

Income Tax Amendments
2025 GENERAL SESSION
STATE OF UTAH

Chief Sponsor: Heidi Balderree

House Sponsor:

LONG TITLE

General Description:

This bill enacts an income tax credit for self-employment income.

Highlighted Provisions:

This bill:

- defines terms;
- enacts a nonrefundable income tax credit for individuals under a certain age who earn self-employment income in Utah; and
- provides for apportionment of the tax credit for nonresidents and part-time residents.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-10-1002.2 (Effective 05/07/25), as last amended by Laws of Utah 2023, Chapters 460, 462

ENACTS:

59-10-1048 (Effective 05/07/25) (Applies beginning 01/01/25), Utah Code Annotated 1953

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

Section 1. Section **59-10-1002.2** is amended to read:

59-10-1002.2 (Effective 05/07/25). Apportionment of tax credits.

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

31 equal to:

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

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

34 (ii) the amount of the tax credit that the nonresident individual would have been
35 allowed to claim but for the apportionment requirements of this section; or

36 (b) for a part-year resident individual, the product of:

37 (i) the state income tax percentage for the part-year resident individual; and

38 (ii) the amount of the tax credit that the part-year resident individual would have been
39 allowed to claim but for the apportionment requirements of this section.

40 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
41 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, or 59-10-1028 may only claim an
42 apportioned amount of the tax credit equal to the product of:

43 (a) the state income tax percentage for the nonresident estate or trust; and

44 (b) the amount of the tax credit that the nonresident estate or trust would have been
45 allowed to claim but for the apportionment requirements of this section.

46 Section 2. Section **59-10-1048** is enacted to read:

47 **59-10-1048 (Effective 05/07/25) (Applies beginning 01/01/25). Nonrefundable tax**
48 **credit for self-employment earners under a certain age.**

49 (1) As used in this section:

50 (a) "Adjusted taxable value limit" means:

51 (i) for the taxable year beginning on January 1, 2025, \$3,000; or

52 (ii) for a taxable year beginning on or after January 1, 2026, an amount equal to the
53 sum of:

54 (A) the amount of the adjusted taxable value limit for the previous taxable year;
55 and

56 (B) an amount calculated by multiplying the amount of the adjusted taxable value
57 limit for the previous taxable year and the actual percentage change in the
58 consumer price index during the previous calendar year, rounded to the nearest
59 whole dollar.

60 (b) "Qualifying claimant" means an individual who:

61 (i) earns self-employment income in Utah during a taxable year; and

62 (ii) is 19 years old or younger on the last day of the taxable year in which the
63 individual claims a tax credit under this section.

64 (c) "Self-employment" means employment in which an individual operates a trade or

65 business, either as an owner, sole proprietor, or partner, rather than working for an
66 employer.

67 (d) "Self-employment income" means income that:

68 (i) is derived from self-employment during a taxable year; and

69 (ii) is subject to self-employment tax for federal income tax purposes.

70 (2) Subject to Section 59-10-1002.2, a qualifying claimant may claim a nonrefundable
71 income tax credit in an amount equal to the lesser of:

72 (a) the product of:

73 (i) the total amount of self-employment income derived from Utah sources that the
74 qualifying claimant earns during the taxable year; and

75 (ii) the percentage listed in Subsection 59-10-104(2); and

76 (b) the adjusted taxable value limit.

77 (3) A qualifying claimant may not carry forward or carry back the amount of the tax credit
78 that exceeds the qualifying claimant's tax liability for the taxable year.

79 Section 3. **Effective Date.**

80 This bill takes effect on May 7, 2025.

81 Section 4. **Retrospective operation.**

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

83 2025.