

**EARNED INCOME TAX CREDIT**

2003 GENERAL SESSION

STATE OF UTAH

**Sponsor: Jackie Biskupski**

**This act modifies the Individual Income Tax Act to provide for a refundable state earned income tax credit that is a certain percentage of the federal earned income tax credit.**

**The act grants rulemaking authority to the State Tax Commission to issue refunds for the tax credit.**

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

ENACTS:

**59-10-136**, Utah Code Annotated 1953

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

Section 1. Section **59-10-136** is enacted to read:

**59-10-136. State earned income tax credit.**

(1) As used in this section:

(a) "Federal adjusted gross income" is as defined in Section 62, Internal Revenue Code.

(b) "Federal earned income tax credit" means the amount of the federal earned income tax credit an individual is allowed for the taxable year under Section 32, Internal Revenue Code.

(2) For taxable years beginning on or after January 1, 2004, an individual may claim as provided in this section a refundable tax credit as follows:

(a) if an individual's federal adjusted gross income for the taxable year is less than or equal to \$5,000, the tax credit is equal to 10% of the federal earned income tax credit;

(b) if an individual's federal adjusted gross income for the taxable year is greater than \$5,000, but less than or equal to \$15,000, the tax credit is equal to 7% of the federal earned income tax credit; or

(c) if an individual's federal adjusted gross income for the taxable year is greater than



28 \$15,000, but less than or equal to \$25,000, the tax credit is equal to 4% of the federal earned  
29 income tax credit.

30 (3) (a) For taxable years beginning on or after January 1, 2005, the commission shall  
31 annually increase or decrease the federal adjusted gross income amounts described in  
32 Subsection (2) by a percentage equal to the percentage difference between the consumer price  
33 index for the preceding calendar year and the consumer price index for calendar year 2003.

34 (b) For purposes of Subsection (3)(a), the commission shall calculate the consumer  
35 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

36 (4) An individual may not claim a tax credit under this section if the individual's  
37 federal adjusted gross income is greater than the greatest amount of federal adjusted gross  
38 income for which a tax credit is allowed under Subsection (2)(c).

39 (5) An individual may not carry forward or carry back the tax credit provided for under  
40 this section.

41 (6) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
42 commission may make rules providing procedures for issuing refunds for the credit provided  
43 for under this section.

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**Legislative Review Note**  
**as of 1-15-03 2:36 PM**

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

**Office of Legislative Research and General Counsel**

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**Fiscal Note****Earned Income Tax Credit***24-Jan-03***Bill Number HB0208***11:53 AM*

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**State Impact**

Passage of this bill could result in a loss to the Uniform School Fund of \$10,171,000 in FY 2005. The Tax Commission would require an appropriation of \$13,200 to implement the provisions of the bill.

	<u>FY 04 Approp.</u>	<u>FY 05 Approp.</u>	<u>FY 04 Revenue</u>	<u>FY 05 Revenue</u>
Uniform School Fund	\$13,200	\$0	\$0	(\$10,171,000)
<b>TOTAL</b>	<b>\$13,200</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$10,171,000)</b>

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**Individual and Business Impact**

Eligible taxpayers could receive a benefit of up to \$1,700.

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**Office of the Legislative Fiscal Analyst**