

Melissa G. Ballard proposes the following substitute bill:

Tax Penalties Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Melissa G. Ballard

Senate Sponsor: Heidi Balderree

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;
 - enacts a nonrefundable individual income tax credit available for married filers; and
 - makes technical 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

ENACTS:

59-10-1049, Utah Code Annotated 1953

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

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

30 **59-10-104.1 . Exemption from taxation.**

31 (1) For purposes of this section:

32 (a) "Modified adjusted gross income" means the amount calculated by:
33 (i) adding the individual's adjusted gross income on the individual's federal individual
34 income tax return for the taxable year and any additions required by Section
35 59-10-114 for the taxable year; and
36 (ii) subtracting from the amount calculated in accordance with Subsection (1)(a)(i),
37 any subtractions required by Section 59-10-114 for the taxable year.

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

40 (i) the individual;
41 (ii) the individual's spouse; and
42 (iii) the individual's dependents.

43 (c) "Standard deduction":

44 (i) means:

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

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

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

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

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

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

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

65 **59-10-1018 . Definitions -- Nonrefundable taxpayer tax credits.**

66 (1) As used in this section:

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

70 (b) "Joint filing status" means:

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

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

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

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

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

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

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

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

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

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

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

91 (A) pays for the taxable year; and

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

96 (ii) \$10,000.

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

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

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

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

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

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

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

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

118 (3) A claimant may not carry forward or carry back a tax credit under this section.

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

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

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

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

125 (5)(a) For a taxable year beginning on or after January 1, 2022, the commission shall
126 increase or decrease annually the [following dollar amounts] dollar amount listed in
127 Subsection (5)(a) by a percentage equal to the percentage difference between the
128 consumer price index for the preceding calendar year and the consumer price index
129 for calendar year 2020[:].

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

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

- 132 (b) After the commission increases or decreases the dollar [amounts listed in Subsection
133 ~~(5)(a)~~ amount listed in Subsection (5)(a) in accordance with Subsection (6)(a), the
134 commission shall round [those dollar amounts listed in Subsection (5)(a)] the dollar
135 amount listed in Subsection (5)(a) to the nearest whole dollar.
- 136 (c) After the commission rounds the dollar [amounts as required by] amount listed in
137 Subsection (5)(a) in accordance with Subsection [(5)(b)] (6)(b), the commission shall
138 increase or decrease the dollar amount listed in Subsection [(4)(e)] (5)(b) so that the
139 dollar amount listed in Subsection [(4)(e)] (5)(b) is equal to the product of:
140 (i) the dollar amount listed in Subsection [(4)(a)] (5)(a); and
141 (ii) two.
- 142 (d) For purposes of Subsection [(5)(a)] (6)(a), the commission shall calculate the
143 consumer price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue
144 Code.
- 145 (6)(a) For a taxable year beginning on or after January 1, 2022, the commission shall
146 increase annually the Utah personal exemption amount listed in Subsection [(1)(g)]
147 (1)(h) by a percentage equal to the percentage by which the consumer price index for
148 the preceding calendar year exceeds the consumer price index for calendar year 2020.
- 149 (b) After the commission increases the Utah personal exemption amount as described in
150 Subsection [(6)(a)] (7)(a), the commission shall round the Utah personal exemption
151 amount to the nearest whole dollar.
- 152 (c) For purposes of Subsection [(6)(a)] (7)(a), the commission shall calculate the
153 consumer price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue
154 Code.

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

156 **59-10-1019 . Definitions -- Nonrefundable retirement tax credit.**

- 157 (1) As used in this section:
- 158 (a) "Eligible claimant" means a claimant, regardless of whether that claimant is retired,
159 who was born on or before December 31, 1952.
- 160 (b) "Head of household filing status" means the same as that term is defined in Section
161 59-10-1018.
- 162 (c) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 163 (d) "Married filing separately status" means a married individual who:
164 (i) does not file a single federal individual income tax return jointly with that married
165 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.

) 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.

) 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.

) 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;]
 - [(c) for a federal individual income tax return that is allowed a head of household filing status, \$32,000; or]
 - [(d) (b) for a return filed under this chapter that is allowed a joint filing status, \$32,000.

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

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

- 200 (1) As used in this section:
- 201 (a) "Head of household filing status" means the same as that term is defined in Section
202 59-10-1018.
- 203 (b) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 204 (c) "Married filing separately status" means a married individual who:
- 205 (i) does not file a single federal individual income tax return jointly with that married
206 individual's spouse for the taxable year; and
- 207 (ii) files a single federal individual income tax return for the taxable year.
- 208 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
209 if the claimant's return under this chapter is allowed a joint filing status, the claimant
210 and the claimant's spouse:
- 211 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
212 this section;
- 213 (ii) any interest income that is not included in adjusted gross income for the taxable
214 year described in Subsection (1)(d)(i); and
- 215 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
216 taxable year described in Subsection (1)(d)(i).
- 217 (e) "Single filing status" means a single individual who files a single federal individual
218 income tax return for the taxable year.
- 219 (f) "Social security benefit" means an amount received by a claimant as a monthly
220 benefit in accordance with the Social Security Act, 42 U.S.C. Sec. 401 et seq.
- 221 (2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each claimant
222 on a return that receives a social security benefit may claim a nonrefundable tax credit
223 against taxes otherwise due under this [part] chapter equal to the product of:
- 224 (a) the percentage listed in Subsection 59-10-104(2); and
- 225 (b) the claimant's social security benefit that is included in the claimant's state taxable
226 income for the taxable year.
- 227 (3) A claimant may not:
- 228 (a) carry forward or carry back the amount of a tax credit under this section that exceeds
229 the claimant's tax liability for the taxable year; or
- 230 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
231 59-10-1019 is claimed on the claimant's return for the same taxable year.
- 232 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this [part]
233 chapter shall be reduced by \$.025 for each dollar by which modified adjusted gross

234 income for purposes of the return exceeds:

- 235 (a) for a return filed under this chapter that is allowed a single filing status, a head of
236 household filing status, or a married filing separately status, \$45,000; or
237 [~~(b) for a return filed under this chapter that is allowed a single filing status, \$54,000;]~~
238 [~~(c) for a return filed under this chapter that is allowed a head of household filing status,~~
239 ~~\$90,000; or]~~
240 [~~(d)~~] (b) for a return filed under this chapter that is allowed a joint filing status, \$90,000.

- 241 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
242 commission may make rules governing the calculation and method for claiming the tax
243 credit described in this section.

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

245 **59-10-1047 . Nonrefundable child tax credit.**

- 246 (1) As used in this section:

- 247 (a) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
248 (b) "Head of household filing status" means the same as that term is defined in Section
249 59-10-1018.
250 (c) "Married filing separately status" means a married individual who:
251 (i) does not file a single federal individual income tax return jointly with that married
252 individual's spouse for the taxable year; and
253 (ii) files a single federal individual income tax return for the taxable year.
254 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
255 if the claimant's federal individual income tax return is allowed a joint filing status,
256 the claimant and the claimant's spouse:
257 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
258 this section;
259 (ii) any interest income that is not included in adjusted gross income for the taxable
260 year described in Subsection (1)(d)(i); and
261 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
262 taxable year described in Subsection (1)(d)(i).
263 (e) "Qualifying child" means an individual:
264 (i) with respect to whom the claimant is allowed to claim a tax credit under Section
265 24, Internal Revenue Code, on the claimant's federal individual income tax return
266 for the taxable year; and
267 (ii) who is under six years old on the last day of the claimant's taxable year.

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

270 (2) Subject to Section 59-10-1002.2, a claimant may claim a nonrefundable tax credit of
271 \$1,000 for each qualifying child.

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

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

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

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

281 [(e)] (b) for a federal individual income tax return that is allowed a joint filing status,
282 \$54,000.

283 Section 6. Section **59-10-1049** is enacted to read:

284 **59-10-1049 . Nonrefundable marriage tax credit.**

285 (1) As used in this section:

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

287 (b) "Married filing separately status" means the same as that term is defined in Section
288 59-10-1047.

289 (c) "Modified adjusted gross income" means the same as that term is defined in Section
290 59-10-1047.

291 (d) "Qualifying claimant" means a claimant:

292 (i) who has a joint filing status or a married filing separately status; and

293 (ii) whose modified adjusted gross income is no more than:

294 (A) \$45,000, for a claimant who has a married filing separately status; or

295 (B) \$90,000, for a claimant who has a joint filing status.

296 (2) A qualifying claimant may claim a nonrefundable tax credit of:

297 (a) \$79, for a claimant who has a married filing separately status; or

298 (b) \$158, for a claimant who has a joint filing status.

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

301 Section 7. **Effective Date.**

302 This bill takes effect on May 6, 2026.

303 **Section 8. Retrospective operation.**

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

305 2026.