

Senator Mike Dmitrich proposes the following substitute bill:

PROPERTY TAX - CIRCUIT BREAKER

QUALIFYING LIMITS

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

Senate Sponsor: Mike Dmitrich

7	Cosponsors:	Craig A. Frank	M. Susan Lawrence
8	Ralph Becker	Patricia W. Jones	Rosalind J. McGee
9	LaVar Christensen	Brad King	Merlynn T. Newbold
10	John Dougall	Todd E. Kiser	Stephen H. Urquhart
11	Ben C. Ferry		

LONG TITLE

General Description:

This bill increases the homeowner's credit amounts and increases the household income qualifying limits for both the homeowner's credit and the renter's credit.

Highlighted Provisions:

- This bill:
- ▶ increases the homeowner credit amounts that a claimant may claim;
 - ▶ increases the household income qualifying limits for the homeowner's credit;
 - ▶ increases the household income qualifying limits for the renter's credit; and
 - ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on January 1, 2007.



27 **Utah Code Sections Affected:**

28 AMENDS:

29 **59-2-1202**, as last amended by Chapter 272, Laws of Utah 2003

30 **59-2-1208**, as last amended by Chapter 272, Laws of Utah 2003

31 **59-2-1209**, as last amended by Chapter 272, Laws of Utah 2003



32
33 *Be it enacted by the Legislature of the state of Utah:*

34 Section 1. Section **59-2-1202** is amended to read:

35 **59-2-1202. Definitions.**

36 As used in this part:

37 (1) (a) "Claimant" means a homeowner or renter who:

38 (i) has filed a claim under this part;

39 (ii) is domiciled in this state for the entire calendar year for which a claim for relief is
40 filed under this part; and

41 ~~[(iii) has reached the age of 65 prior to the close of that calendar year.]~~

42 (iii) on or before the December 31 of the year for which a claim for relief is filed under
43 this part, is:

44 (A) 65 years of age or older if the person was born on or before December 31, 1942;

45 (B) 66 years of age or older if the person was born on or after January 1, 1943, but on
46 or before December 31, 1959; or

47 (C) 67 years of age or older if the person was born on or after January 1, 1960.

48 (b) A surviving spouse, who otherwise qualifies under this section, is an eligible
49 claimant regardless of age.

50 (c) If two or more individuals of a household are able to meet the qualifications for a
51 claimant, they may determine among them as to who the claimant shall be, but if they are
52 unable to agree, the matter shall be referred to the county legislative body for a determination
53 of the claimant of an owned residence and to the commission for a determination of the
54 claimant of a rented residence.

55 (2) (a) "Gross rent" means rental actually paid in cash or its equivalent solely for the
56 right of occupancy, at arm's-length, of a residence, exclusive of charges for any utilities,
57 services, furniture, furnishings, or personal appliances furnished by the landlord as a part of the

58 rental agreement.

59 (b) If a claimant occupies two or more residences in the year and does not own the
60 residence as of the lien date, "gross rent" means the total rent paid for the residences during the
61 one-year period for which the renter files a claim under this part.

62 (3) "Homeowner's credit" means a credit against a claimant's property tax liability.

63 (4) "Household" means the association of persons who live in the same dwelling,
64 sharing its furnishings, facilities, accommodations, and expenses.

65 (5) "Household income" means all income received by all persons of a household in:

66 (a) the calendar year preceding the calendar year in which property taxes are due; or

67 (b) for purposes of the renter's credit authorized by this part, the year for which a claim
68 is filed.

69 (6) (a) (i) "Income" means the sum of:

70 (A) federal adjusted gross income as defined in Section 62, Internal Revenue Code;

71 and

72 (B) all nontaxable income as defined in Subsection (6)(b).

73 (ii) "Income" does not include:

74 (A) aid, assistance, or contributions from a tax-exempt nongovernmental source;

75 (B) surplus foods;

76 (C) relief in kind supplied by a public or private agency; or

77 (D) relief provided under this part, Section 59-2-1108, or Section 59-2-1109.

78 (b) For purposes of Subsection (6)(a)(i), "nontaxable income" means amounts excluded
79 from adjusted gross income under the Internal Revenue Code, including:

80 (i) capital gains;

81 (ii) loss carry forwards claimed during the taxable year in which a claimant files for
82 relief under this part, Section 59-2-1108, or Section 59-2-1109;

83 (iii) depreciation claimed pursuant to the Internal Revenue Code by a claimant on the
84 residence for which the claimant files for relief under this part, Section 59-2-1108, or Section
85 59-2-1109;

86 (iv) support money received;

87 (v) nontaxable strike benefits;

88 (vi) cash public assistance or relief;

89 (vii) the gross amount of a pension or annuity, including benefits under the Railroad
90 Retirement Act of 1974, 45 U.S.C. Sec. 231 et seq., and veterans disability pensions;

91 (viii) payments received under the Social Security Act;

92 (ix) state unemployment insurance amounts;

93 (x) nontaxable interest received from any source;

94 (xi) workers' compensation;

95 (xii) the gross amount of "loss of time" insurance; and

96 (xiii) voluntary contributions to a tax-deferred retirement plan.

97 (7) (a) "Property taxes accrued" means property taxes, exclusive of special
98 assessments, delinquent interest, and charges for service, levied on a claimant's residence in
99 this state.

100 (b) For a mobile home, "property taxes accrued" includes taxes imposed on both the
101 land upon which the home is situated and on the structure of the home itself, whether classified
102 as real property or personal property taxes.

103 (c) (i) Beginning on January 1, 1999, for a claimant who owns a residence, "property
104 taxes accrued" are the property taxes described in Subsection (7)(a) levied for the calendar year
105 on 35% of the fair market value of the residence as reflected on the assessment roll.

106 (ii) The amount described in Subsection (7)(c)(i) constitutes:

107 (A) a tax abatement for the poor in accordance with Utah Constitution Article XIII,
108 Section 3; and

109 (B) the residential exemption provided for in Section 59-2-103.

110 (d) (i) For purposes of this Subsection (7) property taxes accrued are levied on the lien
111 date.

112 (ii) If a claimant owns a residence on the lien date, property taxes accrued mean taxes
113 levied on the lien date, even if that claimant does not own a residence for the entire year.

114 (e) When a household owns and occupies two or more different residences in this state
115 in the same calendar year, property taxes accrued shall relate only to the residence occupied on
116 the lien date by the household as its principal place of residence.

117 (f) (i) If a residence is an integral part of a large unit such as a farm or a multipurpose
118 or multidwelling building, property taxes accrued shall be the same percentage of the total
119 property taxes accrued as the value of the residence is of the total value.

120 (ii) For purposes of this Subsection (7)(f), "unit" refers to the parcel of property
121 covered by a single tax statement of which the residence is a part.

122 (8) (a) As used in this section, "rental assistance payment" means any payment that:

123 (i) is made by a:

124 (A) governmental entity; or

125 (B) (I) charitable organization; or

126 (II) religious organization; and

127 (ii) is specifically designated for the payment of rent of a claimant:

128 (A) for the calendar year for which the claimant seeks a renter's credit under this part;

129 and

130 (B) regardless of whether the payment is made to the:

131 (I) claimant; or

132 (II) landlord; and

133 (b) in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
134 commission may make rules defining the terms:

135 (i) "governmental entity";

136 (ii) "charitable organization"; or

137 (iii) "religious organization."

138 (9) (a) "Residence" means the dwelling, whether owned or rented, and so much of the
139 land surrounding it, not exceeding one acre, as is reasonably necessary for use of the dwelling
140 as a home, and may consist of a part of a multidwelling or multipurpose building and a part of
141 the land upon which it is built and includes a mobile home or houseboat.

142 (b) "Residence" does not include personal property such as furniture, furnishings, or
143 appliances.

144 (c) For purposes of this Subsection (9), "owned" includes a vendee in possession under
145 a land contract or one or more joint tenants or tenants in common.

146 Section 2. Section **59-2-1208** is amended to read:

147 **59-2-1208. Amount of homeowner's credit -- Cost-of-living adjustment --**

148 **Limitation -- General Fund as source of credit.**

149 (1) (a) Subject to Subsection (2), for calendar years beginning on or after January 1,
150 [~~1998~~] 2007, a claimant may claim a homeowner's credit that does not exceed the following

151 amounts:

152	If household income is	Homeowner's credit
153	[\$0 -- \$7,358] <u>\$0 -- \$9,159</u>	[\$577] <u>\$798</u>
154	[\$7,359 -- \$9,812] <u>\$9,160 -- \$12,214</u>	[\$504] <u>\$696</u>
155	[\$9,813 -- \$12,264] <u>\$12,215 -- \$15,266</u>	[\$432] <u>\$597</u>
156	[\$12,265 -- \$14,717] <u>\$15,267 -- \$18,319</u>	[\$324] <u>\$447</u>
157	[\$14,718 -- \$17,171] <u>\$18,320 -- \$21,374</u>	[\$252] <u>\$348</u>
158	[\$17,172 -- \$19,479] <u>\$21,375 -- \$24,246</u>	[\$144] <u>\$199</u>
159	[\$19,480 -- \$21,644] <u>\$24,247 -- \$26,941</u>	[\$71] <u>\$98</u>

160 (b) (i) For calendar years beginning on or after January 1, ~~[1999]~~ 2008, the commission
 161 shall increase or decrease the household income eligibility amounts and the credits under
 162 Subsection (1)(a) by a percentage equal to the percentage difference between the consumer
 163 price index for the preceding calendar year and the consumer price index for calendar year
 164 ~~[1997]~~ 2006.

165 (ii) For purposes of Subsection (1)(b)(i), the commission shall calculate the consumer
 166 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

167 (2) An individual who is claimed as a personal exemption on another individual's
 168 individual income tax return during any portion of a calendar year for which the individual
 169 seeks to claim a homeowner's credit under this section may not receive the homeowner's credit.

170 (3) The homeowner's credit allowed by this section, and provided for in Section
 171 59-2-1204, shall be derived from the General Fund and appropriate transfers made to effectuate
 172 this credit.

173 Section 3. Section **59-2-1209** is amended to read:

174 **59-2-1209. Amount of renter's credit -- Cost-of-living adjustment -- Limitation --**
 175 **General Fund as source of credit -- Maximum credit -- Renter's credit may be claimed**
 176 **only for rent that does not constitute a rental assistance payment.**

177 (1) (a) Subject to Subsections (2) and (3), for ~~[any]~~ calendar ~~[year]~~ years beginning on
 178 or after January 1, 2007, a claimant may claim a renter's credit for the previous calendar year
 179 that does not exceed the following amounts:

180	If household income is	Percentage of rent
181		allowed as a credit

182	[\$0 -- \$7,358] <u>\$0 -- \$9,159</u>	9.5%
183	[\$7,359 -- \$9,812] <u>\$9,160 -- \$12,214</u>	8.5%
184	[\$9,813 -- \$12,264] <u>\$12,215 -- \$15,266</u>	7.0%
185	[\$12,265 -- \$14,717] <u>\$15,267 -- \$18,319</u>	5.5%
186	[\$14,718 -- \$17,171] <u>\$18,320 -- \$21,374</u>	4.0%
187	[\$17,172 -- \$19,479] <u>\$21,375 -- \$24,246</u>	3.0%
188	[\$19,480 -- \$21,644] <u>\$24,247 -- \$26,941</u>	2.5%

189 (b) (i) For calendar years beginning on or after January 1, ~~[1999]~~ 2008, the commission
 190 shall increase or decrease the household income eligibility amounts under Subsection (1)(a) by
 191 a percentage equal to the percentage difference between the consumer price index for the
 192 preceding calendar year and the consumer price index for calendar year ~~[1997]~~ 2006.

193 (ii) For purposes of Subsection (1)(b)(i), the commission shall calculate the consumer
 194 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

195 (2) A claimant may claim a renter's credit under this part only for rent that does not
 196 constitute a rental assistance payment.

197 (3) An individual who is claimed as a personal exemption on another individual's
 198 individual income tax return during any portion of a calendar year for which the individual
 199 seeks to claim a renter's credit under this section may not receive a renter's credit.

200 (4) The renter's credit allowed by this section, and provided for in Section 59-2-1204,
 201 shall be derived from the General Fund and appropriate transfers made to effectuate this credit.

202 (5) For calendar years beginning on or after January 1, ~~[1998]~~ 2007, a credit under this
 203 section may not exceed the maximum amount allowed as a homeowner's credit for each
 204 income bracket under Subsection 59-2-1208(1)(a).

205 **Section 4. Effective date.**

206 This bill takes effect on January 1, 2007.

State Impact

Passage of this bill could reduce the General Fund by \$580,000 annually beginning in FY 2008.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
General Fund	\$0	\$0	\$0	(\$580,000)
TOTAL	\$0	\$0	\$0	(\$580,000)

Individual and Business Impact

Eligible individuals could receive a reduction in tax liability.

Office of the Legislative Fiscal Analyst