish a program to train and support small businesses in offering paid internships that meet certain criteria;
2. requires each board to establish a program to give stipends to students at their institutions who receive a federal Pell grant and have an internship opportunity;
3. requires the boards to jointly establish a state quality seal for internship programs;
4. requires the Office of Workforce Strategy (OWS) to award grants to federally tax-exempt nonprofit organizations to offset intern salaries;
5. adds salaries paid to interns in a program that received the state quality seal as expenses eligible for the human capital investment tax credit against the corporation tax;
6. expands the stranded tax credit program to include intern salaries paid as part of a program that received the state quality seal as eligible human capital investments under the tax credit program;
7. establishes a new tax credit for salaries paid to interns in an internship program that received the state quality seal for an S

corporation, limited liability company, limited liability partnership, or limited partnership; and

8. requires various reports on the programs the bill creates and reports on higher education institution and state agency internship programs.

EFFECTIVE DATE: July 1, 2026, except (1) the grant program is effective January 1, 2027, and (2) provisions on tax credits are effective January 1, 2027, and applicable to income years beginning on and after that date.

§ 1 — ASSISTANCE FOR SMALL BUSINESS INTERNSHIP PROGRAMS

The bill requires the UConn Board of Trustees and Board of Regents for Higher Education to each, within funds appropriated for this purpose, establish a program to train and support small businesses with up to 50 employees so they can offer certain paid internships. A paid internship qualifies if a board finds it has at least six of the eight National Association of Colleges and Employers career readiness competencies (see BACKGROUND).

The boards must conspicuously post information about the program on their websites, including application forms and small business eligibility requirements.

The bill requires the boards to provide small businesses in the program with specialized support unique to the business' industry and location, including (1) internship management training, (2) job description development, (3) help setting the skills an intern will learn and the intern's learning opportunities, and (4) guidance on assessing internship performance.

Annually, beginning by January 1, 2027, the bill requires the UConn president and Connecticut State Colleges and Universities (CSCU) chancellor to report to the Higher Education and Employment Advancement Committee on each small business supported by the program, including the supports provided to it and number of

internships offered by it.

§ 2 — INTERNSHIP STIPENDS

The bill requires the UConn Board of Trustees and Board of Regents for Higher Education to each, within funds appropriated for this purpose, establish a program to give stipends to students at their institutions who receive a federal Pell grant and have an internship opportunity. Each board can set the stipend amount and it must be used to offset costs related to the internship, such as transportation and clothing.

The boards must conspicuously post information about the program on their websites, including eligibility guidelines, application forms, and stipend amounts.

Annually, beginning by January 1, 2027, the bill requires the UConn president and CSCU chancellor to report to the Higher Education and Employment Advancement Committee on the number of students receiving stipends under the program.

§ 3 — REPORT FROM HIGHER EDUCATION INSTITUTIONS ON INTERNSHIPS

By January 1, 2027, the bill requires each higher education institution in the state to report to the Higher Education and Employment Advancement Committee on the paid internship opportunities available to their students through their career services office, including the types of employers offering internships, quality measures used to ensure students have a valuable experience, and other relevant information.

§ 4 — STATE QUALITY SEAL FOR INTERNSHIP PROGRAMS

By January 1, 2027, the bill requires the UConn Board of Trustees and Board of Regents for Higher Education to jointly establish a state quality seal for internship programs. The boards must identify the qualifications for the seal, including (1) assigning mentors to interns, (2) providing opportunities to learn through observation, and (3) clear communication about expectations and skills to be learned.

By that same date, the boards must identify businesses that meet these criteria and award them the state quality seal.

Annually, beginning by January 1, 2028, the boards must jointly report to the Higher Education and Employment Advancement Committee on businesses that received a seal in the prior calendar year.

§§ 5, 6 & 8 — TAX CREDITS FOR INTERNSHIP SALARIES

Human Capital Investment Tax Credit (§ 5)

The bill adds salaries paid to interns in a program that received the state quality seal as expenses eligible for the human capital investment tax credit against the corporation tax. The credit amount equals 25% of the amount paid to interns.

Under existing law, expenses eligible for this credit include (1) job training; (2) work education programs, including those offered by higher education institutions; (3) donations or capital contributions to higher education institutions related to technology; (4) activities related to developing a child care center for employees' children; (5) donations or capital contributions to a nonprofit for developing a child care center for children in the community; and (6) child care subsidies for employees. By law, the credit equals 25% of the child care related expenses and 10% for other types of expenses.

By law, these credits cannot exceed the amount a corporation owes in corporation business tax, an unused tax credit can be carried forward for the next five years, and a corporation claiming this tax credit cannot claim another credit for the same expense.

Stranded Tax Credits (§ 6)

The bill expands the stranded tax credit program, which allows a business to exchange accumulated research and development tax credits for undertaking certain in-state capital projects or human capital investments. It does so by including intern salaries paid as part of a program that received the state quality seal as eligible human capital investments. Under the existing stranded tax credit program law, eligible human capital investments are similar, but not identical to, those

described above as eligible for the human capital investment tax credit.

By law, a taxpayer must apply to the Department of Economic and Community Development (DECD) with information about the project or investment under the stranded tax credit program. DECD cannot approve use of the credits by a business until the capital project or human capital investment generates state revenue that exceeds the credits to be used. The law imposes a \$50 million aggregate cap on exchanging stranded credits.

Tax Credit for Intern Salaries (§ 8)

The bill establishes a tax credit for an S corporation, limited liability company, limited liability partnership, or limited partnership for 25% of the amount paid as salaries to interns in an internship program that received the state quality seal. It allows the business owners to apply the credit against their state personal income tax liability (other than the withholding tax).

The bill appears to make the credit nonrefundable by capping the credit amount allowed to any business entity at the amount of income tax due from the entity. (These entities do not pay income tax at the entity level, however.)

The bill allows the credit to be carried forward for five years, and prohibits claiming a different tax credit based on the same intern expenses.

§ 7 — GRANTS TO NONPROFITS FOR INTERN SALARIES

Beginning with FY 27, the bill requires OWS to, within available appropriations, award grants to federally tax-exempt nonprofits to offset intern salaries. OWS must award grants on a first-come, first-served basis in the amount of 25% of an organization's expenses for intern salaries. OWS must conspicuously post the grant application form on its website.

Beginning by January 1, 2028, the bill requires OWS to annually report on the program to the Higher Education and Employment Advancement Committee.

§ 9 — REPORT ON STATE AGENCY INTERNSHIP PROGRAMS

The bill requires the Department of Administrative Services to survey and report to the Higher Education and Employment Advancement Committee by January 1, 2027, on state agency internship programs, including whether an agency (1) has paid internships and job descriptions and (2) requires interns to report to a supervisor and provides mentoring.

BACKGROUND

National Association of Colleges and Employers (NACE) Career Readiness Competencies

NACE is a professional association connecting college career services professionals, early talent recruiting, university relations professionals, and businesses that serve this community. NACE tracks and provides information on employment of college graduates. NACE's eight career readiness competencies are:

1. career and self-development,
2. communication,
3. critical thinking,
4. equity and inclusion,
5. leadership,
6. professionalism,
7. teamwork, and
8. technology.

COMMITTEE ACTION

Higher Education and Employment Advancement Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/17/2026)