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NONREFUNDABLE HIGHER EDUCATION

TUITION CREDIT

2009 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE

Committee Note:

The Revenue and Taxation Interim Committee recommended this bill.

General Description:

This bill creates a tax credit for higher education tuition and fees.

Highlighted Provisions:

This bill:

- ▶ allows a claimant to claim a nonrefundable tax credit for tuition and mandatory fees for the claimant's enrollment in an institution within the state system of higher education;
- ▶ limits the nonrefundable tax credit to 5% of the claimant's tax liability before tax credits; and
- ▶ allows the claimant to carry forward the nonrefundable tax credit if the amount of the tax credit exceeds 5% of the claimant's tax liability before tax credits.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill has retrospective operation for a taxable year beginning on or after January 1, 2009.

Utah Code Sections Affected:



28 ENACTS:

29 **59-10-1025**, Utah Code Annotated 1953



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

32 Section 1. Section **59-10-1025** is enacted to read:

33 **59-10-1025. Nonrefundable higher education tuition credit.**

34 (1) As used in this section:

35 (a) "Eligible institution" means an institution within the state system of higher
36 education specified in Section 53B-1-102.

37 (b) "Qualified tuition expenses" mean tuition and mandatory fees, less:

38 (i) refunds; and

39 (ii) amounts received from scholarships, grants, stipends, or similar forms of financial
40 aid that are not subject to repayment.

41 (2) (a) For taxable years beginning on or after January 1, 2009, a claimant may claim a
42 nonrefundable tax credit equal to the amount of the qualified tuition expenses paid:

43 (i) (A) by the claimant; or

44 (B) by another person on behalf of the claimant;

45 (ii) in the taxable year; and

46 (iii) for the claimant's enrollment at an eligible institution.

47 (b) The amount of the nonrefundable tax credit claimed under Subsection (2)(a) may
48 not exceed 5% of the claimant's tax liability before tax credits under this chapter.

49 (c) If the nonrefundable tax credit allowed under this section exceeds 5% of the
50 claimant's tax liability before tax credits under this chapter, the claimant may carry forward the
51 excess amount to future taxable years.

52 (d) The sum of the nonrefundable tax credit claimed under Subsection (2)(a) and any
53 excess amount carried forward pursuant to Subsection (2)(c) may not exceed 5% of the
54 claimant's tax liability before tax credits under this chapter.

55 (e) A claimant who qualifies for a nonrefundable tax credit under this section shall, at
56 the request of the commission:

57 (i) identify to the commission the eligible institution or institutions where the claimant
58 was enrolled; and

59 (ii) provide written authorization for the eligible institution to release to the
60 commission the claimant's:
61 (A) enrollment dates;
62 (B) tuition and mandatory fees paid; and
63 (C) scholarships, grants, stipends, or similar forms of financial aid received but not
64 subject to repayment.
65 (3) Upon request of the commission, the eligible institution shall release the
66 information specified in Subsection (2)(e)(ii) to the commission for a claimant that claims a tax
67 credit under this section.
68 (4) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
69 commission may make rules that:
70 (a) establish procedures for a claimant to claim a nonrefundable tax credit under this
71 section; and
72 (b) define "mandatory fees" and "scholarships, grants, stipends, or similar forms of
73 financial aid received but not subject to repayment" for the purposes of this section.
74 Section 2. **Retrospective operation.**
75 This bill has retrospective operation for a taxable year beginning on or after January 1,
76 2009.

Legislative Review Note
as of 11-20-08 1:14 PM

Office of Legislative Research and General Counsel

H.B. 35 - Nonrefundable Higher Education Tuition Credit

Fiscal Note

2009 General Session

State of Utah

State Impact

Enactment of this bill may reduce revenue to the Education Fund by \$2,200,000 in FY 2010 and by \$3,900,000 in FY 2011. The carry forward provisions of this bill will increase the total revenue loss annually. By FY 2035 the estimated revenue loss is \$461,000,000 per year.

	<u>2009</u> <u>Approp.</u>	<u>2010</u> <u>Approp.</u>	<u>2011</u> <u>Approp.</u>	<u>2009</u> <u>Revenue</u>	<u>2010</u> <u>Revenue</u>	<u>2011</u> <u>Revenue</u>
Education Fund	\$0	\$0	\$0	\$0	(\$2,200,000)	(\$3,900,000)
Total	\$0	\$0	\$0	\$0	(\$2,200,000)	(\$3,900,000)

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. Individuals who have paid college tuition could receive a credit over time equal to the full cost of tuition.