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Heard in the Revenue and Taxation Interim Committee meeting on 5/20/26

2026 Tax Credit Review

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Tax Credit Review Requirement (59-7-159 and 59-10-137)



Continue



Modify



Repeal



2026 Review Schedule (subject to change)

MAY	<ul style="list-style-type: none">• Alternative Fuel – Heavy Duty Vehicle• Farm Hand Tools• Employment of Deployed Veteran
JUN	<ul style="list-style-type: none">• Research Activities• Pass-Through Entity
AUG	<ul style="list-style-type: none">• Special Needs Opportunity Scholarship• My529 / UESP• At-Home Parent
SEP	<ul style="list-style-type: none">• Taxpayer Tax Credit



What is an income tax credit?

- An amount subtracted from tax liability
- A \$500 credit means that you have **\$500 less due in tax liability**
- Utah has 63 income tax credits across corporate and individual income tax
- Tax credits have largely replaced deductions and exemptions due to ease of administration



Characteristics of an income tax credit

Target
Beneficiaries

Complexity
and Accuracy

Fiscal
Sustainability

Evaluation
and
Adaptation

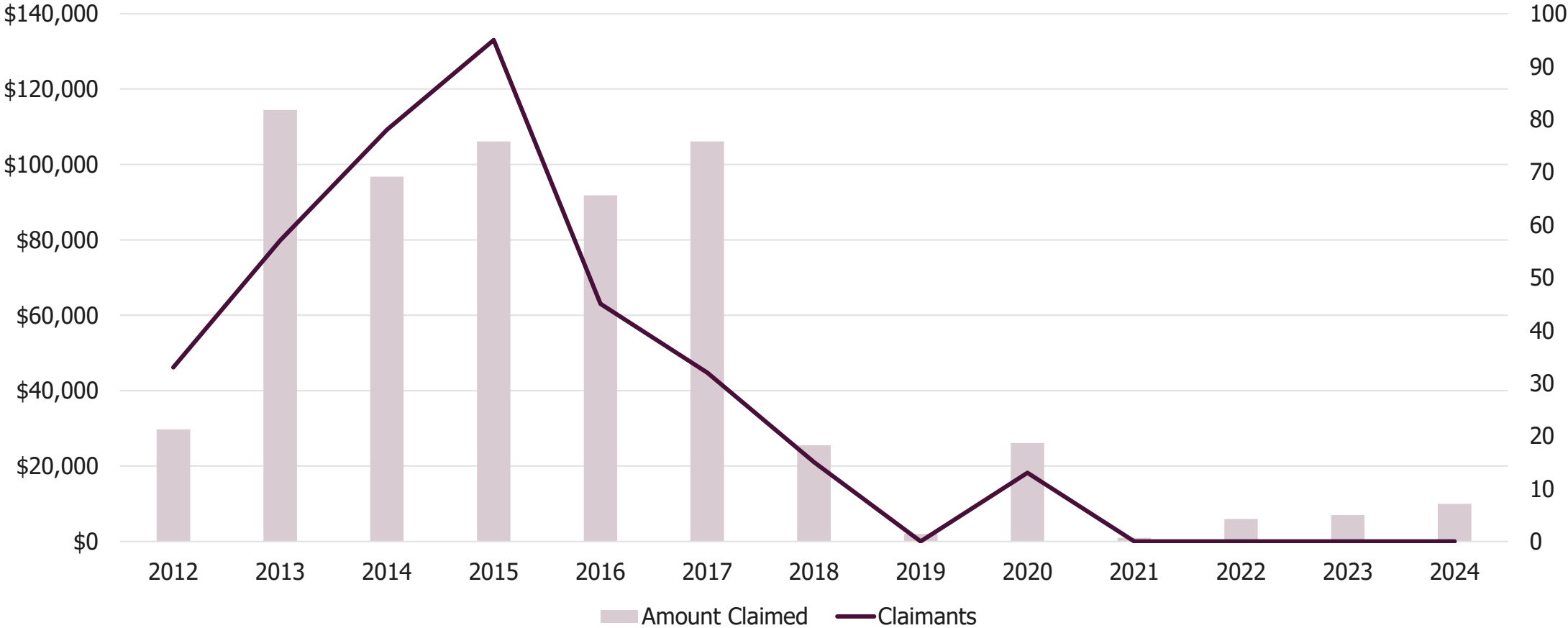


Tax credit for employing a recently deployed veteran ([Utah Code Ann. § 59-10-1031](#))

- Claimant, estate, or trust that employs a recently deployed veteran who:
 - Collects or is eligible to collect unemployment or, within the last two years, has exhausted unemployment benefits
 - Works at least 35 hours/week for at least 45 weeks during the year following the veteran's start date
- Credit amount:
 - 1st taxable year = \$200/month of employment/veteran (max \$2,400)
 - 2nd taxable year = \$400/month of employment/veteran (max \$4,800)
- Nonrefundable
- 5-year carry forward



Tax credit usage




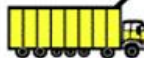


















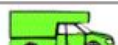


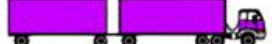







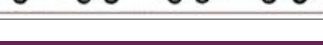


Tax credit for alternative fuel heavy duty vehicles ([Utah Code Ann. § 59-7-618.1](#) and [59-10-1033.1](#))

- Qualified taxpayer who:
 - Purchases a qualifying vehicle
 - New heavy-duty vehicle (class 7 or 8)
 - Must use:
 - Natural gas (CNG or LNG)
 - 100% electric drivetrain
 - Hydrogen-electric drivetrain
 - Limited to 10 qualified purchases in the same taxable year
 - Certification by Division of Air Quality
 - >50% of vehicle's annual miles must be within the state
- Nonrefundable
- 5-year carryforward
- Combined tax credit cap of \$500,000



FIGURE C-1 FHWA 13 VEHICLE CATEGORY CLASSIFICATION

Class 1 Motorcycles		Class 7 Four or more axle, single unit	
Class 2 Passenger cars		Class 8 Four or less axle, single trailer	
			
			
			
Class 3 Four tire, single unit		Class 9 5-Axle tractor semitrailer	
			
			
Class 4 Buses		Class 10 Six or more axle, single trailer	
		Class 11 Five or less axle, multi trailer	
			
Class 5 Two axle, six tire, single unit		Class 12 Six axle, multi-trailer	
			
			Class 13 Seven or more axle, multi-trailer
Class 6 Three axle, single unit			
			
			
			

Source: Oak Ridge National Laboratory

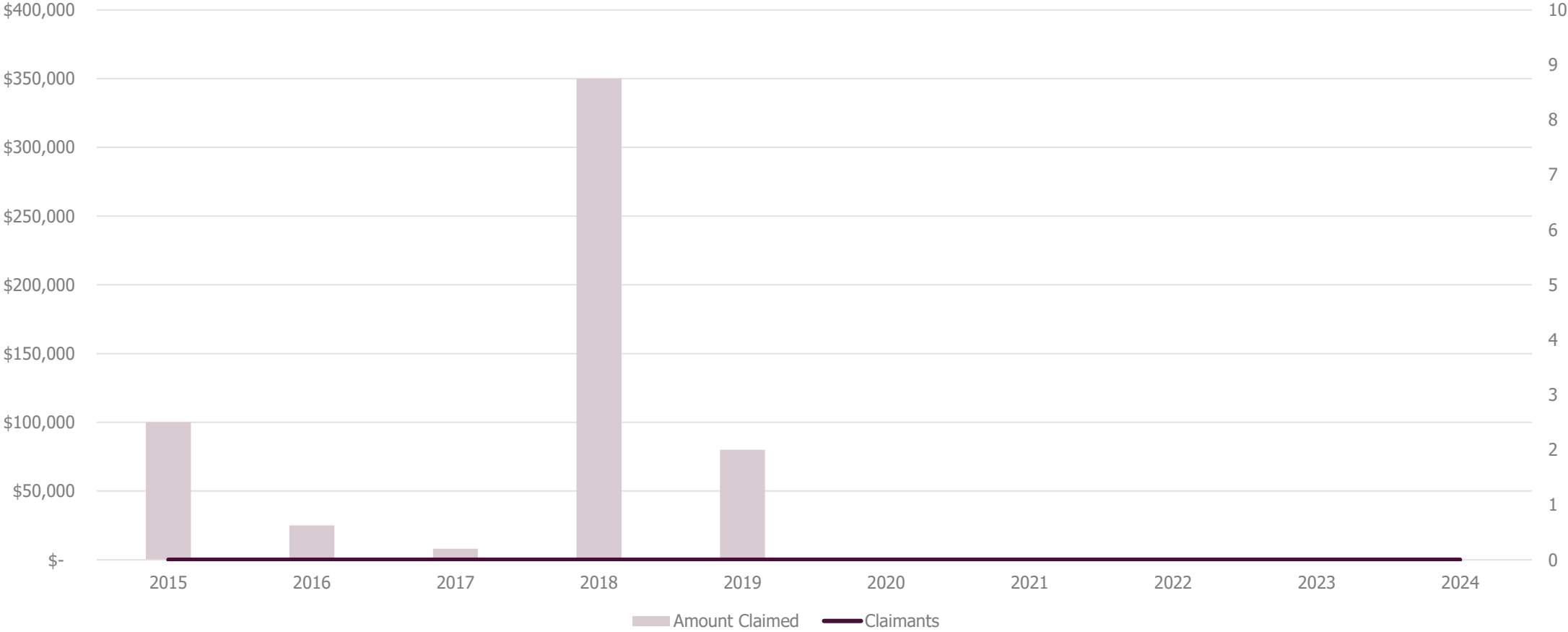


Tax credit for alternative fuel heavy duty vehicles ([Utah Code Ann. § 59-7-618.1](#) and [59-10-1033.1](#))

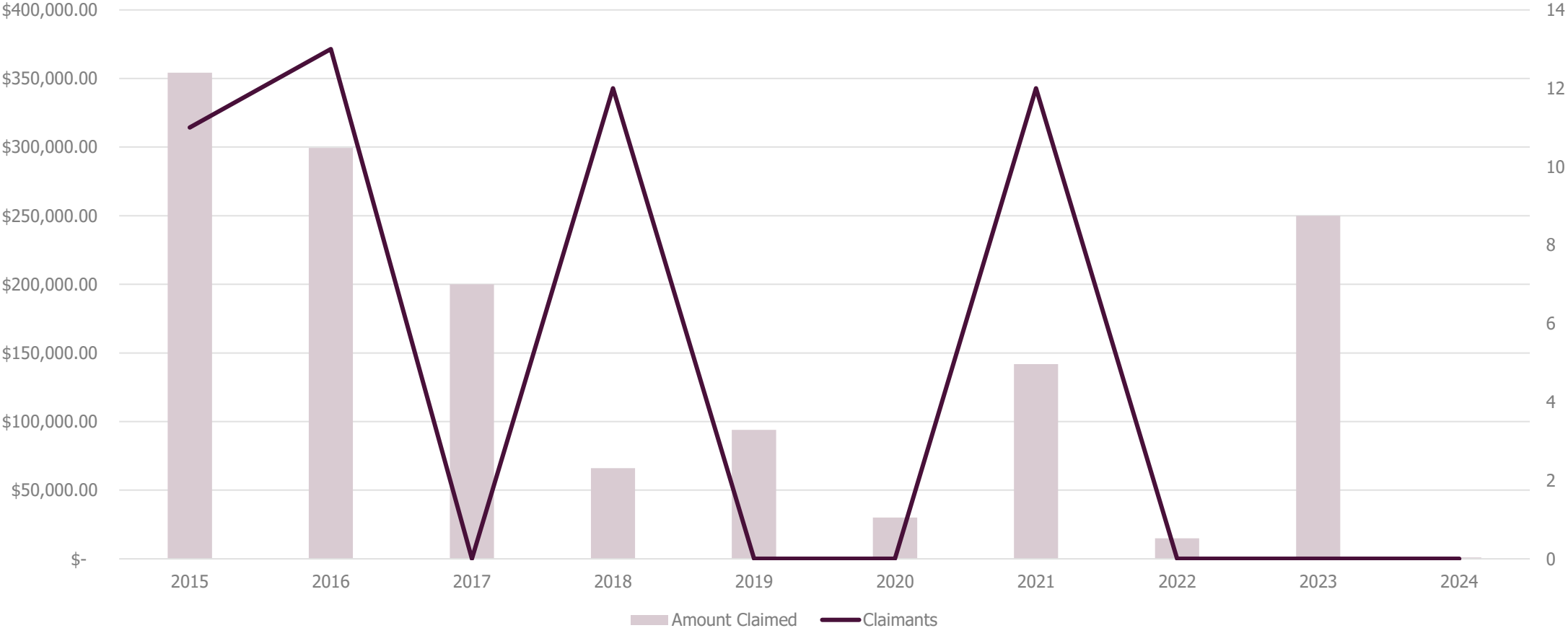
Year of purchase	Credit per vehicle
2021	\$15,000
2022	\$13,500
2023	\$12,000
2024	\$10,500
2025	\$9,000
2026	\$7,500
2027	\$6,000
2028	\$4,500
2029	\$3,000
2030	\$1,500



Tax credit usage (59-7-618.1)



Tax credit usage (59-10-1033.1)

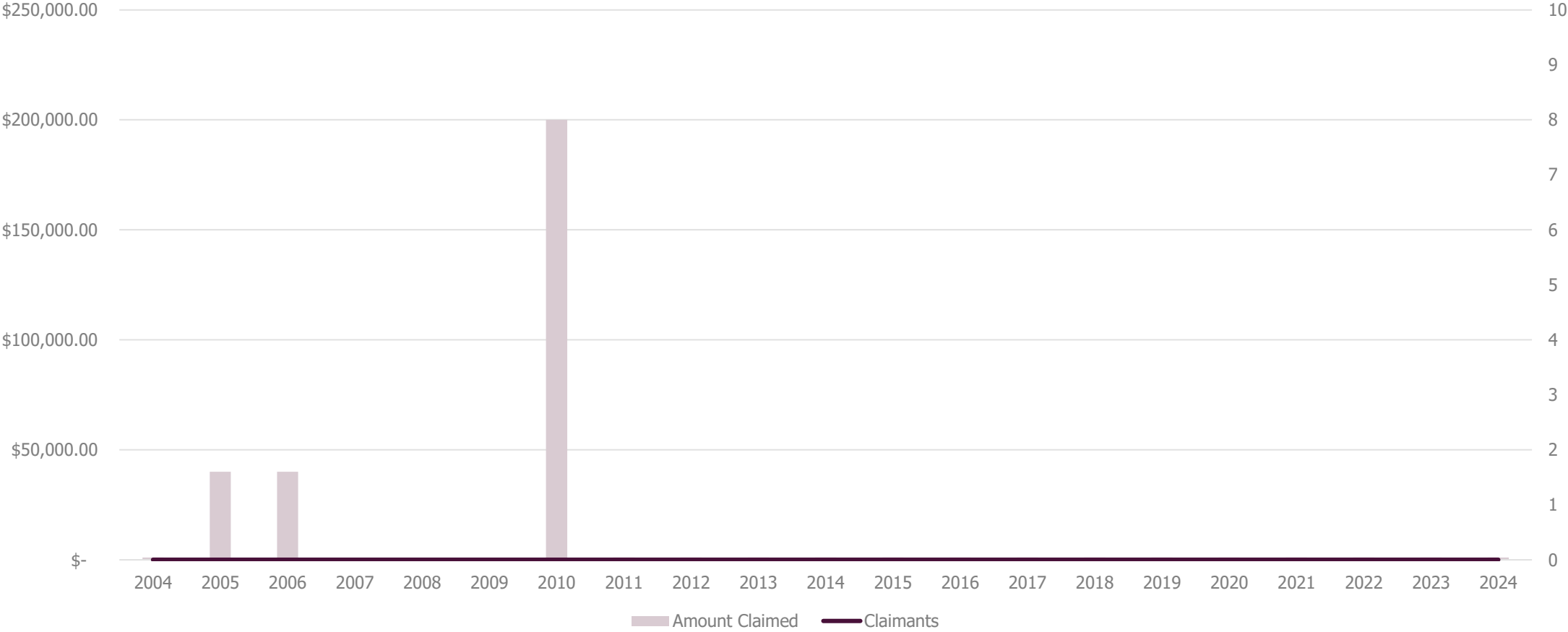


Tax credit for hand tools used in farming ([Utah Code Ann. § 59-7-614.1](#) and [59-10-1105](#))

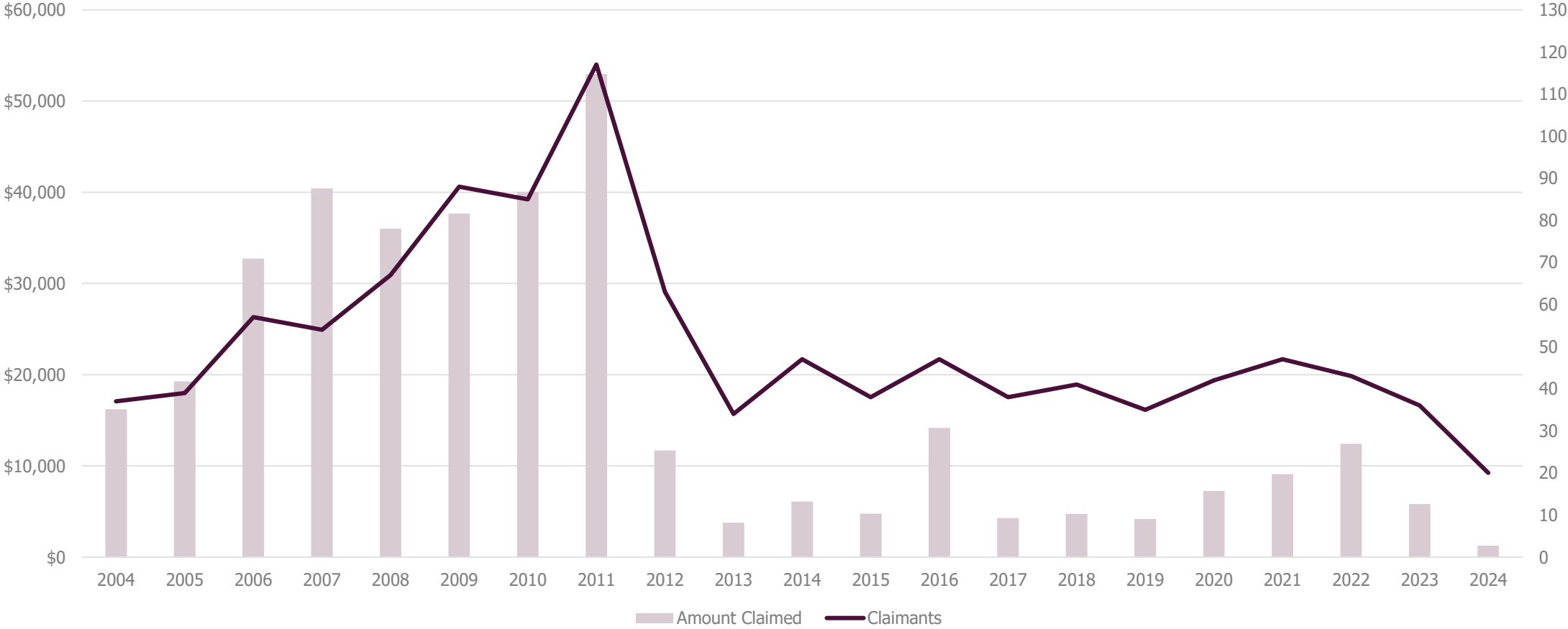
- Taxpayer who:
 - Purchases a hand tool
 - On or after July 1, 2004
 - The hand tool is used or consumed primarily and directly in a farming operation in the state
 - The unit purchase price of the hand tool is more than \$250
- Credit amount = the amount of sales and use tax paid
- Refundable
- The Income Tax Fund is reimbursed by the General Fund for the total credits claimed.



Tax credit usage (59-7-614.1)



Tax credit usage (59-10-1105)



Questions?



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