



- 28 (5) "Eligible medical expense" means an expense paid by the taxpayer for:  
29 (a) medical care described in Section 213(d) of the Internal Revenue Code; [or]  
30 (b) the purchase of a health coverage policy, certificate, or contract (including a qualified  
31 higher deductible health plan)~~[-]; or~~  
32 (c) premiums on long-term care insurance policies as defined in Section 31A-22-1402.  
33 (6) "Employee" means the individual for whose benefit or for the benefit of whose  
34 dependents a medical care savings account is established. Employee includes a self-employed  
35 individual.  
36 (7) "ERISA" means the Employee Retirement Income Security Act of 1974, Public Law  
37 93-406, 88 Stat. 829.  
38 (8) "Higher deductible" means a deductible of not less than \$1,000.  
39 (9) "Medical care savings account" or "account" means a trust account established at a  
40 depository institution in this state pursuant to a medical care savings account program to pay the  
41 eligible medical expenses of an employee or account holder and the dependents of the employee  
42 or account holder.  
43 (10) "Medical care savings account program" or "program" means one of the following  
44 programs:  
45 (a) a program established by an employer in which the employer purchases a qualified  
46 higher deductible health plan for the benefit of an employee and his dependents and contributes  
47 on behalf of an employee into a medical care savings account; or  
48 (b) a program established by an account holder in which the account holder purchases a  
49 qualified higher deductible health plan for the benefit of the account holder and his dependents and  
50 contributes an amount to the medical care savings account.  
51 (11) "Qualified higher deductible health plan" means a health coverage policy, certificate,  
52 or contract that provides for payments for covered benefits that exceed the higher deductible and  
53 that is purchased by an employer for the benefit of an employee for whom the employer makes  
54 deposits into a medical care savings account or by an account holder.  
55 Section 2. Section **59-10-114** is amended to read:  
56 **59-10-114. Additions to and subtractions from federal taxable income of an**  
57 **individual.**  
58 (1) There shall be added to federal taxable income of a resident or nonresident individual:

59 (a) the amount of any income tax imposed by this or any predecessor Utah individual  
60 income tax law and the amount of any income tax imposed by the laws of another state, the District  
61 of Columbia, or a possession of the United States, to the extent deducted from federal adjusted  
62 gross income, as defined by Section 62, Internal Revenue Code, in determining federal taxable  
63 income;

64 (b) a lump sum distribution allowable as a deduction under Section 402(e)(3), Internal  
65 Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code, in  
66 determining federal adjusted gross income;

67 (c) 25% of the personal exemptions, as defined and calculated in the Internal Revenue  
68 Code;

69 (d) a withdrawal from a medical care savings account and any penalty imposed in the  
70 taxable year if:

71 (i) the taxpayer did not deduct or include the amounts on his federal tax return pursuant  
72 to Section 220, Internal Revenue Code; and

73 (ii) the withdrawal is subject to Subsections 31A-32-105(1) and (2); and

74 (e) the amount refunded to a participant under Title 53B, Chapter 8a, Higher Education  
75 Savings Incentive Program, in the year in which the amount is refunded.

76 (2) There shall be subtracted from federal taxable income of a resident or nonresident  
77 individual:

78 (a) the interest or dividends on obligations or securities of the United States and its  
79 possessions or of any authority, commission, or instrumentality of the United States, to the extent  
80 includable in gross income for federal income tax purposes but exempt from state income taxes  
81 under the laws of the United States, but the amount subtracted under this subsection shall be  
82 reduced by any interest on indebtedness incurred or continued to purchase or carry the obligations  
83 or securities described in this subsection, and by any expenses incurred in the production of  
84 interest or dividend income described in this subsection to the extent that such expenses, including  
85 amortizable bond premiums, are deductible in determining federal taxable income;

86 (b) 1/2 of the net amount of any income tax paid or payable to the United States after all  
87 allowable credits, as reported on the United States individual income tax return of the taxpayer for  
88 the same taxable year;

89 (c) the amount of adoption expenses which, for purposes of this subsection, means any

90 actual medical and hospital expenses of the mother of the adopted child which are incident to the  
91 child's birth and any welfare agency, child placement service, legal, and other fees or costs relating  
92 to the adoption;

93 (d) amounts received by taxpayers under age 65 as retirement income which, for purposes  
94 of this section, means pensions and annuities, paid from an annuity contract purchased by an  
95 employer under a plan which meets the requirements of Section 404 (a)(2), Internal Revenue Code,  
96 or purchased by an employee under a plan which meets the requirements of Section 408, Internal  
97 Revenue Code, or paid by the United States, a state, or political subdivision thereof, or the District  
98 of Columbia, to the employee involved or the surviving spouse;

99 (e) for each taxpayer age 65 or over before the close of the taxable year, a \$7,500 personal  
100 retirement exemption;

101 (f) 75% of the amount of the personal exemption, as defined and calculated in the Internal  
102 Revenue Code, for each dependent child with a disability and adult with a disability who is  
103 claimed as a dependent on a taxpayer's return;

104 (g) any amount included in federal taxable income that was received pursuant to any  
105 federal law enacted in 1988 to provide reparation payments, as damages for human suffering, to  
106 United States citizens and resident aliens of Japanese ancestry who were interned during World  
107 War II;

108 (h) subject to the limitations of Subsection (3)(e), 60% of the amounts paid by the taxpayer  
109 during the taxable year for health care insurance, as defined in Title 31A, Chapter 1, Insurance  
110 Code, for the taxpayer, the taxpayer's spouse, and the taxpayer's dependents to the extent the  
111 amounts paid for health insurance were not deductible under Sections 125, 162, or 213, Internal  
112 Revenue Code, in determining federal taxable income;

113 (i) except as otherwise provided in this subsection, the amount of a contribution made in  
114 the tax year on behalf of the taxpayer to a medical care savings account and interest earned on a  
115 contribution to a medical care savings account established pursuant to Title 31A, Chapter 32,  
116 Medical Care Savings Account Act, to the extent the contribution is accepted by the account  
117 administrator as provided in the Medical Care Savings Account Act, and if the taxpayer did not  
118 deduct or include amounts on his federal tax return pursuant to Section 220, Internal Revenue  
119 Code. A contribution deductible under this subsection may not exceed either of the following:

120 (i) the maximum contribution allowed under the Medical Care Savings Account Act for

121 the tax year multiplied by two for taxpayers who file a joint return, if neither spouse is covered by  
122 health care insurance as defined in Section 31A-1-301 or self-funded plan that covers the other  
123 spouse, and each spouse has a medical care savings account; or

124 (ii) the maximum contribution allowed under the Medical Care Savings Account Act for  
125 the tax year for taxpayers:

126 (A) who do not file a joint return; or

127 (B) who file a joint return, but do not qualify under Subsection (2)(i)(i); ~~and~~

128 (j) the amount included in federal taxable income that was derived from money paid by  
129 the taxpayer to the program fund and investment income earned on those payments under Title  
130 53B, Chapter 8a, Higher Education Savings Incentive Program[-]; and

131 (k) for tax years beginning on or after January 1, 2000, any amounts paid for premiums  
132 on long-term care insurance policies as defined in Section 31A-22-1402 to the extent the amounts  
133 paid for long-term care insurance were not deducted under Section 213, Internal Revenue Code,  
134 in determining federal taxable income.

135 (3) (a) For purposes of Subsection (2)(d), the amount of retirement income subtracted for  
136 taxpayers under 65 shall be the lesser of the amount included in federal taxable income, or \$4,800,  
137 except that:

138 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned  
139 over \$32,000, the amount of the retirement income exemption that may be subtracted shall be  
140 reduced by 50 cents;

141 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income  
142 earned over \$16,000, the amount of the retirement income exemption that may be subtracted shall  
143 be reduced by 50 cents; and

144 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,  
145 the amount of the retirement income exemption that may be subtracted shall be reduced by 50  
146 cents.

147 (b) For purposes of Subsection (2)(e), the amount of the personal retirement exemption  
148 shall be further reduced according to the following schedule:

149 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned  
150 over \$32,000, the amount of the personal retirement exemption shall be reduced by 50 cents;

151 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income

152 earned over \$16,000, the amount of the personal retirement exemption shall be reduced by 50  
153 cents; and

154 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,  
155 the amount of the personal retirement exemption shall be reduced by 50 cents.

156 (c) For purposes of Subsections (3)(a) and (b), adjusted gross income shall be calculated  
157 by adding to federal adjusted gross income any interest income not otherwise included in federal  
158 adjusted gross income.

159 (d) For purposes of determining ownership of items of retirement income common law  
160 doctrine will be applied in all cases even though some items may have originated from service or  
161 investments in a community property state. Amounts received by the spouse of a living retiree  
162 because of the retiree's having been employed in a community property state are not deductible as  
163 retirement income of such spouse.

164 (e) For purposes of Subsection (2)(h), a subtraction for an amount paid for health care  
165 insurance as defined in Title 31A, Chapter 1, Insurance Code, is not allowed:

166 (i) for an amount that is reimbursed or funded in whole or in part by the federal  
167 government, the state, or an agency or instrumentality of the federal government or the state; and

168 (ii) for a taxpayer who is eligible to participate in a health plan maintained and funded in  
169 whole or in part by the taxpayer's employer or the taxpayer's spouse's employer.

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**Legislative Review Note**  
**as of 11-6-98 2:45 PM**

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

**Office of Legislative Research and General Counsel**

**Committee Note**

The Health and Human Services Interim Committee recommended this bill.

**Committee Note**

The Revenue and Taxation Interim Committee recommended this bill.