



# Income Tax Credit Reviews

59-7-159 & 59-10-137

## OFFICE OF LEGISLATIVE RESEARCH AND GENERAL COUNSEL

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Revenue and Taxation Interim Committee

September 18, 2019



# 59-7-159 & 59-10-137

- **The committee is required to review roughly one-third of the available income tax credits every year.**
  - Each credit gets reviewed every three years.
- **The committee is required to evaluate credits and make recommendations on whether the credits should be:**
  - Continued
  - Modified
  - Repealed



# Alternative Energy Development

- **Created in 2012**
  - Nonrefundable
  - Incentivize alternative energy development in the state
- **59-7-614.7 (Corporate)**
  - Zero credits claimed through 2017
- **59-10-1029 (Individual)**
  - Less than 10 credits claimed in 2015 and 2016, none in 2017
  - Total amount in 2015 and 2016 was less than \$1,000



# Military Survivor Benefits

- **Created in 2017**
  - Nonrefundable
  - 5% credit on survivor benefits received by the surviving spouse or dependent child
  - Resulting from death of military member while on active duty or service-connected cause while performing inactive duty training
- **59-10-1036 (individual)**
  - 70 credits claimed in 2017
  - Total amount of \$165,156
  - Average credit of \$2,359



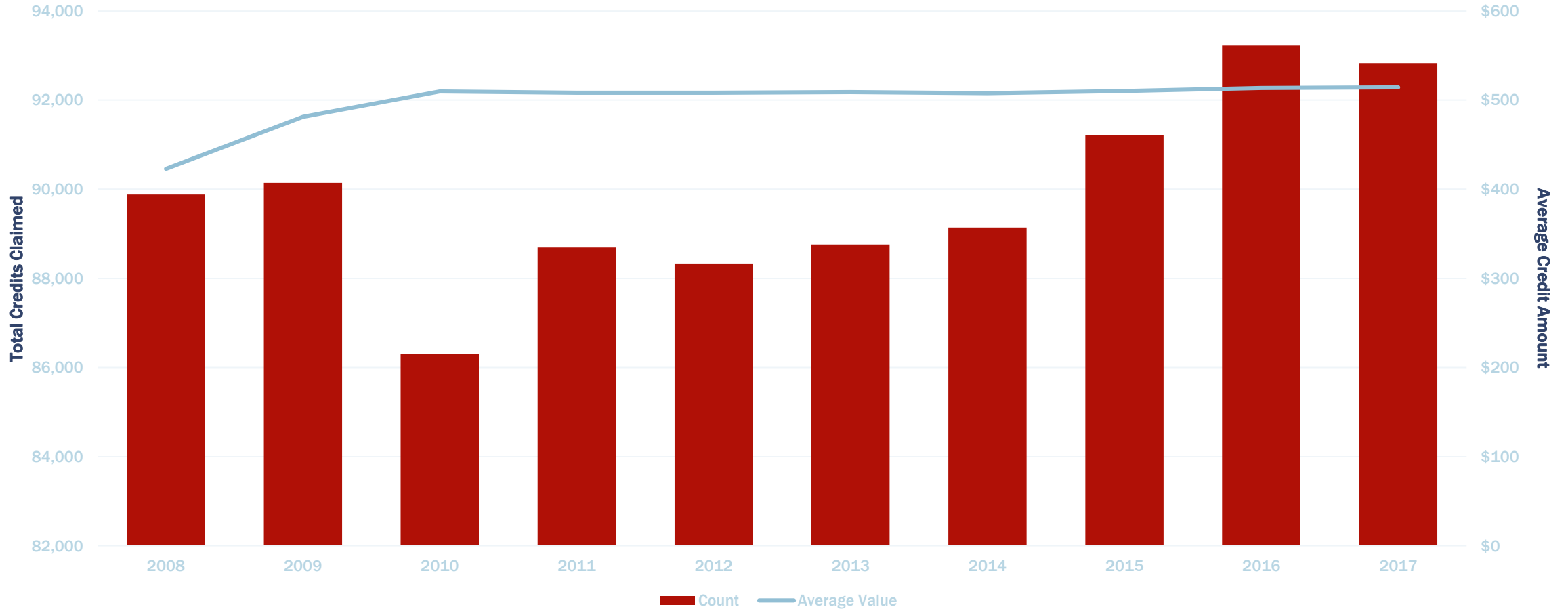
# Retirement Tax Credit

- **Created in 2008**
  - 59-10-1019 (individual)
  - Nonrefundable
  - Available to taxpayers age 65+
  - \$450 credit
  - Phased out by 2.5 cents for every dollar of income over:
    - \$16,000 for married filing separately
    - \$25,000 for single
    - \$32,000 for joint
  - Previously, there was a reduced credit available to retirees under the age of 65, but that provision no longer pertains



# Retirement Tax Credit

Number and Average Value of Retirement Tax Credit





# Mental Health Professionals

- **Created in 2016**
  - \$10,000 refundable credit
  - Psychiatrists and psychiatric mental health nurse practitioners who:
    - are recently licensed;
    - provide psychiatric services to underserved populations; or
    - provide volunteer psychiatric services to underserved, homeless or veteran populations.
- **59-10-1111 (Individual)**
  - Approximately 28 credits claimed since creation
  - Total amount claimed in 2017 \$260,558



# Taxpayer Tax Credit

- **Enacted in 2007**

- 59-10-1018 (individual)
- Nonrefundable
- Created a level of progressivity in the income tax when the state moved to a single rate
- Based on total Utah exemptions and adjusted federal deductions (itemized or standard)

- **In 2017**

- 1,213,447 credits
- \$1,146,615,149 total value
- \$945 average credit value





# Taxpayer Tax Credit

- **The 2017 Federal Tax Cuts and Jobs Act impacted the taxpayer tax credit by eliminating federal exemptions**
  - The “Utah Exemption” portion of the taxpayer tax credit (75% of federal exemptions) effectively went to \$0
  - During the Special Session in July 2018, the Legislature created a new “Utah Personal Exemption” as part of the taxpayer tax credit, that restored a portion of the previous value for dependents



# Taxpayer Tax Credit

- **The new Utah Personal Exemption is:**
  - \$565 x “qualifying dependents”
- **Taxpayer Tax Credit calculation:**
  - 6% of federal standard or Utah itemized deduction + 6% of Utah Personal Exemption
- **Phase-out**
  - The credit is reduced by 1.3 cents for each dollar of income above:
    - \$12,000 for single
    - \$18,000 for head of household
    - \$24,000 for joint