

1 **TAX AMENDMENTS**

2 2007 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Wayne L. Niederhauser**

5 House Sponsor: David Clark

6
7 **LONG TITLE**

8 **General Description:**

9 This bill amends the Single Rate Individual Income Tax Act.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ provides and modifies definitions;
- 13 ▶ reduces the tax rate from 5.35% to 5%;
- 14 ▶ enacts a nonrefundable tax credit allowed on the basis of:
 - 15 • the greater of an amount calculated on the basis of filing status or an amount
 - 16 calculated on the basis of itemized deductions; and
 - 17 • personal exemptions;
- 18 ▶ phases out the nonrefundable tax credit at certain income levels;
- 19 ▶ requires the apportionment of the nonrefundable tax credit for a nonresident
- 20 individual or part-year resident individual; and
- 21 ▶ makes technical changes.

22 **Monies Appropriated in this Bill:**

23 None

24 **Other Special Clauses:**

25 This bill has retrospective operation for taxable years beginning on or after January 1,
26 2007.

27 **Utah Code Sections Affected:**



28 AMENDS:

29 **59-10-1202**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

30 **59-10-1203**, as enacted by Chapter 2, Laws of Utah 2006, Fourth Special Session

31 ENACTS:

32 **59-10-1206.1**, Utah Code Annotated 1953

33 **59-10-1206.9**, Utah Code Annotated 1953



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

36 Section 1. Section **59-10-1202** is amended to read:

37 **59-10-1202. Definitions.**

38 As used in this part:

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

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

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

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

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

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

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

51 (i) for the time period during the taxable year that the part-year resident individual is a
52 resident, the part-year resident individual's total adjusted gross income for that time period; and

53 (ii) for the time period during the taxable year that the part-year resident individual is a
54 nonresident, the part-year resident individual's adjusted gross income for that time period
55 received from Utah sources, as determined under Section 59-10-117; and

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

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

58 and

59 (ii) if the part-year resident individual is a servicemember, any compensation the
 60 servicemember receives for military service during the portion of the taxable year that the
 61 servicemember is a nonresident if the servicemember is serving in compliance with military
 62 orders.

63 [~~(4)~~] (5) "State taxable income" means a resident or nonresident individual's adjusted
 64 gross income after making the:

- 65 (a) additions and subtractions required by Section 59-10-1204; and
- 66 (b) adjustments required by Section 59-10-1205.

67 [~~(5)~~] (6) "Unapportioned state tax" means the product of the:

68 (a) difference between:

- 69 (i) a nonresident individual's state taxable income; and
- 70 (ii) if the nonresident individual described in Subsection [~~(5)~~] (6)(a)(i) is a
 71 servicemember, compensation the servicemember receives for military service if the
 72 servicemember is serving in compliance with military orders; and

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

74 Section 2. Section **59-10-1203** is amended to read:

75 **59-10-1203. Single rate tax for resident or nonresident individual -- Tax rate --**
 76 **Contributions -- Exemption -- Amended returns.**

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

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

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

- 81 (A) the resident individual's state taxable income for that taxable year; and
- 82 (B) [~~5.35%~~] 5%; and

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

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

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

87 (A) unapportioned state tax; and

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

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

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

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

- 96 (a) Section 59-10-530;
- 97 (b) Section 59-10-530.5;
- 98 (c) Section 59-10-547;
- 99 (d) Section 59-10-549;
- 100 (e) Section 59-10-550;
- 101 (f) Section 59-10-550.1; or
- 102 (g) Section 59-10-550.2.

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

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

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

112 Section 3. Section **59-10-1206.1** is enacted to read:

113 **59-10-1206.1. Definitions -- Nonrefundable taxpayer tax credits.**

114 (1) As used in this section:

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

117 (b) "Head of household filing status" means a head of household, as defined in Section
118 2(b), Internal Revenue Code, who files a single return.

119 (c) "Joint filing status" means:

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

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

123 (d) "Single filing status" means:

124 (i) a single individual who files a single return; or

125 (ii) a married individual who:

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

127 (B) files a single return.

128 (2) Except as provided in Section 59-10-1206.9 and subject to Subsections (3) through
129 (5), for taxable years beginning on or after January 1, 2007, a claimant may claim a
130 nonrefundable tax credit against taxes otherwise due under this part equal to the sum of:

131 (a) the greater of:

132 (i) (A) for a claimant who has a single filing status, \$290;

133 (B) for a claimant who has a head of household filing status, \$430; or

134 (C) for a claimant who has a joint filing status, \$580; or

135 (ii) 6% of the amount the claimant deducts as allowed as an itemized deduction on the
136 claimant's federal individual income tax return for the taxable year; and

137 (b) the product of:

138 (i) \$135; and

139 (ii) the total number of personal exemptions the claimant claims for the taxable year as
140 allowed by Section 151, Internal Revenue Code.

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

142 (4) The tax credit allowed by Subsection (2) shall be reduced by \$.018 for each dollar
143 by which a claimant's state taxable income exceeds:

144 (a) for a claimant who has a single filing status, \$14,000;

145 (b) for a claimant who has a head of household filing status, \$21,000; or

146 (c) for a claimant who has a joint filing status, \$28,000.

147 (5) (a) For taxable years beginning on or after January 1, 2009, the commission shall
148 increase or decrease the following dollar amounts by a percentage equal to the percentage
149 difference between the consumer price index for the preceding calendar year and the consumer
150 price index for calendar year 2007:

151 (i) the dollar amount listed in Subsection (2)(a)(i)(A);

152 (ii) the dollar amount listed in Subsection (2)(a)(i)(B);
153 (iii) the dollar amount listed in Subsection (2)(b)(i);
154 (iv) the dollar amount listed in Subsection (4)(a); and
155 (v) the dollar amount listed in Subsection (4)(b).
156 (b) After the commission increases or decreases the dollar amounts listed in Subsection
157 (5)(a), the commission shall round those dollar amounts listed in Subsection (5)(a) to the
158 nearest whole dollar.
159 (c) After the commission rounds the dollar amounts as required by Subsection (5)(b),
160 the commission shall:
161 (i) increase or decrease the dollar amount listed in Subsection (2)(a)(i)(C) so that the
162 dollar amount listed in Subsection (2)(a)(i)(C) is equal to the product of:
163 (A) the dollar amount listed in Subsection (2)(a)(i)(A); and
164 (B) two; and
165 (ii) increase or decrease the dollar amount listed in Subsection (4)(c) so that the dollar
166 amount listed in Subsection (4)(c) is equal to the product of:
167 (A) the dollar amount listed in Subsection (4)(a); and
168 (B) two.
169 (d) For purposes of Subsection (5)(a), the commission shall calculate the consumer
170 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.
171 Section 4. Section **59-10-1206.9** is enacted to read:
172 **59-10-1206.9. Apportionment of tax credit.**
173 A nonresident individual or a part-year resident individual that claims a tax credit in
174 accordance with Section 59-10-1206.1 may only claim an apportioned amount of the tax credit
175 equal to:
176 (1) for a nonresident individual, the product of:
177 (a) the state income tax percentage for the nonresident individual; and
178 (b) the amount of the tax credit that the nonresident individual would have been
179 allowed to claim but for the apportionment requirements of this section; or
180 (2) for a part-year resident individual, the product of:
181 (a) the state income tax percentage for the part-year resident individual; and
182 (b) the amount of the tax credit that the part-year resident individual would have been

183 allowed to claim but for the apportionment requirements of this section.

184 Section 5. **Retrospective operation.**

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

186 2007.

Legislative Review Note
as of 1-31-07 4:52 PM

Office of Legislative Research and General Counsel

S.B. 223 - Tax Amendments

Fiscal Note

2007 General Session
State of Utah

State Impact

Enactment of this bill could reduce the Education Fund by \$67,724,000 in FY 2008 and by \$69,974,000 in FY 2009. There is a retroactive adjustment in FY 2008 of \$16,931,000. The Tax Commission will require an appropriation of \$36,400 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>
Uniform School Fund	\$0	\$36,400	\$36,400	\$0	\$0	\$0
Education Fund	\$0	\$0	\$0	\$0	(\$67,724,000)	(\$69,974,000)
Education Fund, One-Time	\$0	\$0	\$0	\$0	(\$16,931,000)	\$0
Total	\$0	\$36,400	\$36,400	\$0	(\$84,655,000)	(\$69,974,000)

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.
