

Luz Escamilla proposes the following substitute bill:

Income Tax Revisions

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Kay J. Christofferson

Senate Sponsor: Daniel McCay

LONG TITLE

General Description:

This bill amends income tax provisions.

Highlighted Provisions:

This bill:

- enacts nonrefundable corporate and individual income tax credits for employer-provided child care;
- allows a taxpayer to claim the nonrefundable child tax credit for child dependents under one year old and up to five years old; and
- makes conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-10-1002.2, as last amended by Laws of Utah 2023, Chapters 460, 462

59-10-1047, as last amended by Laws of Utah 2024, Chapter 235

ENACTS:

59-7-627, Utah Code Annotated 1953

59-10-1048, Utah Code Annotated 1953

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

Section 1. Section **59-7-627** is enacted to read:

59-7-627 . Nonrefundable tax credits for employer-provided child care.

(1) As used in this section:

(a)(i) "Qualified child care expenditure" means an amount paid or incurred for the

- 30 operating costs of a qualified child care facility of the employer, whether the
31 employer operates the qualified child care facility or contracts with a third party
32 provider to provide child care services at the qualified child care facility.
- 33 (ii) "Qualified child care expenditure" includes costs related to training employees
34 and providing increased compensation to employees with higher levels of child
35 care training.
- 36 (b) "Qualified child care facility" means center based child care as that term is defined in
37 Section 26B-2-401 that is located in the state.
- 38 (c) "Qualified construction expenditure" means an amount paid or incurred to acquire,
39 construct, rehabilitate, or expand property:
- 40 (i) for a qualified child care facility of the employer; and
41 (ii) with respect to which the employer is allowed a deduction for depreciation, or
42 amortization in lieu of depreciation.
- 43 (d) "Qualifying taxpayer" means a taxpayer that:
- 44 (i) is an employer; and
45 (ii) qualifies for and claims the federal employer-provided child care tax credit
46 described in Section 45F, Internal Revenue Code, for the current taxable year.
- 47 (e) "Recapture event" means an employer fails to operate a qualified child care facility
48 for which the employer claims a tax credit under this section as a child care facility
49 for at least five consecutive taxable years after the taxable year on which the
50 employer first claims a tax credit under this section.
- 51 (f) "Third party provider" means:
- 52 (i) a new child care provider; or
53 (ii) an existing child care provider that can perform the contract without reducing the
54 provider's existing child care services.
- 55 (2)(a) A qualifying taxpayer may claim a nonrefundable tax credit equal to 20% of the
56 qualified construction expenditures the qualifying taxpayer incurred during the
57 taxable year.
- 58 (b) A qualifying taxpayer may carry forward, to the next five taxable years, the amount
59 of the qualifying taxpayer's tax credit described in this Subsection (2) that exceeds
60 the qualifying taxpayer's income tax liability for the taxable year.
- 61 (3)(a)(i) Subject to Subsection (3)(a)(ii), a qualifying taxpayer may claim a
62 nonrefundable tax credit equal to 10% of the qualified child care expenditures the
63 qualifying taxpayer incurred during the taxable year.

64 (ii) A qualifying taxpayer may claim a tax credit under this Subsection (3) for
 65 qualified child care expenditures only if the qualifying taxpayer claims a tax credit
 66 under Subsection (2) for the current taxable year or a previous taxable year.

67 (b) A qualifying taxpayer may not carry forward or carry back the tax credit described in
 68 this Subsection (3) that exceeds the qualifying taxpayer's income tax liability for the
 69 taxable year.

70 (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
 71 year in which the qualifying taxpayer claims a tax credit under this section, a
 72 qualifying taxpayer shall repay 100% of the tax credit a qualifying taxpayer
 73 receives under this section for any taxable year.

74 (ii) If a recapture event happens more than two taxable years but fewer than three
 75 taxable years after the first taxable year in which the qualifying taxpayer claims a
 76 tax credit under this section, a qualifying taxpayer shall repay 75% of the tax
 77 credit a qualifying taxpayer receives under this section for any taxable year.

78 (iii) If a recapture event happens more than three taxable years but fewer than four
 79 taxable years after the first taxable year in which the qualifying taxpayer claims a
 80 tax credit under this section, a qualifying taxpayer shall repay 50% of the tax
 81 credit a qualifying taxpayer receives under this section for any taxable year.

82 (iv) If a recapture event happens more than four taxable years but fewer than five
 83 taxable years after the first taxable year in which the qualifying taxpayer claims a
 84 tax credit under this section, a qualifying taxpayer shall repay 25% of the tax
 85 credit a qualifying taxpayer receives under this section for any taxable year.

86 (b) A qualifying taxpayer shall make a payment for a recapture event for the taxable year
 87 in which the recapture event occurs.

88 Section 2. Section **59-10-1002.2** is amended to read:

89 **59-10-1002.2 . Apportionment of tax credits.**

90 (1) A nonresident individual or a part-year resident individual that claims a tax credit in
 91 accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1022, 59-10-1023,
 92 59-10-1024, 59-10-1028, 59-10-1042, 59-10-1043, 59-10-1044, 59-10-1046, [~~or~~]
 93 59-10-1047, or 59-10-1048 may only claim an apportioned amount of the tax credit
 94 equal to:

95 (a) for a nonresident individual, the product of:

96 (i) the state income tax percentage for the nonresident individual; and

97 (ii) the amount of the tax credit that the nonresident individual would have been

- 98 allowed to claim but for the apportionment requirements of this section; or
- 99 (b) for a part-year resident individual, the product of:
- 100 (i) the state income tax percentage for the part-year resident individual; and
- 101 (ii) the amount of the tax credit that the part-year resident individual would have been
- 102 allowed to claim but for the apportionment requirements of this section.
- 103 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
- 104 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, [~~or~~]59-10-1028, or 59-10-1048 may
- 105 only claim an apportioned amount of the tax credit equal to the product of:
- 106 (a) the state income tax percentage for the nonresident estate or trust; and
- 107 (b) the amount of the tax credit that the nonresident estate or trust would have been
- 108 allowed to claim but for the apportionment requirements of this section.
- 109 Section 3. Section **59-10-1047** is amended to read:
- 110 **59-10-1047 . Nonrefundable child tax credit.**
- 111 (1) As used in this section:
- 112 (a) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 113 (b) "Head of household filing status" means the same as that term is defined in Section
- 114 59-10-1018.
- 115 (c) "Married filing separately status" means a married individual who:
- 116 (i) does not file a single federal individual income tax return jointly with that married
- 117 individual's spouse for the taxable year; and
- 118 (ii) files a single federal individual income tax return for the taxable year.
- 119 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
- 120 if the claimant's federal individual income tax return is allowed a joint filing status,
- 121 the claimant and the claimant's spouse:
- 122 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
- 123 this section;
- 124 (ii) any interest income that is not included in adjusted gross income for the taxable
- 125 year described in Subsection (1)(d)(i); and
- 126 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
- 127 taxable year described in Subsection (1)(d)(i).
- 128 (e) "Qualifying child" means an individual:
- 129 (i) with respect to whom the claimant is allowed to claim a tax credit under Section
- 130 24, Internal Revenue Code, on the claimant's federal individual income tax return
- 131 for the taxable year; and

132 (ii) who is [~~at least one year old and younger than five~~] under six years old on the last
133 day of the claimant's taxable year.

134 (f) "Single filing status" means a single individual who files a single federal individual
135 income tax return for the taxable year.

136 (2) Subject to [~~Subsection~~] Section 59-10-1002.2, a claimant may claim a nonrefundable tax
137 credit of \$1,000 for each qualifying child.

138 (3) A claimant may not carry forward or carry back the amount of the tax credit that
139 exceeds the claimant's tax liability.

140 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this part shall
141 be reduced by \$.10 for each dollar by which modified adjusted gross income for
142 purposes of the return exceeds:

143 (a) for a federal individual income tax return that is allowed a married filing separately
144 status, \$27,000;

145 (b) for a federal individual income tax return that is allowed a single filing status or head
146 of household filing status, \$43,000; and

147 (c) for a federal individual income tax return that is allowed a joint filing status, \$54,000.

148 Section 4. Section **59-10-1048** is enacted to read:

149 **59-10-1048 . Nonrefundable tax credits for employer-provider child care.**

150 (1) As used in this section:

151 (a) "Qualified child care expenditure" means the same as that term is defined in Section
152 59-7-627.

153 (b) "Qualified child care facility" means the same as that term is defined in Section
154 59-7-627.

155 (c) "Qualified construction expenditure" means the same as that term is defined in
156 Section 59-7-627.

157 (d) "Qualifying claimant" means a claimant, estate, or trust that:

158 (i) is an employer; and

159 (ii) qualifies for and claims the federal employer-provided child care tax credit
160 described in Section 45F, Internal Revenue Code, for the current taxable year.

161 (e) "Recapture event" means the same as that term is defined in Section 59-7-627.

162 (f) "Third party provider" means the same as that term is defined in Section 59-7-627.

163 (2)(a) A qualifying claimant may claim a nonrefundable tax credit equal to 20% of the
164 qualified construction expenditures the qualifying claimant incurred during the
165 taxable year.

166 (b) A qualifying claimant may carry forward, to the next five taxable years, the amount
167 of the qualifying claimant's tax credit described in this Subsection (2) that exceeds
168 the qualifying claimant's income tax liability for the taxable year.

169 (3)(a)(i) Subject to Subsection (3)(a)(ii), a qualifying claimant may claim a
170 nonrefundable tax credit equal to 10% of the qualified child care expenditures the
171 qualifying claimant incurred during the taxable year.

172 (ii) A qualifying claimant may claim a tax credit under this Subsection (3) for
173 qualified child care expenditures only if the qualifying claimant claims a tax credit
174 under Subsection (2) for the current taxable year or a previous taxable year.

175 (b) A qualifying claimant may not carry forward or carry back the tax credit described in
176 this Subsection (3) that exceeds the qualifying claimant's income tax liability for the
177 taxable year.

178 (4)(a)(i) If a recapture event happens within two taxable years after the first taxable
179 year in which the qualifying claimant claims a tax credit under this section, a
180 qualifying claimant shall repay 100% of the tax credit a qualifying claimant
181 receives under this section for any taxable year.

182 (ii) If a recapture event happens more than two taxable years but fewer than three
183 taxable years after the first taxable year in which the qualifying claimant claims a
184 tax credit under this section, a qualifying claimant shall repay 75% of the tax
185 credit a qualifying claimant receives under this section for any taxable year.

186 (iii) If a recapture event happens more than three taxable years but fewer than four
187 taxable years after the first taxable year in which the qualifying claimant claims a
188 tax credit under this section, a qualifying claimant shall repay 50% of the tax
189 credit a qualifying claimant receives under this section for any taxable year.

190 (iv) If a recapture event happens more than four taxable years but fewer than five
191 taxable years after the first taxable year in which the qualifying claimant claims a
192 tax credit under this section, a qualifying claimant shall repay 25% of the tax
193 credit a qualifying claimant receives under this section for any taxable year.

194 (b) A qualifying claimant shall make a payment for a recapture event for the taxable year
195 in which the recapture event occurs.

196 Section 5. **Effective Date.**

197 This bill takes effect on May 7, 2025.

198 Section 6. **Retrospective operation.**

199 This bill has retrospective operation for a taxable year beginning on or after January 1,

_ 200 2025.