

1 **Tax Penalties Amendments**

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Melissa G. Ballard

Senate Sponsor:

LONG TITLE**General Description:**

This bill addresses tax penalties within the Individual Income Tax Act.

Highlighted Provisions:

This bill:

- ▶ removes marriage penalties from certain individual income tax credits and exemptions by setting income phaseout amounts for filers who have single, head of household, or married filing separately status to be half of the amount for filers who have joint filing status;
- ▶ increases the amount of the nonrefundable taxpayer tax credit only for married claimants;
- ▶ repeals the nonrefundable earned income tax credit; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

20 AMENDS:

59-10-104.1, as last amended by Laws of Utah 2025, Chapter 182

59-10-1018, as last amended by Laws of Utah 2023, Chapter 459

59-10-1019, as last amended by Laws of Utah 2022, Chapter 258

59-10-1042, as last amended by Laws of Utah 2025, Chapter 182

59-10-1047, as last amended by Laws of Utah 2025, Chapter 407

26 REPEALS:

59-10-1044, as last amended by Laws of Utah 2023, Chapter 459

29 *Be it enacted by the Legislature of the state of Utah:*30 Section 1. Section **59-10-104.1** is amended to read:

31 **59-10-104.1 . Exemption from taxation.**

32 (1) For purposes of this section:

33 (a) "Modified adjusted gross income" means the amount calculated by:

34 (i) adding the individual's adjusted gross income on the individual's federal individual
35 income tax return for the taxable year and any additions required by Section
36 59-10-114 for the taxable year; and

37 (ii) subtracting from the amount calculated in accordance with Subsection (1)(a)(i),
38 any subtractions required by Section 59-10-114 for the taxable year.

39 (b) "Personal exemptions" means the total exemption amount an individual is allowed to
40 claim for the taxable year under Section 151, Internal Revenue Code, for:

41 (i) the individual;

42 (ii) the individual's spouse; and

43 (iii) the individual's dependents.

44 (c) "Standard deduction":

45 (i) means:

46 (A) for a return filed under this chapter that is allowed a single filing status, a head
47 of household filing status, or a married filing separately status, the standard
48 deduction allowed for an individual [is allowed to claim] who files a single
49 federal individual income tax return for the taxable year under Section 63,
50 Internal Revenue Code; [and] or

51 (B) for a return filed under this chapter that is allowed a joint filing status, the
52 standard deduction allowed for individuals who file a joint federal individual
53 income tax return for the taxable year under Section 63, Internal Revenue
54 Code; and

55 (ii) notwithstanding Subsection (1)(c)(i), does not include an additional amount
56 allowed under Section 63(f), Internal Revenue Code, for an individual or an
57 individual's spouse who is:

58 (A) blind; or

59 (B) 65 years of age or older.

60 (2) An individual is exempt from a tax imposed by Section 59-10-104 or 59-10-116 if the
61 individual's modified adjusted gross income is less than or equal to the sum of the
62 individual's:

63 (a) personal exemptions for that taxable year; and

64 (b) standard deduction for that taxable year.

65 Section 2. Section **59-10-1018** is amended to read:

66 **59-10-1018 . Definitions -- Nonrefundable taxpayer tax credits.**

67 (1) As used in this section:

68 (a) "Head of household filing status" means a head of household, as defined in Section
69 2(b), Internal Revenue Code, who files a single federal individual income tax return
70 for the taxable year.

71 (b) "Joint filing status" means:

72 (i) spouses who file a single return jointly under this chapter for a taxable year; or
73 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
74 single federal individual income tax return for the taxable year.

75 (c) "Married filing separately status" means a married individual who:

76 (i) does not file a single federal individual income tax return jointly with that married
77 individual's spouse for the taxable year; and
78 (ii) files a single federal individual income tax return for the taxable year.

79 [(e)] (d) "Qualifying dependent" means an individual with respect to whom the claimant
80 is allowed to claim a tax credit under Section 24, Internal Revenue Code, on the
81 claimant's federal individual income tax return for the taxable year.

82 [(d)] (e) "Single filing status" means[:] a single individual who files a single federal
83 individual income tax return for the taxable year.

84 [(i) ~~a single individual who files a single federal individual income tax return for the~~
85 ~~taxable year; or~~]

86 [(ii) ~~a married individual who:~~]

87 [(A) ~~does not file a single federal individual income tax return jointly with that~~
88 ~~married individual's spouse for the taxable year; and~~]

89 [(B) ~~files a single federal individual income tax return for the taxable year.~~]

90 [(e)] (f) "State or local income tax" means the lesser of:

91 (i) the amount of state or local income tax that the claimant:

92 (A) pays for the taxable year; and

93 (B) reports on the claimant's federal individual income tax return for the taxable
94 year, regardless of whether the claimant is allowed an itemized deduction on
95 the claimant's federal individual income tax return for the taxable year for the
96 full amount of state or local income tax paid; and

97 (ii) \$10,000.

98 [(f)] (g)(i) "Utah itemized deduction" means the amount the claimant deducts as

99 allowed as an itemized deduction on the claimant's federal individual income tax
100 return for that taxable year minus any amount of state or local income tax for the
101 taxable year.

102 (ii) "Utah itemized deduction" does not include any amount of qualified business
103 income that the claimant subtracts as allowed by Section 199A, Internal Revenue
104 Code, on the claimant's federal income tax return for that taxable year.

105 [(g)] (h) "Utah personal exemption" means, subject to Subsection [(6)] (7), \$1,750
106 multiplied by the number of the claimant's qualifying dependents plus an additional
107 qualifying dependent in the year of a qualifying dependent's birth.

108 (2) Except as provided in Section 59-10-1002.2, and subject to Subsections (3) through [(5)]
109 (6), a claimant may claim a nonrefundable tax credit against taxes otherwise due under
110 this [part] chapter equal to the sum of:

111 (a)(i) for a claimant that deducts the standard deduction on the claimant's federal
112 individual income tax return for the taxable year, 6% of the amount the claimant
113 deducts as allowed as the standard deduction on the claimant's federal individual
114 income tax return for that taxable year; or
115 (ii) for a claimant that itemizes deductions on the claimant's federal individual
116 income tax return for the taxable year, 6% of the amount of the claimant's Utah
117 itemized deduction; and
118 (b) 6% of the claimant's Utah personal exemption.

119 (3) For a taxable year beginning on or after January 1, 2026, the tax credit allowed by
120 Subsection (2) shall be increased by:

121 (a) \$543, for a claimant who has a married filing separately status; or
122 (b) \$1,086, for a claimant who has a joint filing status.

123 [(3)] (4) A claimant may not carry forward or carry back a tax credit under this section.

124 [(4)] (5) The tax credit allowed by Subsection (2) shall be reduced by \$.013 for each dollar
125 by which a claimant's state taxable income exceeds:

126 (a) for a claimant who has a single filing status, a head of household filing status, or a
127 married filing separately status, \$15,095; or
128 [(b) ~~for a claimant who has a head of household filing status, \$22,643; or~~]
129 [(e)] (b) for a claimant who has a joint filing status, \$30,190.

130 [(5)] (6)(a) For a taxable year beginning on or after January 1, 2022, the commission
131 shall increase or decrease annually the [following dollar amounts] dollar amount
132 listed in Subsection (5)(a) by a percentage equal to the percentage difference between

133 the consumer price index for the preceding calendar year and the consumer price
134 index for calendar year 2020[:] .

135 [(i) the dollar amount listed in Subsektion (4)(a); and]

136 [(ii) the dollar amount listed in Subsektion (4)(b).]

137 (b) After the commission increases or decreases the dollar [amounts listed in Subsection
138 (5)(a)] amount listed in Subsection (5)(a) in accordance with Subsection (6)(a), the
139 commission shall round [those dollar amounts listed in Subsektion (5)(a)] the dollar
140 amount listed in Subsection (5)(a) to the nearest whole dollar.

141 (c) After the commission rounds the dollar [amounts as required by] amount listed in
142 Subsection (5)(a) in accordance with Subsection [(5)(b)] (6)(b), the commission shall
143 increase or decrease the dollar amount listed in Subsection [(4)(e)] (5)(b) so that the
144 dollar amount listed in Subsection [(4)(e)] (5)(b) is equal to the product of:
145 (i) the dollar amount listed in Subsection [(4)(a)] (5)(a); and
146 (ii) two.

147 (d) For purposes of Subsection [(5)(a)] (6)(a), the commission shall calculate the
148 consumer price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue
149 Code.

150 [(6)] (7)(a) For a taxable year beginning on or after January 1, 2022, the commission
151 shall increase annually the Utah personal exemption amount listed in Subsection [
152 (1)(g)] (1)(h) by a percentage equal to the percentage by which the consumer price
153 index for the preceding calendar year exceeds the consumer price index for calendar
154 year 2020.

155 (b) After the commission increases the Utah personal exemption amount as described in
156 Subsection [(6)(a)] (7)(a), the commission shall round the Utah personal exemption
157 amount to the nearest whole dollar.

158 (c) For purposes of Subsection [(6)(a)] (7)(a), the commission shall calculate the
159 consumer price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue
160 Code.

161 Section 3. Section **59-10-1019** is amended to read:

162 **59-10-1019 . Definitions -- Nonrefundable retirement tax credit.**

163 (1) As used in this section:

164 (a) "Eligible claimant" means a claimant, regardless of whether that claimant is retired,
165 who was born on or before December 31, 1952.

166 (b) "Head of household filing status" means the same as that term is defined in Section

167 59-10-1018.

168 (c) "Joint filing status" means the same as that term is defined in Section 59-10-1018.

169 (d) "Married filing separately status" means a married individual who:

170 (i) does not file a single federal individual income tax return jointly with that married
171 individual's spouse for the taxable year; and

172 (ii) files a single federal individual income tax return for the taxable year.

173 (e) "Modified adjusted gross income" means the sum of the following for an eligible
174 claimant or, if the eligible claimant's return under this chapter is allowed a joint filing
175 status, the eligible claimant and the eligible claimant's spouse:

176 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
177 this section;

178 (ii) any interest income that is not included in adjusted gross income for the taxable
179 year described in Subsection (1)(e)(i); and

180 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
181 taxable year described in Subsection (1)(e)(i).

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

184 (2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each eligible
185 claimant may claim a nonrefundable tax credit of \$450 against taxes otherwise due
186 under this [part] chapter.

187 (3) An eligible claimant may not:

188 (a) carry forward or carry back the amount of a tax credit under this section that exceeds
189 the eligible claimant's tax liability for the taxable year; or

190 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
191 59-10-1042 or 59-10-1043 is claimed on the claimant's return for the same taxable
192 year.

193 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this [part]
194 chapter shall be reduced by \$.025 for each dollar by which modified adjusted gross
195 income for purposes of the return exceeds:

196 (a) for a [federal individual income tax] return filed under this chapter that is allowed a
197 single filing status, a head of household filing status, or a married filing separately
198 status, \$16,000; or

199 [(b) for a federal individual income tax return that is allowed a single filing status,
200 \$25,000;]

201 [({e}) for a federal individual income tax return that is allowed a head of household filing
202 status, \$32,000; or]

203 [({d})] (b) for a return filed under this chapter that is allowed a joint filing status, \$32,000.

204 Section 4. Section **59-10-1042** is amended to read:

205 **59-10-1042 . Nonrefundable tax credit for social security benefits.**

206 (1) As used in this section:

207 (a) "Head of household filing status" means the same as that term is defined in Section
208 59-10-1018.

209 (b) "Joint filing status" means the same as that term is defined in Section 59-10-1018.

210 (c) "Married filing separately status" means a married individual who:

211 (i) does not file a single federal individual income tax return jointly with that married
212 individual's spouse for the taxable year; and

213 (ii) files a single federal individual income tax return for the taxable year.

214 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
215 if the claimant's return under this chapter is allowed a joint filing status, the claimant
216 and the claimant's spouse:

217 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
218 this section;

219 (ii) any interest income that is not included in adjusted gross income for the taxable
220 year described in Subsection (1)(d)(i); and

221 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
222 taxable year described in Subsection (1)(d)(i).

223 (e) "Single filing status" means a single individual who files a single federal individual
224 income tax return for the taxable year.

225 (f) "Social security benefit" means an amount received by a claimant as a monthly
226 benefit in accordance with the Social Security Act, 42 U.S.C. Sec. 401 et seq.

227 (2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each claimant
228 on a return that receives a social security benefit may claim a nonrefundable tax credit
229 against taxes otherwise due under this [part] chapter equal to the product of:

230 (a) the percentage listed in Subsection 59-10-104(2); and

231 (b) the claimant's social security benefit that is included in the claimant's state taxable
232 income for the taxable year.

233 (3) A claimant may not:

234 (a) carry forward or carry back the amount of a tax credit under this section that exceeds

the claimant's tax liability for the taxable year; or

(b) claim a tax credit under this section for a taxable year if a tax credit under Section 59-10-1019 is claimed on the claimant's return for the same taxable year.

The tax credit allowed by Subsection (2) claimed on a return filed under this [part] chapter shall be reduced by \$.025 for each dollar by which modified adjusted gross income for purposes of the return exceeds:

(a) for a return filed under this chapter that is allowed a single filing status, a head of household filing status, or a married filing separately status, \$45,000; or

[(b) for a return filed under this chapter that is allowed a single filing status, \$54,000;]

[(c) for a return filed under this chapter that is allowed a head of household filing status, \$90,000; or]

[(d)] (b) for a return filed under this chapter that is allowed a joint filing status, \$90,000.

Section 5. Section **59-10-1047** is amended to read:

59-10-1047 . Nonrefundable child tax credit.

(1) As used in this section:

- (a) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- (b) "Head of household filing status" means the same as that term is defined in Section 59-10-1018.
- (c) "Married filing separately status" means a married individual who:
 - (i) does not file a single federal individual income tax return jointly with that married individual's spouse for the taxable year; and
 - (ii) files a single federal individual income tax return for the taxable year.
- (d) "Modified adjusted gross income" means the sum of the following for a claimant or, if the claimant's federal individual income tax return is allowed a joint filing status, the claimant and the claimant's spouse:
 - (i) adjusted gross income for the taxable year for which a tax credit is claimed under this section;
 - (ii) any interest income that is not included in adjusted gross income for the taxable year described in Subsection (1)(d)(i); and
 - (iii) any addition to adjusted gross income required by Section 59-10-114 for the taxable year described in Subsection (1)(d)(i).

269 (e) "Qualifying child" means an individual:

270 (i) with respect to whom the claimant is allowed to claim a tax credit under Section

271 24, Internal Revenue Code, on the claimant's federal individual income tax return

272 for the taxable year; and

273 (ii) who is under six years old on the last day of the claimant's taxable year.

274 (f) "Single filing status" means a single individual who files a single federal individual

275 income tax return for the taxable year.

276 (2) Subject to Section 59-10-1002.2, a claimant may claim a nonrefundable tax credit of

277 \$1,000 for each qualifying child.

278 (3) A claimant may not carry forward or carry back the amount of the tax credit that

279 exceeds the claimant's tax liability.

280 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this part shall

281 be reduced by \$.10 for each dollar by which modified adjusted gross income for

282 purposes of the return exceeds:

283 (a) for a federal individual income tax return that is allowed a single filing status, a head

284 of household filing status, or a married filing separately status, \$27,000; or

285 [~~(b) for a federal individual income tax return that is allowed a single filing status or~~

286 ~~head of household filing status, \$43,000; and]~~

287 [~~(e)~~ (b) for a federal individual income tax return that is allowed a joint filing status,

288 \$54,000.

289 **Section 6. Repealer.**

290 This bill repeals:

291 **Section 59-10-1044, Nonrefundable earned income tax credit.**

292 **Section 7. Effective Date.**

293 This bill takes effect on May 6, 2026.

294 **Section 8. Retrospective operation.**

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

296 2026.