

INCOME TAX AMENDMENTS

2000 GENERAL SESSION

STATE OF UTAH

Sponsor: Howard C. Nielson

AN ACT RELATING TO THE INDIVIDUAL INCOME TAX ACT; REPEALING OBSOLETE LANGUAGE; MODIFYING DEFINITIONS; CHANGING THE BASIS FOR CALCULATING INDIVIDUAL INCOME TAXES FROM FEDERAL TAXABLE INCOME TO FEDERAL ADJUSTED GROSS INCOME; ~~§ [REQUIRING TAXPAYERS TO ELECT TO SUBTRACT]~~ **MODIFYING SUBTRACTIONS §** FROM ADJUSTED GROSS INCOME ~~§ [EITHER]~~ **RELATING TO §** THE FEDERAL STANDARD DEDUCTION OR FEDERAL ITEMIZED DEDUCTIONS; MAKING TECHNICAL CHANGES; AND PROVIDING AN EFFECTIVE DATE.

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

AMENDS:

- 59-10-103**, as last amended by Chapter 88, Laws of Utah 1999
- 59-10-104**, as last amended by Chapter 333, Laws of Utah 1996
- 59-10-111**, as last amended by Chapter 96, Laws of Utah 1987
- 59-10-112**, as last amended by Chapter 345, Laws of Utah 1995
- 59-10-114**, as last amended by Chapters 60, 131, 240 and 282, Laws of Utah 1999
- 59-10-116**, as renumbered and amended by Chapter 2, Laws of Utah 1987
- 59-10-117**, as last amended by Chapters 311 and 345, Laws of Utah 1995

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

Section 1. Section **59-10-103** is amended to read:

59-10-103. Definitions.

(1) As used in this chapter:

(a) "Adult with a disability" means an individual who:

(i) is 18 years of age or older;

(ii) is eligible for services under Title 62A, Chapter 5, Services to People with Disabilities;

28 and

29 (iii) is not enrolled in:

30 (A) an education program for students with disabilities that is authorized under Section
31 53A-15-301; or

32 (B) a school established under Title 53A, Chapter 25, Schools for the Deaf and Blind.

33 (b) "Corporation" includes associations, joint stock companies, and insurance companies.

34 (c) "Dependent child with a disability" means an individual 21 years of age or younger

35 who:

36 (i) (A) is diagnosed by a school district representative under rules adopted by the State
37 Board of Education as having a disability classified as:

38 (I) autism;

39 (II) deafness;

40 (III) preschool developmental delay;

41 (IV) dual sensory impairment;

42 (V) hearing impairment;

43 (VI) intellectual disability;

44 (VII) multidisability;

45 (VIII) orthopedic impairment;

46 (IX) other health impairment;

47 (X) traumatic brain injury; or

48 (XI) visual impairment;

49 (B) is not receiving residential services from:

50 (I) the Division of Services for People with Disabilities created under Section 62A-5-102;

51 or

52 (II) a school established under Title 53A, Chapter 25, Schools for the Deaf and Blind; and

53 (C) is enrolled in:

54 (I) an education program for students with disabilities that is authorized under Section
55 53A-15-301; or

56 (II) a school established under Title 53A, Chapter 25, Schools for the Deaf and Blind; or

57 (ii) is identified under guidelines of the Department of Health as qualified for:

58 (A) Early Intervention; or

59 (B) Infant Development Services.

60 (d) "Employer," "employee," and "wages" are defined as provided in Section 59-10-401.

61 (e) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator,
62 or any person acting in any fiduciary capacity for any individual.

63 (f) "Individual" means a natural person and includes aliens and minors.

64 (g) "Nonresident individual" means an individual who is not a resident of this state.

65 (h) "Nonresident trust" or "nonresident estate" means a trust or estate which is not a
66 resident estate or trust.

67 (i) (i) "Partnership" includes a syndicate, group, pool, joint venture, or other
68 unincorporated organization, through or by means of which any business, financial operation, or
69 venture is carried on, and which is not, within the meaning of this chapter, a trust or estate or a
70 corporation.

71 (ii) "Partnership" does not include any organization not included under the definition of
72 "partnership" contained in Section 761, Internal Revenue Code.

73 (iii) "Partner" includes a member in such a syndicate, group, pool, joint venture, or
74 organization.

75 (j) "Resident individual" means:

76 (i) an individual who is domiciled in this state for any period of time during the taxable
77 year, but only for the duration of such period; or

78 (ii) an individual who is not domiciled in this state but maintains a permanent place of
79 abode in this state and spends in the aggregate 183 or more days of the taxable year in this state.

80 For purposes of this Subsection (1)(j)(ii), a fraction of a calendar day shall be counted as a whole
81 day.

82 (k) (i) "Resident estate" or "resident trust" means:

83 (A) an estate of a decedent who at his death was domiciled in this state;

84 (B) a trust, or a portion of a trust, consisting of property transferred by will of a decedent
85 who at his death was domiciled in this state; or

86 (C) a trust administered in this state.

87 (ii) For purposes of this chapter, a trust shall be considered to be administered in this state
88 if:

89 (A) the place of business where the fiduciary transacts a major portion of its administration

90 of the trust is in this state; or

91 (B) the usual place of business of the fiduciary is in this state.

92 (iii) Where there are two or more fiduciaries, the residency status of the trust shall be
93 determined by the situs of the corporate or professional fiduciary with primary responsibility for
94 the administration of the trust as defined in the trust instrument.

95 (iv) The commission may, by rule, provide additional guidelines to determine the
96 residency status of a trust.

97 ~~[(1) "Taxable income" and "state taxable income" are defined as provided in Sections~~
98 ~~59-10-111, 59-10-112, 59-10-116, 59-10-201.1, and 59-10-204.]~~

99 ~~[(m)]~~ (1) "Taxpayer" means any individual, estate, or trust or beneficiary of an estate or
100 trust, whose income is subject in whole or part to the tax imposed by this chapter.

101 (2) Any term used in this chapter has the same meaning as when used in comparable
102 context in the laws of the United States relating to federal income taxes unless a different meaning
103 is clearly required. Any reference to the Internal Revenue Code or to the laws of the United States
104 shall mean the Internal Revenue Code or other provisions of the laws of the United States relating
105 to federal income taxes which are in effect for the taxable year. Any reference to a specific section
106 of the Internal Revenue Code or other provision of the laws of the United States relating to federal
107 income taxes shall include any corresponding or comparable provisions of the Internal Revenue
108 Code as hereafter amended, redesignated, or reenacted.

109 Section 2. Section **59-10-104** is amended to read:

110 **59-10-104. Tax basis -- Rates.**

111 ~~[(1) For taxable years beginning on or after January 1, 1996, but beginning before January~~
112 ~~1, 1997, a tax is imposed on the state taxable income, as defined in Section 59-10-112, of every~~
113 ~~resident individual as follows:]~~

114 ~~[(a) For an individual, other than a husband and wife or head of household required to use~~
115 ~~the tax table under Subsection (1)(b), the tax under this section is imposed in accordance with the~~
116 ~~following table:]~~

117	[If the state taxable income is:]	[The tax is:]
118	[Less than or equal to \$750]	[2.55% of the state taxable income]
119	[Greater than \$750 but less than or equal	[\$19, plus 3.5% of state taxable income]
120	[to \$1,500]	[greater than \$750]

121	[Greater than \$1,500 but less than or equal	[\$45, plus 4.4% of state taxable income]
122	[to \$2,250]	[greater than \$1,500]
123	[Greater than \$2,250 but less than or equal]	[\$78, plus 5.35% of state taxable income]
124	[to \$3,000]	[greater than \$2,250]
125	[Greater than \$3,000 but less than or equal]	[\$119, plus 6% of state taxable income]
126	[to \$3,750]	[greater than \$3,000]
127	[Greater than \$3,750]	[\$164, plus 7% of state taxable income]
128		[greater than \$3,750]

129 ~~[(b) For a husband and wife filing a single return jointly, or a head of household as defined~~
 130 ~~in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed~~
 131 ~~in accordance with the following table:]~~

132	[If the state taxable income is:]	[The tax is:]
133	[Less than or equal to \$1,500]	[2.55% of the state taxable income]
134	[Greater than \$1,500 but less than or equal	[\$38, plus 3.5% of state taxable income]
135	[to \$3,000]	[greater than \$1,500]
136	[Greater than \$3,000 but less than or equal]	[\$91, plus 4.4% of state taxable income]
137	[to \$4,500]	[greater than \$3,000]
138	[Greater than \$4,500 but less than or equal]	[\$157, plus 5.35% of state taxable income]
139	[to \$6,000]	[greater than \$4,500]
140	[Greater than \$6,000 but less than or equal]	[\$237, plus 6% of state taxable income]
141	[to \$7,500]	[greater than \$6,000]
142	[Greater than \$7,500]	[\$327, plus 7% of state taxable income]
143		[greater than \$7,500]

144 ~~[(2)]~~ For taxable years beginning on or after January 1, 1997, a tax is imposed on the state
 145 taxable income, as defined in Section 59-10-112, of every resident individual as ~~[follows:]~~
 146 provided in Subsections (1) and (2).

147 ~~[(a)]~~ (1) For an individual, other than a husband and wife or head of household required
 148 to use the tax table under Subsection (2)~~[(b)]~~, the tax under this section is imposed in accordance
 149 with the following table:

150	If the state taxable income is:	The tax is:
151	Less than or equal to \$750	2.3% of the state taxable income

152	Greater than \$750 but less than or equal	\$17, plus 3.3% of state taxable income
153	to \$1,500	greater than \$750
154	Greater than \$1,500 but less than or equal	\$42, plus 4.2% of state taxable income
155	to \$2,250	greater than \$1,500
156	Greater than \$2,250 but less than or equal	\$74, plus 5.2% of state taxable income
157	to \$3,000	greater than \$2,250
158	Greater than \$3,000 but less than or equal	\$113, plus 6% of state taxable income
159	to \$3,750	greater than \$3,000
160	Greater than \$3,750	\$158, plus 7% of state taxable income
161		greater than \$3,750

162 ~~(b)~~ (2) For a husband and wife filing a single return jointly, or a head of household as
 163 defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is
 164 imposed in accordance with the following table:

165	If the state taxable income is:	The tax is:
166	Less than or equal to \$1,500	2.3% of the state taxable income
167	Greater than \$1,500 but less than or equal	\$35, plus 3.3% of state taxable income
168	to \$3,000	greater than \$1,500
169	Greater than \$3,000 but less than or equal	\$84, plus 4.2% of state taxable income
170	to \$4,500	greater than \$3,000
171	Greater than \$4,500 but less than or equal	\$147, plus 5.2% of state taxable income
172	to \$6,000	greater than \$4,500
173	Greater than \$6,000 but less than or equal	\$225, plus 6% of state taxable income
174	to \$7,500	greater than \$6,000
175	Greater than \$7,500	\$315, plus 7% of state taxable income
176		greater than \$7,500

177 Section 3. Section **59-10-111** is amended to read:

178 **59-10-111. Federal taxable income defined.**

179 [~~Federal~~] For purposes of this chapter, "federal taxable income" means taxable income as
 180 [~~currently~~] defined in Section 63, Internal Revenue Code [~~of 1986~~].

181 Section 4. Section **59-10-112** is amended to read:

182 **59-10-112. State taxable income of resident individual.**

183 [~~"State~~] (1) Except as otherwise provided in this chapter, for purposes of this chapter,
 184 "state taxable income" in the case of a resident individual means [his] the individual's federal
 185 [taxable] adjusted gross income [as defined by Section [59-10-111)] 62, Internal Revenue Code,
 186 with the modifications, subtractions, and adjustments provided in Section 59-10-114.

187 (2) The state taxable income of a resident individual who is the beneficiary of an estate or
 188 trust shall be modified by the adjustments provided in Section 59-10-209.

189 Section 5. Section **59-10-114** is amended to read:

190 **59-10-114. Additions to and subtractions from federal taxable income of an**
 191 **individual.**

192 (1) [~~There~~] A resident or nonresident individual shall [be added] add the following
 193 amounts to the individual's federal [taxable] adjusted gross income [of a resident or nonresident
 194 individual]:

195 (a) (i) except as provided in Subsection (1)(a)(ii), if an individual subtracts from the
 196 individual's federal adjusted gross income the amount described in Subsection (2)(m)(ii), the
 197 individual shall add to the individual's federal adjusted gross income the amount of any income
 198 tax imposed by [this or any predecessor Utah individual income tax law and the amount of any
 199 income tax imposed by]:

200 (A) this chapter; or

201 (B) the laws of;

202 (I) another state[;];

203 (II) the District of Columbia[;]; or

204 (III) a possession of the United States[; to the extent deducted from federal adjusted gross
 205 income, as defined by Section 62, Internal Revenue Code, in determining federal taxable income];
 206 and

207 (ii) notwithstanding Subsection (1)(a)(i), an individual shall add the amount described in
 208 Subsection (1)(a)(i) to the individual's federal adjusted gross income only to the extent that the
 209 individual deducts the amount described in Subsection (1)(a)(i):

210 (A) on the individual's federal individual income tax return for the taxable year; and

211 (B) in determining federal taxable income;

212 (b) a lump sum distribution allowable as a deduction under Section [~~402(e)(3)] 402(d)(3),~~
 213 Internal Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code,

214 in determining federal adjusted gross income;

215 ~~[(e) 25% of the personal exemptions, as defined and calculated in the Internal Revenue~~
216 ~~Code;]~~

217 ~~[(d)]~~ (c) a withdrawal from a medical care savings account and any penalty imposed in the
218 taxable year if:

219 (i) the ~~[taxpayer]~~ individual did not deduct or include the amounts on ~~[his]~~ the individual's
220 federal individual income tax return pursuant to Section 220, Internal Revenue Code; and

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

222 ~~[(e)]~~ (d) the amount refunded to a participant under Title 53B, Chapter 8a, Higher
223 Education Savings Incentive Program, in the year in which the amount is refunded.

224 (2) ~~[There]~~ A resident or nonresident individual shall ~~[be subtracted]~~ subtract the following
225 amounts from the individual's federal ~~[taxable]~~ adjusted gross income ~~[of a resident or nonresident~~
226 ~~individual]~~:

227 (a) (i) ~~[the]~~ to the extent the interest or dividends are includable in gross income for federal
228 income tax purposes but exempt from state income taxes under the laws of the United States,
229 interest or dividends on obligations or securities of:

230 (A) the United States ~~[and]~~ or its possessions; or ~~[of any]~~

231 (B) an authority, commission, or instrumentality of the United States~~[-to the extent~~
232 ~~includable in gross income for federal income tax purposes but exempt from state income taxes~~
233 ~~under the laws of the United States, but]; and~~

234 (ii) the amount subtracted under ~~[this]~~ Subsection (2)(a)(i) shall be reduced by any:

235 (A) interest on indebtedness incurred or continued to purchase or carry the obligations or
236 securities described in ~~[this]~~ Subsection~~[-; (2)(a)(i); and [by any]~~

237 (B) expenses incurred in the production of interest or dividend income described in ~~[this]~~
238 Subsection (2)(a)(i) to the extent that ~~[such]~~ the expenses, including amortizable bond premiums,
239 are deductible in determining federal taxable income;

240 (b) 1/2 of the net amount of any income tax paid or payable to the United States after
241 subtracting all allowable credits, as reported on the United States individual income tax return of
242 the ~~[taxpayer]~~ individual for the same taxable year;

243 (c) the amount of adoption expenses which, for purposes of this Subsection (2)(c), means
244 any actual medical and hospital expenses of the mother of the adopted child which are incident to

245 the child's birth and any welfare agency, child placement service, legal, and other fees or costs
246 relating to the adoption;

247 (d) subject to Subsection (3), amounts received by [taxpayers] an individual under age 65
248 as retirement income which, for purposes of this section, means pensions and annuities, paid from
249 an annuity contract;

250 (i) purchased by:

251 (A) an employer under a plan which meets the requirements of Section 404 (a)(2), Internal
252 Revenue Code[-]; or [~~purchased by~~]

253 (B) an employee under a plan which meets the requirements of Section 408, Internal
254 Revenue Code[-]; or

255 (ii) paid to an employee or the employee's surviving spouse by:

256 (A) the United States[-];

257 (B) a state[-~~or~~];

258 (C) a political subdivision [thereof,] of a state; or

259 (D) the District of Columbia[-~~to the employee involved or the surviving spouse~~];

260 (e) subject to Subsection (3), for each [taxpayer] individual age 65 or over before the close
261 of the taxable year, a \$7,500 personal retirement exemption;

262 (f) 75% of the amount of the personal exemption, as [~~defined and~~] calculated in [~~the~~]
263 Section 151, Internal Revenue Code, for each dependent child with a disability and adult with a
264 disability who is claimed as a dependent on [~~a taxpayer's~~] an individual's return;

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

269 (h) subject to [~~the limitations of~~] Subsection [~~(3)(e)~~] (4), amounts [~~a taxpayer~~] an
270 individual pays during the taxable year for health care insurance, as defined in Title 31A, Chapter
271 1, General Provisions:

272 (i) for:

273 (A) the [~~taxpayer~~] individual;

274 (B) the [~~taxpayer's~~] individual's spouse; and

275 (C) the [~~taxpayer's~~] individual's dependents; and

276 (ii) to the extent the ~~[taxpayer]~~ individual does not deduct the amounts under Section 125,
277 162, or 213, Internal Revenue Code, in determining federal taxable income for the taxable year;

278 (i) ~~[except as otherwise provided in this subsection]~~ subject to Subsection (5), the amount
279 of:

280 (i) a contribution made ~~[in the tax year]~~ on behalf of ~~[the taxpayer]~~ an individual to a
281 medical care savings account; and

282 (ii) interest earned on a contribution to a medical care savings account established pursuant
283 to Title 31A, Chapter ~~[32]~~ 32a, Medical Care Savings Account Act~~[-, to the extent the contribution~~
284 ~~is accepted by the account administrator as provided in the Medical Care Savings Account Act,~~
285 ~~and if the taxpayer did not deduct or include amounts on his federal tax return pursuant to Section~~
286 ~~220, Internal Revenue Code. A contribution deductible under this subsection may not exceed~~
287 ~~either of the following:];~~

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

292 ~~[(ii) the maximum contribution allowed under the Medical Care Savings Account Act for~~
293 ~~the tax year for taxpayers:]~~

294 ~~[(A) who do not file a joint return; or]~~

295 ~~[(B) who file a joint return, but do not qualify under Subsection (2)(i)(i); and]~~

296 (j) the amount included in federal taxable income that was derived from money paid by
297 the ~~[taxpayer]~~ individual to the program fund under Title 53B, Chapter 8a, Higher Education
298 Savings Incentive Program, not to exceed amounts determined under Subsection 53B-8a-106(1)(d)
299 and investment income earned on participation agreements under Subsection 53B-8a-106(1) when
300 used for higher education costs of the beneficiary; ~~[and]~~

301 (k) for ~~[tax]~~ taxable years beginning on or after January 1, 2000, any amounts paid for
302 premiums ~~[on]~~ for long-term care insurance ~~[policies]~~ as defined in Section 31A-22-1402 to the
303 extent the amounts paid for long-term care insurance were not deducted under Section 213,
304 Internal Revenue Code, in determining federal taxable income~~[-];~~

305 (l) 75% of the amount of personal exemptions the individual is allowed for the taxable year
306 under Section 151, Internal Revenue Code, for:

- 307 (i) the individual;
 308 (ii) the individual's spouse; and
 309 (iii) the individual's dependents; and

310 ~~§ (m) regardless of whether an individual claims the federal standard deduction or itemizes~~
 311 ~~deductions on the individual's federal individual income tax return for the taxable year, the~~
 312 ~~individual shall elect to subtract from the individual's federal adjusted gross income for the taxable~~
 313 ~~year either:] §~~

314 ~~§ (m) § (i) § IF AN INDIVIDUAL CLAIMS THE FEDERAL STANDARD DEDUCTION ON THE~~
 314a ~~INDIVIDUAL'S FEDERAL INDIVIDUAL INCOME TAX RETURN FOR THE TAXABLE YEAR, § the amount~~
 314b ~~of the federal standard deduction the individual is allowed for the taxable~~
 315 ~~year; or~~

316 ~~(ii) § IF AN INDIVIDUAL ITEMIZES DEDUCTIONS ON THE INDIVIDUAL'S FEDERAL~~
 316a ~~INDIVIDUAL INCOME TAX RETURN FOR THE TAXABLE YEAR, § the amount of the federal itemized~~
 316b ~~deduction the individual is allowed for the taxable~~
 317 ~~year.~~

318 (3) (a) For purposes of Subsection (2)(d), the amount of retirement income subtracted for
 319 ~~[taxpayers]~~ an individual under 65 shall be the lesser of the amount included in federal taxable
 320 income, or \$4,800, except that:

321 (i) for married ~~[taxpayers]~~ individuals filing joint returns, for each \$1 of adjusted gross
 322 income earned over \$32,000, the amount of the retirement income exemption that may be
 323 subtracted shall be reduced by 50 cents;

324 (ii) for married ~~[taxpayers]~~ individuals filing separate returns, for each \$1 of adjusted gross
 325 income earned over \$16,000, the amount of the retirement income exemption that may be
 326 subtracted shall be reduced by 50 cents; and

327 (iii) for ~~[individual taxpayers]~~ an individual filing as a single taxpayer, for each \$1 of
 328 adjusted gross income earned over \$25,000, the amount of the retirement income exemption that
 329 may be subtracted shall be reduced by 50 cents.

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

332 (i) for married ~~[taxpayers]~~ individuals filing joint returns, for each \$1 of adjusted gross
 333 income earned over \$32,000, the amount of the personal retirement exemption shall be reduced
 334 by 50 cents;

335 (ii) for married ~~[taxpayers]~~ individuals filing separate returns, for each \$1 of adjusted gross
 336 income earned over \$16,000, the amount of the personal retirement exemption shall be reduced

337 by 50 cents; and

338 (iii) for ~~[individual taxpayers]~~ an individual filing as a single taxpayer, for each \$1 of
339 adjusted gross income earned over \$25,000, the amount of the personal retirement exemption shall
340 be reduced by 50 cents.

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

344 (d) (i) For purposes of determining ownership of items of retirement income common law
345 doctrine will be applied in all cases even though some items may have originated from service or
346 investments in a community property state.

347 (ii) Amounts received by the spouse of a living retiree because of the retiree's having been
348 employed in a community property state are not deductible as retirement income of such spouse.

349 ~~[(e)]~~ (4) For purposes of Subsection (2)(h), a subtraction for an amount paid for health care
350 insurance as defined in Title 31A, Chapter 1, General Provisions, is not allowed:

351 ~~[(f)]~~ (a) for an amount that is reimbursed or funded in whole or in part by:

352 (i) the ~~[federal government,]~~ United States;

353 (ii) the state[-]; or

354 (iii) an agency or instrumentality of:

355 (A) the ~~[federal government]~~ United States; or

356 (B) the state; and

357 ~~[(f)]~~ (b) for ~~[a taxpayer]~~ an individual who is eligible to participate in a health plan
358 maintained and funded in whole or in part by the ~~[taxpayer's]~~ individual's employer or the
359 ~~[taxpayer's]~~ individual's spouse's employer.

360 (5) (a) An individual may subtract from the individual's federal taxable income a
361 contribution or interest earned on a contribution under Subsection (2)(i):

362 (i) to the extent the contribution is accepted by the account administrator as provided in
363 Title 31A, Chapter 32a, Medical Care Savings Account Act; and

364 (ii) if the individual did not deduct or include the amounts of the contribution or interest
365 earned on the contribution on the individual's federal individual income tax return pursuant to
366 Section 220, Internal Revenue Code.

367 (b) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
368 exceed:

369 (i) for an individual described in Subsection (5)(c), the product of:

370 (A) the maximum contribution allowed under Title 31A, Chapter 32a, Medical Care

371 Savings Account Act, for the taxable year; and

372 (B) two; or

373 (ii) for an individual described in Subsection (5)(d), the maximum contribution allowed

374 under Title 31A, Chapter 32a, Medical Care Savings Account Act, for the taxable year.

375 (c) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
 376 exceed the amount described in Subsection (5)(b)(i) for an individual filing a joint return if:

377 (i) neither spouse filing the joint return is covered by:

378 (A) health care insurance as defined in Section 31A-1-301; or

379 (B) a self-funded plan that covers the other spouse; and

380 (ii) each spouse filing the joint return has a medical care savings account.

381 (d) A contribution subtracted from federal taxable income under Subsection (2)(i) may not
 382 exceed the amount described in Subsection (5)(b)(ii) for an individual who:

383 (i) does not file a joint return; or

384 (ii) files a joint return, but does not meet the requirements of Subsection (5)(c).

385 Section 6. Section **59-10-116** is amended to read:

386 **59-10-116. Tax on nonresident individual's state taxable income.**

387 A tax is [~~hereby~~] imposed on the state taxable income, as defined in [~~Sections 59-10-111~~
 388 ~~and~~] Section 59-10-112, of every nonresident individual in accordance with the schedules in
 389 Section 59-10-104, [~~but~~] except that the individual's Utah tax shall be only the portion of the
 390 resident tax [~~so calculated as~~] that the individual's federal adjusted gross income received from
 391 Utah sources [~~¶~~ determined under Section 59-10-117] for taxable year bears to the individual's
 392 total federal adjusted gross income for the same taxable year.

393 Section 7. Section **59-10-117** is amended to read:

394 **59-10-117. Federal adjusted gross income derived from Utah sources.**

395 (1) For the purpose of Section 59-10-116, federal adjusted gross income derived from Utah
 396 sources [~~shall include~~] includes those items includable in federal [~~"]~~adjusted gross income~~["-(~~], as
 397 defined [~~by~~] in Section 62 [~~of the~~], Internal Revenue Code~~]~~, attributable to or resulting from:

398 (a) the ownership in this state of any interest in real or tangible personal property

399 [~~¶~~]including real property or property rights from which "gross income from mining" as defined

400 by Section 613(c) [~~of the~~], Internal Revenue Code, is derived]; or

401 (b) the carrying on of a business, trade, profession, or occupation in this state.

402 (2) For the purposes of Subsection (1):

403 (a) Income from intangible personal property, including annuities, dividends, interest, and
404 gains from the disposition of intangible personal property shall constitute income derived from
405 Utah sources only to the extent that such income is from property employed in a trade, business,
406 profession, or occupation carried on in this state.

407 (b) Deductions with respect to capital losses, net long-term capital gains, and net operating
408 losses shall be based solely on income, gain, loss, and deduction connected with Utah sources,
409 under rules prescribed by the commission, but otherwise shall be determined in the same manner
410 as the corresponding federal deductions.

411 (c) Salaries, wages, commissions, and compensation for personal services rendered outside
412 this state shall not be considered to be derived from Utah sources.

413 (d) A nonresident shareholder's distributive share of ordinary income, gain, loss, and
414 deduction derived from or connected with Utah sources shall be determined under Section
415 59-10-118.

416 (e) A nonresident, other than a dealer holding property primarily for sale to customers in
417 the ordinary course of [~~his~~] the dealer's trade or business, shall not be considered to carry on a
418 trade, business, profession, or occupation in this state solely by reason of the purchase or sale of
419 property for [~~his~~] the nonresident's own account.

420 (f) If a trade, business, profession, or occupation is carried on partly within and partly
421 without this state, items of income, gain, loss, and deductions derived from or connected with Utah
422 sources shall be determined in accordance with the provisions of Section 59-10-118.

423 (g) A nonresident partner's distributive share of partnership income, gain, loss, and
424 deduction derived from or connected with Utah sources shall be determined under Section
425 59-10-303.

426 (h) The share of a nonresident estate or trust and nonresident beneficiaries of any estate
427 or trust in income, gain, loss, and deduction derived from or connected with Utah sources shall be
428 determined under Section 59-10-207.

429 (i) Any dividend, interest, or distributive share of income, gain, or loss from a real estate
430 investment trust, as defined in Section [~~59-7-116.5~~] 856, Internal Revenue Code, distributed or

431 allocated to a nonresident investor in the trust, including any shareholder, beneficiary, or owner
432 of a beneficial interest in the trust, shall:

433 (A) be income from intangible personal property under Subsection (2)(a)[;]; and [shall]

434 (B) constitute income derived from Utah sources only to the extent the nonresident
435 investor is employing its beneficial interest in the trust in a trade, business, profession, or
436 occupation carried on by the investor in this state.

437 Section 8. **Effective date.**

438 This act takes effect for taxable years beginning on or after January 1, 2001.

Legislative Review Note
as of 2-10-00 1:32 PM

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

Office of Legislative Research and General Counsel