

Federal Tax Reform

Jonathan Ball, Director

Office of Legislative Fiscal Analyst



Leif Elder, Policy Analyst

Office of Legislative Research and
General Counsel



Two Levels of Income Taxes Impacted

Federal Tax Reform

Impact on Utahans

FEDERAL Income Tax
Liability

Individuals

Businesses

STATE Income Tax
Liability

Individuals

Businesses

Key Changes to **Federal Individual** Income Tax

Note that Most changes begin in 2018 and expire
after 2025

Key Changes to Federal Individual Income Tax

Generally:

- Rates go 
- Bracket thresholds go 

| Rate | Bracket Thresholds* |
|-----------------------------|---------------------------------------|
| 10% | \$0 |
| 15% <u>12%</u> | \$19,050 |
| 25% <u>22%</u> | \$77,400 |
| 28% <u>24%</u> | \$156,150 <u>\$165,000</u> |
| 33% <u>32%</u> | \$237,950 <u>\$315,000</u> |
| 35% | \$424,950 <u>\$400,000</u> |
| 39.6% <u>37%</u> | \$480,050 <u>\$600,000</u> |

*Bracket thresholds shown are for married taxpayers filing a joint return.

Key Changes to **Federal Individual Income Tax**

- Increases federal Adjusted Gross Income (AGI) by repealing deductions for:
 - Moving expenses
 - Alimony payments (2019)
- Decreases AGI by no longer counting alimony as income
- These are marginal changes
- **AGI is the starting point for Utah's individual income tax**

Key Changes to **Federal Individual** Income Tax

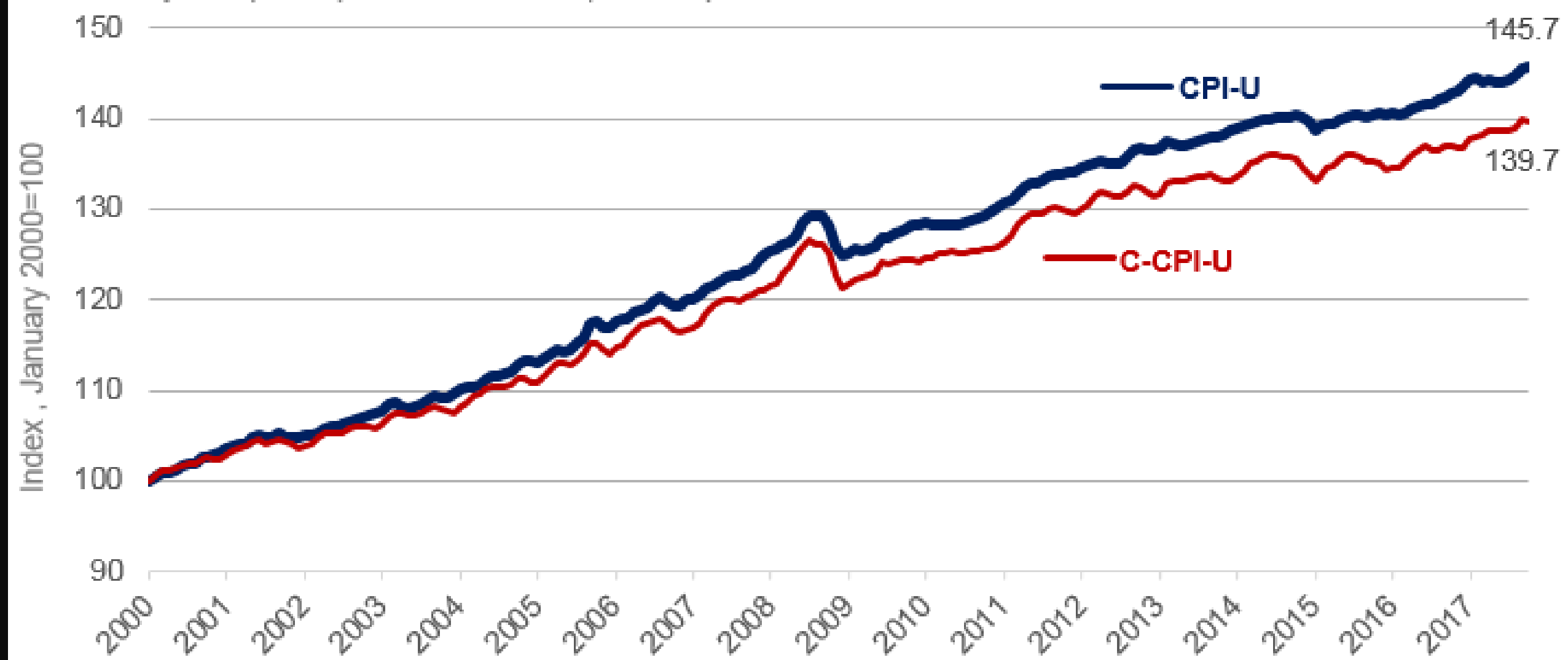
- Repeals itemized deductions (casualty/theft losses; Job expenses)
- Limits mortgage interest deduction
 - New purchases (~~\$1,000,000~~ \$750,000)
 - Eligible equity debt must be used to “buy, build, or substantially improve your home”
- Caps deductions for state and local taxes at \$10,000
- Charitable deduction is largely kept the same
- Repeals the limit on total itemized deductions

Key Changes to **Federal Individual Income Tax**

- Nearly doubles the standard deduction (~~\$13,000~~ \$24,000)
- Repeals personal exemptions (~~\$4,050~~ \$0)
- Increases the child tax credit (~~\$1,000~~ \$2,000)
 - \$1,400 refundable (indexed)
 - Child must have SSN
- Creates a new \$500 family tax credit for dependents ineligible for the child tax credit

Key Changes to **Federal Individual** Income Tax

- Expands use of 529 accounts (think UESP) to include K-12 education expenses
 - Includes expenses for private school and homeschool
 - Utah offers an income tax credit for contributions to a UESP 529 account
 - 2017 credit cap is \$192 (indexed for inflation)
 - In 2016, 16,941 people claimed credits totaling \$2.8 million



Key Changes to Federal Individual
Income Tax

Traditional CPI **Chained**
CPI used to index
brackets and credits

Key Changes to **Federal Individual** Income Tax

- What's the impact on Utahans' federal income tax liability?
 - Most people should see a tax cut
 - How much of a cut depends on a variety of factors
 - Online tax calculators
 - One group that is likely to face an increase: Upper middle income families that have dependents older than 17
 - Trade \$4050 exemption for a \$500 credit
- The IRS and State Tax Commission do not provide us with sufficient data to calculate total impacts for all Utahans

Key Changes to **Federal Business** Income Taxes

Key Changes to **Federal Business** Income Taxes

- 21% single-rate corporate income tax
- New 20% deduction for certain Pass-through entities
 - Based on Qualified Business Income (QBI)
 - Capped at 50% of pass-throughs' employees' W-2 wages
 - Deduction phases out beginning at \$157k/\$315k
 - Not sure if it will be considered an itemized deduction
 - Pass-through entities get the same rate reductions as individuals (see slide 4)

Key Changes to **Federal Business** Income Taxes

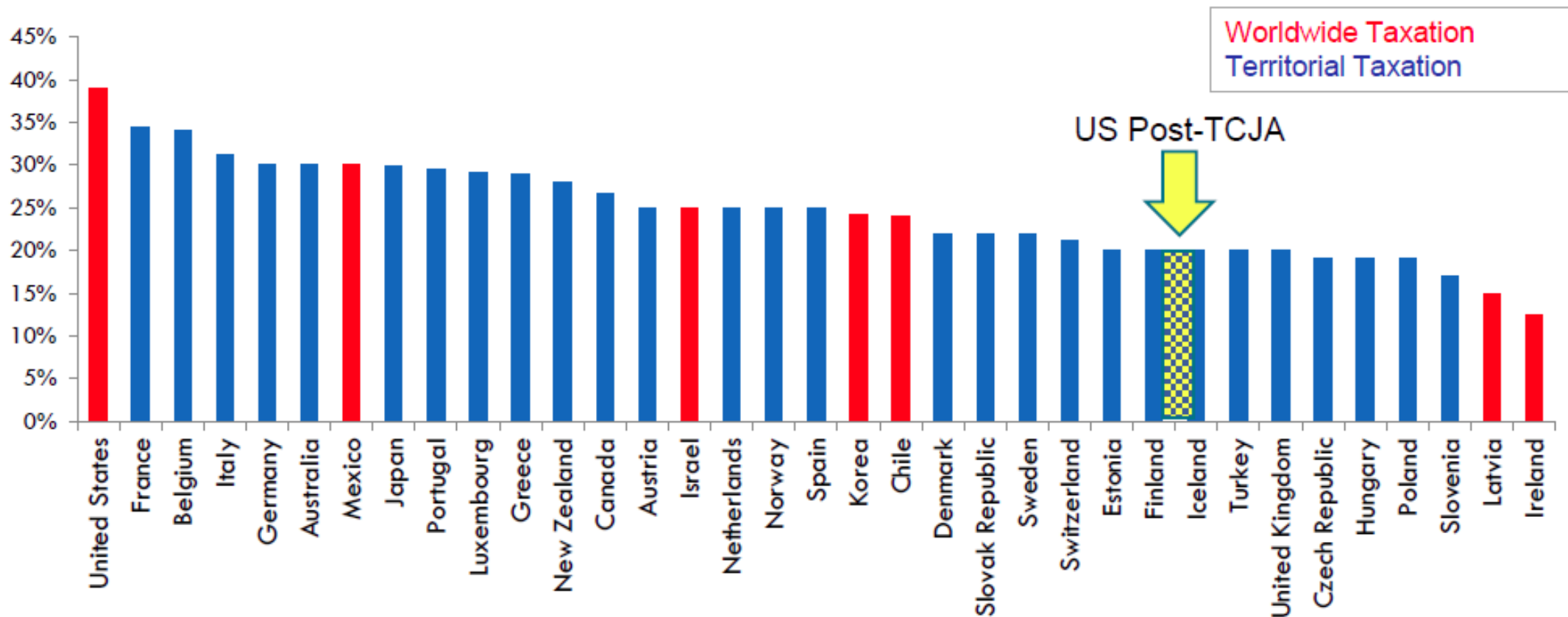
- Changes taxation of multinational entities from a worldwide system to a territorial system (anti-abuse rules)
- “Deemed repatriation” for income stashed over seas
 - All foreign profits are deemed to have been brought back to U.S. and immediately taxed
 - 15.5% rate on liquid assets
 - 8% rate on other assets
 - Estimated \$2.6 trillion in untaxed earnings over seas
 - Raises \$339 billion over 10 years

What were the drivers of federal tax reform?



Improve the International Competitiveness of the US Corporate Income Tax System

CIT Rate



Key Changes to **Federal Business** Income Taxes

- Modifies the Section 179 expensing election (small business)
 - Raises the depreciation cap (~~\$500k~~ \$1 million)
 - Increases phaseout threshold (~~\$2 million~~ \$2.5 million)
- Modifies bonus depreciation for business property
 - Acquired and placed in service after September 27, 2017
 - ~~50%~~ 100% expensing through 2022
 - Phases down to 20% from 2023 to 2026
 - New and used property

Key Changes to Federal Business Income Taxes

- Caps the net interest deduction at 30% of adjusted taxable income
- Repeals corporate Alternative Minimum Tax (AMT)
- Changes treatment of Net Operating Loss (NOL)
 - ~~2 year~~ No carryback
 - ~~20 year~~ Infinite carryforward with 80% of taxable income limitation)
 - Utah has a limited 3 year carryback and a 15 year carryforward

Key Changes to **Federal Business** Income Taxes

- **What's the impact?**

- Most economist say it will provide a boost to the U.S. economy
 - Size and length of “boost” is debatable
 - Estimated average yearly increase in GDP growth over 10 years is between 0.05 and 0.12 percentage points
- Businesses are expecting to see a big increase in profits
 - How will businesses spend the increased profits?
 - Jobs, capital expenditures, bonuses and raises, shareholders
- Increase the deficit (\$500 billion and \$1.5 trillion over 10 years)

Bringing it Home

How Federal Tax Reform Impacts Utah

Individual Connections

Form 1040 (2016) Page 2

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38

39a Check You were born before January 2, 1952, Blind, Total boxes checked 39a
if: Spouse was born before January 2, 1952, Blind.

b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b

Standard Deduction for

40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40

41 Subtract line 40 from line 38 41

42 Exemptions. If line 38 is \$15,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions 42

43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43

44 Tax (see instructions). Check if any from: a Form(s) 8814 b Form 4972 c 44

45 Alternative minimum tax (see instructions). Attach Form 6251 45

46 Excess advance premium tax credit repayment. Attach Form 8962 46

47 Add lines 44, 45, and 46 47

48 Foreign tax credit. Attach Form 1116 if required 48

49 Credit for child and dependent care expenses. Attach Form 2441 49

50 Education credits from Form 8863, line 19 50

51 Retirement savings contributions credit. Attach Form 8880 51

52 Child tax credit. Attach Schedule 8812, if required 52

53 Residential energy credits. Attach Form 5695 53

54 Other credits from Form: a 3800 b 8801 c 54

55 Add lines 48 through 54. These are your total credits 55

56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- 56

Other Taxes

57 Self-employment tax. Attach Schedule SE 57

58 Unreported social security and Medicare tax from Form: a 4137 b 8919 58

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59

60a Household employment taxes from Schedule H 60a

b First-time homebuyer credit repayment. Attach Form 5405 if required 60b

61 Health care: individual responsibility (see instructions). Full-year coverage 61

62 Taxes from: a Form 8959 b Form 8960 c Instructions; enter code(s) 62

63 Add lines 56 through 62. This is your total tax 63

Payments

64 Federal income tax withheld from Forms W-2 and 1099 64

65 2016 estimated tax payments and amount applied from 2015 return 65

66a Earned income credit (EIC) 66a

b Nontaxable combat pay election 66b

67 Additional child tax credit. Attach Schedule 8812 67

68 American opportunity credit from Form 8863, line 8 68

69 Net premium tax credit. Attach Form 8962 69

70 Amount paid with request for extension to file 70

71 Excess social security and tier 1 RRTA tax withheld 71

72 Credit for federal tax on fuels. Attach Form 4136 72

73 Credits from Form: a 2439 b Reserved c 8885 d 73

74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments 74

Refund

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid 75

76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here 76a

b Routing number c Type: Checking Savings 76b

d Account number 76c

77 Amount of line 75 you want applied to your 2017 estimated tax 77

Amount You Owe

78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions 78

79 Estimated tax penalty (see instructions) 79

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete below. No

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

If the IRS sent you an identity protection PIN, enter it here (see instr.):

Print/Type preparer's name Preparer's signature Date Check if self-employed PTIN

Firm's name Firm's EIN

Firm's address Phone no.

www.irs.gov/form1040 Form 1040 (2016)

Federal Itemized or Standard Deduction Amount

40701
9998

Clear form

Utah State Tax Commission
Utah Individual Income Tax Return
All State Income Tax Dollars Fund Education

2017 TC-40

Amended Return - enter code: (code 1 - 5 from instructions)

Your Social Security No. Your first name Your last name Fully-yr Resident? Y/N

Spouse's Soc. Sec. No. Spouse's first name Spouse's last name

Address Telephone number

City State ZIP+4 Foreign country (if not U.S.)

If deceased, complete page 3, Part 1

1 Filing Status - enter code

1 = Single
2 = Married filing jointly
3 = Married filing separately
4 = Head of household
5 = Qualifying widow(er)

2 Exemptions - enter number

a Yourself*
b Spouse*
c Dependents*
d Dependents with a disability
e Total exemptions (add a through d) * from federal return

3 Election Campaign Fund

Does not increase your tax or reduce your refund.
Enter the code for the party of your choice. Yourself Spouse
See instructions for code letters or go to incometax.utah.gov/elect
If no contribution, enter N.

4 Federal adjusted gross income from federal return 4 .00

5 Additional income from TC-40A, Part 1 (attach TC-40A, page 1) 5 .00

6 Total income - add lines 4 and line 5 6 .00

7 State tax refund included on federal Form 1040, line 10, if any 7 .00

8 Subtractions from income from TC-40A, Part 1 (attach TC-40A, page 1) 8 .00

9 Utah taxable income (loss) - subtract the sum of lines 7 and 8 from line 6 9 .00

10 Utah tax - multiply line 9 by 5% (.05) (not less than zero) 10 .00

11 Exemption amount - multiply line 2e by \$3,038 (if line 4 over \$156,900, see instr.) 11 .00

12 Federal standard or itemized deductions 12 .00

13 Add line 11 and line 12 13 .00

14 State income tax deducted on federal Schedule A, line 5, if any 14 .00

15 Subtract line 14 from line 13 15 .00

16 Initial credit before phase-out - multiply line 15 by 6% (.06) 16 .00

17 Enter: \$13,978 (if single or married filing separately); \$20,968 (if head of household); or \$27,956 (if married filing jointly or qualifying widower) 17 .00

18 Income subject to phase-out - subtract line 17 from line 9 (not less than zero) 18 .00

19 Phase-out amount - multiply line 18 by 1.3% (.013) 19 .00

20 Taxpayer tax credit - subtract line 19 from line 16 (not less than zero) 20 .00

21 If you are a qualified exempt taxpayer, enter "X" (complete worksheet in instr.) 21 .00

22 Utah income tax - subtract line 20 from line 10 (not less than zero) 22 .00

Electronic filing is quick, easy and free, and will speed up your refund.
To learn more, go to tap.utah.gov

Utah Taxpayer Tax Credit

- • **Credit base** is 6% of the sum of **exemptions** and **deductions**
 - Exemptions: number of Utah exemptions times 75% of the federal personal exemption amount (\$3,038 per Utah exemption)
 - Deductions:
 - (1) standard deduction (\$6,300 for single filers and \$12,600 for married filers); or
 - (2) itemized deductions less state and local income taxes deducted
- **Credit phaseout** is 1.3 cents per dollar of income in excess of:
 - Filing single/married filing separately, \$13,867
 - Married filing jointly/qualifying widow(er), \$27,734

Big Levers - Individual

- Impact on Utah Tax Liability/Revenue:

- Elimination of **Personal Exemption** 

- Doubling of **Standard Deduction** 

- Limitations on **Itemized Deductions** 

- Increased Child/Family Tax Credit 

Corporate Connections

Form 1120 U.S. Corporation Income Tax Return
 Department of the Treasury Internal Revenue Service
 For calendar year 2016 or tax year beginning _____, 2016, ending _____, 2016
 OMB No. 1545-0123
 Information about Form 1120 and its separate instructions is at www.irs.gov/form1120.

A Check if:
 1a Consolidated return (attach Form 951)
 b Life/nonlife consolidated return
 2 Personal holding co. (attach Sch. PH)
 3 Personal service corp. (see instructions)
 4 Schedule M-3 attached

TYPE OR PRINT

Name _____
 Number, street, and room or suite no. If a P.O. box, see instructions. _____
 City or town, state, or province, country, and ZIP or foreign postal code _____

B Employer identification number _____
C Date incorporated _____
D Total assets (see instructions) \$ _____

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

| | | | |
|-----|---|-----|--|
| 1a | Gross receipts or sales | 1a | |
| b | Returns and allowances | 1b | |
| c | Balance. Subtract line 1b from line 1a | 1c | |
| 2 | Cost of goods sold (attach Form 1125-A) | 2 | |
| 3 | Gross profit. Subtract line 2 from line 1c | 3 | |
| 4 | Dividends (Schedule C, line 19) | 4 | |
| 5 | Interest | 5 | |
| 6 | Gross rents | 6 | |
| 7 | Gross royalties | 7 | |
| 8 | Capital gain net income (attach Schedule D (Form 1120)) | 8 | |
| 9 | Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) | 9 | |
| 10 | Other income (see instructions—attach statement) | 10 | |
| 11 | Total income. Add lines 3 through 10 | 11 | |
| 12 | Compensation of officers (see instructions—attach Form 1125-E) | 12 | |
| 13 | Salaries and wages (less employment credits) | 13 | |
| 14 | Repairs and maintenance | 14 | |
| 15 | Bad debts | 15 | |
| 16 | Rents | 16 | |
| 17 | Taxes and licenses | 17 | |
| 18 | Interest | 18 | |
| 19 | Charitable contributions | 19 | |
| 20 | Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) | 20 | |
| 21 | Depletion | 21 | |
| 22 | Advertising | 22 | |
| 23 | Pension, profit-sharing, etc., plans | 23 | |
| 24 | Employee benefit programs | 24 | |
| 25 | Domestic production activities deduction (attach Form 8903) | 25 | |
| 26 | Other deductions (attach statement) | 26 | |
| 27 | Total deductions. Add lines 12 through 26 | 27 | |
| 28 | Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. | 28 | |
| 29a | Net operating loss deduction (see instructions) | 29a | |
| b | Special deductions (Schedule C, line 20) | 29b | |
| c | Add lines 29a and 29b | 29c | |

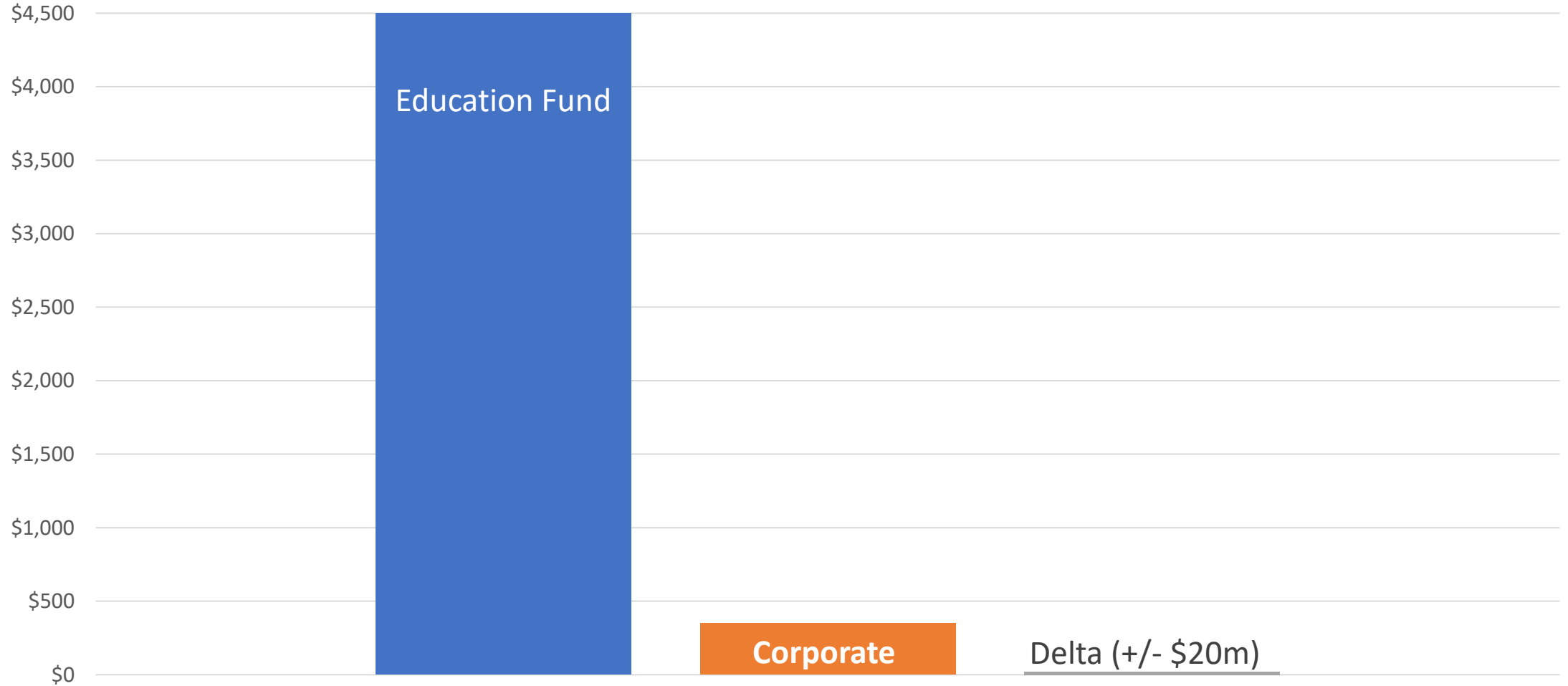
Taxable
Income

Schedule A - Utah Net Taxable Income and Tax Calculation
 20703 EIN _____

TC-20, Sch. A Pg. 1
 2017

| | | | |
|----|---|------|----------------------|
| 1 | Unadjusted income (loss) before NOL and special deductions from federal form 1120, line 28 | • 1 | _____ |
| 2 | Additions to unadjusted income from Schedule B, line 15 | • 2 | _____ |
| 3 | Add line 1 and line 2 | • 3 | _____ |
| 4 | Subtractions from unadjusted income from Schedule C, line 17 | • 4 | _____ |
| 5 | Adjusted income (loss) - subtract line 4 from line 3 | • 5 | _____ |
| 6 | Utah net nonbusiness income from Schedule H, line 14 | • 6 | _____ |
| 7 | Non-Utah net nonbusiness income from Schedule H, line 28 | • 7 | _____ |
| 8 | Total nonbusiness income net of expenses - add line 6 and line 7 | • 8 | _____ |
| 9 | Apportionable income (loss) before contributions deduction - subtract line 8 from line 5 | • 9 | _____ |
| 10 | Utah contributions deduction from Schedule D, line 6 | • 10 | _____ |
| 11 | Apportionable income (loss) - subtract line 10 from line 9 | • 11 | _____ |
| 12 | Apportionment fraction - enter 1.000000, or Schedule J, line 9, 13 or 14, if applicable | • 12 | _____ |
| 13 | Apportioned income (loss) - multiply line 11 by line 12 | • 13 | _____ |
| 14 | Utah net nonbusiness income (from line 6 above) | • 14 | _____ |
| 15 | Utah income (loss) before Utah net loss deduction - add line 13 and line 14 If line 15 is a loss AND you made an election to forego the federal net operating loss carryback, do you also elect to forego the Utah net loss carryback? (See instructions.) | • 15 | _____ Yes • _____ No |
| 16 | Utah net loss carried forward from prior years (attach documentation) | • 16 | _____ |
| 17 | Net Utah taxable income (loss) - subtract line 16 from line 15 | • 17 | _____ |
| 18 | Calculation of tax (see instructions): | | _____ |

Orders of Magnitude on Corporate



Other Business Connections...

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2016** U.S. Individual Income Tax Return OMB No. 1545-0074 IRB Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2016, or other tax year beginning _____, 2016, ending _____, 2016

Your first name and initial _____ Last name _____ Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Foreign country name _____ Foreign province/state/country _____ Foreign postal code _____

Filing Status

1 Single
 2 Married filing jointly (even if only one had income)
 3 Married filing separately. Enter spouse's SSN above and full name here. ▶
 4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
 5 Qualifying widow(er) with dependent child

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a.
 b Spouse

Dependents:

| (1) First name | Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) <input type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions) |
|----------------|-----------|--|-------------------------------------|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

If more than four dependents, see instructions and check here ▶

Income

| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | 7 |
|-----|--|-----|
| 8a | Taxable interest. Attach Schedule B if required | 8a |
| b | Tax-exempt interest. Do not include on line 8a | 8b |
| 9a | Ordinary dividends. Attach Schedule B if required | 9a |
| b | Qualified dividends | 9b |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes | 10 |
| 11 | Alimony received | 11 |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | 12 |
| 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/> | 13 |
| 14 | Other gains or (losses). Attach Form 4797 | 14 |
| 15a | IRA distributions | 15a |
| b | Taxable amount | 15b |
| 16a | Pensions and annuities | 16a |
| b | Taxable amount | 16b |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 17 |
| 18 | Farm income or (loss). Attach Schedule F | 18 |
| 19 | Unemployment compensation | 19 |
| 20a | Social security benefits | 20a |
| b | Taxable amount | 20b |
| 21 | Other income. List type and amount | 21 |
| 22 | Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ | 22 |
| 23 | Educator expenses | 23 |
| 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | 24 |
| 25 | Health savings account deduction. Attach Form 8889 | 25 |
| 26 | Moving expenses. Attach Form 3903 | 26 |
| 27 | Deductible part of self-employment tax. Attach Schedule SE | 27 |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | 28 |
| 29 | Self-employed health insurance deduction | 29 |
| 30 | Penalty on early withdrawal of savings | 30 |
| 31a | Alimony paid b Recipient's SSN ▶ | 31a |
| 32 | IRA deduction | 32 |
| 33 | Student loan interest deduction | 33 |
| 34 | Tuition and fees. Attach Form 8917 | 34 |
| 35 | Domestic production activities deduction. Attach Form 8903 | 35 |
| 36 | Add lines 23 through 35 | 36 |
| 37 | Subtract line 36 from line 22. This is your adjusted gross income ▶ | 37 |

Adjusted Gross Income

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113209 Form **1040** (2016)

AGI

40701 _____

9998 _____

Clear form

Utah State Tax Commission
2017
TC-40
 All State Income Tax Dollars Fund Education

Amended Return - enter code: _____ (code 1 - 5 from instructions)

Full-yr Resident? Y/N

Your Social Security No. _____ Your first name _____ Your last name _____

Spouse's Soc. Sec. No. _____ Spouse's first name _____ Spouse's last name _____

Address _____ Telephone number _____

City _____ State _____ ZIP+4 _____ Foreign country (if not U.S.) _____

If deceased, complete page 3, Part 1

1 Filing Status - enter code

1 = Single
 2 = Married filing jointly
 3 = Married filing separately
 4 = Head of household
 5 = Qualifying widow(er)

2 Exemptions - enter number

a Yourself*
 b Spouse*
 c Dependents*
 d Dependents with a disability
 e Total exemptions (add a through d) * from federal return

3 Election Campaign Fund

Does not increase your tax or reduce your refund.
 Enter the code for the party of your choice. Yourself Spouse
 See instructions for code letters or go to incometax.utah.gov/elect
 If no contribution, enter N.

4 Federal adjusted gross income from federal return • 4 _____ .00

5 Additions to income from TC-40A, Part 1 (attach TC-40A, page 1) • 5 _____ .00

6 Total income - add line 4 and line 5 • 6 _____ .00

7 State tax refund included on federal form 1040, line 10, if any • 7 _____ .00

8 Subtractions from income from TC-40A, Part 2 (attach TC-40A, page 1) • 8 _____ .00

9 Utah taxable income (loss) - subtract the sum of lines 7 and 8 from line 6 • 9 _____ .00

10 Utah tax - multiply line 9 by 5% (.05) (not less than zero) • 10 _____ .00

11 Exemption amount - multiply line 2e by .038 (if line 4 over \$156,900, see instr.) • 11 _____ .00

12 Federal standard or itemized deductions • 12 _____ .00

13 Add line 11 to line 12 • 13 _____ .00

14 State income tax deducted on federal Schedule A, line 5, if any • 14 _____ .00

15 Subtract line 14 from line 13 • 15 _____ .00

16 Initial credit before phase-out - multiply line 15 by 6% (.06) • 16 _____ .00

17 Enter: **\$13,978** (if single or married filing separately); **\$20,968** (if head of household); or **\$27,956** (if married filing jointly or qualifying widower) • 17 _____ .00

18 Income subject to phase-out - subtract line 17 from line 9 (not less than zero) • 18 _____ .00

19 Phase-out amount - multiply line 18 by 1.3% (.013) • 19 _____ .00

20 Taxpayer tax credit - subtract line 19 from line 16 (not less than zero) • 20 _____ .00

21 If you are a qualified exempt taxpayer, enter "X" (complete worksheet in instr.) • 21 _____ .00

22 Utah income tax - subtract line 20 from line 10 (not less than zero) • 22 _____ .00

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 To learn more, go to tap.utah.gov

...Or maybe this...

Form 1040 (2016) Page 2

Tax and Credits

38 Amount from line 37 (adjusted gross income) 38

39a Check You were born before January 2, 1952, Blind, Total boxes checked 39a
if: Spouse was born before January 2, 1952, Blind.

b If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b

Standard Deduction for

40 Itemized deductions (from Schedule A) or your standard deduction (see left margin) 40

41 Subtract line 40 from line 38 41

42 Exemptions. If line 38 is \$156,900 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions 42

43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- 43

44 Tax (see instructions). Check if any from: a Form(s) 8814 b Form 4972 c 44

45 Alternative minimum tax (see instructions). Attach Form 6251 45

46 Excess advance premium tax credit repayment. Attach Form 8962 46

47 Add lines 44, 45, and 46 47

48 Foreign tax credit. Attach Form 1116 if required 48

49 Credit for child and dependent care expenses. Attach Form 2441 49

50 Education credits from Form 8863, line 19 50

51 Retirement savings contributions credit. Attach Form 8880 51

52 Child tax credit. Attach Schedule 8812, if required 52

53 Residential energy credits. Attach Form 5695 53

54 Other credits from Form: a 3800 b 8801 c 54

55 Add lines 48 through 54. These are your total credits 55

56 Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- 56

Other Taxes

57 Self-employment tax. Attach Schedule SE 57

58 Unreported social security and Medicare tax from Form: a 4137 b 8919 58

59 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required 59

60a Household employment taxes from Schedule H 60a

b First-time homebuyer credit repayment. Attach Form 5405 if required 60b

61 Health care: individual responsibility (see instructions). Full-year coverage 61

62 Taxes from: a Form 8959 b Form 8960 c Instructions; enter code(s) 62

63 Add lines 58 through 62. This is your total tax 63

Payments

64 Federal income tax withheld from Forms W-2 and 1099 64

65 2016 estimated tax payments and amount applied from 2015 return 65

66a Earned income credit (EIC) 66a

b Nontaxable combat pay election 66b

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73 Credits from Form: a 2439 b Reserved c 8885 d 73

74 Add lines 64, 65, 66a, and 67 through 73. These are your total payments 74

Refund

75 If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid 75

76a Amount of line 75 you want refunded to you. If Form 8888 is attached, check here 76a

b Routing number c Type: Checking Savings 76b

d Account number 76c

77 Amount of line 75 you want applied to your 2017 estimated tax 77

Amount You Owe

78 Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions 78

79 Estimated tax penalty (see instructions) 79

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? Yes. Complete below. No

Designee's name Phone no. Personal identification number (PIN)

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date Your occupation Daytime phone number

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

If the IRS sent you an identity protection PIN, enter it here (see instr.):

Print/Type preparer's name Preparer's signature Date

Check if self-employed PTIN

Firm's name Firm's EIN

Firm's address Phone no.

www.irs.gov/form1040 Form 1040 (2016)

New 20% deduction may be an Itemized or added to the Standard Deduction

40701
9998

Clear form

Utah State Tax Commission
Utah Individual Income Tax Return
All State Income Tax Dollars Fund Education

2017 TC-40

Amended Return - enter code: (code 1 - 5 from instructions)

Fully-yr Resident? Y/N

Your Social Security No. Your first name Your last name

Spouse's Soc. Sec. No. Spouse's first name Spouse's last name

Address Telephone number

City State ZIP+4 Foreign country (if not U.S.)

If deceased, complete page 3, Part 1

1 Filing Status - enter code

- 1 = Single
- 2 = Married filing jointly
- 3 = Married filing separately
- 4 = Head of household
- 5 = Qualifying widow(er)

2 Exemptions - enter number

- a Yourself*
- b Spouse*
- c Dependents*
- d Dependents with a disability
- e Total exemptions (add a through d) * from federal return

3 Election Campaign Fund

Does not increase your tax or reduce your refund.

Enter the code for the party of your choice. Yourself Spouse

See instructions for code letters or go to incometax.utah.gov/elect. If no contribution, enter N.

4 Federal adjusted gross income from federal return 4

5 Additional income from TC-40A, Part 1 (attach TC-40A, page 1) 5

6 Total income - add lines 4 and line 5 6

7 State tax refund included on federal Form 1040, line 10, if any 7

8 Subtractions from income from TC-40A, Part 1 (attach TC-40A, page 1) 8

9 Utah taxable income (loss) - subtract the sum of lines 7 and 8 from line 6 9

10 Utah tax - multiply line 9 by 5% (.05) (not less than zero) 10

11 Exemption amount - multiply line 2e by \$3,038 (if line 4 over \$156,900, see instr.) 11

12 Federal standard or itemized deductions 12

13 Add line 11 and line 12 13

14 State income tax deducted on federal Schedule A, line 5, if any 14

15 Subtract line 14 from line 13 15

16 Initial credit before phase-out - multiply line 15 by 6% (.06) 16

17 Enter: \$13,978 (if single or married filing separately); \$20,968 (if head of household); or \$27,956 (if married filing jointly or qualifying widower) 17

18 Income subject to phase-out - subtract line 17 from line 9 (not less than zero) 18

19 Phase-out amount - multiply line 18 by 1.3% (.013) 19

20 Taxpayer tax credit - subtract line 19 from line 16 (not less than zero) 20

21 If you are a qualified exempt taxpayer, enter "X" (complete worksheet in instr.) 21

22 Utah income tax - subtract line 20 from line 10 (not less than zero) 22

Electronic filing is quick, easy and free, and will speed up your refund.

To learn more, go to tap.utah.gov

...Or maybe not.

Form 1040 (2016) Page 2

| | | | |
|--|---|--|--|
| Tax and Credits | 38 | Amount from line 37 (adjusted gross income) | 38 |
| 39a | Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind, <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes checked ▶ 39a | | |
| b | If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b <input type="checkbox"/> | | |
| Standard Deduction for — | 40 | Itemized deductions (from Schedule A) or your standard deduction (see left margin) | 40 |
| 41 | Subtract line 40 from line 38 | | 41 |
| 42 | Exemptions. If line 38 is \$15,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions | | 42 |
| 43 | Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | | 43 |
| 44 | Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/> | | 44 |
| 45 | Alternative minimum tax (see instructions). Attach Form 6251 | | 45 |
| 46 | Excess advance premium tax credit repayment. Attach Form 8962 | | 46 |
| 47 | Add lines 44, 45, and 46 | | 47 |
| 48 | Foreign tax credit. Attach Form 1116 if required | 48 | |
| 49 | Credit for child and dependent care expenses. Attach Form 2441 | 49 | |
| 50 | Education credits from Form 8863, line 19 | 50 | |
| 51 | Retirement savings contributions credit. Attach Form 8880 | 51 | |
| 52 | Child tax credit. Attach Schedule 8812, if required | 52 | |
| 53 | Residential energy credits. Attach Form 5695 | 53 | |
| 54 | Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> | 54 | |
| 55 | Add lines 48 through 54. These are your total credits | | 55 |
| 56 | Subtract line 55 from line 47. If line 55 is more than line 47, enter -0- | | 56 |
| Other Taxes | 57 | Self-employment tax. Attach Schedule SE | 57 |
| 58 | Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919 | | 58 |
| 59 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | | 59 |
| 60a | Household employment taxes from Schedule H | | 60a |
| b | First-time homebuyer credit repayment. Attach Form 5405 if required | | 60b |
| 61 | Health care: individual responsibility (see instructions). Full-year coverage <input type="checkbox"/> | | 61 |
| 62 | Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) | | 62 |
| 63 | Add lines 56 through 62. This is your total tax | | 63 |
| Payments | 64 | Federal income tax withheld from Forms W-2 and 1099 | 64 |
| 65 | 2016 estimated tax payments and amount applied from 2015 return | 65 | |
| 66a | Earned income credit (EIC) | 66a | |
| b | Nontaxable combat pay election <input type="checkbox"/> 66b | | |
| 67 | Additional child tax credit. Attach Schedule 8812 | 67 | |
| 68 | American opportunity credit from Form 8863, line 8 | 68 | |
| 69 | Net premium tax credit. Attach Form 8962 | 69 | |
| 70 | Amount paid with request for extension to file | 70 | |
| 71 | Excess social security and tier 1 RRTA tax withheld | 71 | |
| 72 | Credit for federal tax on fuels. Attach Form 4136 | 72 | |
| 73 | Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/> | 73 | |
| 74 | Add lines 64, 65, 66a, and 67 through 73. These are your total payments | | 74 |
| Refund | 75 | If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid | 75 |
| 76a | Amount of line 75 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/> | | 76a |
| b | Routing number <input type="text"/> ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| d | Account number <input type="text"/> | | |
| 77 | Amount of line 75 you want applied to your 2017 estimated tax ▶ 77 | | |
| Amount You Owe | 78 | Amount you owe. Subtract line 74 from line 63. For details on how to pay, see instructions | 78 |
| 79 | Estimated tax penalty (see instructions) | 79 | |
| Third Party Designee | Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No | | |
| Designee's name ▶ | Phone no ▶ | Personal identification number (PIN) ▶ | |
| Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income received during the tax year. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. | | | |
| Your signature | Date | Your occupation | Daytime phone number |
| Spouse's signature. If a joint return, both must sign. | Date | Spouse's occupation | |
| Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed PTIN |
| Firm's name ▶ | | | Firm's EIN ▶ |
| Firm's address ▶ | | | Phone no. ▶ |

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40701

9998

Your last name

Spouse's last name

Telephone number

State ZIP+4 Foreign country (if not U.S.)

3 Election Campaign Fund

Does not increase your tax or reduce your refund.

Enter the code for the party of your choice. Yourself Spouse

See instructions for code letters or go to incometax.utah.gov/elect. If no contribution, enter N.

| | |
|----|-----|
| 4 | .00 |
| 5 | .00 |
| 6 | .00 |
| 7 | .00 |
| 8 | .00 |
| 9 | .00 |
| 10 | .00 |
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| 13 | .00 |
| 14 | .00 |
| 15 | .00 |
| 16 | .00 |
| 17 | .00 |

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22

If Utah does not change its tax code . . .

| Implementation of New 20% Deduction | Estimated Additional State Dollars (millions) | |
|---|---|--------|
| | FY2019 | FY2020 |
| No impact on itemized or standard deduction | \$80 | \$85 |
| Impacts itemized deduction only | \$50 | \$55 |
| Impacts itemized and standard deduction | \$25 | \$30 |

WARNING

- There is still a **great deal of uncertainty** in these estimates due to unknown behavioral changes that will no doubt result from the new tax rules.
- Because of that uncertainty and our lack of detailed data on corporate taxes, we did not model corporate tax changes. We believe any downside risk on corporate revenue would be within the margin of error on our consensus estimates.

Policy Options

- Do nothing / Wait and see
- Try to mitigate impacts of federal tax reform now
 - State revenue as a whole
 - Tax liability of each taxpayer
- Use new revenue to offset cost of some other policy change