



General Assembly

January Session, 2019

**Raised Bill No. 1143**

LCO No. 7332



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

**AN ACT ESTABLISHING A PAYROLL TAX.**

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

1 Section 1. (NEW) (*Effective from passage*) (a) As used in this section:

2 (1) "Employer" means an employer required to deduct and withhold  
3 tax from wages pursuant to section 12-705 of the general statutes;

4 (2) "Payroll expense" means (A) wages, as defined in Section 3121 of  
5 the Internal Revenue Code of 1986, or any subsequent corresponding  
6 internal revenue code of the United States, as amended from time to  
7 time, without regard to Section 3121(a)(1) of said code, and (B)  
8 compensation, as defined in Section 3231 of said code, without regard  
9 to Section 3231(e)(2)(A)(i) of said code, that are paid to all covered  
10 employees; and

11 (3) "Covered employee" means an employee of an employer who is  
12 required to have amounts withheld from wages pursuant to section 12-  
13 705 of the general statutes and receives an annual gross income from

14 wages and compensation of more than forty thousand dollars.

15 (b) (1) On and after January 1, 2020, each employer shall pay a tax  
16 on such employer's payroll expense at the following rates, provided  
17 such employer shall be subject to the tax imposed under this section  
18 only on the payroll expense in excess of forty thousand dollars paid to  
19 any covered employee during a taxable year: (A) For the taxable year  
20 commencing January 1, 2020, one and one-half per cent of such  
21 employer's payroll expense during the quarter; (B) for the taxable year  
22 commencing January 1, 2021, three per cent of such employer's payroll  
23 expense during the quarter; and (C) for the taxable year commencing  
24 January 1, 2022, and for each taxable year thereafter, five per cent of  
25 such employer's payroll expense during the quarter.

26 (2) An employer may not deduct from the wages or compensation  
27 of a covered employee any amount that represents all or any portion of  
28 the tax imposed on such employer pursuant to this section.

29 (c) Each employer shall pay the tax imposed under this section to  
30 the Commissioner of Revenue Services at the same time and in the  
31 same manner such employer would be required to pay the tax under  
32 section 12-705 of the general statutes, and shall file a return in such  
33 form and manner as the commissioner prescribes. Any individual who  
34 is under a duty to act on behalf of an employer to comply with the  
35 provisions of this section shall be jointly and severally liable with the  
36 employer for any tax, penalty or interest owed under this section.

37 (d) All provisions of chapter 229 of the general statutes shall apply  
38 to the provisions of this section in the same manner and with the same  
39 force and effect as if the language of said chapter had been  
40 incorporated in full into this section and had expressly referred to the  
41 tax imposed under this section, except to the extent that any such  
42 provision is inconsistent with a provision of this section.

43 Sec. 2. (NEW) (*Effective from passage*) (a) For taxable years  
44 commencing on or after January 1, 2020, there shall be allowed a credit

45 against the personal income tax imposed under chapter 229 of the  
46 general statutes for covered employees of an employer, as those terms  
47 are defined in subsection (a) of section 1 of this act. Such credit shall be  
48 in the following amounts:

49 (1) For the taxable year commencing January 1, 2020, the credit shall  
50 be in an amount equal to (A) the covered employee's wages and  
51 compensation in excess of forty thousand dollars received by such  
52 employee during the taxable year from the employer, multiplied by  
53 the product of (B) (i) one and one-half per cent, and (ii) the result of  
54 one minus a fraction, the numerator of which shall be the tax imposed  
55 on such employee pursuant to chapter 229 of the general statutes prior  
56 to the application of any credits for the taxable year and the  
57 denominator of which shall be such employee's taxable income as  
58 determined pursuant to said chapter for the taxable year;

59 (2) For the taxable year commencing January 1, 2021, the credit shall  
60 be in an amount equal to (A) the covered employee's wages and  
61 compensation in excess of forty thousand dollars received by such  
62 employee during the taxable year from the employer, multiplied by  
63 the product of (B) (i) three per cent, and (ii) the result of one minus a  
64 fraction, the numerator of which shall be the tax imposed on such  
65 employee pursuant to chapter 229 of the general statutes prior to the  
66 application of any credits for the taxable year and the denominator of  
67 which shall be such employee's taxable income as determined  
68 pursuant to said chapter for the taxable year; and

69 (3) For the taxable year commencing January 1, 2022, and each  
70 taxable year thereafter, the credit shall be in an amount equal to (A) the  
71 covered employee's wages and compensation in excess of forty  
72 thousand dollars received by such employee during the taxable year  
73 from the employer, multiplied by the product of (B) (i) five per cent,  
74 and (ii) the result of one minus a fraction, the numerator of which shall  
75 be the tax imposed on such employee pursuant to chapter 229 of the  
76 general statutes prior to the application of any credits for the taxable

77 year and the denominator of which shall be such employee's taxable  
78 income as determined pursuant to said chapter for the taxable year.

79 (b) If the amount of the credit allowed pursuant to subsection (a) of  
80 this section exceeds the covered employee's liability for the tax  
81 imposed under chapter 229 of the general statutes, the excess may be  
82 carried forward to the immediately succeeding taxable year or years.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section

**Statement of Purpose:**

To establish an employer compensation expense tax.

*[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.]*