

OFFICE OF FISCAL ANALYSIS

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HB-5113

AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR THE AMOUNT OF CANCELLED DEBT AND DEBT RELIEF RECEIVED BY A TAXPAYER FOR STUDENT LOANS, MEDICAL DEBT AND CREDIT CARD DEBT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 27 \$	FY 28 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	250,000
Revenue Serv., Dept.	GF - Cost	None	20,000

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a personal income tax deduction for certain taxable debt cancellation, results in (1) a General Fund revenue loss of approximately \$250,000¹ annually beginning in FY 28, and (2) a one-time cost to the Department of Revenue Services of \$20,000 in FY 28 associated with programming updates to the CTax tax administration system and myconneCT online portal to establish the deduction, as well as form modification.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to levels of federally taxable debt

¹ The estimate is based on data from the Internal Revenue Service indicating that approximately \$4.5 billion of debt relief for all United States personal income tax filers was federally taxable in 2023.

cancellation.

Sources: United States Internal Revenue Service 2023 Statistics of Income