

**INDIVIDUAL INCOME TAX - EARNED
INCOME TAX CREDIT**

2004 GENERAL SESSION

STATE OF UTAH

Sponsor: Thomas V. Hatch

LONG TITLE

General Description:

This bill amends the Individual Income Tax Act.

Highlighted Provisions:

This bill:

- ▶ allows certain taxpayers to claim a nonrefundable state earned income tax credit;
- and
- ▶ requires the State Tax Commission to make transfers from the General Fund to the Uniform School Fund equal to the amount of state earned income tax credit claimed and grants rulemaking authority to the State Tax Commission to provide procedures for making the transfers.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill has retrospective operation for taxable years beginning on or after January 1, 2004.

Utah Code Sections Affected:

ENACTS:

59-10-136, Utah Code Annotated 1953

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



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

29 **59-10-136. Nonrefundable earned income tax credit -- Commission to transfer**
30 **from the General Fund into the Uniform School Fund an amount equal to the amount of**
31 **state earned income tax credit claimed -- Rulemaking authority.**

32 (1) (a) Subject to Subsection (1)(b), for taxable years beginning on or after January 1,
33 2004, a taxpayer may claim as provided in this section a nonrefundable earned income tax
34 credit equal to 5% of the amount the taxpayer is allowed as a federal earned income tax credit
35 in accordance with Section 32, Internal Revenue Code, for the taxable year.

36 (b) Notwithstanding Subsection (1)(a), a taxpayer may not claim an earned income tax
37 credit under this section if the taxpayer's federal adjusted gross income, as defined in Section
38 62, Internal Revenue Code, is greater than:

39 (i) \$12,500 for a taxpayer other than a:

40 (A) husband and wife filing a single return jointly; or

41 (B) head of household; or

42 (ii) \$25,000 for a:

43 (A) husband and wife filing a single return jointly; or

44 (B) head of household.

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

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

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

54 Section 2. **Retrospective operation.**

55 This bill has retrospective operation for taxable years beginning on or after January 1,
56 2004.

Legislative Review Note

as of 2-3-04 4:43 PM

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

Office of Legislative Research and General Counsel

AMENDED NOTE

State Impact

Passage of this bill could result in loss of General Fund of \$2,800,000 annually.

	<u>FY 2005</u> <u>Approp.</u>	<u>FY 2006</u> <u>Approp.</u>	<u>FY 2005</u> <u>Revenue</u>	<u>FY 2006</u> <u>Revenue</u>
General Fund	\$0	\$0	(\$2,800,000)	(\$2,800,000)
TOTAL	\$0	\$0	(\$2,800,000)	(\$2,800,000)

Individual and Business Impact

Eligible individuals would receive earned income tax credits.

Office of the Legislative Fiscal Analyst