

EARNED INCOME TAX CREDIT AND RELATED FUNDING

2013 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Eric K. Hutchings

Senate Sponsor: John L. Valentine

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 the 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, 2013.

Utah Code Sections Affected:

ENACTS:

59-10-1102.1, Utah Code Annotated 1953

59-10-1110, Utah Code Annotated 1953



28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58

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

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

59-10-1102.1. Apportionment of tax credit.

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

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

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

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

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

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

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

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

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

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

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

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

59 Section 3. **Retrospective operation.**

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

61 2013.

Legislative Review Note

as of 2-4-13 11:05 AM

Office of Legislative Research and General Counsel