

Nate Blouin proposes the following substitute bill:

Income Tax Rate Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

House Sponsor:

LONG TITLE

General Description:

This bill amends the income tax rate provisions.

Highlighted Provisions:

This bill:

- amends the corporate franchise and income tax rates;
- imposes a separate income tax rate on individual, estate, and trust income over \$1,000,000;
- adjusts the \$1,000,000 for inflation; and
- amends the individual income tax rate.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

- 59-7-104**, as last amended by Laws of Utah 2025, Chapter 407
- 59-7-201**, as last amended by Laws of Utah 2025, Chapter 407
- 59-10-103**, as last amended by Laws of Utah 2025, Chapter 310
- 59-10-104**, as last amended by Laws of Utah 2025, Chapter 407
- 59-10-116**, as last amended by Laws of Utah 2022, Chapter 252
- 59-10-201**, as last amended by Laws of Utah 2025, First Special Session, Chapter 9
- 59-10-205**, as last amended by Laws of Utah 2008, Chapter 389
- 59-10-1007**, as last amended by Laws of Utah 2021, Chapter 367
- 59-10-1017**, as last amended by Laws of Utah 2025, First Special Session, Chapter 9
- 59-10-1022**, as last amended by Laws of Utah 2021, Chapter 367

- 29 **59-10-1023**, as last amended by Laws of Utah 2021, Chapter 367
- 30 **59-10-1028**, as last amended by Laws of Utah 2021, Chapter 367
- 31 **59-10-1035**, as last amended by Laws of Utah 2021, Chapter 367
- 32 **59-10-1036**, as last amended by Laws of Utah 2021, Chapter 367
- 33 **59-10-1042**, as last amended by Laws of Utah 2025, Chapter 182
- 34 **59-10-1043**, as last amended by Laws of Utah 2022, Chapter 258
- 35 **59-10-1403.3**, as last amended by Laws of Utah 2021, Chapter 367

36
37 *Be it enacted by the Legislature of the state of Utah:*

38 Section 1. Section **59-7-104** is amended to read:

39 **59-7-104 . Tax -- Minimum tax.**

- 40 (1) Each domestic and foreign corporation, except a corporation that is exempt under
- 41 Section 59-7-102, shall pay an annual tax to the state based on the corporation's Utah
- 42 taxable income for the taxable year for the privilege of exercising the corporation's
- 43 corporate franchise or for the privilege of doing business in the state.
- 44 (2) The tax shall be [~~4.5~~] 4.45% of a corporation's Utah taxable income.
- 45 (3) The minimum tax a corporation shall pay under this chapter is \$100.

46 Section 2. Section **59-7-201** is amended to read:

47 **59-7-201 . Tax -- Minimum tax.**

- 48 (1) There is imposed upon each corporation, except a corporation that is exempt under
- 49 Section 59-7-102, a tax upon the corporation's Utah taxable income for the taxable year
- 50 that is derived from sources within this state other than income for any period that the
- 51 corporation is required to include in the corporation's tax base under Section 59-7-104.
- 52 (2) The tax imposed by Subsection (1) shall be [~~4.5~~] 4.45% of a corporation's Utah taxable
- 53 income.
- 54 (3) In no case shall the tax be less than \$100.

55 Section 3. Section **59-10-103** is amended to read:

56 **59-10-103 . Definitions.**

- 57 (1) As used in this chapter:
- 58 (a)(i) "Adjusted gross income":
- 59 (A) for a resident or nonresident individual, means the same as that term is
- 60 defined in Section 62, Internal Revenue Code; or
- 61 (B) for a resident or nonresident estate or trust, is as calculated in Section 67(e),
- 62 Internal Revenue Code.

- 63 (ii) "Adjusted gross income" does not include:
- 64 (A) income received from a loan forgiven in accordance with 15 U.S.C. Sec.
- 65 636(a)(36), to the extent that a deduction for the expenditures paid with the
- 66 loan is disallowed, or a similar paycheck protection loan that is authorized by
- 67 the federal government, provided in response to COVID-19, forgiven if the
- 68 borrower meets the expenditure requirements, and exempt from federal income
- 69 tax, to the extent that a deduction for the expenditures paid with the loan is
- 70 disallowed; or
- 71 (B) an amount that an individual receives in accordance with Section 6428,
- 72 Internal Revenue Code, or an amount that an individual receives that is
- 73 authorized by the federal government as a tax credit for the 2020 tax year,
- 74 provided in response to COVID-19, paid in advance of the filing of the
- 75 individual's 2020 federal income tax return, and exempt from federal income
- 76 tax.
- 77 (b) "Corporation" includes:
- 78 (i) an association;
- 79 (ii) a joint stock company; and
- 80 (iii) an insurance company.
- 81 (c) "COVID-19" means:
- 82 (i) the severe acute respiratory syndrome coronavirus 2; or
- 83 (ii) the disease caused by severe acute respiratory syndrome coronavirus 2.
- 84 (d) "Distributable net income" means the same as that term is defined in Section 643,
- 85 Internal Revenue Code.
- 86 (e) "Employee" means the same as that term is defined in Section 59-10-401.
- 87 (f) "Employer" means the same as that term is defined in Section 59-10-401.
- 88 (g) "Federal taxable income":
- 89 (i) for a resident or nonresident individual, means taxable income as defined by
- 90 Section 63, Internal Revenue Code; or
- 91 (ii) for a resident or nonresident estate or trust, is as calculated in Section 641(a) and
- 92 (b), Internal Revenue Code.
- 93 (h) "Fiduciary" means:
- 94 (i) a guardian;
- 95 (ii) a trustee;
- 96 (iii) an executor;

- 97 (iv) an administrator;
- 98 (v) a receiver;
- 99 (vi) a conservator; or
- 100 (vii) any person acting in any fiduciary capacity for any individual.
- 101 (i) "Guaranteed annuity interest" means the same as that term is defined in 26 C.F.R.
- 102 Sec. 1.170A-6(c)(2).
- 103 (j) "Homesteaded land diminished from the Uintah and Ouray Reservation" means the
- 104 homesteaded land that was held to have been diminished from the Uintah and Ouray
- 105 Reservation in Hagen v. Utah, 510 U.S. 399 (1994).
- 106 (k) "Income tax rate" means:
- 107 (i) 4.45% for the portion of state taxable income that is below the threshold; and
- 108 (ii) 5.15% for the portion of the state taxable income that is equal to or above the
- 109 threshold.
- 110 [~~(k)~~] (l) "Individual" means a natural person and includes aliens and minors.
- 111 (m) "Inflation factor" means a percentage equal to the percentage by which the
- 112 consumer price index, as calculated by Sections 1(f)(4) and 1(f)(5), Internal Revenue
- 113 Code, for the preceding calendar year exceeds the consumer price index for the
- 114 calendar year two years before the current calendar year.
- 115 [~~(l)~~] (n) "Irrevocable trust" means a trust in which the settlor may not revoke or terminate
- 116 all or part of the trust without the consent of a person who has a substantial beneficial
- 117 interest in the trust and the interest would be adversely affected by the exercise of the
- 118 settlor's power to revoke or terminate all or part of the trust.
- 119 [~~(m)~~] (o) "Military service" means the same as that term is defined in Pub. L. No.
- 120 108-189, Sec. 101.
- 121 [~~(n)~~] (p) "Nonresident individual" means an individual who is not a resident of this state.
- 122 [~~(o)~~] (q) "Nonresident trust" or "nonresident estate" means a trust or estate which is not a
- 123 resident estate or trust.
- 124 [~~(p)~~] (r)(i) "Partnership" includes a syndicate, group, pool, joint venture, or other
- 125 unincorporated organization:
- 126 (A) through or by means of which any business, financial operation, or venture is
- 127 carried on; and
- 128 (B) that is not, within the meaning of this chapter, a trust, an estate, or a
- 129 corporation.
- 130 (ii) "Partnership" does not include any organization not included under the definition

- 131 of "partnership" in Section 761, Internal Revenue Code.
- 132 (iii) "Partner" includes a member in a syndicate, group, pool, joint venture, or
133 organization described in Subsection ~~[(1)(p)(i)]~~ (1)(r)(i).
- 134 ~~[(t)]~~ (s) "Pass-through entity" means the same as that term is defined in Section
135 59-10-1402.
- 136 ~~[(t)]~~ (t) "Pass-through entity taxpayer" means the same as that term is defined in Section
137 59-10-1402.
- 138 ~~[(s)]~~ (u) "Qualified nongrantor charitable lead trust" means a trust:
- 139 (i) that is irrevocable;
- 140 (ii) that has a trust term measured by:
- 141 (A) a fixed term of years; or
- 142 (B) the life of a person living on the day on which the trust is created;
- 143 (iii) under which:
- 144 (A) a portion of the value of the trust assets is distributed during the trust term:
- 145 (I) to an organization described in Section 170(c), Internal Revenue Code; and
- 146 (II) as a guaranteed annuity interest or a unitrust interest; and
- 147 (B) assets remaining in the trust at the termination of the trust term are distributed
148 to a beneficiary:
- 149 (I) designated in the trust; and
- 150 (II) that is not an organization described in Section 170(c), Internal Revenue
151 Code;
- 152 (iv) for which the trust is allowed a deduction under Section 642(c), Internal Revenue
153 Code; and
- 154 (v) under which the grantor of the trust is not treated as the owner of any portion of
155 the trust for federal income tax purposes.
- 156 ~~[(t)]~~ (v) "Resident individual" means an individual who is domiciled in this state for any
157 period of time during the taxable year, but only for the duration of the period during
158 which the individual is domiciled in this state.
- 159 ~~[(t)]~~ (w) "Resident estate" or "resident trust" means the same as that term is defined in
160 Section 75B-2-103.
- 161 ~~[(v)]~~ (x) "Service member" means the same as that term is defined in Pub. L. No.
162 108-189, Sec. 101.
- 163 ~~[(w)]~~ (y) "State income tax percentage for a nonresident estate or trust" means a
164 percentage equal to a nonresident estate's or trust's state taxable income for the

165 taxable year divided by the nonresident estate's or trust's total adjusted gross income
 166 for that taxable year after making the adjustments required by:

- 167 (i) Section 59-10-202;
- 168 (ii) Section 59-10-207;
- 169 (iii) Section 59-10-209.1; or
- 170 (iv) Section 59-10-210.

171 ~~[(x)]~~ (z) "State income tax percentage for a nonresident individual" means a percentage
 172 equal to a nonresident individual's state taxable income for the taxable year divided
 173 by the difference between:

- 174 (i) subject to Section 59-10-1405, the nonresident individual's total adjusted gross
 175 income for that taxable year, after making the:
 - 176 (A) additions and subtractions required by Section 59-10-114; and
 - 177 (B) adjustments required by Section 59-10-115; and
- 178 (ii) if the nonresident individual described in Subsection ~~[(1)(x)(i)]~~ (1)(z)(i) is a
 179 service member, the compensation the service member receives for military
 180 service if the service member is serving in compliance with military orders.

181 ~~[(y)]~~ (aa) "State income tax percentage for a part-year resident individual" means, for a
 182 taxable year, a fraction:

- 183 (i) the numerator of which is the sum of:
 - 184 (A) subject to Section 59-10-1404.5, for the time period during the taxable year
 185 that the part-year resident individual is a resident, the part-year resident
 186 individual's total adjusted gross income for that time period, after making the:
 - 187 (I) additions and subtractions required by Section 59-10-114; and
 - 188 (II) adjustments required by Section 59-10-115; and
 - 189 (B) for the time period during the taxable year that the part-year resident
 190 individual is a nonresident, an amount calculated by:
 - 191 (I) determining the part-year resident individual's adjusted gross income for
 192 that time period, after making the:
 - 193 (Aa) additions and subtractions required by Section 59-10-114; and
 - 194 (Bb) adjustments required by Section 59-10-115; and
 - 195 (II) calculating the portion of the amount determined under Subsection [
 196 ~~(1)(y)(i)(B)(I)]~~ (1)(aa)(i)(B)(I) that is derived from Utah sources in
 197 accordance with Section 59-10-117; and
- 198 (ii) the denominator of which is the difference between:

- 199 (A) the part-year resident individual's total adjusted gross income for that taxable
 200 year, after making the:
 201 (I) additions and subtractions required by Section 59-10-114; and
 202 (II) adjustments required by Section 59-10-115; and
 203 (B) if the part-year resident individual is a service member, any compensation the
 204 service member receives for military service during the portion of the taxable
 205 year that the service member is a nonresident if the service member is serving
 206 in compliance with military orders.

207 [~~(z)~~] (bb) "Taxable income" or "state taxable income":

208 (i) subject to Section 59-10-1404.5, for a resident individual, means the resident
 209 individual's adjusted gross income after making the:

210 (A) additions and subtractions required by Section 59-10-114; and

211 (B) adjustments required by Section 59-10-115;

212 (ii) for a nonresident individual, is an amount calculated by:

213 (A) determining the nonresident individual's adjusted gross income for the taxable
 214 year, after making the:

215 (I) additions and subtractions required by Section 59-10-114; and

216 (II) adjustments required by Section 59-10-115; and

217 (B) calculating the portion of the amount determined under Subsection [

218 ~~(1)(z)(ii)(A)~~ (1)(bb)(ii)(A) that is derived from Utah sources in accordance
 219 with Section 59-10-117;

220 (iii) for a resident estate or trust, is as calculated under Section 59-10-201.1; and

221 (iv) for a nonresident estate or trust, is as calculated under Section 59-10-204.

222 [~~(aa)~~] (cc) "Taxpayer" means any of the following that has income subject in whole or
 223 part to the tax imposed by this chapter:

224 (i) an individual;

225 (ii) an estate, a trust, or a beneficiary of an estate or a trust that is not a pass-through
 226 entity or a pass-through entity taxpayer;

227 (iii) a pass-through entity; or

228 (iv) a pass-through entity taxpayer.

229 (dd) "Threshold" means:

230 (i) for the taxable year beginning on or after January 1, 2026, and beginning before
 231 January 1, 2027, \$1,000,000; or

232 (ii) for each taxable year beginning on or after January 1, 2027, the amount

233 calculated by increasing or decreasing the previous taxable year's threshold by the
234 inflation factor and rounding to the nearest whole dollar.

235 [~~(bb)~~] (ee) "Trust term" means a time period:

236 (i) beginning on the day on which a qualified nongrantor charitable lead trust is
237 created; and

238 (ii) ending on the day on which the qualified nongrantor charitable lead trust
239 described in Subsection [~~(1)(bb)(i)~~] (1)(ee)(i) terminates.

240 [~~(ee)~~] (ff) "Uintah and Ouray Reservation" means the lands recognized as being included
241 within the Uintah and Ouray Reservation in:

242 (i) Hagen v. Utah, 510 U.S. 399 (1994); and

243 (ii) Ute Indian Tribe v. Utah, 114 F.3d 1513 (10th Cir. 1997).

244 [~~(dd)~~] (gg) "Unadjusted income" means an amount equal to the difference between:

245 (i) the total income required to be reported by a resident or nonresident estate or trust
246 on the resident or nonresident estate's or trust's federal income tax return for
247 estates and trusts for the taxable year; and

248 (ii) the sum of the following:

249 (A) fees paid or incurred to the fiduciary of a resident or nonresident estate or trust:

250 (I) for administering the resident or nonresident estate or trust; and

251 (II) that the resident or nonresident estate or trust deducts as allowed on the
252 resident or nonresident estate's or trust's federal income tax return for estates
253 and trusts for the taxable year;

254 (B) the income distribution deduction that a resident or nonresident estate or trust
255 deducts under Section 651 or 661, Internal Revenue Code, as allowed on the
256 resident or nonresident estate's or trust's federal income tax return for estates
257 and trusts for the taxable year;

258 (C) the amount that a resident or nonresident estate or trust deducts as a deduction
259 for estate tax or generation skipping transfer tax under Section 691(c), Internal
260 Revenue Code, as allowed on the resident or nonresident estate's or trust's
261 federal income tax return for estates and trusts for the taxable year; and

262 (D) the amount that a resident or nonresident estate or trust deducts as a personal
263 exemption under Section 642(b), Internal Revenue Code, as allowed on the
264 resident or nonresident estate's or trust's federal income tax return for estates
265 and trusts for the taxable year.

266 [~~(ee)~~] (hh) "Unitrust interest" means the same as that term is defined in 26 C.F.R. Sec.

- 267 1.170A-6(c)(2).
- 268 ~~[(ff)]~~ (ii) "Ute tribal member" means an individual who is enrolled as a member of the
- 269 Ute Indian Tribe of the Uintah and Ouray Reservation.
- 270 ~~[(gg)]~~ (jj) "Ute tribe" means the Ute Indian Tribe of the Uintah and Ouray Reservation.
- 271 ~~[(hh)]~~ (kk) "Wages" means the same as that term is defined in Section 59-10-401.
- 272 (2)(a) Any term used in this chapter has the same meaning as when used in comparable
- 273 context in the laws of the United States relating to federal income taxes unless a
- 274 different meaning is clearly required.
- 275 (b) Any reference to the Internal Revenue Code or to the laws of the United States shall
- 276 mean the Internal Revenue Code or other provisions of the laws of the United States
- 277 relating to federal income taxes that are in effect for the taxable year.
- 278 (c) Any reference to a specific section of the Internal Revenue Code or other provision
- 279 of the laws of the United States relating to federal income taxes shall include any
- 280 corresponding or comparable provisions of the Internal Revenue Code as amended,
- 281 redesignated, or reenacted.

282 Section 4. Section **59-10-104** is amended to read:

283 **59-10-104 . Tax basis -- Tax rate -- Exemption.**

- 284 (1) A tax is imposed on the state taxable income of a resident individual as provided in this
- 285 section.
- 286 (2) For purposes of Subsection (1), for a taxable year, the tax is an amount equal to the
- 287 product of:
- 288 (a) the resident individual's state taxable income for that taxable year; and
- 289 (b) the income tax rate.
- 290 ~~[(b) 4.5%.]~~
- 291 (3) This section does not apply to a resident individual exempt from taxation under Section
- 292 59-10-104.1.

293 Section 5. Section **59-10-116** is amended to read:

294 **59-10-116 . Tax on nonresident individual -- Calculation -- Exemption.**

- 295 (1) Except as provided in Subsection (2), a tax is imposed on a nonresident individual in an
- 296 amount equal to the product of~~[-the]~~:
- 297 (a) the nonresident individual's state taxable income; and
- 298 (b) the income tax rate.
- 299 ~~[(b) percentage listed in Subsection 59-10-104(2).]~~
- 300 (2) This section does not apply to a nonresident individual:

- 301 (a) exempt from taxation under Section 59-10-104.1; or
302 (b) whose only state source income is wages that are excluded in accordance with
303 Section 59-10-117.5.
- 304 Section 6. Section **59-10-201** is amended to read:
305 **59-10-201 . Taxation of resident trusts and estates.**
- 306 (1) Except as provided in Subsection (2), a tax [~~determined in accordance with the rate~~
307 ~~prescribed by Subsection 59-10-104(2)(b)~~] is imposed for each taxable year on the state
308 taxable income of each resident estate or trust in the amount calculated by multiplying
309 the resident estate's or trust's state taxable income by the income tax rate.
- 310 (2) The following are not subject to a tax imposed by this part:
311 (a) a resident estate or trust that is not required to file a federal income tax return for
312 estates and trusts for the taxable year; or
313 (b) a resident trust taxed as a corporation.
- 314 (3) A resident estate or trust shall be allowed the credit provided in Section 59-10-1003,
315 relating to an income tax imposed by another state, except that the limitation shall be
316 computed by reference to the taxable income of the estate or trust.
- 317 (4) The property of the Utah Educational Savings Plan established in Title 53H, Chapter 10
318 Utah Education Savings, and the Utah Educational Savings Plan's income from
319 operations and investments are exempt from all taxation by the state under this chapter.
- 320 Section 7. Section **59-10-205** is amended to read:
321 **59-10-205 . Tax on nonresident estate or trust.**
- 322 (1) Except as provided in Subsection (2), a tax is imposed on a nonresident estate or trust in
323 an amount equal to the product of:
324 (a) the nonresident estate's or trust's state taxable income as determined under Section
325 59-10-204; and
326 (b) the income tax rate.
327 [~~(b) the percentage listed in Subsection 59-10-104(2).~~]
- 328 (2) The following are not subject to a tax imposed by this part:
329 (a) a nonresident estate or trust that is not required to file a federal income tax return for
330 estates and trusts for the taxable year; or
331 (b) a nonresident trust taxed as a corporation.
- 332 Section 8. Section **59-10-1007** is amended to read:
333 **59-10-1007 . Recycling market development zones tax credits.**
- 334 (1) Subject to other provisions of this section, a claimant, estate, or trust in a recycling

- 335 market development zone as defined in Section 19-13-102 may claim the following
336 nonrefundable tax credits:
- 337 (a) a tax credit equal to the product of [~~the percentage listed in Subsection 59-10-104(2)~~]
338 the income tax rate and the purchase price paid for machinery and equipment used
339 directly in:
- 340 (i) commercial composting; or
341 (ii) manufacturing facilities or plant units that:
- 342 (A) manufacture, process, compound, or produce recycled items of tangible
343 personal property for sale; or
344 (B) reduce or reuse postconsumer waste material; and
- 345 (b) a tax credit equal to the lesser of:
- 346 (i) 20% of net expenditures to third parties for rent, wages, supplies, tools, test
347 inventory, and utilities made by the claimant, estate, or trust for establishing and
348 operating recycling or composting technology in the state; and
349 (ii) \$2,000.
- 350 (2)(a) To claim a tax credit described in Subsection (1), the claimant, estate, or trust
351 shall receive from the Department of Environmental Quality a written certification,
352 on a form approved by the commission, that includes:
- 353 (i) a statement that the claimant, estate, or trust is operating within the boundaries of
354 a recycling market development zone;
- 355 (ii) for a claim of the tax credit described in Subsection (1)(a):
- 356 (A) the type of the machinery and equipment that the claimant, estate, or trust
357 purchased;
- 358 (B) the date that the claimant, estate, or trust purchased the machinery and
359 equipment;
- 360 (C) the purchase price for the machinery and equipment;
- 361 (D) the total purchase price for all machinery and equipment for which the
362 claimant, estate, or trust is claiming a tax credit;
- 363 (E) the amount of the claimant's, estate's, or trust's tax credit; and
364 (F) a statement that the machinery and equipment are integral to the composting
365 or recycling process; and
- 366 (iii) for a claim of the tax credit described in Subsection (1)(b):
- 367 (A) the type of net expenditure that the claimant, estate, or trust made to a third
368 party;

- 369 (B) the date that the claimant, estate, or trust made the payment to a third party;
370 (C) the amount that the claimant, estate, or trust paid to each third party;
371 (D) the total amount that the claimant, estate, or trust paid to all third parties;
372 (E) a statement that the net expenditures support the establishment and operation
373 of recycling or composting technology in the state; and
374 (F) the amount of the claimant's, estate's, or trust's tax credit.
- 375 (b)(i) The Department of Environmental Quality shall provide a claimant, estate, or
376 trust seeking to claim a tax credit under Subsection (1) with a copy of the written
377 certification.
- 378 (ii) The claimant, estate, or trust shall retain a copy of the written certification for the
379 same period of time that a person is required to keep books and records under
380 Section 59-1-1406.
- 381 (c) The Department of Environmental Quality shall submit to the commission an
382 electronic list that includes:
- 383 (i) the name and identifying information of each claimant, estate, or trust to which the
384 Department of Environmental Quality issues a written certification; and
385 (ii) for each claimant, estate, or trust, the amount of each tax credit listed on the
386 written certification.
- 387 (3) A claimant, estate, or trust may not claim a tax credit under Subsection (1)(a),
388 Subsection (1)(b), or both that exceeds 40% of the claimant's, estate's, or trust's state
389 income tax liability as the tax liability is calculated:
- 390 (a) for the taxable year in which the claimant, estate, or trust made the purchases or
391 payments;
- 392 (b) before any other tax credits the claimant, estate, or trust may claim for the taxable
393 year; and
394 (c) before the claimant, estate, or trust claims a tax credit authorized by this section.
- 395 (4) The commission shall make rules governing what information a claimant, estate, or trust
396 shall file with the commission to verify the entitlement to and amount of a tax credit.
- 397 (5) Except as provided in Subsections (6) through (8), a claimant, estate, or trust may carry
398 forward, to the next three taxable years, the amount of a tax credit described in
399 Subsection (1)(a) that the claimant, estate, or trust does not use for the taxable year.
- 400 (6) A claimant, estate, or trust may not claim or carry forward a tax credit described in
401 Subsection (1)(a) in a taxable year during which the claimant, estate, or trust claims or
402 carries forward a tax credit under Section 63N-2-213.

403 (7) A claimant, estate, or trust may not claim a tax credit described in Subsection (1)(b) in a
404 taxable year during which the claimant, estate, or trust claims or carries forward a tax
405 credit under Section 63N-2-213.

406 Section 9. Section **59-10-1017** is amended to read:

407 **59-10-1017 . Utah Educational Savings Plan tax credit.**

408 (1) As used in this section:

409 (a) "Account owner" means the same as that term is defined in Section 53H-10-101.

410 (b) "Grantor trust" means the same as that term is defined in Section 53H-10-201.

411 (c) "Higher education costs" means the same as that term is defined in Section
412 53H-10-201.

413 (d) "Maximum amount of a qualified investment for the taxable year" means, for a
414 taxable year, the product of the percentage listed in Subsection 59-10-104(2) and:

415 (i) subject to Subsection (1)(d)(iii), for a claimant, estate, or trust that is an account
416 owner, if that claimant, estate, or trust is other than husband and wife account
417 owners who file a single return jointly, the maximum amount of a qualified
418 investment:

419 (A) listed in Subsection 53H-10-205(1)(e)(ii); and

420 (B) increased or kept for that taxable year in accordance with Subsections
421 53H-10-205(1)(f) and (g);

422 (ii) subject to Subsection (1)(d)(iii), for claimants who are husband and wife account
423 owners who file a single return jointly, the maximum amount of a qualified
424 investment:

425 (A) listed in Subsection 53H-10-205(1)(e)(iii); and

426 (B) increased or kept for that taxable year in accordance with Subsections
427 53H-10-205(1)(f) and (g); or

428 (iii) for a grantor trust:

429 (A) if the owner of the grantor trust has a single filing status or head of household
430 filing status as defined in Section 59-10-1018, the amount described in
431 Subsection (1)(d)(i); or

432 (B) if the owner of the grantor trust has a joint filing status as defined in Section
433 59-10-1018, the amount described in Subsection (1)(d)(ii).

434 (e) "Owner of the grantor trust" means the same as that term is defined in Section
435 53H-10-201.

436 (f) "Qualified investment" means the same as that term is defined in Section 53H-10-201.

- 437 (2) Except as provided in Section 59-10-1002.2 and subject to the other provisions of this
438 section, a claimant, estate, or trust that is an account owner may claim a nonrefundable
439 tax credit equal to the product of:
- 440 (a) the amount of a qualified investment made:
- 441 (i) during the taxable year; and
- 442 (ii) into an account owned by the claimant, estate, or trust; and
- 443 (b) the ~~[percentage listed in Subsection 59-10-104(2).]~~ the income tax rate.
- 444 (3) A claimant, estate, or trust, or a person other than the claimant, estate, or trust, may
445 make a qualified investment described in Subsection (2).
- 446 (4) A claimant, estate, or trust that is an account owner may not claim a tax credit under this
447 section with respect to any portion of a qualified investment described in Subsection (2)
448 that a claimant, estate, trust, or person described in Subsection (3) deducts on a federal
449 income tax return.
- 450 (5) A tax credit under this section may not exceed the maximum amount of a qualified
451 investment for the taxable year.
- 452 (6) A claimant, estate, or trust that is an account owner may not carry forward or carry back
453 the tax credit under this section.

454 Section 10. Section **59-10-1022** is amended to read:

455 **59-10-1022 . Nonrefundable tax credit for capital gain transactions.**

- 456 (1) As used in this section:
- 457 (a)(i) "Capital gain transaction" means a transaction that results in a:
- 458 (A) short-term capital gain; or
- 459 (B) long-term capital gain.
- 460 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
461 the commission may by rule define the term "transaction."
- 462 (b) "Commercial domicile" means the principal place from which the trade or business
463 of a Utah small business corporation is directed or managed.
- 464 (c) "Long-term capital gain" is as defined in Section 1222, Internal Revenue Code.
- 465 (d) "Qualifying stock" means stock that is:
- 466 (i)(A) common; or
- 467 (B) preferred;
- 468 (ii) as defined by the commission by rule made in accordance with Title 63G,
469 Chapter 3, Utah Administrative Rulemaking Act, originally issued to:
- 470 (A) a claimant, estate, or trust; or

471 (B) a partnership if the claimant, estate, or trust that claims a tax credit under this
472 section:

473 (I) was a partner on the day on which the stock was issued; and

474 (II) remains a partner until the last day of the taxable year for which the
475 claimant, estate, or trust claims a tax credit under this section; and

476 (iii) issued:

477 (A) by a Utah small business corporation;

478 (B) on or after January 1, 2008; and

479 (C) for:

480 (I) money; or

481 (II) other property, except for stock or securities.

482 (e) "Short-term capital gain" is as defined in Section 1222, Internal Revenue Code.

483 (f)(i) "Utah small business corporation" means a corporation that:

484 (A) except as provided in Subsection (1)(f)(ii), is a small business corporation as
485 defined in Section 1244(c)(3), Internal Revenue Code;

486 (B) except as provided in Subsection (1)(f)(iii), meets the requirements of Section
487 1244(c)(1)(C), Internal Revenue Code; and

488 (C) has its commercial domicile in this state.

489 (ii) The dollar amount listed in Section 1244(c)(3)(A) is considered to be \$2,500,000.

490 (iii) The phrase "the date the loss on such stock was sustained" in Sections
491 1244(c)(1)(C) and 1244(c)(2), Internal Revenue Code, is considered to be "the last
492 day of the taxable year for which the claimant, estate, or trust claims a tax credit
493 under this section."

494 (2) For taxable years beginning on or after January 1, 2008, a claimant, estate, or trust that
495 meets the requirements of Subsection (3) may claim a nonrefundable tax credit equal to
496 the product of:

497 (a) the total amount of the claimant's, estate's, or trust's short-term capital gain or
498 long-term capital gain on a capital gain transaction that occurs on or after January 1,
499 2008; and

500 (b) the income tax rate.

501 [~~(b) the percentage listed in Subsection 59-10-104(2).]~~

502 (3) For purposes of Subsection (2), a claimant, estate, or trust may claim the nonrefundable
503 tax credit allowed by Subsection (2) if:

504 (a) 70% or more of the gross proceeds of the capital gain transaction are expended:

- 505 (i) to purchase qualifying stock in a Utah small business corporation; and
 506 (ii) within a 12-month period after the day on which the capital gain transaction
 507 occurs; and
- 508 (b) prior to the purchase of the qualifying stock described in Subsection (3)(a)(i), the
 509 claimant, estate, or trust did not have an ownership interest in the Utah small business
 510 corporation that issued the qualifying stock.
- 511 (4) A claimant, estate, or trust may not carry forward or carry back a tax credit under this
 512 section.
- 513 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 514 commission may make rules:
- 515 (a) defining the term "gross proceeds"; and
 516 (b) prescribing the circumstances under which a claimant, estate, or trust has an
 517 ownership interest in a Utah small business corporation.

518 Section 11. Section **59-10-1023** is amended to read:

519 **59-10-1023 . Nonrefundable tax credit for amounts paid under a health benefit**
 520 **plan.**

- 521 (1) As used in this section:
- 522 (a) "Claimant with dependents" means a claimant:
- 523 (i) regardless of the claimant's filing status for purposes of filing a federal individual
 524 income tax return for the taxable year; and
- 525 (ii) who claims one or more dependents under Section 151, Internal Revenue Code,
 526 as allowed on the claimant's federal individual income tax return for the taxable
 527 year.
- 528 (b) "Eligible insured individual" means:
- 529 (i) the claimant who is insured under a health benefit plan;
- 530 (ii) the spouse of the claimant described in Subsection (1)(b)(i) if:
- 531 (A) the claimant files a single return jointly under this chapter with the claimant's
 532 spouse for the taxable year; and
- 533 (B) the spouse is insured under the health benefit plan described in Subsection
 534 (1)(b)(i); or
- 535 (iii) a dependent of the claimant described in Subsection (1)(b)(i) if:
- 536 (A) the claimant claims the dependent under Section 151, Internal Revenue Code,
 537 as allowed on the claimant's federal individual income tax return for the
 538 taxable year; and

- 539 (B) the dependent is insured under the health benefit plan described in Subsection
540 (1)(b)(i).
- 541 (c) "Excluded expenses" means an amount a claimant pays for insurance offered under a
542 health benefit plan for a taxable year if:
- 543 (i) the claimant claims a tax credit for that amount under Section 35, Internal
544 Revenue Code:
- 545 (A) on the claimant's federal individual income tax return for the taxable year; and
546 (B) with respect to an eligible insured individual;
- 547 (ii) the claimant deducts that amount under Section 162 or 213, Internal Revenue
548 Code:
- 549 (A) on the claimant's federal individual income tax return for the taxable year; and
550 (B) with respect to an eligible insured individual; or
- 551 (iii) the claimant excludes that amount from gross income under Section 106 or 125,
552 Internal Revenue Code, with respect to an eligible insured individual.
- 553 (d)(i) "Health benefit plan" is as defined in Section 31A-1-301.
- 554 (ii) "Health benefit plan" does not include equivalent self-insurance as defined by the
555 Insurance Department by rule made in accordance with Title 63G, Chapter 3, Utah
556 Administrative Rulemaking Act.
- 557 (e) "Joint claimant with no dependents" means a husband and wife who:
- 558 (i) file a single return jointly under this chapter for the taxable year; and
559 (ii) do not claim a dependent under Section 151, Internal Revenue Code, on the
560 husband's and wife's federal individual income tax return for the taxable year.
- 561 (f) "Single claimant with no dependents" means:
- 562 (i) a single individual who:
- 563 (A) files a single federal individual income tax return for the taxable year; and
564 (B) does not claim a dependent under Section 151, Internal Revenue Code, on the
565 single individual's federal individual income tax return for the taxable year;
- 566 (ii) a head of household:
- 567 (A) as defined in Section 2(b), Internal Revenue Code, who files a single federal
568 individual income tax return for the taxable year; and
569 (B) who does not claim a dependent under Section 151, Internal Revenue Code,
570 on the head of household's federal individual income tax return for the taxable
571 year; or
- 572 (iii) a married individual who:

- 573 (A) does not file a single federal individual income tax return jointly with that
574 married individual's spouse for the taxable year; and
- 575 (B) does not claim a dependent under Section 151, Internal Revenue Code, on that
576 married individual's federal individual income tax return for the taxable year.
- 577 (2) Subject to Subsection (3), and except as provided in Subsection (4), for taxable years
578 beginning on or after January 1, 2009, a claimant may claim a nonrefundable tax credit
579 equal to the product of:
- 580 (a) the difference between:
- 581 (i) the total amount the claimant pays during the taxable year for:
- 582 (A) insurance offered under a health benefit plan; and
583 (B) an eligible insured individual; and
- 584 (ii) excluded expenses; and
- 585 (b) the income tax rate.
586 [~~(b) the percentage listed in Subsection 59-10-104(2).~~]
- 587 (3) The maximum amount of a tax credit described in Subsection (2) a claimant may claim
588 on a return for a taxable year is:
- 589 (a) for a single claimant with no dependents, \$300;
590 (b) for a joint claimant with no dependents, \$600; or
591 (c) for a claimant with dependents, \$900.
- 592 (4) A claimant may not claim a tax credit under this section if the claimant is eligible to
593 participate in insurance offered under a health benefit plan maintained and funded in
594 whole or in part by:
- 595 (a) the claimant's employer; or
596 (b) another person's employer.
- 597 (5) A claimant may not carry forward or carry back a tax credit under this section.
- 598 Section 12. Section **59-10-1028** is amended to read:
- 599 **59-10-1028 . Nonrefundable tax credit for capital gain transactions on the**
600 **exchange of one form of legal tender for another form of legal tender.**
- 601 (1) As used in this section:
- 602 (a) "Capital gain transaction" means a transaction that results in a:
- 603 (i) short-term capital gain; or
604 (ii) long-term capital gain.
- 605 (b) "Long-term capital gain" is as defined in Section 1222, Internal Revenue Code.
606 (c) "Long-term capital loss" is as defined in Section 1222, Internal Revenue Code.

607 (d) "Net capital gain" means the amount by which the sum of long-term capital gains
 608 and short-term capital gains on a claimant's, estate's, or trust's transactions from
 609 exchanges made for a taxable year of one form of legal tender for another form of
 610 legal tender exceeds the sum of long-term capital losses and short-term capital losses
 611 on those transactions for that taxable year.

612 (e) "Short-term capital loss" is as defined in Section 1222, Internal Revenue Code.

613 (f) "Short-term capital gain" is as defined in Section 1222, Internal Revenue Code.

614 (2) Except as provided in Section 59-10-1002.2, for taxable years beginning on or after
 615 January 1, 2012, a claimant, estate, or trust may claim a nonrefundable tax credit equal
 616 to the product of:

617 (a) to the extent a net capital gain is included in taxable income, the amount of the
 618 claimant's, estate's, or trust's net capital gain on capital gain transactions from
 619 exchanges made on or after January 1, 2012, for a taxable year, of one form of legal
 620 tender for another form of legal tender; and

621 (b) the income tax rate.

622 [~~(b) the percentage listed in Subsection 59-10-104(2).]~~

623 (3) A claimant, estate, or trust may not carry forward or carry back a tax credit under this
 624 section.

625 (4) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 626 commission may make rules to implement this section.

627 Section 13. Section **59-10-1035** is amended to read:

628 **59-10-1035 . Nonrefundable tax credit for contribution to state Achieving a**
 629 **Better Life Experience Program account.**

630 (1) As used in this section:

631 (a) "Account" means an account in a qualified ABLE program where the designated
 632 beneficiary of the account is a resident of this state.

633 (b) "Contributor" means a claimant, estate, or trust that:

634 (i) makes a contribution to an account; and

635 (ii) receives a statement from the qualified ABLE program itemizing the contribution.

636 (c) "Designated beneficiary" means the same as that term is defined in 26 U.S.C. Sec.
 637 529A.

638 (d) "Qualified ABLE program" means the same as that term is defined in Section
 639 35A-12-102.

640 (2) A contributor to an account may claim a nonrefundable tax credit as provided in this

- 641 section.
- 642 (3) Subject to the other provisions of this section, the tax credit is equal to the product of:
- 643 [~~(a) the percentage listed in Subsection 59-10-104(2); and~~
- 644 (a) the income tax rate; and
- 645 (b) the total amount of contributions:
- 646 (i) the contributor makes for the taxable year; and
- 647 (ii) for which the contributor receives a statement from the qualified ABLE program
- 648 itemizing the contributions.
- 649 (4) A contributor may not claim a tax credit under this section:
- 650 (a) for an amount of excess contribution to an account that is returned to the contributor;
- 651 or
- 652 (b) with respect to an amount the contributor deducts on a federal income tax return.
- 653 (5) A tax credit under this section may not be carried forward or carried back.
- 654 Section 14. Section **59-10-1036** is amended to read:
- 655 **59-10-1036 . Nonrefundable tax credit for military survivor benefits.**
- 656 (1) As used in this section:
- 657 (a) "Dependent child" means the same as that term is defined in 10 U.S.C. Sec. 1447.
- 658 (b) "Reserve components" means the same as that term is described in 10 U.S.C. Sec.
- 659 10101.
- 660 (c) "Surviving spouse" means the same as that term is defined in 10 U.S.C. Sec. 1447.
- 661 (d) "Survivor benefits" means the amount paid by the federal government in accordance
- 662 with 10 U.S.C. Secs. 1447 through 1455.
- 663 (2) A surviving spouse or dependent child may claim a nonrefundable tax credit for
- 664 survivor benefits if the benefits are paid due to:
- 665 (a) the death of a member of the armed forces or reserve components while on active
- 666 duty; or
- 667 (b) the death of a member of the reserve components that results from a
- 668 service-connected cause while performing inactive duty training.
- 669 (3) The tax credit described in Subsection (2) is equal to the product of:
- 670 (a) the amount of survivor benefits that the surviving spouse or dependent child received
- 671 during the taxable year; and
- 672 (b) the income tax rate.
- 673 [~~(b) the percentage listed in Subsection 59-10-104(2).~~]
- 674 (4) The tax credit described in Subsection (2):

- 675 (a) may not be carried forward or carried back; and
- 676 (b) applies to a taxable year beginning on or after January 1, 2017.
- 677 Section 15. Section **59-10-1042** is amended to read:
- 678 **59-10-1042 . Nonrefundable tax credit for social security benefits.**
- 679 (1) As used in this section:
- 680 (a) "Head of household filing status" means the same as that term is defined in Section
- 681 59-10-1018.
- 682 (b) "Joint filing status" means the same as that term is defined in Section 59-10-1018.
- 683 (c) "Married filing separately status" means a married individual who:
- 684 (i) does not file a single federal individual income tax return jointly with that married
- 685 individual's spouse for the taxable year; and
- 686 (ii) files a single federal individual income tax return for the taxable year.
- 687 (d) "Modified adjusted gross income" means the sum of the following for a claimant or,
- 688 if the claimant's return under this chapter is allowed a joint filing status, the claimant
- 689 and the claimant's spouse:
- 690 (i) adjusted gross income for the taxable year for which a tax credit is claimed under
- 691 this section;
- 692 (ii) any interest income that is not included in adjusted gross income for the taxable
- 693 year described in Subsection (1)(d)(i); and
- 694 (iii) any addition to adjusted gross income required by Section 59-10-114 for the
- 695 taxable year described in Subsection (1)(d)(i).
- 696 (e) "Single filing status" means a single individual who files a single federal individual
- 697 income tax return for the taxable year.
- 698 (f) "Social security benefit" means an amount received by a claimant as a monthly
- 699 benefit in accordance with the Social Security Act, 42 U.S.C. Sec. 401 et seq.
- 700 (2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each claimant
- 701 on a return that receives a social security benefit may claim a nonrefundable tax credit
- 702 against taxes otherwise due under this part equal to the product of:
- 703 [~~(a) the percentage listed in Subsection 59-10-104(2); and~~]
- 704 (a) the income tax rate; and
- 705 (b) the claimant's social security benefit that is included in the claimant's state taxable
- 706 income for the taxable year.
- 707 (3) A claimant may not:
- 708 (a) carry forward or carry back the amount of a tax credit under this section that exceeds

- 709 the claimant's tax liability for the taxable year; or
- 710 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
- 711 59-10-1019 is claimed on the claimant's return for the same taxable year.
- 712 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this part shall
- 713 be reduced by \$.025 for each dollar by which modified adjusted gross income for
- 714 purposes of the return exceeds:
- 715 (a) for a return filed under this chapter that is allowed a married filing separately status,
- 716 \$45,000;
- 717 (b) for a return filed under this chapter that is allowed a single filing status, \$54,000;
- 718 (c) for a return filed under this chapter that is allowed a head of household filing status,
- 719 \$90,000; or
- 720 (d) for a return filed under this chapter that is allowed a joint filing status, \$90,000.
- 721 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
- 722 commission may make rules governing the calculation and method for claiming the tax
- 723 credit described in this section.

724 Section 16. Section **59-10-1043** is amended to read:

725 **59-10-1043 . Nonrefundable tax credit for military retirement.**

- 726 (1) As used in this section:
- 727 (a)(i) "Military retirement pay" means retirement pay, including survivor benefits,
- 728 that relates to service in the armed forces or the reserve components, as described
- 729 in 10 U.S.C. Sec. 10101.
- 730 (ii) "Military retirement pay" does not include:
- 731 (A) Social Security income;
- 732 (B) 401(k) or IRA distributions; or
- 733 (C) income from other sources.
- 734 (b) "Survivor benefits" means the retired pay portion of the benefits described in 10
- 735 U.S.C. Secs. 1447 through 1455.
- 736 (2) Except as provided in Section 59-10-1002.2, a claimant who receives military
- 737 retirement pay may claim a nonrefundable tax credit against taxes equal to the product
- 738 of:
- 739 [~~(a) the percentage listed in Subsection 59-10-104(2); and]~~
- 740 (a) the income tax rate; and
- 741 (b) the amount of military retirement pay that is included in adjusted gross income on
- 742 the claimant's federal income tax return for the taxable year.

- 743 (3) A claimant may not:
- 744 (a) carry forward or carry back the amount of a tax credit that exceeds the claimant's tax
- 745 liability for the taxable year; or
- 746 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
- 747 59-10-1019 is claimed on the claimant's return for the same taxable year.
- 748 Section 17. Section **59-10-1403.3** is amended to read:
- 749 **59-10-1403.3 . Refund of amounts paid or withheld for a pass-through entity.**
- 750 (1) As used in this section:
- 751 (a) "Committee" means the Revenue and Taxation Interim Committee.
- 752 (b) "Qualifying excess withholding" means an amount that:
- 753 (i) is paid or withheld:
- 754 (A) by a pass-through entity that has a different taxable year than the pass-through
- 755 entity that requests a refund under this section; and
- 756 (B) on behalf of the pass-through entity that requests the refund, if the
- 757 pass-through entity that requests the refund also is a pass-through entity
- 758 taxpayer; and
- 759 (ii) is equal to the difference between:
- 760 (A) the amount paid or withheld for the taxable year on behalf of the pass-through
- 761 entity that requests the refund; and
- 762 (B) the product of the [~~percentage listed in Subsection 59-10-104(2)~~] income tax
- 763 rate and the income, described in Subsection 59-10-1403.2(1)(a)(i), of the
- 764 pass-through entity that requests the refund.
- 765 (2) For a taxable year ending on or after July 1, 2017, a pass-through entity may claim a
- 766 refund of qualifying excess withholding, if the amount of the qualifying excess
- 767 withholding is equal to or greater than \$250,000.
- 768 (3) A pass-through entity that requests a refund of qualifying excess withholding under this
- 769 section shall:
- 770 (a) apply to the commission for a refund on or, subject to Subsection (4), after the day
- 771 on which the pass-through entity files the pass-through entity's income tax return; and
- 772 (b) provide any information that the commission may require to determine that the
- 773 pass-through entity is eligible to receive the refund.
- 774 (4) A pass-through entity shall claim a refund of qualifying excess withholding under this
- 775 section within 30 days after the earlier of the day on which:
- 776 (a) the pass-through entity files an income tax return; or

777 (b) the pass-through entity's income tax return is due, including any extension of due
778 date authorized in statute.

779 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
780 commission may make rules establishing the information that a pass-through entity shall
781 provide to the commission to obtain a refund of qualifying excess withholding under this
782 section.

783 (6)(a) On or before November 30, 2018, the committee shall review the \$250,000
784 threshold described in Subsection (2) for the purpose of assessing whether the
785 threshold amount should be maintained, increased, or decreased.

786 (b) To assist the committee in conducting the review described in Subsection (6)(a), the
787 commission shall provide the committee with:

788 (i) the total number of refund requests made under this section;

789 (ii) the total costs of any refunds issued under this section;

790 (iii) the costs of any audits conducted on refund requests made under this section; and

791 (iv) an estimation of:

792 (A) the number of refund requests the commission expects to receive if the
793 Legislature increases the threshold;

794 (B) the number of refund requests the commission expects to receive if the
795 Legislature decreases the threshold; and

796 (C) the costs of any audits the commission would conduct if the Legislature
797 increases or decreases the threshold.

798 **Section 18. Effective Date.**

799 This bill takes effect on May 6, 2026.

800 **Section 19. Retrospective operation.**

801 This bill has retrospective operation for a taxable year beginning on or after January 1,
802 2026.