5/2/2008 5/2/2008 5/2/2008

This table compares the computation of the traditional individual income tax system, the single rate individual income tax system that will replace the traditional individual income tax system beginning with taxable year 2008, the income tax on estates and trusts, and the income tax on estates and trusts as amended during the 2008 General Session.

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Individual Income Taxes and Income Tax on Estates/Trusts Comparison

Traditional Individual Income Tax	**Single Rate Individual Income Tax** (current through 2008 General Session)	**Income Tax on Estates/Trusts**	**Income Tax on Estates/Trusts** (current through 2008 General Session)
STARTING POINT:			
Federal taxable income -- (Form uses federal adjusted gross income and subtracts standard/itemized deduction and 75% of personal exemption deduction.)1	**Federal adjusted gross income --** Federal adjusted gross income is as defined in Section 62, Internal Revenue Code.	**Federal taxable income --** Federal taxable income as calculated in Section 641(a) and (b), Internal Revenue Code. (Form requests data on estate/trust and beneficiaries.)	**Unadjusted income --** Total income (Line 9) - fiduciary fees (Line 12) - income distribution deduction (Line 18) - estate tax deduction (Line 19) - personal exemption (Line 20)
A. ADDITIONS TO INCOME:			
+ 25% of personal exemption			
+ state income tax deducted as itemized deduction		+ state income tax deducted as itemized deduction	
+ lump sum distributions	+ lump sum distributions	+ lump sum distributions	+ lump sum distributions
+ Utah Medical Savings Account amounts	+ Utah Medical Savings Account amounts		
+ Utah Educational Savings Plan amounts	+ Utah Educational Savings Plan amounts	+ Utah Educational Savings Plan amounts	+ Utah Educational Savings Plan amounts
+ reimbursed adoption expenses	+ reimbursed adoption expenses		
+ child's income excluded from parent's return	+ child's income excluded from parent's return		
+ municipal bond interest	+ municipal bond interest	+ municipal bond interest	+ municipal bond interest
+ untaxed income of a resident trust	+ untaxed income of a resident trust		
+ untaxed income of a nonresident trust	+ untaxed income of a nonresident trust		
+ equitable adjustments	+ equitable adjustments	+ equitable adjustments	+ equitable adjustments
		+ electing small business trust S corp. income	+ electing small business trust S corp. income
		+ fiduciary adjustments	+ fiduciary adjustments
Total additions to income	Total additions to income	Total additions to income	Total additions to income
Income + Total additions to income = Total adjusted income			
B. DEDUCTIONS FROM INCOME:			
- 50% federal tax		- 50% federal tax (if nonresident 50% of portion allocable to Utah)	
- state tax refund included in federal income	- state tax refund included in federal income	- state tax refund included in federal income	- state tax refund included in federal income
- retirement exemption/deduction			
- interest from U.S. government obligations	- interest from U.S. government obligations	- interest from U.S. government obligations	- interest from U.S. government obligations
- Utah Medical Savings Account amounts			
- Utah Educational Savings Plan amounts		- Utah Educational Savings Plan amounts	
- health care insurance premiums			
- long-term care insurance premiums			
- adoption expenses			
- Native American income	- Native American income	- Native American income	- Native American income
- railroad retirement income	- railroad retirement income	- railroad retirement income	- railroad retirement income
- gains on capital transactions		- gains on capital transactions	
- military pay2		- military pay2	
- equitable adjustments	- equitable adjustments	- equitable adjustments	- equitable adjustments
		- fiduciary adjustments	- fiduciary adjustments
		- nontaxable income of a irrevocable resident trust	- nontaxable income of a irrevocable resident trust
			- qualified nongrantor charitable lead trust §642 ded.
Total deductions from income	Total deductions from income	Total deductions from income	Total deductions from income
Total adjusted income - Total deductions from income = Utah taxable income			

▪ For nonresidents and part-year residents, apportionment provisions apply

Utah taxable income * Rate = Income tax

- An individual may be exempt from individual income tax because of an exemption for the poor; no similar provision for estates/trusts
- Estates/trusts taxed at rate for individuals (5%)
- Special rules for qualified funeral trusts

C. SUBTRACT NONREFUNDABLE CREDITS:**3**

- income tax paid to another state	- income tax paid to another state	- fiduciary income tax paid to another state**4**	- fiduciary income tax paid to another state**4**
- at-home parents	- at-home parents		
- qualified sheltered workshop cash contributions	- qualified sheltered workshop cash contributions	- qualified sheltered workshop cash contributions	- qualified sheltered workshop cash contributions
- renewable energy systems	- renewable energy systems	- renewable energy systems	- renewable energy systems
- clean fuel vehicles	- clean fuel vehicles	- clean fuel vehicles	- clean fuel vehicles
- historic preservation of certain structures	- historic preservation of certain structures	- historic preservation of certain structures	- historic preservation of certain structures
- enterprise zones	- enterprise zones	- enterprise zones	- enterprise zones
- low-income housing	- low-income housing	- low-income housing	- low-income housing
- employers who hire persons with disabilities**5**	- employers who hire persons with disabilities**5**	- employers who hire persons with disabilities**5**	- employers who hire persons with disabilities**5**
- recycling market development zones	- recycling market development zones	- recycling market development zones	- recycling market development zones
- tutoring for disabled dependents	- tutoring for disabled dependents		
- increasing research activities	- research activities	- research activities	- research activities
- machinery and equipment used to conduct research	- machinery and equipment used to conduct research	- machinery and equipment used to conduct research	- machinery and equipment used to conduct research
- live organ donation expenses	- live organ donation expenses		
	- Utah Educational Savings Plan		- Utah Educational Savings Plan
	- taxpayer tax credit**6**		- estate or trust tax credit**6**
	- retirement tax credit**6**		
	- Medical Savings Account**6**		
	- capital gain transactions**6**		- capital gain transactions**6**
	- health benefit plan**7**		
	- qualifying solar projects**7**		- qualifying solar projects**7**
Total nonrefundable credits	Total nonrefundable credits	Total nonrefundable credits	Total nonrefundable credits

Income tax - Total nonrefundable credits = Subtotal tax

D. ADDITIONS TO TAX AND USE TAX:

+ contributions**8**	+ contributions		
+ Utah Nongame Wildlife Fund	+ Utah Nongame Wildlife Fund		
+ Pamela Atkinson Homeless Trust Fund	+ Pamela Atkinson Homeless Trust Fund		
+ Kurt Oscarson Children's Organ Transplant Fund	+ Kurt Oscarson Children's Organ Transplant Fund		
+ School district/nonprofit school dist. foundation	+ School district/nonprofit school dist. foundation		
+ Utah College of Applied Technology**9**	+ Utah College of Applied Technology**9**		
+ Uniform School Fund**10**			
+ Wolf Depredation and Mgt. Restricted Acct.**9**	+ Wolf Depredation and Mgt. Restricted Acct.**9**		
+ Cat and dog spay and neuter program	+ Cat and dog spay and neuter program		
+ previous refunds (for amended returns only)	+ previous refunds (for amended returns only)	+ previous refunds (for amended returns only)	+ previous refunds (for amended returns only)
+ recapture of low-income housing credit	+ recapture of low-income housing credit		
+ Utah use tax	+ Utah use tax	+ Utah use tax	+ Utah use tax
Total additions to tax and use tax	Total additions to tax and use tax	Total additions to tax and use tax	Total additions to tax and use tax

Subtotal tax + Total additions to tax and use tax = Subtotal tax, additions to tax, and use tax

SEPARATE CALCULATION OF WITHHOLDING & REFUNDABLE CREDITS:

+ Utah tax withheld	+ Utah tax withheld	+ Utah tax withheld	+ Utah tax withheld
+ credit for Utah income taxes prepaid	+ credit for Utah income taxes prepaid	+ credit for Utah income taxes prepaid	+ credit for Utah income taxes prepaid
+ previous payments (for amended returns only)	+ previous payments (for amended returns only)	+ previous payments (for amended returns only)	+ previous payments (for amended returns only)
+ refundable credits	+ refundable credits	+ refundable credits	+ refundable credits
+ targeted business	+ targeted business	+ targeted business	+ targeted business
+ special needs adoption	+ special needs adoption		
+ nonresident shareholder's withholding	+ nonresident shareholder's withholding	+ nonresident shareholder's withholding	+ nonresident shareholder's withholding
+ mineral production withholding	+ mineral production withholding	+ mineral production withholding	+ mineral production withholding
+ agricultural off-highway gas/undyed diesel	+ agricultural off-highway gas/undyed diesel	+ agricultural off-highway gas/undyed diesel	+ agricultural off-highway gas/undyed diesel
+ farm operation hand tools	+ farm operation hand tools	+ farm operation hand tools	+ farm operation hand tools
+ renewable energy systems	+ renewable energy systems	+ renewable energy systems**11**	+ renewable energy systems**11**
	+ economic development tax credit**6**		+ economic development tax credit**6**
Total withholding and refundable credits	Total withholding and refundable credits	Total withholding and refundable credits	Total withholding and refundable credits

CALCULATION OF TOTAL AMOUNT OWED OR REFUNDED:

For all tax types, if Subtotal tax, additions to tax,
and use tax > Total withholding and refundable credits:

_ Subtotal tax, additions to tax, and use tax
Total withholding and refundable credits
Amount owed

For all tax tpes, if Subtotal tax, additions to tax,
and use tax < Total withholding and refundable credits:

_ Total withholding and refundable credits
Subtotal tax, additions to tax, and use tax
Amount refunded

1 The deduction allowed for disabled dependents is treated as an additional personal exemption on the traditional individual income tax return. Because this deduction is not allowed under the single rate individual income tax, the deduction is repealed in 2008 General Session H.B. 359, Tax Changes.

2 The deduction for certain military pay allowed under the traditional individual income tax and for estates and trusts expired at the end of taxable year 2005. 2008 General Session H.B. 359, Tax Changes, repeals this obsolete language.

3 The Utah Educational Savings Plan tax credit, the taxpayer tax credit, the retirement tax credit, the Medical Savings Account tax credit, the estate and trust tax credit, the capital gain transactions tax credit, the health benefit plan tax credit, and the qualifying solar projects tax credit are subject to apportionment for part-year residents or nonresidents.

4 This tax credit only applies to resident estates or trusts.

5 Because the total amount of tax credit claimed or carried forward was less than $10,000 per year for three consecutive taxable years, Utah Code Ann. § 59-10-1002.1 (2008) provides that the State Tax Commission shall remove this tax credit from individual income tax returns and fiduciary income tax returns. The tax credit may no longer be claimed for taxable years beginning on or after January 1, 2007.

6 This tax credit takes effect beginning with taxable year 2008.

7 This tax credit takes effect beginning with taxable year 2009.

8 The bill recodifies the contributions as Title 59, Chapter 10, Part 13, Individual Income Tax Contribution Act.

9 Because this contribution generated less than $30,000 per year for three consecutive taxable years, Utah Code Ann. § 59-10-1304 (2008) provides that the State Tax Commission shall remove the designation for the contribution from individual income tax returns beginning two taxable years after the three-year period for which the contribution generates less than $30,000 per year. A taxpayer may no longer make a contribution to the Utah College of Applied Technology for taxable years beginning on or after January 1, 2007. A taxpayer may no longer make a contribution to the Wolf Depredation and Management Restricted Account for taxable years beginning on or after January 1, 2008.

10 The authority to make this contribution expired at the end of taxable year 2006. 2008 General Session H.B. 359, Tax Changes, repeals the contribution.

11 This tax credit was enacted in the 2007 General Session. Unlike the other tax credits, this tax credit did not specify whether an estate or trust is eligible to claim the tax credit. However, the statute provided that the tax credit may be claimed by a "business entity," which is defined as any entity under which business is conducted or transacted. Under this definition, an estate or trust could arguably claim the tax credit. The Trust and Estate Working Group recommends that the tax credit should be amended to clarify that an estate or trust is eligible to claim it. 2008 General Session H.B. 359, Tax Changes, makes this clarification.