

1 **INCOME TAX DEDUCTION FOR HEALTH**

2 **CARE INSURANCE**

3 1999 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: Michael R. Styler**

6 AN ACT RELATING TO THE INDIVIDUAL INCOME TAX ACT; INCREASING THE
7 INDIVIDUAL INCOME TAX DEDUCTION FOR AMOUNTS PAID FOR HEALTH CARE
8 INSURANCE; MAKING TECHNICAL CHANGES; AND PROVIDING AN EFFECTIVE
9 DATE.

10 This act affects sections of Utah Code Annotated 1953 as follows:

11 AMENDS:

12 **59-10-114**, as last amended by Chapter 56, Laws of Utah 1997

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

14 Section 1. Section **59-10-114** is amended to read:

15 **59-10-114. Additions to and subtractions from federal taxable income of an**
16 **individual.**

17 (1) There shall be added to federal taxable income of a resident or nonresident individual:

18 (a) the amount of any income tax imposed by this or any predecessor Utah individual
19 income tax law and the amount of any income tax imposed by the laws of another state, the District
20 of Columbia, or a possession of the United States, to the extent deducted from federal adjusted
21 gross income, as defined by Section 62, Internal Revenue Code, in determining federal taxable
22 income;

23 (b) a lump sum distribution allowable as a deduction under Section 402(e)(3), Internal
24 Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code, in
25 determining federal adjusted gross income;

26 (c) 25% of the personal exemptions, as defined and calculated in the Internal Revenue
27 Code;

28 (d) a withdrawal from a medical care savings account and any penalty imposed in the
29 taxable year if:

30 (i) the taxpayer did not deduct or include the amounts on his federal tax return pursuant
31 to Section 220, Internal Revenue Code; and

32 (ii) the withdrawal is subject to Subsections 31A-32-105(1) and (2); and

33 (e) the amount refunded to a participant under Title 53B, Chapter 8a, Higher Education
34 Savings Incentive Program, in the year in which the amount is refunded.

35 (2) There shall be subtracted from federal taxable income of a resident or nonresident
36 individual:

37 (a) the interest or dividends on obligations or securities of the United States and its
38 possessions or of any authority, commission, or instrumentality of the United States, to the extent
39 includable in gross income for federal income tax purposes but exempt from state income taxes
40 under the laws of the United States, but the amount subtracted under this subsection shall be
41 reduced by any interest on indebtedness incurred or continued to purchase or carry the obligations
42 or securities described in this subsection, and by any expenses incurred in the production of
43 interest or dividend income described in this subsection to the extent that such expenses, including
44 amortizable bond premiums, are deductible in determining federal taxable income;

45 (b) 1/2 of the net amount of any income tax paid or payable to the United States after all
46 allowable credits, as reported on the United States individual income tax return of the taxpayer for
47 the same taxable year;

48 (c) the amount of adoption expenses which, for purposes of this subsection, means any
49 actual medical and hospital expenses of the mother of the adopted child which are incident to the
50 child's birth and any welfare agency, child placement service, legal, and other fees or costs relating
51 to the adoption;

52 (d) amounts received by taxpayers under age 65 as retirement income which, for purposes
53 of this section, means pensions and annuities, paid from an annuity contract purchased by an
54 employer under a plan which meets the requirements of Section 404 (a)(2), Internal Revenue Code,
55 or purchased by an employee under a plan which meets the requirements of Section 408, Internal
56 Revenue Code, or paid by the United States, a state, or political subdivision thereof, or the District
57 of Columbia, to the employee involved or the surviving spouse;

58 (e) for each taxpayer age 65 or over before the close of the taxable year, a \$7,500 personal

59 retirement exemption;

60 (f) 75% of the amount of the personal exemption, as defined and calculated in the Internal
61 Revenue Code, for each dependent child with a disability and adult with a disability who is
62 claimed as a dependent on a taxpayer's return;

63 (g) any amount included in federal taxable income that was received pursuant to any
64 federal law enacted in 1988 to provide reparation payments, as damages for human suffering, to
65 United States citizens and resident aliens of Japanese ancestry who were interned during World
66 War II;

67 (h) subject to the limitations of Subsection (3)(e), ~~[60% of the]~~ amounts ~~[paid by the]~~ a
68 taxpayer pays during the taxable year for health care insurance, as defined in Title 31A, Chapter
69 1, Insurance Code~~[-];~~

70 (i) for:

71 (A) the taxpayer~~[-];~~

72 (B) the taxpayer's spouse~~[-];~~ and

73 (C) the taxpayer's dependents; and

74 (ii) to the extent the taxpayer does not deduct the amounts ~~[paid for health insurance were~~
75 ~~not deductible]~~ under Sections 125, 162, or 213, Internal Revenue Code, in determining federal
76 taxable income for the taxable year;

77 (i) except as otherwise provided in this subsection, the amount of a contribution made in
78 the tax year on behalf of the taxpayer to a medical care savings account and interest earned on a
79 contribution to a medical care savings account established pursuant to Title 31A, Chapter 32,
80 Medical Care Savings Account Act, to the extent the contribution is accepted by the account
81 administrator as provided in the Medical Care Savings Account Act, and if the taxpayer did not
82 deduct or include amounts on his federal tax return pursuant to Section 220, Internal Revenue
83 Code. A contribution deductible under this subsection may not exceed either of the following:

84 (i) the maximum contribution allowed under the Medical Care Savings Account Act for
85 the tax year multiplied by two for taxpayers who file a joint return, if neither spouse is covered by
86 health care insurance as defined in Section 31A-1-301 or self-funded plan that covers the other
87 spouse, and each spouse has a medical care savings account; or

88 (ii) the maximum contribution allowed under the Medical Care Savings Account Act for
89 the tax year for taxpayers:

90 (A) who do not file a joint return; or

91 (B) who file a joint return, but do not qualify under Subsection (2)(i)(i); and

92 (j) the amount included in federal taxable income that was derived from money paid by
93 the taxpayer to the program fund and investment income earned on those payments under Title
94 53B, Chapter 8a, Higher Education Savings Incentive Program.

95 (3) (a) For purposes of Subsection (2)(d), the amount of retirement income subtracted for
96 taxpayers under 65 shall be the lesser of the amount included in federal taxable income, or \$4,800,
97 except that:

98 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned
99 over \$32,000, the amount of the retirement income exemption that may be subtracted shall be
100 reduced by 50 cents;

101 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income
102 earned over \$16,000, the amount of the retirement income exemption that may be subtracted shall
103 be reduced by 50 cents; and

104 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,
105 the amount of the retirement income exemption that may be subtracted shall be reduced by 50
106 cents.

107 (b) For purposes of Subsection (2)(e), the amount of the personal retirement exemption
108 shall be further reduced according to the following schedule:

109 (i) for married taxpayers filing joint returns, for each \$1 of adjusted gross income earned
110 over \$32,000, the amount of the personal retirement exemption shall be reduced by 50 cents;

111 (ii) for married taxpayers filing separate returns, for each \$1 of adjusted gross income
112 earned over \$16,000, the amount of the personal retirement exemption shall be reduced by 50
113 cents; and

114 (iii) for individual taxpayers, for each \$1 of adjusted gross income earned over \$25,000,
115 the amount of the personal retirement exemption shall be reduced by 50 cents.

116 (c) For purposes of Subsections (3)(a) and (b), adjusted gross income shall be calculated
117 by adding to federal adjusted gross income any interest income not otherwise included in federal
118 adjusted gross income.

119 (d) For purposes of determining ownership of items of retirement income common law
120 doctrine will be applied in all cases even though some items may have originated from service or

121 investments in a community property state. Amounts received by the spouse of a living retiree
122 because of the retiree's having been employed in a community property state are not deductible as
123 retirement income of such spouse.

124 (e) For purposes of Subsection (2)(h), a subtraction for an amount paid for health care
125 insurance as defined in Title 31A, Chapter 1, Insurance Code, is not allowed:

126 (i) for an amount that is reimbursed or funded in whole or in part by the federal
127 government, the state, or an agency or instrumentality of the federal government or the state; and

128 (ii) for a taxpayer who is eligible to participate in a health plan maintained and funded in
129 whole or in part by the taxpayer's employer or the taxpayer's spouse's employer.

130 Section 2. **Effective date.**

131 This act takes effect for taxable years beginning on or after January 1, 2000.

Legislative Review Note
as of 12-15-98 12:18 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel