

SB0219S01 compared with SB0219

{Omitted text} shows text that was in SB0219 but was omitted in SB0219S01

inserted text shows text that was not in SB0219 but was inserted into SB0219S01

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Financial Institution Tax Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Michael K. McKell

House Sponsor:

LONG TITLE

General Description:

This bill modifies the formula for apportioning business income of financial institutions.

Highlighted Provisions:

This bill:

- defines terms;
- grants rulemaking authority to the State Tax Commission to establish the sales to include in the sales factor fraction for financial institutions; and
- provides that sales from Utah investment and trading activities of financial institutions are not sourced to Utah.

Money Appropriated in this Bill:

None

This bill provides a special effective date.

AMENDS:

59-7-317 , as last amended by Laws of Utah 2008, Chapter 283 , as last amended by Laws of Utah 2008, Chapter 283

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- 21 *Be it enacted by the Legislature of the state of Utah:*
- 22 Section 1. Section **59-7-317** is amended to read:
- 23 **59-7-317. Sales factor for apportionment of business income -- Transportation revenue of an**
airline -- Sales of a financial institution.
- 24 (1) As used in this section:
- 26 (a)
- 29 (i) "Finance lease" means a lease transaction that is the functional equivalent of an extension of credit
and that transfers substantially all of the benefits and risks incident to the ownership of property.
- 33 (ii) "Finance lease" includes a direct financing lease or leverage lease that meets the criteria of Financial
Accounting Standards Board Statement No. 13, Accounting for Leases, or any other lease that is
accounted for as a financing lease by a lessor under generally accepted accounting principles.
- 34 (b) "Financial institution" means:
- 38 (i) a corporation or other business entity registered under state law as a bank holding company, under
the Federal Bank Holding Act of 1956, as amended, or registered as a savings and loan holding
company under the Federal National Housing Act, as amended;
- 40 (ii) a national bank organized and existing as a national bank association in accordance with the
National Bank Act, 12 U.S.C. Secs. 21 et seq.;
- 42 (iii) a savings association or federal savings bank as defined in 12 U.S.C. Secs. 1813(b)(1) and (2);
- 44 (iv) a bank, industrial loan corporation, or thrift institution incorporated or organized under the laws of
any state;
- 46 (v) a corporation organized under the provisions of 12 U.S.C. Secs. 611 through 631;
- 48 (vi) an agency or a branch of a foreign bank as defined in 12 U.S.C. Sec. 3101;
- 50 (vii) a production credit association organized under the Federal Farm Credit Act of 1933, if all of the
production credit association's stock held by the Federal Production Credit Corporation has been
retired;
- 52 (viii) a corporation, other than an insurance company taxable under Chapter 9, Taxation of Admitted
Insurers, for which voting stock is more than 50% owned, directly or indirectly, by any person
described in Subsections (1)(b)(i) through (1)(b)(vii);
- 54 (ix) a corporation or other business entity that derives from finance leases more than 50% of the
corporation's or the business entity's total gross income for financial accounting purposes;

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- 56 (A) using the average of the gross income in the current tax year and immediately preceding two tax
years; and
- 58 (B) disregarding gross income from incidental or occasional transactions; or
- 59 (x) another person, other than an insurance company, a credit union exempt from the corporation
franchise tax under Section 59-7-102, a real estate broker, or a securities dealer, that derives more
than 50% of the person's gross income, excluding non-recurring, extraordinary items, from activities
that a person described in Subsections (1)(b)(ii) through (vii) and (1)(b)(ix) is authorized to transact
unless the commission excludes the person upon receipt of proof, by clear and convincing evidence,
that the income-producing activity of the person is not in substantial competition with the persons
described in Subsections (1)(b)(ii) through (vii) and (1)(b)(ix).
- 68 (c)
- (i) "Sales from investment activities and assets and trading activities and assets" means receipts from
interest, dividends, a net gain, but not less than zero, or other income from an investment security,
a trading account asset, federal funds, a security purchased and sold under an agreement to resell or
repurchase, an option, a future contract, a forward contract, equities, a foreign currency transaction,
or a notional principal contract, such as swaps.
- 74 (ii) "Sales from investment activities and assets and trading activities and assets" includes:
- 76 (A) the amount by which interest from federal funds sold and securities purchased under resale
agreements exceeds interest expense on federal funds purchased and securities sold under
repurchase agreements; and
- 79 (B) the amount by which interest, dividends, gains, and other income from foreign currency transactions
and trading assets and activities, including assets and activities in the matched book and arbitrage
book, exceed amounts paid in lieu of interest, amounts paid in lieu of dividends, and losses from
trading assets and activities.
- 84 (iii) "Sales from investment activities and assets and trading activities and assets" does not include:
- 86 (A) receipts from the lease of real property;
- 87 (B) receipts from the lease of tangible personal property;
- 88 (C) interest from a loan secured by real property;
- 89 (D) interest from a loan not secured by real property;
- 90 (E) a net gain from the sale of a loan;
- 91 (F) receipts from a credit card receivable;

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- 92 (G) a net gain from the sale of a credit card receivable;
93 (H) a credit card issuer's reimbursement fees;
94 (I) receipts from a merchant discount;
95 (J) a loan servicing fee;
96 (K) receipts from a service; or
97 (L) other receipts not addressed in Subsection (1)(c)(i) or Subsections (1)(c)(iii)(A) through (K).
99 (2) Except as provided in [~~Subsection (2)~~] ~~Subsections { (2) and }~~ (3) and (4), the sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the tax period.
- 28 ~~[(2)]~~ (3) The total sales of an airline in this state during the tax period attributable to transportation [~~revenues~~] revenue in this state during the tax period for purposes of the numerator of the fraction described in Subsection (1) shall be calculated by determining the product of:
- 32 (a) the total transportation [~~revenues~~] revenue during the tax period of the airline; and
33 (b) a fraction, the numerator of which is the Utah revenue ton miles and the denominator of which is the airline revenue ton miles.
- 35 ~~{ (3) }~~ (4)
- . (a) Except as provided in Subsection { (3)(b) } (4)(b), the commission shall make rules, in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, that establish the sales to be included in the sales factor fraction of a financial institution.
- 38 (b) In calculating the sales factor of a financial institution:
39 (i) the numerator may not include sales from investment activities { or } and assets { or } and trading activities { or } and assets; and
41 (ii) the denominator shall include sales from investment activities and assets and trading activities and assets.

118 Section 2. **Effective date.**

This bill takes effect for a taxable year beginning on or after January 1, 2026.

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