

**Senator Benjamin M. McAdams** proposes the following substitute bill:

**EARNED INCOME TAX CREDIT AND RELATED FUNDING**

2012 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Benjamin M. McAdams**

House Sponsor: Brian S. King

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**LONG TITLE**

**General Description:**

This bill enacts a state earned income tax credit and provides for transfers from the General Fund into the Education Fund in the amount of tax credit claimed.

**Highlighted Provisions:**

This bill:

- ▶ enacts a state earned income tax credit;
- ▶ provides for apportionment of the tax credit;
- ▶ requires transfers from the General Fund into Education Fund in the amount of tax credit claimed;
- ▶ grants rulemaking authority to the State Tax Commission; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill has retrospective operation for a taxable year beginning on or after January 1, 2012.

**Utah Code Sections Affected:**

ENACTS:



26 **59-10-1102.1**, Utah Code Annotated 1953

27 **59-10-1110**, Utah Code Annotated 1953



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

30 Section 1. Section **59-10-1102.1** is enacted to read:

31 **59-10-1102.1. Apportionment of tax credit.**

32 A nonresident individual or a part-year resident individual that claims a tax credit in  
33 accordance with Section 59-10-1110 may only claim an apportioned amount of the tax credit  
34 equal to the product of:

35 (1) the state income tax percentage for the nonresident individual or part-year resident  
36 individual; and

37 (2) the amount of the tax credit that the nonresident individual or part-year resident  
38 individual would have been allowed to claim but for the apportionment requirements of this  
39 section.

40 Section 2. Section **59-10-1110** is enacted to read:

41 **59-10-1110. State earned income tax credit.**

42 (1) As used in this section, "federal earned income tax credit" means the amount of the  
43 federal earned income tax credit a claimant claims as allowed for a taxable year in accordance  
44 with Section 32, Internal Revenue Code, on the claimant's federal individual income tax return.

45 (2) Except as provided in Section 59-10-1102.1 and subject to Subsection (3), a  
46 claimant may claim a refundable earned income tax credit equal to 5% of the federal earned  
47 income tax credit.

48 (3) A claimant may not carry forward or carry back a tax credit provided for under this  
49 section.

50 (4) In accordance with any rules prescribed by the commission under Subsection  
51 (5)(b), the commission shall transfer at least annually from the General Fund into the Education  
52 Fund an amount equal to the amount of tax credit claimed under this section.

53 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
54 commission may make rules:

55 (a) providing procedures for issuing refunds for a tax credit claimed under this section;  
56 and

57           (b) making a transfer from the General Fund into the Education Fund as required by  
58 Subsection (4).

59           Section 3. **Retrospective operation.**

60           This bill has retrospective operation for a taxable year beginning on or after January 1,  
61 2012.