

**COLLEGE AND UNIVERSITY TUITION TAX**

**CREDITS**

2007 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Gregory S. Bell**

House Sponsor: Kory M. Holdaway

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**LONG TITLE**

**General Description:**

This bill provides a tax credit for higher education students.

**Highlighted Provisions:**

This bill:

- ▶ provides a refundable tax credit for higher education tuition and mandatory fees, up to a limited amount;
- ▶ establishes definitions, including eligibility for the credit;
- ▶ requires the State Tax Commission to verify certain eligibility information with institutions of higher education; and
- ▶ gives rulemaking authority to the State Tax Commission.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

ENACTS:

**59-10-1106**, Utah Code Annotated 1953

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



28 Section 1. Section **59-10-1106** is enacted to read:

29 **59-10-1106. Refundable higher education tuition credit.**

30 (1) As used in this section:

31 (a) "Claimant's income" means the claimant's federal adjusted gross income plus the  
32 additions to income specified in Subsection 59-10-1204(1).

33 (b) "Eligible institution" means an institution within the state system of higher  
34 education specified in Subsections 53B-1-102(1)(b) through (j).

35 (c) "Eligible student" means a higher education student who:

36 (i) is enrolled at and attends an eligible institution;

37 (ii) is legally claimed as a personal exemption on the federal and state individual  
38 income tax return of a claimant who has claimant's income of \$30,000 or less;

39 (iii) is not also a public education student while attending an eligible institution; and

40 (iv) is not in default on any higher education student loan.

41 (d) "Qualified higher education expenses" means tuition and mandatory fees paid in a  
42 taxable year by an eligible student or by the claimant on behalf of an eligible student, less any  
43 refunds, scholarships, and other forms of financial aid received but not subject to repayment.

44 (2) (a) For taxable years beginning on or after January 1, 2008, a claimant may claim a  
45 refundable tax credit:

46 (i) as provided in this section;

47 (ii) against taxes otherwise due under this chapter; and

48 (iii) in an amount equal to 50% of qualified higher education expenses incurred for an  
49 eligible student in the taxable year, up to a maximum of \$300.

50 (b) The refundable tax credit under this section may only be claimed:

51 (i) by a claimant who legally claims the eligible student as a personal exemption on the  
52 claimant's federal and state individual income tax return;

53 (ii) if the claimant identifies to the commission the eligible institution or institutions  
54 attended by the eligible student;

55 (iii) if the eligible student provides written authorization for the eligible institution to  
56 release the eligible student's enrollment, attendance, and applicable qualified higher education  
57 expense information to the commission; and

58 (iv) to the extent that the credit under this section and any federal education tax credits

59 claimed for the eligible student do not exceed the amount of qualified higher education  
60 expenses.

61 (c) The refundable tax credit under this section:

62 (i) may not be carried forward or carried back; and

63 (ii) may be claimed for each eligible student legally claimed as a personal exemption  
64 on the claimant's federal and state individual income tax return.

65 (3) (a) In accordance with rules prescribed by the commission under Subsection (4),  
66 the commission shall make a refund to a claimant that legally claims a tax credit under this  
67 section if the amount of the tax credit exceeds the claimant's tax liability under this chapter.

68 (b) (i) Prior to issuing a refund for a refundable tax credit as provided in Subsection  
69 (3)(a), the commission shall, at a minimum, verify enrollment and qualified higher education  
70 expense information with the eligible institution.

71 (ii) Upon request of the commission, the eligible institution shall release the requested  
72 information, including applicable enrollment and qualified higher education expense  
73 information, to the commission for an eligible student.

74 (4) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the  
75 commission shall make rules to:

76 (a) establish procedures for a claimant to claim a refundable tax credit under this  
77 section, including procedures and documentation that minimize the potential for fraud; and

78 (b) establish procedures for issuing a refund as required under this section.

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**Legislative Review Note**  
as of 1-19-07 3:03 PM

**Office of Legislative Research and General Counsel**

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**S.B. 62 - College and University Tuition Tax Credits**

**Fiscal Note**

2007 General Session

State of Utah

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**State Impact**

Enactment of this bill could result in an Education Fund loss off approximately \$8,400,000 in FY 2009. The Tax Commission would require an on-going appropriation of \$40,100 from the Education Fund beginning in FY 2009 to implement the audit 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>
Education Fund	\$0	\$40,100	\$40,100	\$0	\$0	(\$8,400,000)
Education Fund, One-Time	\$0	(\$40,100)	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$40,100</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$8,400,000)</b>

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**Individual, Business and/or Local Impact**

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for businesses or local governments. Eligible individuals could receive a tax reduction of up to \$300.

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1/25/2007, 11:39:46 AM, Lead Analyst: Wilko, A.

**Office of the Legislative Fiscal Analyst**