

Representative John Dougall proposes the following substitute bill:

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 6.7%;
- ▶ reduces the tax rate from 5.35% to 5% for purposes of the Single Rate Individual Income Tax Act;
- ▶ reduces the state sales and use tax rate imposed on food and food ingredients, except with respect to certain bundled transactions; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill provides an effective date.

Utah Code Sections Affected:



26 AMENDS:

27 **59-10-104**, as last amended by Chapter 2, Laws of Utah 2006, Fourth Special Session

28 **59-10-1202**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

29 **59-10-1203**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

30 **59-12-103**, as last amended by Chapter 9, Laws of Utah 2006, Third Special Session

31

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

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

34 **59-10-104. Tax basis -- Rates -- Adjustment for changes in the consumer price**
35 **index -- Exemption.**

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

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

42 If the state taxable income is:	The tax is:
43 Less than or equal to \$1,000	2.3% of the state taxable income
44 Greater than \$1,000 but less than 45 or equal to \$2,000	\$23, plus 3.3% of state taxable income greater than \$1,000
46 Greater than \$2,000 but less than 47 or equal to \$3,000	\$56, plus 4.2% of state taxable income greater than \$2,000
48 Greater than \$3,000 but less than 49 or equal to \$4,000	\$98, plus 5.2% of state taxable income greater than \$3,000
50 Greater than \$4,000 but less than 51 or equal to \$5,500	\$150, plus 6% of state taxable income greater than \$4,000
52 Greater than \$5,500	\$240, plus [6.98] <u>6.7</u> % of state taxable income greater than \$5,500

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

57	If the state taxable income is:	The tax is:
58	Less than or equal to \$2,000	2.3% of the state taxable income
59	Greater than \$2,000 but less than	\$46, plus 3.3% of state taxable
60	or equal to \$4,000	income greater than \$2,000
61	Greater than \$4,000 but less than	\$112, plus 4.2% of state taxable
62	or equal to \$6,000	income greater than \$4,000
63	Greater than \$6,000 but less than	\$196, plus 5.2% of state taxable
64	or equal to \$8,000	income greater than \$6,000
65	Greater than \$8,000 but less than	\$300, plus 6% of state taxable
66	or equal to \$11,000	income greater than \$8,000
67	Greater than \$11,000	\$480, plus [6.98] <u>6.7%</u> of state taxable
68		income greater than \$11,000

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

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

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

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

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

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

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

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

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

78 income bracket under Subsection (2) there is a corresponding income bracket under Subsection

79 (3) that is equal to the product of:

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

81 (B) two; and

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

83 (A) increase or decrease the amount of tax under Subsection (2) or (3) prior to adding

84 in the portion of the tax calculated as a percentage of state taxable income; and

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

86 amount of tax under Subsection (2) or (3) to the nearest whole dollar.

87 (b) The commission may not increase or decrease the tax rate percentages provided in

88 Subsection (2) or (3).

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

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

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

94 **59-10-1202. Definitions.**

95 As used in this part:

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

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

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

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

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

105 (4) "State taxable income" means a resident or nonresident individual's adjusted gross
106 income after making the:

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

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

109 (5) "Unapportioned state tax" means the product of the:

110 (a) difference between:

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

112 (ii) if the nonresident individual described in Subsection (5)(a)(i) is a servicemember,
113 compensation the servicemember receives for military service if the servicemember is serving
114 in compliance with military orders; and

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

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

117 **59-10-1203. Single rate tax for resident or nonresident individual -- Tax rate --**

118 **Contributions -- Exemption -- Amended returns.**

119 (1) For taxable years beginning on or after January 1, 2007, a resident or nonresident
120 individual may calculate and pay a tax under this section as provided in this part.

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

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

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

124 (B) [~~5.35%~~] 5%; and

125 (ii) is exempt from paying the tax imposed by Section 59-10-104.

126 (b) A nonresident individual that calculates and pays a tax under this section:

127 (i) shall pay for a taxable year an amount equal to the product of the nonresident
128 individual's:

129 (A) unapportioned state tax; and

130 (B) state income tax percentage for the nonresident individual; and

131 (ii) is exempt from paying the tax imposed by Section 59-10-116.

132 (3) Except as required by Section 59-10-1204 or 59-10-1205, a resident or nonresident
133 individual that calculates and pays a tax under this section may not make any addition or
134 adjustment to or subtraction from adjusted gross income.

135 (4) A resident or nonresident individual that calculates and pays a tax under this
136 section may designate on the resident or nonresident individual's individual income tax return
137 for a taxable year a contribution allowed by:

138 (a) Section 59-10-530;

139 (b) Section 59-10-530.5;

140 (c) Section 59-10-547;

141 (d) Section 59-10-549;

142 (e) Section 59-10-550;

143 (f) Section 59-10-550.1; or

144 (g) Section 59-10-550.2.

145 (5) This section does not apply to a resident or nonresident individual exempt from
146 taxation under Section 59-10-104.1.

147 (6) (a) A resident or nonresident individual may determine for each taxable year for
148 which the resident or nonresident individual files an individual income tax return under this
149 chapter whether to calculate and pay a tax under this section as provided in this part.

150 (b) If a resident or nonresident individual files an amended return for a taxable year
151 beginning on or after January 1, 2007, the resident or nonresident individual may determine
152 whether to calculate and pay a tax under this section as provided in this part for that taxable
153 year.

154 Section 4. Section **59-12-103** is amended to read:

155 **59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use**
156 **tax revenues.**

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

159 (a) retail sales of tangible personal property made within the state;

160 (b) amounts paid:

161 (i) (A) to a common carrier; or

162 (B) whether the following are municipally or privately owned, to a:

163 (I) telephone service provider; or

164 (II) telegraph corporation as defined in Section 54-2-1; and

165 (ii) for:

166 (A) telephone service, other than mobile telecommunications service, that originates
167 and terminates within the boundaries of this state;

168 (B) mobile telecommunications service that originates and terminates within the
169 boundaries of one state only to the extent permitted by the Mobile Telecommunications

170 Sourcing Act, 4 U.S.C. Sec. 116 et seq.; or

171 (C) telegraph service;

172 (c) sales of the following for commercial use:

173 (i) gas;

174 (ii) electricity;

175 (iii) heat;

176 (iv) coal;

177 (v) fuel oil; or

178 (vi) other fuels;

179 (d) sales of the following for residential use:

180 (i) gas;

- 181 (ii) electricity;
- 182 (iii) heat;
- 183 (iv) coal;
- 184 (v) fuel oil; or
- 185 (vi) other fuels;
- 186 (e) sales of prepared food;
- 187 (f) except as provided in Section 59-12-104, amounts paid or charged as admission or
- 188 user fees for theaters, movies, operas, museums, planetariums, shows of any type or nature,
- 189 exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries,
- 190 fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit
- 191 television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf
- 192 driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails,
- 193 tennis courts, swimming pools, water slides, river runs, jeep tours, boat tours, scenic cruises,
- 194 horseback rides, sports activities, or any other amusement, entertainment, recreation,
- 195 exhibition, cultural, or athletic activity;
- 196 (g) amounts paid or charged for services for repairs or renovations of tangible personal
- 197 property, unless Section 59-12-104 provides for an exemption from sales and use tax for:
- 198 (i) the tangible personal property; and
- 199 (ii) parts used in the repairs or renovations of the tangible personal property described
- 200 in Subsection (1)(g)(i), whether or not any parts are actually used in the repairs or renovations
- 201 of that tangible personal property;
- 202 (h) except as provided in Subsection 59-12-104(7), amounts paid or charged for
- 203 assisted cleaning or washing of tangible personal property;
- 204 (i) amounts paid or charged for tourist home, hotel, motel, or trailer court
- 205 accommodations and services that are regularly rented for less than 30 consecutive days;
- 206 (j) amounts paid or charged for laundry or dry cleaning services;
- 207 (k) amounts paid or charged for leases or rentals of tangible personal property if within
- 208 this state the tangible personal property is:
- 209 (i) stored;
- 210 (ii) used; or
- 211 (iii) otherwise consumed;

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

214 (i) stored;

215 (ii) used; or

216 (iii) consumed; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

243 (A) a state tax imposed on the amounts paid or charged for food and food ingredients
244 at a rate of [~~2.75~~] .75%; and

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

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

249 (i) Subsection (2)(a)(i);

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

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

252 (iv) Subsection (2)(b)(iii)(A).

253 (d) (i) For a transaction described in Subsection (2)(d)(iii), a tax rate increase shall take
254 effect on the first day of the first billing period:

255 (A) that begins after the effective date of the tax rate increase; and

256 (B) if the billing period for the transaction begins before the effective date of a tax rate
257 increase imposed under:

258 (I) Subsection (2)(a)(i);

259 (II) Subsection (2)(b)(i)(A); or

260 (III) Subsection (2)(b)(ii)(A).

261 (ii) For a transaction described in Subsection (2)(d)(iii), the repeal of a tax or a tax rate
262 decrease shall take effect on the first day of the last billing period:

263 (A) that began before the effective date of the repeal of the tax or the tax rate decrease;
264 and

265 (B) if the billing period for the transaction begins before the effective date of the repeal
266 of the tax or the tax rate decrease imposed under:

267 (I) Subsection (2)(a)(i);

268 (II) Subsection (2)(b)(i)(A); or

269 (III) Subsection (2)(b)(ii)(A).

270 (iii) Subsections (2)(d)(i) and (ii) apply to transactions subject to a tax under:

271 (A) Subsection (1)(b);

272 (B) Subsection (1)(c);

273 (C) Subsection (1)(d);

274 (D) Subsection (1)(e);

275 (E) Subsection (1)(f);

276 (F) Subsection (1)(g);

277 (G) Subsection (1)(h);

278 (H) Subsection (1)(i);

279 (I) Subsection (1)(j); or

280 (J) Subsection (1)(k).

281 (e) (i) If a tax due under Subsection (2)(a)(i) or (2)(b)(ii)(A) on a catalogue sale is
282 computed on the basis of sales and use tax rates published in the catalogue, a tax rate repeal or
283 change in a tax rate imposed under Subsection (2)(a)(i) or (2)(b)(ii)(A) takes effect:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

313 (B) If a needed population estimate is not available from the United States Census
314 Bureau, population figures shall be derived from the estimate from the Utah Population
315 Estimates Committee created by executive order of the governor.

316 (4) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
317 2003, the lesser of the following amounts shall be used as provided in Subsections (4)(b)
318 through (g):

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

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

321 (B) for the fiscal year; or

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

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

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

328 (B) award grants, up to the amount authorized by the Legislature in an appropriations
329 act, to political subdivisions of the state to implement the measures described in Subsections
330 63-34-14(4)(a) through (d) to protect sensitive plant and animal species.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

379 (iii) develop surface water sources.

380 (5) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
381 2006, the difference between the following amounts shall be expended as provided in this
382 Subsection (5), if that difference is greater than \$1:

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

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

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

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

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

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

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

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

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

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

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

407 (i) preconstruction costs:

408 (A) as defined in Subsection 73-26-103(6) for projects authorized by Title 73, Chapter
409 26, Bear River Development Act; and

410 (B) as defined in Subsection 73-28-103(8) for the Lake Powell Pipeline project
411 authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act;

412 (ii) the cost of employing a civil engineer to oversee any project authorized by Title 73,
413 Chapter 26, Bear River Development Act;

414 (iii) the cost of employing a civil engineer to oversee the Lake Powell Pipeline project
415 authorized by Title 73, Chapter 28, Lake Powell Pipeline Development Act; and

416 (iv) other uses authorized under Sections 73-10-24, 73-10-25.1, 73-10-30, and
417 Subsection (4)(e)(ii) after funding the uses specified in Subsections (5)(d)(i) through (iii).

418 (e) Any unexpended monies described in Subsection (5)(d) that remain in the Water
419 Resources Conservation and Development Fund at the end of the fiscal year are nonlapsing.

420 (f) After making the transfers required by Subsections (5)(b) and (c) and subject to
421 Subsection (5)(g), 6% of the remaining difference described in Subsection (5)(a) shall be
422 transferred each year as dedicated credits to the Division of Water Rights to cover the costs
423 incurred for employing additional technical staff for the administration of water rights.

424 (g) At the end of each fiscal year, any unexpended dedicated credits described in
425 Subsection (5)(f) over \$150,000 lapse to the Water Resources Conservation and Development
426 Fund created in Section 73-10-24.

427 (6) (a) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1,
428 2003, the lesser of the following amounts shall be used as provided in Subsections (6)(b)

429 through (d):

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

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

432 (B) for the fiscal year; or

433 (ii) \$18,743,000.

434 (b) (i) For a fiscal year beginning on or after July 1, 2003, 3% of the amount described
435 in Subsection (6)(a) shall be deposited each year in the Transportation Corridor Preservation
436 Revolving Loan Fund created in Section 72-2-117.

437 (ii) At least 50% of the money deposited in the Transportation Corridor Preservation
438 Revolving Loan Fund under Subsection (6)(b)(i) shall be used to fund loan applications made
439 by the Department of Transportation at the request of local governments.

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

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

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

453 (b) Notwithstanding Subsection (3)(a), when the highway general obligation bonds
454 have been paid off and the highway projects completed that are intended to be paid from
455 revenues deposited in the Centennial Highway Fund Restricted Account as determined by the
456 Executive Appropriations Committee under Subsection 72-2-118(6)(d), the Division of
457 Finance shall deposit into the Transportation Investment Fund of 2005 created by Section
458 72-2-124 a portion of the taxes listed under Subsection (3)(a) equal to the revenues generated
459 by a 1/64% tax rate on the taxable transactions under Subsection (1).

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

465 (b) The difference described in Subsection (8)(a) is equal to the difference between:

466 (i) the total amount of the revenues under Subsections (2)(b)(ii)(A) and (2)(b)(iii)(A)
467 the commission received from sellers collecting a tax in accordance with Subsection
468 59-12-107(1)(b) for the fiscal year immediately preceding the September 30 described in
469 Subsection (8)(a); and

470 (ii) \$7,279,673.

471 (9) (a) Notwithstanding Subsection (3)(a), in addition to the amount deposited in
472 Subsection (7)(a), and until Subsection (9)(b) applies, for a fiscal year beginning on or after
473 July 1, 2006, the Division of Finance shall deposit into the Centennial Highway Fund
474 Restricted Account created by Section 72-2-118 a portion of the taxes listed under Subsection
475 (3)(a) equal to 8.3% of the revenues collected from the taxes described in Subsections (2)(a)(i),
476 (2)(b)(i)(A), and (2)(b)(iii)(A), which represents a portion of the approximately 17% of sales
477 and use tax revenues generated annually by the sales and use tax on vehicles and
478 vehicle-related products.

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

489 Section 5. **Retrospective operation -- Effective date.**

490 (1) Except as provided in Subsection (2), this bill has retrospective operation for

491 taxable years beginning on or after January 1, 2007.

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

H.B. 123 2nd Sub. (Gray) - Tax Revisions

Fiscal Note

2007 General Session

State of Utah

State Impact

Enactment of this bill could reduce the General Fund by \$77,707,000 in FY 2008 and by \$80,816,000 in FY 2009. There is an estimated Education Fund loss of \$120,018,000 in FY 2008 and a loss of \$129,067,000 in FY 2009. There is also a one-time loss to the Education Fund of \$30,004,500 as a result of the retroactive implementation of the income tax changes. 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	\$33,300	\$0	\$0	(\$77,707,000)	(\$80,816,000)
Education Fund	\$0	\$0	\$0	\$0	(\$120,018,000)	(\$129,067,000)
Education Fund, One-Time	\$0	\$0	\$0	\$0	(\$30,004,500)	\$0
Total	\$0	\$33,300	\$0	\$0	(\$227,729,500)	(\$209,883,000)

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 \$29 per person.