

1 **INCOME TAX AMENDMENTS - PERSONAL**
2 **EXEMPTIONS AND INFORMATION ON**
3 **RETURNS AND BOOKLETS**

4 2000 GENERAL SESSION

5 STATE OF UTAH

6 **Sponsor: Kory M. Holdaway**

7 AN ACT RELATING TO THE INDIVIDUAL INCOME TAX ACT; REQUIRING CERTAIN
8 INFORMATION TO BE CONTAINED ON THE INDIVIDUAL INCOME TAX RETURN AND
9 FORMS AND INSTRUCTIONS BOOKLET; MODIFYING THE AMOUNT OF PERSONAL
10 EXEMPTIONS THAT AN INDIVIDUAL IS REQUIRED TO ADD TO FEDERAL TAXABLE
11 INCOME; MAKING TECHNICAL CHANGES; AND PROVIDING FOR RETROSPECTIVE
12 OPERATION.

13 This act affects sections of Utah Code Annotated 1953 as follows:

14 AMENDS:

15 **59-10-114**, as last amended by Chapters 60, 131, 240 and 282, Laws of Utah 1999

16 ENACTS:

17 **59-10-103.1**, Utah Code Annotated 1953

18 *Be it enacted by the Legislature of the state of Utah:*

19 Section 1. Section **59-10-103.1** is enacted to read:

20 **59-10-103.1. Information to be contained on individual income tax returns and**
21 **booklets.**

22 The commission shall print the phrase "all income tax dollars fund education" on:

23 (1) the first page of the individual income tax return;

24 (2) the line provided for the taxpayer's signature on the individual income tax return; and

25 (3) the cover page of the individual income tax forms and instructions booklet.

26 Section 2. Section **59-10-114** is amended to read:

27 **59-10-114. Additions to and subtractions from federal taxable income of an**

28 **individual.**

29 (1) There shall be added to the federal taxable income of a resident or nonresident
30 individual:

31 (a) to the extent deducted from federal adjusted gross income as defined by Section 62,
32 Internal Revenue Code, in determining federal taxable income, the amount of any income tax
33 imposed by:

34 (i) this [or any predecessor Utah individual income tax law and the amount of any income
35 tax imposed by] chapter; or

36 (ii) the laws of:

37 (A) another state[;];

38 (B) the District of Columbia[;]; or

39 (C) a possession of the United States[; ~~to the extent deducted from federal adjusted gross~~
40 ~~income, as defined by Section 62, Internal Revenue Code, in determining federal taxable income~~];

41 (b) a lump sum distribution allowable as a deduction under Section [402(e)(3)] 402(d)(3),
42 Internal Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code,
43 in determining federal adjusted gross income;

44 (c) [~~25% of the personal exemptions, as defined and calculated in the Internal Revenue~~
45 ~~Code~~] the amount of personal exemptions provided for under Subsection (3);

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

48 (i) the [taxpayer] individual did not deduct or include the amounts on [his] the individual's
49 federal tax return pursuant to Section 220, Internal Revenue Code; and

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

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

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

55 (a) (i) to the extent the interest or dividends are includable in gross income for federal
56 income tax purposes but exempt from state income taxes under the laws of the United States, [the]
57 interest or dividends on obligations or securities of:

58 (A) the United States [and] or its possessions; or [of any]

59 (B) an authority, commission, or instrumentality of the United States~~[- to the extent~~
60 includable in gross income for federal income tax purposes but exempt from state income taxes
61 under the laws of the United States, but]; and

62 (ii) the amount subtracted under [this] Subsection (2)(a)(i) shall be reduced by any:

63 (A) interest on indebtedness incurred or continued to purchase or carry the obligations or
64 securities described in [this] Subsection~~[-]~~ (2)(a)(i); and [by any]

65 (B) expenses incurred in the production of interest or dividend income described in [this]
66 Subsection (2)(a)(i) to the extent that [such] the expenses, including amortizable bond premiums,
67 are deductible in determining federal taxable income;

68 (b) 1/2 of the net amount of any income tax paid or payable to the United States after
69 subtracting all allowable credits, as reported on the United States individual income tax return of
70 the [taxpayer] individual for the same taxable year;

71 (c) the amount of adoption expenses which, for purposes of this subsection, means any
72 actual medical and hospital expenses of the mother of the adopted child which are incident to the
73 child's birth and any welfare agency, child placement service, legal, and other fees or costs relating
74 to the adoption;

75 (d) subject to Subsection (4), amounts received by [taxpayers] an individual under age 65
76 as retirement income which, for purposes of this section, means pensions and annuities, paid from
77 an annuity contract;

78 (i) purchased by:

79 (A) an employer under a plan which meets the requirements of Section 404 (a)(2), Internal
80 Revenue Code~~[-]~~; or [purchased by]

81 (B) an employee under a plan which meets the requirements of Section 408, Internal
82 Revenue Code~~[-]~~; or

83 (ii) paid to an employee or the employee's surviving spouse by:

84 (A) the United States~~[-]~~;

85 (B) a state~~[- or]~~;

86 (C) a political subdivision ~~[thereof,]~~ of a state; or

87 (D) the District of Columbia~~[- to the employee involved or the surviving spouse]~~;

88 (e) subject to Subsection (4), for each [taxpayer] individual age 65 or over before the close
89 of the taxable year, a \$7,500 personal retirement exemption;

90 (f) 75% of the amount of the personal exemption, as defined and calculated in the Internal
91 Revenue Code, for each dependent child with a disability and adult with a disability who is
92 claimed as a dependent on [a taxpayer's] an individual's return;

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

97 (h) subject to ~~[the limitations of]~~ Subsection ~~[(3)(e)]~~ (5), amounts [a taxpayer] an
98 individual pays during the taxable year for health care insurance, as defined in Title 31A, Chapter
99 1, General Provisions:

100 (i) for:

101 (A) the [taxpayer] individual;

102 (B) the [taxpayer's] individual's spouse; and

103 (C) the [taxpayer's] individual's dependents; and

104 (ii) to the extent the [taxpayer] individual does not deduct the amounts under Section 125,
105 162, or 213, Internal Revenue Code, in determining federal taxable income for the taxable year;

106 (i) ~~[except as otherwise provided in this subsection]~~ subject to Subsection (6), the amount
107 of:

108 (i) a contribution made ~~[in the tax year]~~ on behalf of ~~[the taxpayer]~~ an individual to a
109 medical care savings account; and

110 (ii) interest earned on a contribution to a medical care savings account established pursuant
111 to Title 31A, Chapter ~~[32]~~ 32a, Medical Care Savings Account Act~~[-to the extent the contribution~~
112 ~~is accepted by the account administrator as provided in the Medical Care Savings Account Act,~~
113 ~~and if the taxpayer did not deduct or include amounts on his federal tax return pursuant to Section~~
114 ~~220, Internal Revenue Code. A contribution deductible under this subsection may not exceed~~
115 ~~either of the following:];~~

116 ~~[(i) the maximum contribution allowed under the Medical Care Savings Account Act for~~
117 ~~the tax year multiplied by two for taxpayers who file a joint return, if neither spouse is covered by~~
118 ~~health care insurance as defined in Section 31A-1-301 or self-funded plan that covers the other~~
119 ~~spouse, and each spouse has a medical care savings account; or]~~

120 ~~[(ii) the maximum contribution allowed under the Medical Care Savings Account Act for~~

121 the tax year for taxpayers:]

122 [~~(A) who do not file a joint return; or]~~

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

124 (j) the amount included in federal taxable income that was derived from money paid by
125 the [taxpayer] individual to the program fund under Title 53B, Chapter 8a, Higher Education
126 Savings Incentive Program, not to exceed amounts determined under Subsection 53B-8a-106(1)(d)
127 and investment income earned on participation agreements under Subsection 53B-8a-106(1) when
128 used for higher education costs of the beneficiary; and

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

133 (3) (a) For purposes of Subsection (1)(c) and this Subsection (3), "personal exemptions"
134 means the total number of personal exemptions a resident or nonresident individual may claim:

135 (i) under Section 151, Internal Revenue Code; and

136 (ii) for:

137 (A) the individual;

138 (B) the individual's spouse; and

139 (C) the individual's dependents.

140 (b) For purposes of Subsection (1)(c), a resident or nonresident individual shall add the
141 following amounts to the individual's federal taxable income:

142 (i) for an individual claiming two or fewer personal exemptions, 20% of the total dollar
143 amount allowed under Section 151, Internal Revenue Code, for the individual's personal
144 exemptions; or

145 (ii) for an individual claiming three or more personal exemptions, 30% of the total dollar
146 amount allowed under Section 151, Internal Revenue Code, for the individual's personal
147 exemptions.

148 [~~(3)~~] (4) (a) For purposes of Subsection (2)(d), the amount of retirement income subtracted
149 for [taxpayers] an individual under 65 shall be the lesser of the amount included in federal taxable
150 income, or \$4,800, except that:

151 (i) for married [taxpayers] individuals filing joint returns, for each \$1 of adjusted gross

152 income earned over \$32,000, the amount of the retirement income exemption that may be
153 subtracted shall be reduced by 50 cents;

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

157 (iii) for [~~individual taxpayers~~] an individual filing as a single taxpayer, for each \$1 of
158 adjusted gross income earned over \$25,000, the amount of the retirement income exemption that
159 may be subtracted shall be reduced by 50 cents.

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

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

165 (ii) for married [taxpayers] individuals filing separate returns, for each \$1 of adjusted gross
166 income earned over \$16,000, the amount of the personal retirement exemption shall be reduced
167 by 50 cents; and

168 (iii) for [~~individual taxpayers~~] an individual filing as a single taxpayer, for each \$1 of
169 adjusted gross income earned over \$25,000, the amount of the personal retirement exemption shall
170 be reduced by 50 cents.

171 (c) For purposes of Subsections [~~(3)~~] (4)(a) and (b), adjusted gross income shall be
172 calculated by adding to federal adjusted gross income any interest income not otherwise included
173 in federal adjusted gross income.

174 (d) (i) For purposes of determining ownership of items of retirement income common law
175 doctrine will be applied in all cases even though some items may have originated from service or
176 investments in a community property state.

177 (ii) Amounts received by the spouse of a living retiree because of the retiree's having been
178 employed in a community property state are not deductible as retirement income of such spouse.

179 [~~(e)~~] (5) For purposes of Subsection (2)(h), a subtraction for an amount paid for health care
180 insurance as defined in Title 31A, Chapter 1, General Provisions, is not allowed:

181 [~~(f)~~] (a) for an amount that is reimbursed or funded in whole or in part by:

182 (i) the [~~federal government;~~] United States;

183 (ii) the state^[,]; or
184 (iii) an agency or instrumentality of;
185 (A) the ~~[federal government]~~ United States; or
186 (B) the state; and
187 [(it)] (b) for ~~[a taxpayer]~~ an individual who is eligible to participate in a health plan
188 maintained and funded in whole or in part by the ~~[taxpayer's]~~ individual's employer or the
189 ~~[taxpayer's]~~ individual's spouse's employer.
190 (6) (a) An individual may subtract from the individual's federal taxable income a
191 contribution or interest earned on a contribution under Subsection (2)(i):
192 (i) to the extent the contribution is accepted by the account administrator as provided in
193 Title 31A, Chapter 32a, Medical Care Savings Account Act; and
194 (ii) if the individual did not deduct or include the amounts of the contribution or interest
195 earned on the contribution on the individual's federal individual income tax return pursuant to
196 Section 220, Internal Revenue Code.
197 (b) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
198 exceed:
199 (i) for an individual described in Subsection (6)(c), the product of:
200 (A) the maximum contribution allowed under Title 31A, Chapter 32a, Medical Care
201 Savings Account Act, for the taxable year; and
202 (B) two; or
203 (ii) for an individual described in Subsection (6)(d), the maximum contribution allowed
204 under Title 31A, Chapter 32a, Medical Care Savings Account Act, for the taxable year.
205 (c) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
206 exceed the amount described in Subsection (6)(b)(i) for an individual filing a joint return if:
207 (i) neither spouse filing the joint return is covered by:
208 (A) health care insurance as defined in Section 31A-1-301; or
209 (B) a self-funded plan that covers the other spouse; and
210 (ii) each spouse filing the joint return has a medical care savings account.
211 (d) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
212 exceed the amount described in Subsection (6)(b)(ii) for an individual who:
213 (i) does not file a joint return; or

214 (ii) files a joint return, but does not meet the requirements of Subsection (6)(c).
215 Section 3. **Retrospective operation.**
216 This act has retrospective operation to January 1, 2000.

Legislative Review Note
as of 1-20-00 12:05 PM

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

Office of Legislative Research and General Counsel