

1                                   **INDIVIDUAL INCOME TAX - STATE**  
2                                   **EARNED INCOME TAX CREDIT**

3                                   2003 GENERAL SESSION  
4                                   STATE OF UTAH

5                                   **Sponsor: Thomas V. Hatch**

6   **This act modifies the Individual Income Tax Act to allow § ~~[a taxpayer having a federal~~**  
7   **~~adjusted gross income of \$25,000 or less]~~ CERTAIN TAXPAYERS § to claim for taxable years**  
7a **beginning on or after**

8   **January 1, 2003, a nonrefundable state earned income tax credit that is equal to a certain**  
9   **percentage of the federal earned income tax credit. The act defines terms, requires the**  
10 **State Tax Commission to make transfers from the General Fund to the Uniform School**  
11 **Fund equal to the amount of state earned income tax credit claimed, and grants**  
12 **rulemaking authority to the State Tax Commission. This act has retrospective operation**  
13 **for taxable years beginning on or after January 1, 2003.**

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

15 ENACTS:

16           **59-10-136**, Utah Code Annotated 1953

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

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

19           **59-10-136. Nonrefundable earned income tax credit -- Commission to transfer**  
20 **from the General Fund into the Uniform School Fund an amount equal to the amount of**  
21 **state earned income tax credit claimed -- Rulemaking authority.**

22           (1) (a) Subject to Subsection (1)(b), for taxable years beginning on or after January 1,  
23 2003, a taxpayer may claim as provided in this section a nonrefundable earned income tax  
24 credit equal to 5% of the amount the taxpayer is allowed as a federal earned income tax credit  
25 in accordance with Section 32, Internal Revenue Code, for the taxable year.

26           (b) Notwithstanding Subsection (1)(a), a taxpayer may not claim an earned income tax  
27 credit under this section if the taxpayer's adjusted gross income, as defined in Section 62,



28 Internal Revenue Code, is greater than \$ ~~[\$25,000]~~ : (i) \$12,500 FOR A TAXPAYER OTHER THAN A:  
 28a (A) HUSBAND AND WIFE FILING A SINGLE RETURN JOINTLY; OR  
 28b (B) HEAD OF HOUSEHOLD; OR  
 28c (ii) \$25,000 FOR A:  
 28d (A) HUSBAND AND WIFE FILING A SINGLE RETURN JOINTLY; OR  
 28e (B) HEAD OF HOUSEHOLD § .

29 (2) A taxpayer may not carry forward or carry back any earned income tax credit  
 30 allowed under this section.

31 (3) (a) In accordance with any rules prescribed by the commission under Subsection  
 32 (3)(b), the commission shall transfer at least annually from the General Fund into the Uniform  
 33 School Fund an amount equal to the amount of earned income tax credit claimed under this  
 34 section.

35 (b) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
 36 commission may make rules providing procedures for making transfers from the General Fund  
 37 into the Uniform School Fund as required by Subsection (3)(a).

38 **Section 2. Retrospective operation.**

39 This act has retrospective operation for taxable years beginning on or after January 1,  
 40 2003.

**Legislative Review Note**  
 as of 1-15-03 4:07 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**  
**Bill Number SB0110**

**Individual Income Tax - State Earned Income Tax Credit** 23-Jan-03  
10:54 AM

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**State Impact**

Passage of this bill could decrease the General Fund available for appropriation by \$3,750,000 in FY 2004 and by \$4,000,000 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>
General Fund	\$13,200	\$0	(\$3,750,000)	(\$4,000,000)
<b>TOTAL</b>	<b>\$13,200</b>	<b>\$0</b>	<b>(\$3,750,000)</b>	<b>(\$4,000,000)</b>

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**Individual and Business Impact**

Individuals eligible under the provisions of the bill could claim an earned credit up to \$140.

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**Office of the Legislative Fiscal Analyst**