



# UTAH CORPORATE FRANCHISE AND INCOME TAX

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## Overview

### What is it?

- Rate
- Base
- Credits

### How much state revenue?

### Who pays the bill?

### Why does it matter?

- Constitutional issues



# UTAH CORPORATE FRANCHISE & INCOME TAX

What is it?



Rate **X** Base = Tax

# UTAH CORPORATE FRANCHISE & INCOME TAX

## What is it?



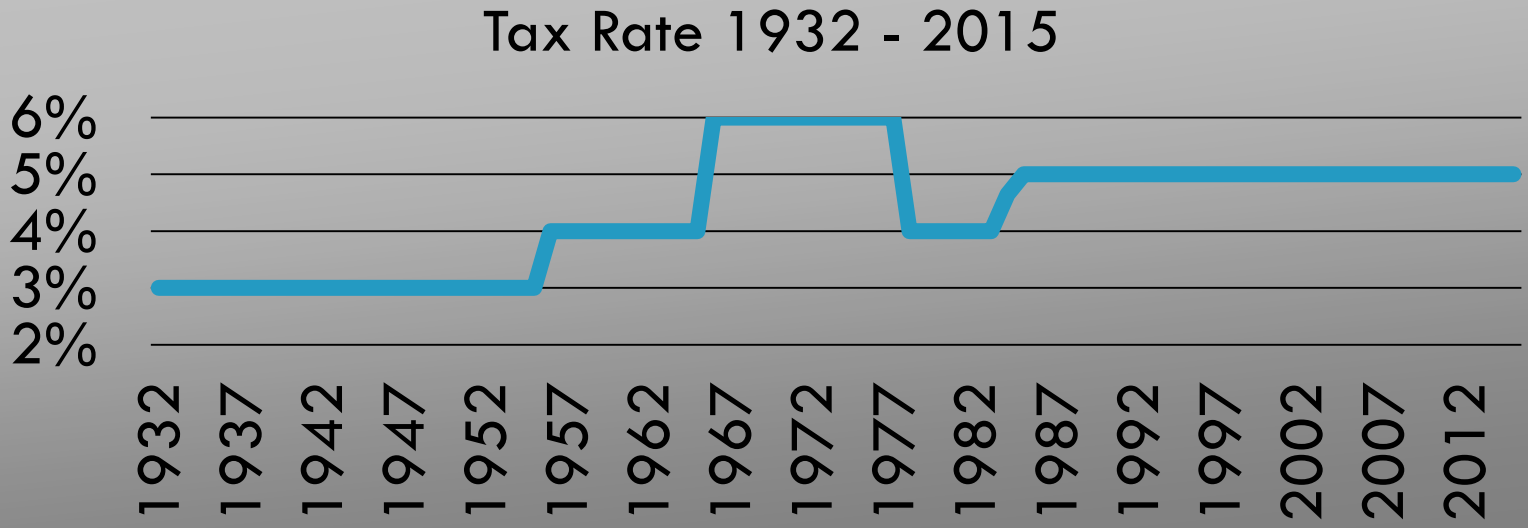
Rate X Base = Credits

# UTAH CORPORATE FRANCHISE & INCOME TAX

## What is it?

### Rate

- 5% single rate
- 5% rate since 1984
- Rate range since 1932: 3% to 6%

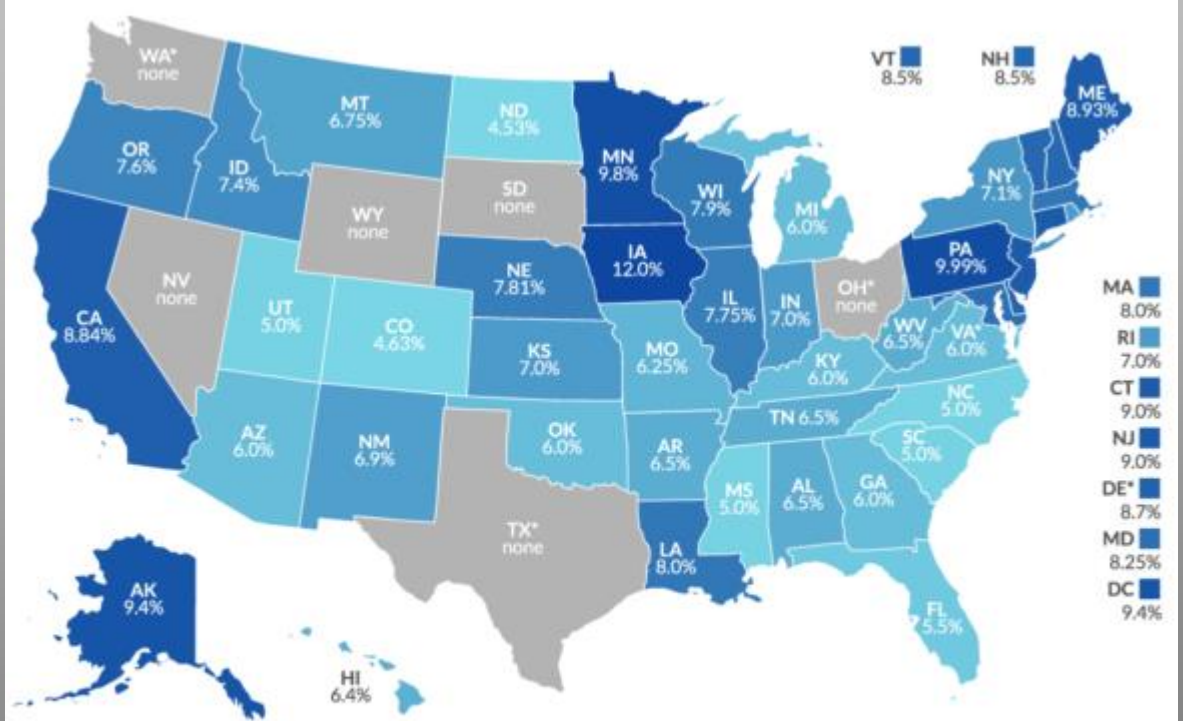


# UTAH CORPORATE FRANCHISE & INCOME TAX

## What is it?

### Rate

- NV – 0.00%
- WY – 0.00%
- CO – 4.63%
- UT – 5.00%
- AZ – 6.00%
- NM – 6.90%
- ID – 7.40%



(\*) State has gross receipts taxes with rates not strictly comparable to corporate income tax rates.  
Notes: Connecticut's rate includes a 20% surtax. Illinois' rate includes two separate corporate income taxes.  
Sources: State tax statutes, forms, and instructions; Commerce Clearinghouse.



## What is it?

### Base

- Calculate national business income
- Apportion business income to Utah
  1. Three factor formula: property, payroll, and sales
  2. Electable double weighted sales
  3. “Sales factor weighted taxpayers” must use single sales factor



# UTAH CORPORATE FRANCHISE & INCOME TAX

## What is it?

### Base

Apportionment Formulas in Neighboring states

State	3 Factor Formula	Weighted Sales	Single Sales
AZ	X	X	
CO	X		X
ID	X	X	
NM	X	X	
NV	No State Income Tax		
UT	X	X	X
WY	No State Income Tax		





## What is it?

### Credits

- 20 + refundable/nonrefundable credits
- Examples
  - Certain interest income
  - Energy
  - Low-income housing
  - Historic preservation
  - Motion picture
  - Research activities
  - Economic development



## What is it?

### Credits

Top five credits  
(2013)

Credit	Amount
Research Activities	\$ 33,508,738
Econ. Development	9,420,238
Motion Picture	5,382,395
Historic Preservation	2,417,533
Low-Income Housing	1,750,000
<b>Total (all credits)*</b>	<b>56,762,785</b>

\*Does not include credits for withholding and prepayment

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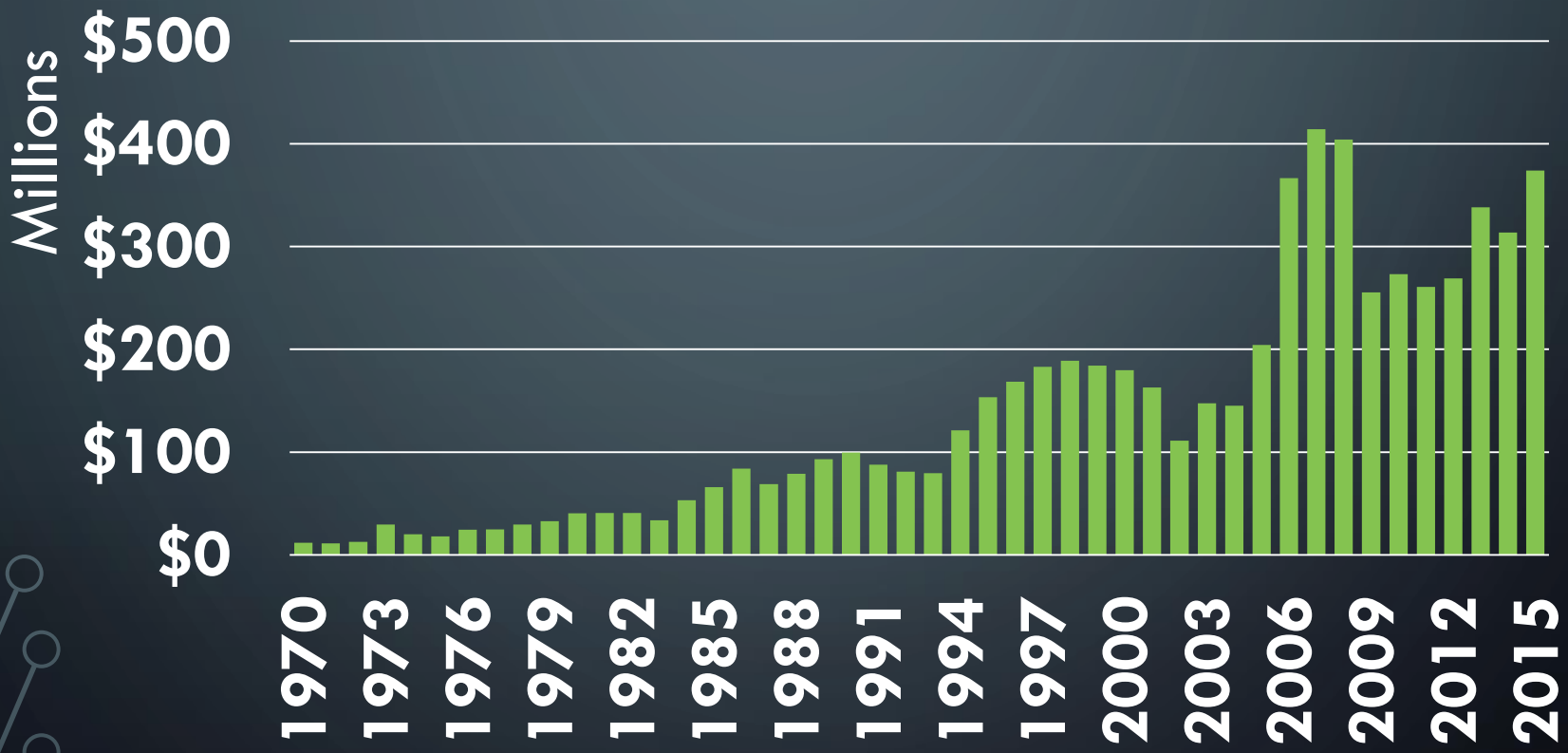
What is it?



Rate **X** Base - Credits = Tax

# CORPORATE FRANCHISE & INCOME TAX REVENUES FY 1970 TO FY 2015

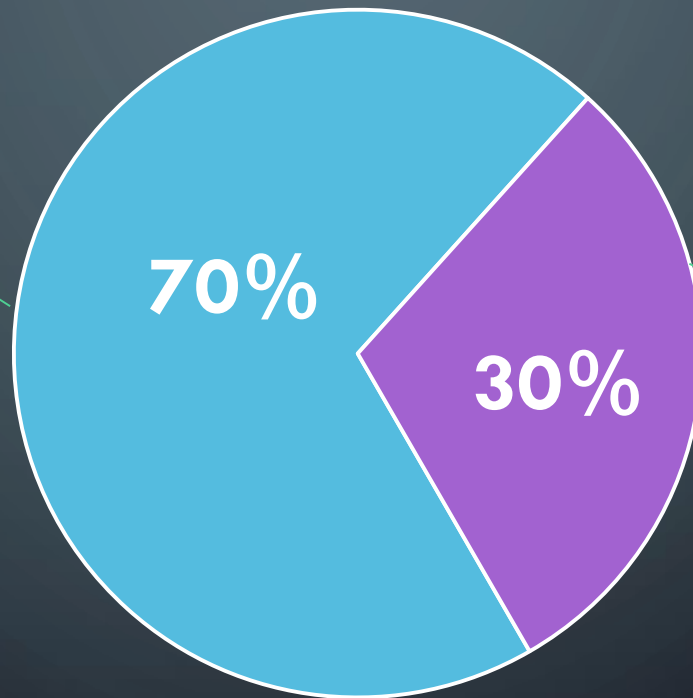
## How much state revenue?



# SHARE OF REVENUE BY % OF BUSINESS IN UTAH TAX YEAR 2013

## Who pays the bill?

 Businesses that conduct 0% to 5% of total business in Utah (46% of filers)



Businesses that conduct 5% to 100% of total business in Utah (54% of filers)

## Why does it matter?

Earmarked for public and higher education

Volatile revenues

Tax on income

- Generally C-corporations

Constitutional issues



# UTAH CORPORATE FRANCHISE & INCOME TAX

## UTAH CONSTITUTION, ARTICLE XIII, SECTION 2

### Why does it matter?



“This town ain’t big enough for the two of us.”


-[Sparks](#)

**Tax on  
intangible  
property**

**These taxes are  
mutually exclusive.**

**Corporate  
income  
tax**

### Why does it matter?



“(5) The Legislature may by statute determine the manner and extent of taxing or exempting intangible property . . . . **If any intangible property is taxed under the property tax, the income from that property may not also be taxed.**”



### Why does it matter?

#### Governor Olene Walker Tax Report (2004)

- Eliminate corporate income tax
- Adjust state-wide school levy to offset lost revenue

Businesses were concerned that “the door would be opened” to tax intangible property



### Why does it matter?

- “Intangible property,” as defined by the Legislature, is currently exempt from property tax (see [§59-2-1101](#))
- "Intangible property" means property that is capable of private ownership separate from tangible property, such as money, credits, bonds, stocks, representative property, franchises, licenses, trade names, copyrights, and patents; a low-income housing tax credit; goodwill; or a renewable energy tax credit or incentive.





QUESTIONS???