

**Tax Penalties Amendments**  
**2026 GENERAL SESSION**  
**STATE OF UTAH**  
**Chief Sponsor: Melissa G. Ballard**  
**Senate Sponsor:**

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**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:**

**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

**REPEALS:**

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

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

Section 1. Section **59-10-104.1** is amended to read:

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

(1) For purposes of this section:

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

- (i) adding the individual's adjusted gross income on the individual's federal individual income tax return for the taxable year and any additions required by Section 59-10-114 for the taxable year; and
- (ii) subtracting from the amount calculated in accordance with Subsection (1)(a)(i), any subtractions required by Section 59-10-114 for the taxable year.

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

- (i) the individual;
- (ii) the individual's spouse; and
- (iii) the individual's dependents.

(c) "Standard deduction":

(i) means:

- (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, the standard deduction allowed for an individual [is allowed to claim] who files a single federal individual income tax return for the taxable year under Section 63, Internal Revenue Code; [and] or
- (B) for a return filed under this chapter that is allowed a joint filing status, the standard deduction allowed for individuals who file a joint federal individual income tax return for the taxable year under Section 63, Internal Revenue Code; and

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

- (A) blind; or
- (B) 65 years of age or older.

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

- (a) personal exemptions for that taxable year; and
- (b) standard deduction for that taxable year.

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

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

(1) As used in this section:

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

(b) "Joint filing status" means:

(i) spouses who file a single return jointly under this chapter for a taxable year; or

(ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a single federal individual income tax return for the taxable year.

(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.

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

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

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

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

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

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

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

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

(A) pays for the taxable year; and

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

(ii) \$10,000.

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

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

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

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

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

(a)(i) for a claimant that deducts the standard deduction on the claimant's federal individual income tax return for the taxable year, 6% of the amount the claimant deducts as allowed as the standard deduction on the claimant's federal individual income tax return for that taxable year; or

(ii) for a claimant that itemizes deductions on the claimant's federal individual income tax return for the taxable year, 6% of the amount of the claimant's Utah itemized deduction; and

(b) 6% of the claimant's Utah personal exemption.

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

(a) \$543, for a claimant who has a married filing separately status; or

(b) \$1,086, for a claimant who has a joint filing status.

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

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

(a) for a claimant who has a single filing status, a head of household filing status, or a married filing separately status, \$15,095; or

~~[(b) for a claimant who has a head of household filing status, \$22,643; or]~~

~~[(e)]~~ (b) for a claimant who has a joint filing status, \$30,190.

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

the consumer price index for the preceding calendar year and the consumer price index for calendar year 2020[;] .

~~[(i) the dollar amount listed in Subsection (4)(a); and]~~

~~[(ii) the dollar amount listed in Subsection (4)(b).]~~

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

(c) After the commission rounds the dollar ~~[amounts as required by]~~ amount listed in Subsection (5)(a) in accordance with Subsection [(5)(b)] (6)(b), the commission shall increase or decrease the dollar amount listed in Subsection ~~[(4)(e)]~~ (5)(b) so that the dollar amount listed in Subsection ~~[(4)(e)]~~ (5)(b) is equal to the product of:

- (i) the dollar amount listed in Subsection ~~[(4)(a)]~~ (5)(a); and
- (ii) two.

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

~~[(6)]~~ (7)(a) For a taxable year beginning on or after January 1, 2022, the commission shall increase annually the Utah personal exemption amount listed in Subsection ~~[(4)(g)]~~ (1)(h) by a percentage equal to the percentage by which the consumer price index for the preceding calendar year exceeds the consumer price index for calendar year 2020.

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

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

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

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

(1) As used in this section:

- (a) "Eligible claimant" means a claimant, regardless of whether that claimant is retired, who was born on or before December 31, 1952.
- (b) "Head of household filing status" means the same as that term is defined in Section

59-10-1018.

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

(d) "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.

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

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

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

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

(3) An eligible claimant may not:

(a) carry forward or carry back the amount of a tax credit under this section that exceeds the eligible 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 59-10-1042 or 59-10-1043 is claimed on the claimant's return for the same taxable year.

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

~~[(b) for a federal individual income tax return that is allowed a single filing status, \$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

- 235 the claimant's tax liability for the taxable year; or
- 236 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
- 237 59-10-1019 is claimed on the claimant's return for the same taxable year.
- 238 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this [part]
- 239 chapter shall be reduced by \$.025 for each dollar by which modified adjusted gross
- 240 income for purposes of the return exceeds:
- 241 (a) for a return filed under this chapter that is allowed a single filing status, a head of
- 242 household filing status, or a married filing separately status, \$45,000; or
- 243 [~~(b) for a return filed under this chapter that is allowed a single filing status, \$54,000;~~]
- 244 [~~(c) for a return filed under this chapter that is allowed a head of household filing status,~~
- 245 ~~\$90,000; or]~~
- 246 [~~(d)~~ (b) for a return filed under this chapter that is allowed a joint filing status, \$90,000.
- 247 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
- 248 commission may make rules governing the calculation and method for claiming the tax
- 249 credit described in this section.

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

251 **59-10-1047 . Nonrefundable child tax credit.**

- 252 (1) As used in this section:
- 253 (a) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 254 (b) "Head of household filing status" means the same as that term is defined in Section
- 255 59-10-1018.
- 256 (c) "Married filing separately status" means a married individual who:
- 257 (i) does not file a single federal individual income tax return jointly with that married
- 258 individual's spouse for the taxable year; and
- 259 (ii) files a single federal individual income tax return for the taxable year.
- 260 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
- 261 if the claimant's federal individual income tax return is allowed a joint filing status,
- 262 the claimant and the claimant's spouse:
- 263 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
- 264 this section;
- 265 (ii) any interest income that is not included in adjusted gross income for the taxable
- 266 year described in Subsection (1)(d)(i); and
- 267 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
- 268 taxable year described in Subsection (1)(d)(i).



(e) "Qualifying child" means an individual:

(i) with respect to whom the claimant is allowed to claim a tax credit under Section 24, Internal Revenue Code, on the claimant's federal individual income tax return for the taxable year; and

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

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

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

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

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

(a) for a federal individual income tax return that is allowed a single filing status, a head of household filing status, or a married filing separately status, \$27,000; or

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

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

#### Section 6. **Repealer.**

This bill repeals:

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

#### Section 7. **Effective Date.**

This bill takes effect on May 6, 2026.

#### Section 8. **Retrospective operation.**

This bill has retrospective operation for a taxable year beginning on or after January 1, 2026.