

1 **INDIVIDUAL INCOME TAX RATE**
2 **REDUCTION**

3 2006 GENERAL SESSION
4 STATE OF UTAH

5 **Chief Sponsor: James A. Ferrin**
6 Senate Sponsor: Thomas V. Hatch

8 **LONG TITLE**

9 **General Description:**

10 This bill amends the Individual Income Tax Act to reduce tax rates.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ reduces the 7% individual income tax rate to 6.4%; and
- 14 ▶ makes technical changes.

15 **Monies Appropriated in this Bill:**

16 None

17 **Other Special Clauses:**

18 This bill has retrospective operation for taxable years beginning on or after January 1,
19 2006.

20 **Utah Code Sections Affected:**

21 AMENDS:

22 **59-10-104**, as last amended by Chapters 323 and 324, Laws of Utah 2001

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

25 Section 1. Section **59-10-104** is amended to read:

26 **59-10-104. Tax basis -- Rates -- Exemption.**

27 (1) Except as provided in Subsection (4), for taxable years beginning on or after



28 January 1, [~~2001~~] 2006, a tax is imposed on the state taxable income, as defined in Section
29 59-10-112, of every resident individual as provided in this section.

30 (2) For an individual, other than a husband and wife or head of household required to
31 use the tax table under Subsection (3), the tax under this section is imposed in accordance with
32 the following table:

33 If the state taxable income is:	The tax is:
34 Less than or equal to \$863	2.3% of the state taxable income
35 Greater than \$863 but less than or equal 36 to \$1,726	\$20, plus 3.3% of state taxable income greater than \$863
37 Greater than \$1,726 but less than or equal 38 to \$2,588	\$48, plus 4.2% of state taxable income greater than \$1,726
39 Greater than \$2,588 but less than or equal 40 to \$3,450	\$85, plus 5.2% of state taxable income greater than \$2,588
41 Greater than \$3,450 but less than or equal 42 to \$4,313	\$129, plus 6% of state taxable income greater than \$3,450
43 Greater than \$4,313	\$181, plus [7%] <u>6.4%</u> of state taxable income greater than \$4,313

45 (3) For a husband and wife filing a single return jointly, or a head of household as
46 defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section
47 is imposed in accordance with the following table:

48 If the state taxable income is:	The tax is:
49 Less than or equal to \$1,726	2.3% of the state taxable income
50 Greater than \$1,726 but less than or equal 51 to \$3,450	\$40, plus 3.3% of state taxable income greater than \$1,726
52 Greater than \$3,450 but less than or equal 53 to \$5,176	\$97, plus 4.2% of state taxable income greater than \$3,450
54 Greater than \$5,176 but less than or equal 55 to \$6,900	\$169, plus 5.2% of state taxable income greater than \$5,176
56 Greater than \$6,900 but less than or equal 57 to \$8,626	\$259, plus 6% of state taxable income greater than \$6,900
58 Greater than \$8,626	\$362, plus [7%] <u>6.4%</u> of state taxable

59 income greater than \$8,626
60 (4) This section does not apply to a resident individual exempt from taxation under
61 Section 59-10-104.1.
62 Section 2. **Retrospective operation.**
63 This bill has retrospective operation for taxable years beginning on or after January 1,
64 2006.

Legislative Review Note
as of 1-4-06 5:30 PM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number HB0323

Individual Income Tax Rate Reduction

26-Jan-06

10:40 AM

State Impact

Passage of this bill could decrease the Uniform School Fund by \$222,727,000 in FY 2007 and by \$188,465,400 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>
Uniform School Fund	\$0	\$0	(\$222,727,000)	(\$188,465,400)
TOTAL	\$0	\$0	(\$222,727,000)	(\$188,465,400)

Individual and Business Impact

Individuals tax reductions will be dependent on adjusted gross income levels.

Office of the Legislative Fiscal Analyst