

1 **YOUTH ORGANIZATION RESTRICTED**
2 **ACCOUNTS AND INCOME TAX CONTRIBUTIONS**

3 2013 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Steve Eliason**

6 Senate Sponsor: Curtis S. Bramble

8 **LONG TITLE**

9 **General Description:**

10 This bill enacts certain youth organization restricted accounts, provides for the
11 distribution of amounts deposited into the accounts, and enacts income tax
12 contributions for certain youth organizations.

13 **Highlighted Provisions:**

14 This bill:

- 15 ▶ creates the Youth Development Organization Restricted Account;
- 16 ▶ creates the Youth Character Organization Restricted Account;
- 17 ▶ provides for the distribution of amounts deposited into the accounts;
- 18 ▶ provides that the accounts are nonlapsing accounts;
- 19 ▶ enacts an income tax contribution for a youth development organization;
- 20 ▶ enacts an income tax contribution for a youth character organization;
- 21 ▶ provides that if the collections from the contributions do not meet certain threshold

22 amounts, the State Tax Commission shall remove the designations for the
23 contributions from the individual income tax return and may not collect the
24 contributions; and

- 25 ▶ makes technical and conforming changes.

26 **Money Appropriated in this Bill:**

27 None

28 **Other Special Clauses:**

29 This bill provides an effective date.

30 This bill provides retrospective operation for a taxable year beginning on or after
31 January 1, 2013.

32 **Utah Code Sections Affected:**

33 AMENDS:

34 **59-10-1304**, as last amended by Laws of Utah 2011, Chapter 294

35 **63J-1-602.2 (Effective 07/01/13)**, as last amended by Laws of Utah 2012, Chapters 388
36 and 397

37 ENACTS:

38 **35A-8-1901**, Utah Code Annotated 1953

39 **35A-8-1902**, Utah Code Annotated 1953

40 **35A-8-1903**, Utah Code Annotated 1953

41 **35A-8-1904**, Utah Code Annotated 1953

42 **35A-8-2001**, Utah Code Annotated 1953

43 **35A-8-2002**, Utah Code Annotated 1953

44 **35A-8-2003**, Utah Code Annotated 1953

45 **35A-8-2004**, Utah Code Annotated 1953

46 **59-10-1316**, Utah Code Annotated 1953

47 **59-10-1317**, Utah Code Annotated 1953



48
49 *Be it enacted by the Legislature of the state of Utah:*

50 Section 1. Section **35A-8-1901** is enacted to read:

51 **Part 19. Youth Development Organization Restricted Account Act**

52 **35A-8-1901. Title.**

53 This part is known as the "Youth Development Organization Restricted Account Act."

54 Section 2. Section **35A-8-1902** is enacted to read:

55 **35A-8-1902. Definitions.**

56 As used in this part:

57 (1) "Account" means the Youth Development Organization Restricted Account created

58 in Section 35A-8-1903.

59 (2) "Qualified youth development organization council" means a youth development
60 organization council in the state that the division determines to be eligible to receive a
61 distribution under Section 35A-8-1904.

62 (3) "Youth development organization" means an organization that:

63 (a) is exempt from federal income taxation under Section 501(c)(3), Internal Revenue
64 Code;

65 (b) has more than 180,000 youth members within the state;

66 (c) has as its mission to prepare youth members to make ethical and moral choices over
67 their lifetimes; and

68 (d) accomplishes the mission described in Subsection (3)(c) by building character,
69 teaching citizenship, and developing personal fitness.

70 (4) "Youth development organization council" means a council that:

71 (a) is chartered by a youth development organization;

72 (b) is exempt from federal income taxation under Section 501(c)(3), Internal Revenue
73 Code;

74 (c) has more than 35,000 youth members within the state;

75 (d) covers a specified geographic area within the state;

76 (e) has as its mission to prepare youth members to make ethical and moral choices over
77 their lifetimes; and

78 (f) accomplishes the mission described in Subsection (4)(e) by building character,
79 teaching citizenship, and developing personal fitness.

80 (5) "Youth member" means a person who:

81 (a) has a valid membership in a youth development organization;

82 (b) is affiliated with a particular youth development organization council; and

83 (c) is 20 years of age or younger.

84 Section 3. Section **35A-8-1903** is enacted to read:

85 **35A-8-1903. Youth Development Organization Restricted Account -- Creation --**

86 **Interest.**

87 (1) There is created within the General Fund a restricted account known as the "Youth
88 Development Organization Restricted Account."

89 (2) The account shall be funded by:

90 (a) contributions deposited into the account in accordance with Section 59-10-1316;

91 (b) private contributions;

92 (c) donations or grants from public or private entities; and

93 (d) interest described in Subsection (3).

94 (3) (a) The account shall earn interest.

95 (b) Interest earned on the account shall be deposited into the account.

96 (4) The division shall distribute money appropriated by the Legislature to the division
97 from the restricted account as provided in Section 35A-8-1904.

98 Section 4. Section **35A-8-1904** is enacted to read:

99 **35A-8-1904. Division to distribute amounts deposited into Youth Development**
100 **Organization Restricted Account -- Procedures for distribution.**

101 (1) Subject to the other provisions of this section, the division shall distribute amounts
102 deposited into the Youth Development Organization Restricted Account in accordance with
103 Section 35A-8-1903 to one or more qualified youth development organization councils in the
104 state.

105 (2) A qualified youth development organization council that receives a distribution
106 from the division under this section shall expend the distribution only to accomplish the
107 mission of the qualified youth development organization council described in Subsection
108 35A-8-1903(4).

109 (3) An organization that seeks to receive a distribution from the division under this
110 section shall, on or before May 1 of each year, file an application with the division:

111 (a) on a form prescribed by the division;

112 (b) that contains information required by the division to establish that the organization
113 is a youth development organization council in the state; and

114 (c) that contains any other information prescribed by the commission.

115 (4) (a) The division shall, on or before June 1 of each year, determine whether an
116 organization that files an application with the division under Subsection (3) is a youth
117 development organization council in the state.

118 (b) (i) If the division determines that an organization that files an application with the
119 division under Subsection (3) is a youth development organization council, the division shall,
120 on or before June 15 of each year, issue the organization a certificate stating that the
121 organization is a qualified youth development organization council.

122 (ii) If the division determines that an organization that files an application with the
123 division under Subsection (3) is not a youth development organization council, the division
124 shall provide the organization written notice stating the reasons for its determination.

125 (5) On or before July 1 of each year, the division shall make the distributions required
126 by this section to each qualified youth development organization council as follows:

127 (a) the division shall, for each qualified youth development organization council,
128 calculate a percentage:

129 (i) the numerator of which is the youth membership of the qualified youth development
130 organization council; and

131 (ii) the denominator of which is the total youth membership of the qualified youth
132 development organization councils;

133 (b) the division shall, for each qualified youth development organization council,
134 calculate an amount by multiplying the percentage the division calculates under Subsection
135 (5)(a) by the lesser of:

136 (i) the amount the Legislature appropriates to the division from the account for the
137 fiscal year; or

138 (ii) the balance in the account as of June 1 of that year; and

139 (c) the division shall distribute the amount the division calculates under Subsection
140 (5)(b) to each qualified youth development organization council.

141 Section 5. Section **35A-8-2001** is enacted to read:

142 **Part 20. Youth Character Organization Restricted Account Act**

143 **35A-8-2001. Title.**

144 This part is known as the "Youth Character Organization Restricted Account Act."

145 Section 6. Section **35A-8-2002** is enacted to read:

146 **35A-8-2002. Definitions.**

147 As used in this part:

148 (1) "Account" means the Youth Character Organization Restricted Account created in
149 Section 35A-8-2003.

150 (2) "Qualified youth character organization council" means a youth character
151 organization council in the state that the division determines to be eligible to receive a
152 distribution under Section 35A-8-2004.

153 (3) "Youth character organization" means an organization that is chartered under 36
154 U.S.C. Sec. 80301.

155 (4) "Youth character organization council" means a council that:

156 (a) is chartered by a youth character organization;

157 (b) is exempt from federal income taxation under Section 501(c)(3), Internal Revenue
158 Code; and

159 (c) covers a specified geographic area that includes a geographic area within the state.

160 (5) "Youth member" means a person who:

161 (a) has a valid membership in a youth character organization;

162 (b) is affiliated with a particular youth character organization council; and

163 (c) is 18 years of age or younger.

164 Section 7. Section **35A-8-2003** is enacted to read:

165 **35A-8-2003. Youth Character Organization Restricted Account -- Creation --**
166 **Interest.**

167 (1) There is created within the General Fund a restricted account known as the "Youth
168 Character Organization Restricted Account."

169 (2) The account shall be funded by:

- 170 (a) contributions deposited into the account in accordance with Section 59-10-1317;
- 171 (b) private contributions;
- 172 (c) donations or grants from public or private entities; and
- 173 (d) interest described in Subsection (3).
- 174 (3) (a) The account shall earn interest.
- 175 (b) Interest earned on the account shall be deposited into the account.
- 176 (4) The division shall distribute money appropriated by the Legislature to the division
- 177 from the restricted account as provided in Section 35A-8-2004.

178 Section 8. Section **35A-8-2004** is enacted to read:

179 **35A-8-2004. Division to distribute amounts deposited into Youth Character**
180 **Organization Restricted Account -- Procedures for distribution.**

181 (1) Subject to the other provisions of this section, the division shall distribute amounts
182 deposited into the Youth Character Organization Restricted Account in accordance with
183 Section 35A-8-2003 to one or more qualified youth character organization councils in the state.

184 (2) A qualified youth character organization that receives a distribution from the
185 division under this section shall expend the distribution only to accomplish the purposes
186 described in 36 U.S.C. Sec. 80302.

187 (3) An organization that seeks to receive a distribution from the division under this
188 section shall, on or before May 1 of each year, file an application with the division:

- 189 (a) on a form prescribed by the division;
- 190 (b) that contains information required by the division to establish that the organization
- 191 is a youth character organization council in the state; and

192 (c) that contains any other information prescribed by the commission.

193 (4) (a) The division shall, on or before June 1 of each year, determine whether an
194 organization that files an application with the division under Subsection (3) is a youth character
195 organization council in the state.

196 (b) (i) If the division determines that an organization that files an application with the
197 division under Subsection (3) is a youth character organization council, the division shall, on or

198 before June 15 of each year, issue the organization a certificate stating that the organization is a
199 qualified youth character organization council.

200 (ii) If the division determines that an organization that files an application with the
201 division under Subsection (3) is not a youth character organization council, the division shall
202 provide the organization written notice stating the reasons for its determination.

203 (5) On or before July 1 of each year, the division shall make the distributions required
204 by this section to each qualified youth character organization council as follows:

205 (a) the division shall, for each qualified youth character organization council, calculate
206 a percentage:

207 (i) the numerator of which is the youth membership of the qualified youth character
208 organization council; and

209 (ii) the denominator of which is the total youth membership of the qualified youth
210 character organization councils;

211 (b) the division shall, for each qualified youth character organization council, calculate
212 an amount by multiplying the percentage the division calculates under Subsection (5)(a) by the
213 lesser of:

214 (i) the amount the Legislature appropriates to the division from the account for the
215 fiscal year; or

216 (ii) the balance in the account as of June 1 of that year; and

217 (c) the division shall distribute the amount the division calculates under Subsection
218 (5)(b) to each qualified youth character organization council.

219 Section 9. Section **59-10-1304** is amended to read:

220 **59-10-1304. Removal of designation and prohibitions on collection for certain**
221 **contributions on income tax return -- Conditions for removal and prohibitions on**
222 **collection -- Commission reporting requirements.**

223 (1) (a) If a contribution or combination of contributions described in Subsection (1)(b)
224 generate less than \$30,000 per year for three consecutive years, the commission shall remove
225 the designation for the contribution from the individual income tax return and may not collect

226 the contribution from a resident or nonresident individual beginning two taxable years after the
227 three-year period for which the contribution generates less than \$30,000 per year.

228 (b) The following contributions apply to Subsection (1)(a):

229 (i) the contribution provided for in Section 59-10-1305;

230 (ii) the contribution provided for in Section 59-10-1306;

231 (iii) the sum of the contributions provided for in Subsection 59-10-1307(1);

232 (iv) the contribution provided for in Section 59-10-1308;

233 (v) the contribution provided for in Section 59-10-1310; [or]

234 (vi) the contribution provided for in Section 59-10-1315[-]; or

235 (vii) the sum of the contributions provided for in:

236 (A) Section 59-10-1316; and

237 (B) Section 59-10-1317.

238 (2) If the commission removes the designation for a contribution under Subsection (1),
239 the commission shall report to the Revenue and Taxation Interim Committee that the
240 commission removed the designation on or before the November interim meeting of the year in
241 which the commission determines to remove the designation.

242 Section 10. Section **59-10-1316** is enacted to read:

243 **59-10-1316. Contribution to Youth Development Organization Restricted**

244 **Account.**

245 (1) Except as provided in Section 59-10-1304, for a taxable year beginning on or after
246 January 1, 2013, a resident or nonresident individual who files an individual income tax return
247 under this chapter may designate on the resident or nonresident individual's individual income
248 tax return a contribution as provided in this section to be:

249 (a) deposited into the Youth Development Organization Restricted Account created in
250 Section 35A-8-1903; and

251 (b) expended as provided in Title 35A, Chapter 8, Part 19, Youth Development
252 Organization Restricted Account Act.

253 (2) The commission shall:

254 (a) determine the total amount of contributions designated in accordance with this
255 section for a taxable year; and

256 (b) credit the amount described in Subsection (2)(a) to the Youth Development
257 Organization Restricted Account.

258 Section 11. Section **59-10-1317** is enacted to read:

259 **59-10-1317. Contribution to Youth Character Organization Restricted Account.**

260 (1) Except as provided in Section 59-10-1304, for a taxable year beginning on or after
261 January 1, 2013, a resident or nonresident individual who files an individual income tax return
262 under this chapter may designate on the resident or nonresident individual's individual income
263 tax return a contribution as provided in this section to be:

264 (a) deposited into the Youth Character Organization Restricted Account created in
265 Section 35A-8-2003; and

266 (b) expended as provided in Title 35A, Chapter 8, Part 20, Youth Character
267 Organization Restricted Account Act.

268 (2) The commission shall:

269 (a) determine the total amount of contributions designated in accordance with this
270 section for a taxable year; and

271 (b) credit the amount described in Subsection (2)(a) to the Youth Character
272 Organization Restricted Account.

273 Section 12. Section **63J-1-602.2 (Effective 07/01/13)** is amended to read:

274 **63J-1-602.2 (Effective 07/01/13). List of nonlapsing funds and accounts -- Title 31**
275 **through Title 45.**

276 (1) Appropriations from the Technology Development Restricted Account created in
277 Section 31A-3-104.

278 (2) Appropriations from the Criminal Background Check Restricted Account created in
279 Section 31A-3-105.

280 (3) Appropriations from the Captive Insurance Restricted Account created in Section
281 31A-3-304, except to the extent that Section 31A-3-304 makes the money received under that

282 section free revenue.

283 (4) Appropriations from the Title Licensee Enforcement Restricted Account created in
284 Section 31A-23a-415.

285 (5) Appropriations from the Health Insurance Actuarial Review Restricted Account
286 created in Section 31A-30-115.

287 (6) Appropriations from the Insurance Fraud Investigation Restricted Account created
288 in Section 31A-31-108.

289 (7) Appropriations from the Underage Drinking Prevention Media and Education
290 Campaign Restricted Account created in Section 32B-2-306.

291 (8) The Youth Development Organization Restricted Account created in Section
292 35A-8-1903.

293 (9) The Youth Character Organization Restricted Account created in Section
294 35A-8-2003.

295 [~~8~~] (10) Funding for a new program or agency that is designated as nonlapsing under
296 Section 36-24-101.

297 [~~9~~] (11) Appropriations from the Oil and Gas Conservation Account created in
298 Section 40-6-14.5.

299 [~~10~~] (12) Appropriations from the Electronic Payment Fee Restricted Account
300 created by Section 41-1a-121 to the Motor Vehicle Division.

301 [~~11~~] (13) Funds available to the Tax Commission under Section 41-1a-1201 for the:

302 (a) purchase and distribution of license plates and decals; and

303 (b) administration and enforcement of motor vehicle registration requirements.

304 Section 13. **Effective date -- Retrospective operation.**

305 (1) Except as provided in Subsection (2), this bill takes effect on January 1, 2014.

306 (2) The actions affecting the following sections have retrospective operation for a
307 taxable year beginning on or after January 1, 2013:

308 (a) Section 59-10-1304;

309 (b) Section 59-10-1316; and

310

(c) Section 59-10-1317.