

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 over a five-year period, resulting in the income phaseout amounts for filers who have single, head of household, or married filing separately status, beginning in 2030, to be half of the amount for filers who have joint filing status; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

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

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

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

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

Section 1. 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.

- 30 (b) "Joint filing status" means:
- 31 (i) spouses who file a single return jointly under this chapter for a taxable year; or
- 32 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
- 33 single federal individual income tax return for the taxable year.
- 34 (c) "Married filing separately status" means a married individual who:
- 35 (i) does not file a single federal individual income tax return jointly with that married
- 36 individual's spouse for the taxable year; and
- 37 (ii) files a single federal individual income tax return for the taxable year.
- 38 [(e)] (d) "Qualifying dependent" means an individual with respect to whom the claimant
- 39 is allowed to claim a tax credit under Section 24, Internal Revenue Code, on the
- 40 claimant's federal individual income tax return for the taxable year.
- 41 [(d)] (e) "Single filing status" means[:] a single individual who files a single federal
- 42 individual income tax return for the taxable year.
- 43 [(i) a single individual who files a single federal individual income tax return for the
- 44 taxable year; or]
- 45 [(ii) a married individual who:]
- 46 [(A) does not file a single federal individual income tax return jointly with that
- 47 married individual's spouse for the taxable year; and]
- 48 [(B) files a single federal individual income tax return for the taxable year.]
- 49 [(e)] (f) "State or local income tax" means the lesser of:
- 50 (i) the amount of state or local income tax that the claimant:
- 51 (A) pays for the taxable year; and
- 52 (B) reports on the claimant's federal individual income tax return for the taxable
- 53 year, regardless of whether the claimant is allowed an itemized deduction on
- 54 the claimant's federal individual income tax return for the taxable year for the
- 55 full amount of state or local income tax paid; and
- 56 (ii) \$10,000.
- 57 [(f)] (g)(i) "Utah itemized deduction" means the amount the claimant deducts as
- 58 allowed as an itemized deduction on the claimant's federal individual income tax
- 59 return for that taxable year minus any amount of state or local income tax for the
- 60 taxable year.
- 61 (ii) "Utah itemized deduction" does not include any amount of qualified business
- 62 income that the claimant subtracts as allowed by Section 199A, Internal Revenue
- 63 Code, on the claimant's federal income tax return for that taxable year.

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

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

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

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

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

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

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

81 (a) for a claimant who has a single filing status or a married filing separately status, [
 82 \$15,095] \$18,696;

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

84 (i) for the taxable year beginning on January 1, 2026, \$28,045;

85 (ii) for the taxable year beginning on January 1, 2027, 72% of the amount calculated
 86 in accordance with Subsection (5)(c) for a claimant who has a joint filing status,
 87 rounded to the nearest whole dollar;

88 (iii) for the taxable year beginning on January 1, 2028, 67% of the amount calculated
 89 in accordance with Subsection (5)(c) for a claimant who has a joint filing status,
 90 rounded to the nearest whole dollar;

91 (iv) for the taxable year beginning on January 1, 2029, 60% of the amount calculated
 92 in accordance with Subsection (5)(c) for a claimant who has a joint filing status,
 93 rounded to the nearest whole dollar; or

94 (v) for a taxable year beginning on or after January 1, 2030, 50% of the amount
 95 calculated in accordance with Subsection (5)(c) for a claimant who has a joint
 96 filing status, rounded to the nearest whole dollar; or

97 (c) for a claimant who has a joint filing status, [~~\$30,190~~] \$37,392.

- 98 (5)(a) For a taxable year beginning on or after January 1, [2022] 2027, the commission
 99 shall increase or decrease annually the [~~following dollar amounts~~] dollar amount
 100 listed in Subsection (4)(a) by a percentage equal to the percentage difference between
 101 the consumer price index for the preceding calendar year and the consumer price
 102 index for calendar year [~~2020:~~] 2025.
- 103 [~~(i) the dollar amount listed in Subsection (4)(a); and~~]
 104 [~~(ii) the dollar amount listed in Subsection (4)(b):~~]
- 105 (b) After the commission increases or decreases the dollar [~~amounts~~] amount listed in
 106 Subsection (4)(a) as required by Subsection (5)(a), the commission shall round [~~those~~]
 107 that dollar [amounts listed in Subsection (5)(a)] amount to the nearest whole dollar.
- 108 (c) After the commission rounds the dollar [~~amounts~~] amount as required by Subsection
 109 (5)(b), the commission shall increase or decrease the dollar amount listed in
 110 Subsection (4)(c) so that the dollar amount listed in Subsection (4)(c) is equal to the
 111 product of:
 112 (i) the dollar amount listed in Subsection (4)(a); and
 113 (ii) two.
- 114 (d) For purposes of Subsection (5)(a), the commission shall calculate the consumer price
 115 index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.
- 116 (6)(a) For a taxable year beginning on or after January 1, 2022, the commission shall
 117 increase annually the Utah personal exemption amount listed in Subsection [~~(1)(g)~~]
 118 (1)(h) by a percentage equal to the percentage by which the consumer price index for
 119 the preceding calendar year exceeds the consumer price index for calendar year 2020.
- 120 (b) After the commission increases the Utah personal exemption amount as described in
 121 Subsection (6)(a), the commission shall round the Utah personal exemption amount
 122 to the nearest whole dollar.
- 123 (c) For purposes of Subsection (6)(a), the commission shall calculate the consumer price
 124 index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.
- 125 Section 2. Section **59-10-1019** is amended to read:
- 126 **59-10-1019 . Definitions -- Nonrefundable retirement tax credit.**
- 127 (1) As used in this section:
- 128 (a) "Eligible claimant" means a claimant, regardless of whether that claimant is retired,
 129 who was born on or before December 31, 1952.
- 130 (b) "Head of household filing status" means the same as that term is defined in Section
 131 59-10-1018.

- 132 (c) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 133 (d) "Married filing separately status" means a married individual who:
- 134 (i) does not file a single federal individual income tax return jointly with that married
- 135 individual's spouse for the taxable year; and
- 136 (ii) files a single federal individual income tax return for the taxable year.
- 137 (e) "Modified adjusted gross income" means the sum of the following for an eligible
- 138 claimant or, if the eligible claimant's return under this chapter is allowed a joint filing
- 139 status, the eligible claimant and the eligible claimant's spouse:
- 140 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
- 141 this section;
- 142 (ii) any interest income that is not included in adjusted gross income for the taxable
- 143 year described in Subsection (1)(e)(i); and
- 144 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
- 145 taxable year described in Subsection (1)(e)(i).
- 146 (f) "Single filing status" means a single individual who files a single federal individual
- 147 income tax return for the taxable year.
- 148 (2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each eligible
- 149 claimant may claim a nonrefundable tax credit of \$450 against taxes otherwise due
- 150 under this ~~[part]~~ chapter.
- 151 (3) An eligible claimant may not:
- 152 (a) carry forward or carry back the amount of a tax credit under this section that exceeds
- 153 the eligible claimant's tax liability for the taxable year; or
- 154 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
- 155 59-10-1042 or 59-10-1043 is claimed on the claimant's return for the same taxable
- 156 year.
- 157 (4)(a) ~~[The]~~ For the taxable year beginning on January 1, 2026, the tax credit allowed by
- 158 Subsection (2) claimed on a return filed under this ~~[part]~~ chapter shall be reduced by
- 159 \$.025 for each dollar by which modified adjusted gross income for purposes of the
- 160 return exceeds:
- 161 ~~[(a)]~~ (i) for a federal individual income tax return that is allowed a married filing
- 162 separately status, \$16,000;
- 163 ~~[(b)]~~ (ii) for a federal individual income tax return that is allowed a single filing
- 164 status, ~~[\$25,000]~~ \$24,400;
- 165 ~~[(c)]~~ (iii) for a federal individual income tax return that is allowed a head of

- 166 household filing status, [~~\$32,000~~] \$31,200; or
- 167 [~~(d)~~] (iv) for a [~~return under this chapter~~] federal individual income tax return that is
- 168 allowed a joint filing status, \$32,000.
- 169 (b) For the taxable year beginning on January 1, 2027, the tax credit allowed by
- 170 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.025
- 171 for each dollar by which modified adjusted gross income for purposes of the return
- 172 exceeds:
- 173 (i) for a federal individual income tax return that is allowed a married filing
- 174 separately status, \$16,000;
- 175 (ii) for a federal individual income tax return that is allowed a single filing status,
- 176 \$23,200;
- 177 (iii) for a federal individual income tax return that is allowed a head of household
- 178 filing status, \$29,600; or
- 179 (iv) for a federal individual income tax return that is allowed a joint filing status,
- 180 \$32,000.
- 181 (c) For the taxable year beginning on January 1, 2028, the tax credit allowed by
- 182 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.025
- 183 for each dollar by which modified adjusted gross income for purposes of the return
- 184 exceeds:
- 185 (i) for a federal individual income tax return that is allowed a married filing
- 186 separately status, \$16,000;
- 187 (ii) for a federal individual income tax return that is allowed a single filing status,
- 188 \$20,800;
- 189 (iii) for a federal individual income tax return that is allowed a head of household
- 190 filing status, \$26,700; or
- 191 (iv) for a federal individual income tax return that is allowed a joint filing status,
- 192 \$32,000.
- 193 (d) For the taxable year beginning on January 1, 2029, the tax credit allowed by
- 194 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.025
- 195 for each dollar by which modified adjusted gross income for purposes of the return
- 196 exceeds:
- 197 (i) for a federal individual income tax return that is allowed a married filing
- 198 separately status, \$16,000;
- 199 (ii) for a federal individual income tax return that is allowed a single filing status,

- 200 \$17,700;
- 201 (iii) for a federal individual income tax return that is allowed a head of household
- 202 filing status, \$22,700; or
- 203 (iv) for a federal individual income tax return that is allowed a joint filing status,
- 204 \$32,000.
- 205 (e) For a taxable year beginning on or after January 1, 2030, the tax credit allowed by
- 206 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.025
- 207 for each dollar by which modified adjusted gross income for purposes of the return
- 208 exceeds:
- 209 (i) for a federal individual income tax return that is allowed a single filing status, a
- 210 head of household filing status, or a married filing separately status, \$16,000; or
- 211 (ii) for a federal individual income tax return that is allowed a joint filing status,
- 212 \$32,000.

213 Section 3. Section **59-10-1047** is amended to read:

214 **59-10-1047 . Nonrefundable child tax credit.**

- 215 (1) As used in this section:
- 216 (a) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 217 (b) "Head of household filing status" means the same as that term is defined in Section
- 218 59-10-1018.
- 219 (c) "Married filing separately status" means a married individual who:
- 220 (i) does not file a single federal individual income tax return jointly with that married
- 221 individual's spouse for the taxable year; and
- 222 (ii) files a single federal individual income tax return for the taxable year.
- 223 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
- 224 if the claimant's federal individual income tax return is allowed a joint filing status,
- 225 the claimant and the claimant's spouse:
- 226 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
- 227 this section;
- 228 (ii) any interest income that is not included in adjusted gross income for the taxable
- 229 year described in Subsection (1)(d)(i); and
- 230 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
- 231 taxable year described in Subsection (1)(d)(i).
- 232 (e) "Qualifying child" means an individual:
- 233 (i) with respect to whom the claimant is allowed to claim a tax credit under Section

- 234 24, Internal Revenue Code, on the claimant's federal individual income tax return
235 for the taxable year; and
- 236 (ii) who is under six years old on the last day of the claimant's taxable year.
- 237 (f) "Single filing status" means a single individual who files a single federal individual
238 income tax return for the taxable year.
- 239 (2) Subject to Section 59-10-1002.2, a claimant may claim a nonrefundable tax credit of
240 \$1,000 for each qualifying child.
- 241 (3) A claimant may not carry forward or carry back the amount of the tax credit that
242 exceeds the claimant's tax liability.
- 243 (4)(a) For the taxable year beginning on January 1, 2026, the tax credit allowed by
244 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.10
245 for each dollar by which modified adjusted gross income for purposes of the return
246 exceeds:
- 247 (i) for a federal individual income tax return that is allowed a married filing
248 separately status, \$27,000;
- 249 (ii) for a federal individual income tax return that is allowed a single filing status or a
250 head of household filing status, \$41,900; or
- 251 (iii) for a federal individual income tax return that is allowed a joint filing status,
252 \$54,000.
- 253 (b) For the taxable year beginning on January 1, 2027, the tax credit allowed by
254 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.10
255 for each dollar by which modified adjusted gross income for purposes of the return
256 exceeds:
- 257 (i) for a federal individual income tax return that is allowed a married filing
258 separately status, \$27,000;
- 259 (ii) for a federal individual income tax return that is allowed a single filing status or a
260 head of household filing status, \$39,800; or
- 261 (iii) for a federal individual income tax return that is allowed a joint filing status,
262 \$54,000.
- 263 (c) For the taxable year beginning on January 1, 2028, the tax credit allowed by
264 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.10
265 for each dollar by which modified adjusted gross income for purposes of the return
266 exceeds:
- 267 (i) for a federal individual income tax return that is allowed a married filing

- 268 separately status, \$27,000;
- 269 (ii) for a federal individual income tax return that is allowed a single filing status or a
- 270 head of household filing status, \$35,800; or
- 271 (iii) for a federal individual income tax return that is allowed a joint filing status,
- 272 \$54,000.
- 273 (d) For the taxable year beginning on January 1, 2029, the tax credit allowed by
- 274 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.10
- 275 for each dollar by which modified adjusted gross income for purposes of the return
- 276 exceeds:
- 277 (i) for a federal individual income tax return that is allowed a married filing
- 278 separately status, \$27,000;
- 279 (ii) for a federal individual income tax return that is allowed a single filing status or a
- 280 head of household filing status, \$30,500; or
- 281 (iii) for a federal individual income tax return that is allowed a joint filing status,
- 282 \$54,000.
- 283 (e) For a taxable year beginning on or after January 1, 2030, the tax credit allowed by
- 284 Subsection (2) claimed on a return filed under this chapter shall be reduced by \$.10
- 285 for each dollar by which modified adjusted gross income for purposes of the return
- 286 exceeds:
- 287 (i) for a federal individual income tax return that is allowed a single filing status, a
- 288 head of household filing status, or a married filing separately status, \$27,000; or
- 289 (ii) for a federal individual income tax return that is allowed a joint filing status,
- 290 \$54,000.
- 291 ~~[(4) The tax credit allowed by Subsection (2) claimed on a return filed under this part shall~~
- 292 ~~be reduced by \$.10 for each dollar by which modified adjusted gross income for~~
- 293 ~~purposes of the return exceeds:]~~
- 294 ~~[(a) for a federal individual income tax return that is allowed a married filing separately~~
- 295 ~~status, \$27,000;]~~
- 296 ~~[(b) for a federal individual income tax return that is allowed a single filing status or~~
- 297 ~~head of household filing status, \$43,000; and]~~
- 298 ~~[(c) for a federal individual income tax return that is allowed a joint filing status,~~
- 299 ~~\$54,000.]~~

300 Section 4. **Effective Date.**

301 This bill takes effect on May 6, 2026.

302 Section 5. **Retrospective operation.**

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

304 2026.