

TAX REVISIONS

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends the Individual Income Tax Act, the Single Rate Individual Income Tax Act, and the Sales and Use Tax Act.

Highlighted Provisions:

This bill:

- ▶ provides and modifies definitions;
 - ▶ reduces a tax rate for purposes of the Individual Income Tax Act from 6.98% to 6.9%;
 - ▶ reduces the tax rate from 5.35% to 4.9% for purposes of the Single Rate Individual Income Tax Act;
 - ▶ enacts ~~H→~~ **nonrefundable** ~~←H~~ tax credits allowed on the basis of filing status and the state sales and use tax rate for purposes of the Single Rate Individual Income Tax Act, including:
 - requiring the apportionment of those tax credits for a nonresident individual or part-year resident individual; ~~H→~~ **and** ~~←H~~
 - requiring the ~~H→~~ [~~Division of Finance~~] **State Tax Commission** ~~←H~~ to make transfers from the General Fund to the Education Fund equal to the amount of those tax credits claimed;
- ~~H→~~ [~~—•— requiring the State Tax Commission to report to the Division of Finance the amount of those tax credits claimed; and~~
- ~~—•— granting rulemaking authority to the State Tax Commission;]~~ ~~←H~~
- ▶ provides that food and food ingredients are not subject to the state sales and use tax,



28 except with respect to certain bundled transactions; and

29 ▶ makes technical changes.

30 **Monies Appropriated in this Bill:**

31 None

32 **Other Special Clauses:**

33 This bill provides an effective date.

34 **Utah Code Sections Affected:**

35 AMENDS:

36 **59-10-104**, as last amended by Chapter 2, Laws of Utah 2006, Fourth Special Session

37 **59-10-1202**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

38 **59-10-1203**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

39 **59-12-103**, as last amended by Chapter 9, Laws of Utah 2006, Third Special Session

40 ENACTS:

41 **59-10-1206.1**, Utah Code Annotated 1953

42 **59-10-1206.9**, Utah Code Annotated 1953



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

45 Section 1. Section **59-10-104** is amended to read:

46 **59-10-104. Tax basis -- Rates -- Adjustment for changes in the consumer price**
47 **index -- Exemption.**

48 (1) Except as provided in Subsection (5) or Part 12, Single Rate Individual Income Tax
49 Act, [for taxable years beginning on or after January 1, 2006,] a tax is imposed on the state
50 taxable income of every resident individual as provided in this section.

51 (2) For an individual, other than a husband and wife or head of household required to
52 use the tax table under Subsection (3), the tax under this section is imposed in accordance with
53 the following income brackets:

54 If the state taxable income is:	The tax is:
55 Less than or equal to \$1,000	2.3% of the state taxable income
56 Greater than \$1,000 but less than	\$23, plus 3.3% of state taxable
57 or equal to \$2,000	income greater than \$1,000
58 Greater than \$2,000 but less than	\$56, plus 4.2% of state taxable

59	or equal to \$3,000	income greater than \$2,000
60	Greater than \$3,000 but less than	\$98, plus 5.2% of state taxable
61	or equal to \$4,000	income greater than \$3,000
62	Greater than \$4,000 but less than	\$150, plus 6% of state taxable
63	or equal to \$5,500	income greater than \$4,000
64	Greater than \$5,500	\$240, plus [6.98] <u>6.9</u> % of state taxable
65		income greater than \$5,500

66 (3) For a husband and wife filing a single return jointly, or a head of household as
 67 defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section
 68 is imposed in accordance with the following income brackets:

69	If the state taxable income is:	The tax is:
70	Less than or equal to \$2,000	2.3% of the state taxable income
71	Greater than \$2,000 but less than	\$46, plus 3.3% of state taxable
72	or equal to \$4,000	income greater than \$2,000
73	Greater than \$4,000 but less than	\$112, plus 4.2% of state taxable
74	or equal to \$6,000	income greater than \$4,000
75	Greater than \$6,000 but less than	\$196, plus 5.2% of state taxable
76	or equal to \$8,000	income greater than \$6,000
77	Greater than \$8,000 but less than	\$300, plus 6% of state taxable
78	or equal to \$11,000	income greater than \$8,000
79	Greater than \$11,000	\$480, plus [6.98] <u>6.9</u> % of state taxable
80		income greater than \$11,000

81 (4) (a) For taxable years beginning on or after January 1, 2009, the commission shall:

82 (i) make the following adjustments to the income brackets under Subsection (2):

83 (A) increase or decrease the income brackets under Subsection (2) by a percentage

84 equal to the percentage difference between the consumer price index for the preceding calendar

85 year and the consumer price index for the calendar year 2007; and

86 (B) after making an increase or decrease under Subsection (4)(a)(i)(A), round the

87 income brackets under Subsection (2) to the nearest whole dollar;

88 (ii) after making the adjustments described in Subsection (4)(a)(i) to the income

89 brackets under Subsection (2), adjust the income brackets under Subsection (3) so that for each

90 income bracket under Subsection (2) there is a corresponding income bracket under Subsection
91 (3) that is equal to the product of:

92 (A) each income bracket under Subsection (2); and

93 (B) two; and

94 (iii) to the extent necessary to reflect an adjustment under Subsection (4)(a)(i) or (ii):

95 (A) increase or decrease the amount of tax under Subsection (2) or (3) prior to adding
96 in the portion of the tax calculated as a percentage of state taxable income; and

97 (B) after making an increase or decrease under Subsection (4)(a)(iii)(A), round the
98 amount of tax under Subsection (2) or (3) to the nearest whole dollar.

99 (b) The commission may not increase or decrease the tax rate percentages provided in
100 Subsection (2) or (3).

101 (c) For purposes of Subsection (4)(a)(i), the commission shall calculate the consumer
102 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

103 (5) This section does not apply to a resident individual exempt from taxation under
104 Section 59-10-104.1.

105 Section 2. Section **59-10-1202** is amended to read:

106 **59-10-1202. Definitions.**

107 As used in this part:

108 (1) "Military service" is as defined in Pub. L. No. 108-189, Sec. 101.

109 (2) "Servicemember" is as defined in Pub. L. No. 108-189, Sec. 101.

110 (3) "State income tax percentage for a nonresident individual" means a percentage
111 equal to a nonresident individual's adjusted gross income for the taxable year received from
112 Utah sources, as determined under Section 59-10-117, divided by the difference between:

113 (a) the nonresident individual's total adjusted gross income for that taxable year; and

114 (b) if the nonresident individual described in Subsection (3)(a) is a servicemember, the
115 compensation the servicemember receives for military service if the servicemember is serving
116 in compliance with military orders.

117 (4) "State income tax percentage for a part-year resident individual" means, for a
118 taxable year, a fraction:

119 (a) the numerator of which is the sum of:

120 (i) for the time period during the taxable year that the part-year resident individual is a

121 resident, the part-year resident individual's total adjusted gross income for that time period; and

122 (ii) for the time period during the taxable year that the part-year resident individual is a

123 nonresident, the part-year resident individual's adjusted gross income for that time period

124 received from Utah sources, as determined under Section 59-10-117; and

125 (b) the denominator of which is the difference between:

126 (i) the part-year resident individual's total adjusted gross income for that taxable year;

127 and

128 (ii) if the part-year resident individual is a servicemember, any compensation the

129 servicemember receives for military service during the portion of the taxable year that the

130 servicemember is a nonresident if the servicemember is serving in compliance with military

131 orders.

132 [~~4~~] (5) "State taxable income" means a resident or nonresident individual's adjusted

133 gross income after making the:

134 (a) additions and subtractions required by Section 59-10-1204; and

135 (b) adjustments required by Section 59-10-1205.

136 [~~5~~] (6) "Unapportioned state tax" means the product of the:

137 (a) difference between:

138 (i) a nonresident individual's state taxable income; and

139 (ii) if the nonresident individual described in Subsection [~~5~~] (6)(a)(i) is a

140 servicemember, compensation the servicemember receives for military service if the

141 servicemember is serving in compliance with military orders; and

142 (b) percentage listed in Subsection 59-10-1203(2)(a)(i)(B).

143 Section 3. Section **59-10-1203** is amended to read:

144 **59-10-1203. Single rate tax for resident or nonresident individual -- Tax rate --**

145 **Contributions -- Exemption -- Amended returns.**

146 (1) For taxable years beginning on or after January 1, 2007, a resident or nonresident

147 individual may calculate and pay a tax under this section as provided in this part.

148 (2) (a) A resident individual that calculates and pays a tax under this section:

149 (i) shall pay for a taxable year an amount equal to the product of:

150 (A) the resident individual's state taxable income for that taxable year; and

151 (B) [~~5.35%~~] 4.9%; and

- 152 (ii) is exempt from paying the tax imposed by Section 59-10-104.
- 153 (b) A nonresident individual that calculates and pays a tax under this section:
- 154 (i) shall pay for a taxable year an amount equal to the product of the nonresident
- 155 individual's:
- 156 (A) unapportioned state tax; and
- 157 (B) state income tax percentage for the nonresident individual; and
- 158 (ii) is exempt from paying the tax imposed by Section 59-10-116.
- 159 (3) Except as required by Section 59-10-1204 or 59-10-1205, a resident or nonresident
- 160 individual that calculates and pays a tax under this section may not make any addition or
- 161 adjustment to or subtraction from adjusted gross income.
- 162 (4) A resident or nonresident individual that calculates and pays a tax under this
- 163 section may designate on the resident or nonresident individual's individual income tax return
- 164 for a taxable year a contribution allowed by:
- 165 (a) Section 59-10-530;
- 166 (b) Section 59-10-530.5;
- 167 (c) Section 59-10-547;
- 168 (d) Section 59-10-549;
- 169 (e) Section 59-10-550;
- 170 (f) Section 59-10-550.1; or
- 171 (g) Section 59-10-550.2.
- 172 (5) This section does not apply to a resident or nonresident individual exempt from
- 173 taxation under Section 59-10-104.1.
- 174 (6) (a) A resident or nonresident individual may determine for each taxable year for
- 175 which the resident or nonresident individual files an individual income tax return under this
- 176 chapter whether to calculate and pay a tax under this section as provided in this part.
- 177 (b) If a resident or nonresident individual files an amended return for a taxable year
- 178 beginning on or after January 1, 2007, the resident or nonresident individual may determine
- 179 whether to calculate and pay a tax under this section as provided in this part for that taxable
- 180 year.

181 Section 4. Section **59-10-1206.1** is enacted to read:

182 **59-10-1206.1. Definitions -- Nonrefundable tax credits allowed on the basis of**

183 filing status and the state sales and use tax rate -- ~~H→~~ [Division of Finance] Commission ~~←H~~
 183a to transfer from the
 184 General Fund into the Education Fund an amount equal to the amount of tax credits
 185 claimed ~~H→~~ [~~Commission to report to the Division of Finance the amount of tax credits~~
 186 ~~claimed-- Commission rulemaking authority~~] ~~←H~~ .

187 (1) As used in this section:

188 (a) "Claimant" means a resident or nonresident individual that has state taxable income
 189 under this part.

190 (b) "Joint filing status" means:

191 (i) a husband and wife who file a single return jointly; or

192 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
 193 single return.

194 (c) "Single filing status" means:

195 (i) a single individual who files a single return;

196 (ii) a married individual who:

197 (A) does not file a single return jointly with that individual's spouse; and

198 (B) files a single return; or

199 (iii) a head of household, as defined in Section 2(b), Internal Revenue Code, who files
 200 a single return.

201 (2) Except as provided in Section 59-10-1206.9 and subject to Subsections (3) and (4),
 202 for taxable years beginning on or after January 1, 2007, a claimant:

203 (a) who has a single filing status may claim a ~~H→~~ nonrefundable ~~←H~~ tax credit
 203a equal to the product of:

204 (i) \$5,000; and

205 (ii) the percentage listed in Subsection 59-12-103(2)(a)(i); or

206 (b) who has a joint filing status may claim a ~~H→~~ nonrefundable ~~←H~~ tax credit

206a equal to the product of:

207 (i) \$10,000; and

208 (ii) the percentage listed in Subsection 59-12-103(2)(a)(i).

209 (3) A claimant may not carry forward or carry back a tax credit under this section.

210 (4) (a) For taxable years beginning on or after January 1, 2008, the commission shall
 211 increase or decrease the dollar amounts described in Subsections (2)(a)(i) and (2)(b)(i) by a
 212 percentage equal to the percentage difference between the consumer price index for the
 213 preceding calendar year and the consumer price index for calendar year 2006.

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

216 (c) After the commission increases the dollar amounts described in Subsections
 217 (2)(a)(i) and (2)(b)(i), the commission shall round those increased or decreased dollar amounts
 218 to the nearest whole dollar.

219 (5) ~~H~~→ [(a) ~~Subject to Subsection (5)(b), the Division of Finance]~~ The commission ←~~H~~
 219a shall transfer at least
 220 annually from the General Fund into the Education Fund an amount equal to the amount of tax
 221 credits claimed in accordance with this section.

222 ~~H~~→ [(b) ~~The commission shall report to the Division of Finance the amount of tax credits~~
 223 ~~claimed in accordance with this section.~~

224 ~~—— (6) ~~In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the~~~~
 225 ~~commission may make rules providing procedures for reporting to the Division of Finance the~~
 226 ~~amount of tax credits claimed in accordance with this section.~~] ←~~H~~

227 Section 5. Section **59-10-1206.9** is enacted to read:

228 **59-10-1206.9. Apportionment of tax credits.**

229 A nonresident individual or a part-year resident individual that claims a tax credit in
 230 accordance with Section 59-10-1206.1 may only claim an apportioned amount of the tax credit
 231 equal to:

232 (1) for a nonresident individual, the product of:

233 (a) the state income tax percentage for the nonresident individual; and

234 (b) the amount of the tax credit that the nonresident individual would have been
 235 allowed to claim but for the apportionment requirements of this section; or

236 (2) for a part-year resident individual, the product of:

237 (a) the state income tax percentage for the part-year resident individual; and

238 (b) the amount of the tax credit that the part-year resident individual would have been
 239 allowed to claim but for the apportionment requirements of this section.

240 Section 6. Section **59-12-103** is amended to read:

241 **59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use**
 242 **tax revenues.**

243 (1) A tax is imposed on the purchaser as provided in this part for amounts paid or
 244 charged for the following transactions:

- 245 (a) retail sales of tangible personal property made within the state;
- 246 (b) amounts paid:
 - 247 (i) (A) to a common carrier; or
 - 248 (B) whether the following are municipally or privately owned, to a:
 - 249 (I) telephone service provider; or
 - 250 (II) telegraph corporation as defined in Section 54-2-1; and
 - 251 (ii) for:
 - 252 (A) telephone service, other than mobile telecommunications service, that originates
 - 253 and terminates within the boundaries of this state;
 - 254 (B) mobile telecommunications service that originates and terminates within the
 - 255 boundaries of one state only to the extent permitted by the Mobile Telecommunications
 - 256 Sourcing Act, 4 U.S.C. Sec. 116 et seq.; or
 - 257 (C) telegraph service;
- 258 (c) sales of the following for commercial use:
 - 259 (i) gas;
 - 260 (ii) electricity;
 - 261 (iii) heat;
 - 262 (iv) coal;
 - 263 (v) fuel oil; or
 - 264 (vi) other fuels;
- 265 (d) sales of the following for residential use:
 - 266 (i) gas;
 - 267 (ii) electricity;
 - 268 (iii) heat;
 - 269 (iv) coal;
 - 270 (v) fuel oil; or
 - 271 (vi) other fuels;
- 272 (e) sales of prepared food;
- 273 (f) except as provided in Section 59-12-104, amounts paid or charged as admission or
- 274 user fees for theaters, movies, operas, museums, planetariums, shows of any type or nature,
- 275 exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries,

276 fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit
277 television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf
278 driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails,
279 tennis courts, swimming pools, water slides, river runs, jeep tours, boat tours, scenic cruises,
280 horseback rides, sports activities, or any other amusement, entertainment, recreation,
281 exhibition, cultural, or athletic activity;

282 (g) amounts paid or charged for services for repairs or renovations of tangible personal
283 property, unless Section 59-12-104 provides for an exemption from sales and use tax for:

284 (i) the tangible personal property; and

285 (ii) parts used in the repairs or renovations of the tangible personal property described
286 in Subsection (1)(g)(i), whether or not any parts are actually used in the repairs or renovations
287 of that tangible personal property;

288 (h) except as provided in Subsection 59-12-104(7), amounts paid or charged for
289 assisted cleaning or washing of tangible personal property;

290 (i) amounts paid or charged for tourist home, hotel, motel, or trailer court
291 accommodations and services that are regularly rented for less than 30 consecutive days;

292 (j) amounts paid or charged for laundry or dry cleaning services;

293 (k) amounts paid or charged for leases or rentals of tangible personal property if within
294 this state the tangible personal property is:

295 (i) stored;

296 (ii) used; or

297 (iii) otherwise consumed;

298 (l) amounts paid or charged for tangible personal property if within this state the
299 tangible personal property is:

300 (i) stored;

301 (ii) used; or

302 (iii) consumed; and

303 (m) amounts paid or charged for prepaid telephone calling cards.

304 (2) (a) Except as provided in Subsection (2)(b) or (f), a state tax and a local tax is
305 imposed on a transaction described in Subsection (1) equal to the sum of:

306 (i) a state tax imposed on the transaction at a rate of 4.75%; and

307 (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
308 transaction under this chapter other than this part.

309 (b) (i) A state tax and a local tax is imposed on a transaction described in Subsection
310 (1)(d) equal to the sum of:

311 (A) a state tax imposed on the transaction at a rate of 2%; and

312 (B) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
313 transaction under this chapter other than this part; or

314 (ii) if a seller collects a tax in accordance with Subsection 59-12-107(1)(b) on a
315 transaction described in Subsection (1), a state tax and a local tax is imposed on the transaction
316 equal to the sum of:

317 (A) a state tax imposed on the transaction at a rate of:

318 (I) 4.75% for a transaction other than a transaction described in Subsection (1)(d); or

319 (II) 2% for a transaction described in Subsection (1)(d); and

320 (B) a local tax imposed on the transaction at a rate equal to the sum of the following
321 rates:

322 (I) the tax rate authorized by Section 59-12-204, but only if all of the counties, cities,
323 and towns in the state impose the tax under Section 59-12-204; and

324 (II) the tax rate authorized by Section 59-12-1102, but only if all of the counties in the
325 state impose the tax under Section 59-12-1102.

326 (iii) Except as provided in Subsection (2)(f), [~~beginning on January 1, 2007;~~] a state tax
327 and a local tax is imposed on amounts paid or charged for food and food ingredients equal to
328 the sum of:

329 (A) a state tax imposed on the amounts paid or charged for food and food ingredients
330 at a rate of [~~2.75~~] 0%; and

331 (B) a local tax equal to the sum of the tax rates a county, city, or town imposes on the
332 amounts paid or charged for food and food ingredients under this chapter other than this part.

333 (c) Subject to Subsections (2)(d) and (e), a tax rate repeal or tax rate change for a tax
334 rate imposed under the following shall take effect on the first day of a calendar quarter:

335 (i) Subsection (2)(a)(i);

336 (ii) Subsection (2)(b)(i)(A);

337 (iii) Subsection (2)(b)(ii)(A); or

338 (iv) Subsection (2)(b)(iii)(A).
339 (d) (i) For a transaction described in Subsection (2)(d)(iii), a tax rate increase shall take
340 effect on the first day of the first billing period:
341 (A) that begins after the effective date of the tax rate increase; and
342 (B) if the billing period for the transaction begins before the effective date of a tax rate
343 increase imposed under:
344 (I) Subsection (2)(a)(i);
345 (II) Subsection (2)(b)(i)(A); or
346 (III) Subsection (2)(b)(ii)(A).
347 (ii) For a transaction described in Subsection (2)(d)(iii), the repeal of a tax or a tax rate
348 decrease shall take effect on the first day of the last billing period:
349 (A) that began before the effective date of the repeal of the tax or the tax rate decrease;
350 and
351 (B) if the billing period for the transaction begins before the effective date of the repeal
352 of the tax or the tax rate decrease imposed under:
353 (I) Subsection (2)(a)(i);
354 (II) Subsection (2)(b)(i)(A); or
355 (III) Subsection (2)(b)(ii)(A).
356 (iii) Subsections (2)(d)(i) and (ii) apply to transactions subject to a tax under:
357 (A) Subsection (1)(b);
358 (B) Subsection (1)(c);
359 (C) Subsection (1)(d);
360 (D) Subsection (1)(e);
361 (E) Subsection (1)(f);
362 (F) Subsection (1)(g);
363 (G) Subsection (1)(h);
364 (H) Subsection (1)(i);
365 (I) Subsection (1)(j); or
366 (J) Subsection (1)(k).
367 (e) (i) If a tax due under Subsection (2)(a)(i) or (2)(b)(ii)(A) on a catalogue sale is
368 computed on the basis of sales and use tax rates published in the catalogue, a tax rate repeal or

369 change in a tax rate imposed under Subsection (2)(a)(i) or (2)(b)(ii)(A) takes effect:

370 (A) on the first day of a calendar quarter; and

371 (B) beginning 60 days after the effective date of the tax rate repeal or tax rate change
372 under Subsection (2)(a)(i) or (2)(b)(ii)(A).

373 (ii) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act,
374 the commission may by rule define the term "catalogue sale."

375 (f) If the price of a bundled transaction is attributable to food and food ingredients and
376 tangible personal property other than food and food ingredients, the tax imposed on the entire
377 bundled transaction is the sum of the tax rates described in Subsection (2)(a).

378 (3) (a) Except as provided in Subsections (4) through (9), the following state taxes
379 shall be deposited into the General Fund:

380 (i) the tax imposed by Subsection (2)(a)(i);

381 (ii) the tax imposed by Subsection (2)(b)(i)(A);

382 (iii) the tax imposed by Subsection (2)(b)(ii)(A); or

383 (iv) the tax imposed by Subsection (2)(b)(iii)(A).

384 (b) The local taxes described in Subsections (2)(a)(ii), (2)(b)(i)(B), and (2)(b)(iii)(B)
385 shall be distributed to a county, city, or town as provided in this chapter.

386 (c) (i) Notwithstanding any provision of this chapter, each county, city, or town in the
387 state shall receive the county's, city's, or town's proportionate share of the revenues generated
388 by the local tax described in Subsection (2)(b)(ii)(B) as provided in Subsection (3)(c)(ii).

389 (ii) The commission shall determine a county's, city's, or town's proportionate share of
390 the revenues under Subsection (3)(c)(i) by:

391 (A) calculating an amount equal to the population of the unincorporated area of the
392 county, city, or town divided by the total population of the state; and

393 (B) multiplying the amount determined under Subsection (3)(c)(ii)(A) by the total
394 amount of revenues generated by the local tax under Subsection (2)(b)(ii)(B) for all counties,
395 cities, and towns.

396 (iii) (A) Except as provided in Subsection (3)(c)(iii)(B), population figures for
397 purposes of this section shall be derived from the most recent official census or census estimate
398 of the United States Census Bureau.

399 (B) If a needed population estimate is not available from the United States Census

400 Bureau, population figures shall be derived from the estimate from the Utah Population
401 Estimates Committee created by executive order of the governor.

402 (4) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
403 2003, the lesser of the following amounts shall be used as provided in Subsections (4)(b)
404 through (g):

405 (i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated:

406 (A) by a 1/16% tax rate on the transactions described in Subsection (1); and

407 (B) for the fiscal year; or

408 (ii) \$17,500,000.

409 (b) (i) For a fiscal year beginning on or after July 1, 2003, 14% of the amount
410 described in Subsection (4)(a) shall be transferred each year as dedicated credits to the
411 Department of Natural Resources to:

412 (A) implement the measures described in Subsections 63-34-14(4)(a) through (d) to
413 protect sensitive plant and animal species; or

414 (B) award grants, up to the amount authorized by the Legislature in an appropriations
415 act, to political subdivisions of the state to implement the measures described in Subsections
416 63-34-14(4)(a) through (d) to protect sensitive plant and animal species.

417 (ii) Money transferred to the Department of Natural Resources under Subsection
418 (4)(b)(i) may not be used to assist the United States Fish and Wildlife Service or any other
419 person to list or attempt to have listed a species as threatened or endangered under the
420 Endangered Species Act of 1973, 16 U.S.C. Sec. 1531 et seq.

421 (iii) At the end of each fiscal year:

422 (A) 50% of any unexpended dedicated credits shall lapse to the Water Resources
423 Conservation and Development Fund created in Section 73-10-24;

424 (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan
425 Program Subaccount created in Section 73-10c-5; and

426 (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan
427 Program Subaccount created in Section 73-10c-5.

428 (c) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described in
429 Subsection (4)(a) shall be deposited each year in the Agriculture Resource Development Fund
430 created in Section 4-18-6.

431 (d) (i) For a fiscal year beginning on or after July 1, 2003, 1% of the amount described
432 in Subsection (4)(a) shall be transferred each year as dedicated credits to the Division of Water
433 Rights to cover the costs incurred in hiring legal and technical staff for the adjudication of
434 water rights.

435 (ii) At the end of each fiscal year:

436 (A) 50% of any unexpended dedicated credits shall lapse to the Water Resources
437 Conservation and Development Fund created in Section 73-10-24;

438 (B) 25% of any unexpended dedicated credits shall lapse to the Utah Wastewater Loan
439 Program Subaccount created in Section 73-10c-5; and

440 (C) 25% of any unexpended dedicated credits shall lapse to the Drinking Water Loan
441 Program Subaccount created in Section 73-10c-5.

442 (e) (i) For a fiscal year beginning on or after July 1, 2003, 41% of the amount described
443 in Subsection (4)(a) shall be deposited in the Water Resources Conservation and Development
444 Fund created in Section 73-10-24 for use by the Division of Water Resources.

445 (ii) In addition to the uses allowed of the Water Resources Conservation and
446 Development Fund under Section 73-10-24, the Water Resources Conservation and
447 Development Fund may also be used to:

448 (A) conduct hydrologic and geotechnical investigations by the Division of Water
449 Resources in a cooperative effort with other state, federal, or local entities, for the purpose of
450 quantifying surface and ground water resources and describing the hydrologic systems of an
451 area in sufficient detail so as to enable local and state resource managers to plan for and
452 accommodate growth in water use without jeopardizing the resource;

453 (B) fund state required dam safety improvements; and

454 (C) protect the state's interest in interstate water compact allocations, including the
455 hiring of technical and legal staff.

456 (f) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described
457 in Subsection (4)(a) shall be deposited in the Utah Wastewater Loan Program Subaccount
458 created in Section 73-10c-5 for use by the Water Quality Board to fund wastewater projects.

459 (g) For a fiscal year beginning on or after July 1, 2003, 20.5% of the amount described
460 in Subsection (4)(a) shall be deposited in the Drinking Water Loan Program Subaccount
461 created in Section 73-10c-5 for use by the Division of Drinking Water to:

462 (i) provide for the installation and repair of collection, treatment, storage, and
463 distribution facilities for any public water system, as defined in Section 19-4-102;

464 (ii) develop underground sources of water, including springs and wells; and

465 (iii) develop surface water sources.

466 (5) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
467 2006, the difference between the following amounts shall be expended as provided in this
468 Subsection (5), if that difference is greater than \$1:

469 (i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated for the
470 fiscal year by a 1/16% tax rate on the transactions described in Subsection (1); and

471 (ii) \$17,500,000.

472 (b) (i) The first \$500,000 of the difference described in Subsection (5)(a) shall be:

473 (A) transferred each fiscal year to the Department of Natural Resources as dedicated
474 credits; and

475 (B) expended by the Department of Natural Resources for watershed rehabilitation or
476 restoration.

477 (ii) At the end of each fiscal year, 100% of any unexpended dedicated credits described
478 in Subsection (5)(b)(i) shall lapse to the Water Resources Conservation and Development Fund
479 created in Section 73-10-24.

480 (c) (i) After making the transfer required by Subsection (5)(b)(i), \$150,000 of the
481 remaining difference described in Subsection (5)(a) shall be:

482 (A) transferred each fiscal year to the Division of Water Resources as dedicated
483 credits; and

484 (B) expended by the Division of Water Resources for cloud-seeding projects
485 authorized by Title 73, Chapter 15, Modification of Weather.

486 (ii) At the end of each fiscal year, 100% of any unexpended dedicated credits described
487 in Subsection (5)(c)(i) shall lapse to the Water Resources Conservation and Development Fund
488 created in Section 73-10-24.

489 (d) After making the transfers required by Subsections (5)(b) and (c), 94% of the
490 remaining difference described in Subsection (5)(a) shall be deposited into the Water
491 Resources Conservation and Development Fund created in Section 73-10-24 for use by the
492 Division of Water Resources for:

- 493 (i) preconstruction costs:
- 494 (A) as defined in Subsection 73-26-103(6) for projects authorized by Title 73, Chapter
- 495 26, Bear River Development Act; and
- 496 (B) as defined in Subsection 73-28-103(8) for the Lake Powell Pipeline project
- 497 authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act;
- 498 (ii) the cost of employing a civil engineer to oversee any project authorized by Title 73,
- 499 Chapter 26, Bear River Development Act;
- 500 (iii) the cost of employing a civil engineer to oversee the Lake Powell Pipeline project
- 501 authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act; and
- 502 (iv) other uses authorized under Sections 73-10-24, 73-10-25.1, 73-10-30, and
- 503 Subsection (4)(e)(ii) after funding the uses specified in Subsections (5)(d)(i) through (iii).
- 504 (e) Any unexpended monies described in Subsection (5)(d) that remain in the Water
- 505 Resources Conservation and Development Fund at the end of the fiscal year are nonlapsing.
- 506 (f) After making the transfers required by Subsections (5)(b) and (c) and subject to
- 507 Subsection (5)(g), 6% of the remaining difference described in Subsection (5)(a) shall be
- 508 transferred each year as dedicated credits to the Division of Water Rights to cover the costs
- 509 incurred for employing additional technical staff for the administration of water rights.
- 510 (g) At the end of each fiscal year, any unexpended dedicated credits described in
- 511 Subsection (5)(f) over \$150,000 lapse to the Water Resources Conservation and Development
- 512 Fund created in Section 73-10-24.
- 513 (6) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
- 514 2003, the lesser of the following amounts shall be used as provided in Subsections (6)(b)
- 515 through (d):
- 516 (i) for taxes listed under Subsection (3)(a), the amount of tax revenue generated:
- 517 (A) by a 1/16% tax rate on the transactions described in Subsection (1); and
- 518 (B) for the fiscal year; or
- 519 (ii) \$18,743,000.
- 520 (b) (i) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described
- 521 in Subsection (6)(a) shall be deposited each year in the Transportation Corridor Preservation
- 522 Revolving Loan Fund created in Section 72-2-117.
- 523 (ii) At least 50% of the money deposited in the Transportation Corridor Preservation

524 Revolving Loan Fund under Subsection (6)(b)(i) shall be used to fund loan applications made
525 by the Department of Transportation at the request of local governments.

526 (c) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described in
527 Subsection (6)(a) shall be transferred each year as nonlapsing dedicated credits to the
528 Department of Transportation for the State Park Access Highways Improvement Program
529 created in Section 72-3-207.

530 (d) For a fiscal year beginning on or after July 1, 2003, 94% of the amount described in
531 Subsection (6)(a) shall be deposited in the class B and class C roads account to be expended as
532 provided in Title 72, Chapter 2, Transportation Finances Act, for the use of class B and C
533 roads.

534 (7) (a) Notwithstanding Subsection (3)(a) and until Subsection (7)(b) applies,
535 beginning on January 1, 2000, the Division of Finance shall deposit into the Centennial
536 Highway Fund Restricted Account created in Section 72-2-118 a portion of the taxes listed
537 under Subsection (3)(a) equal to the revenues generated by a 1/64% tax rate on the taxable
538 transactions under Subsection (1).

539 (b) Notwithstanding Subsection (3)(a), when the highway general obligation bonds
540 have been paid off and the highway projects completed that are intended to be paid from
541 revenues deposited in the Centennial Highway Fund Restricted Account as determined by the
542 Executive Appropriations Committee under Subsection 72-2-118(6)(d), the Division of
543 Finance shall deposit into the Transportation Investment Fund of 2005 created by Section
544 72-2-124 a portion of the taxes listed under Subsection (3)(a) equal to the revenues generated
545 by a 1/64% tax rate on the taxable transactions under Subsection (1).

546 (8) (a) Notwithstanding Subsection (3)(a), for fiscal years beginning on or after fiscal
547 year 2004-05, the commission shall each year on or before the September 30 immediately
548 following the last day of the fiscal year deposit the difference described in Subsection (8)(b)
549 into the Remote Sales Restricted Account created in Section 59-12-103.2 if that difference is
550 greater than \$0.

551 (b) The difference described in Subsection (8)(a) is equal to the difference between:
552 (i) the total amount of the revenues under Subsections (2)(b)(ii)(A) and (2)(b)(iii)(A)
553 the commission received from sellers collecting a tax in accordance with Subsection
554 59-12-107(1)(b) for the fiscal year immediately preceding the September 30 described in

555 Subsection (8)(a); and
556 (ii) \$7,279,673.
557 (9) (a) Notwithstanding Subsection (3)(a), in addition to the amount deposited in
558 Subsection (7)(a), and until Subsection (9)(b) applies, for a fiscal year beginning on or after
559 July 1, 2006, the Division of Finance shall deposit into the Centennial Highway Fund
560 Restricted Account created by Section 72-2-118 a portion of the taxes listed under Subsection
561 (3)(a) equal to 8.3% of the revenues collected from the taxes described in Subsections (2)(a)(i),
562 (2)(b)(i)(A), and (2)(b)(iii)(A), which represents a portion of the approximately 17% of sales
563 and use tax revenues generated annually by the sales and use tax on vehicles and
564 vehicle-related products.

565 (b) Notwithstanding Subsection (3)(a) and in addition to the amounts deposited under
566 Subsection (7)(b), when the highway general obligation bonds have been paid off and the
567 highway projects completed that are intended to be paid from revenues deposited in the
568 Centennial Highway Fund Restricted Account as determined by the Executive Appropriations
569 Committee under Subsection 72-2-118(6)(d), the Division of Finance shall deposit into the
570 Transportation Investment Fund of 2005 created by Section 72-2-124 a portion of the taxes
571 listed under Subsection (3)(a) equal to 8.3% of the revenues collected from the taxes described
572 in Subsections (2)(a)(i), (2)(b)(i)(A), and (2)(b)(iii)(A), which represents a portion of the
573 approximately 17% of sales and use tax revenues generated annually by the sales and use tax
574 on vehicles and vehicle-related products.

575 Section 7. **Retrospective operation -- Effective date.**

576 (1) Except as provided in Subsection (2), this bill has retrospective operation for
577 taxable years beginning on or after January 1, 2007.

578 (2) The amendments to Section 59-12-103 take effect on July 1, 2007.

Legislative Review Note
as of 1-16-07 10:03 AM

Office of Legislative Research and General Counsel

H.B. 123 - Tax Revisions

Fiscal Note

2007 General Session

State of Utah

State Impact

Enactment of this bill could reduce the General Fund by \$106,000,000 in FY 2008 and by \$110,000,000 in FY 2009. There is an estimated Education Fund loss of \$173,008,200 in FY 2008 and a loss of \$192,689,000 in FY 2009. There is also a one-time loss to the Education Fund of \$43,252,100 as a result of the retroactive implementation of the income tax changes. The reductions to the Education Fund will be offset by an appropriation from the General Fund of approximately \$70,835,000 in FY 2008 and by \$84,194,700 in FY 2009. The Tax Commission will require a one-time appropriation of \$33,300 in FY 2008 to implement the provisions of the bill.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>
General Fund	\$0	\$70,835,000	\$84,194,700	\$0	(\$106,000,000)	(\$110,000,000)
General Fund, One-Time	\$0	\$33,300	\$0	\$0	\$0	\$0
Education Fund	\$0	\$0	\$0	\$0	\$70,835,000	\$84,194,700
Education Fund	\$0	\$0	\$0	\$0	(\$173,008,200)	(\$192,689,000)
Education Fund, One-Time	\$0	\$0	\$0	\$0	(\$43,252,100)	\$0
Total	\$0	\$70,868,300	\$84,194,700	\$0	(\$251,425,300)	(\$218,494,300)

Individual, Business and/or Local Impact

The individual impact related to the income tax changes will be dependent upon filing status, income levels, and deductions claimed. The average impact as a result of the food tax change would be approximately \$38 per person.