

Senator Jim Dabakis proposes the following substitute bill:

**HIGHER EDUCATION TAX CREDITS**

2015 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Jim Dabakis**

House Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill enacts an individual income tax credit.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ enacts a nonrefundable tax credit for certain higher education expenses; and
- ▶ provides that the tax credit is subject to apportionment.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides for retrospective operation.

**Utah Code Sections Affected:**

AMENDS:

**59-10-1002.2**, as last amended by Laws of Utah 2011, Chapter 302

ENACTS:

**59-10-1033**, Utah Code Annotated 1953

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



26 Section 1. Section 59-10-1002.2 is amended to read:

27 **59-10-1002.2. Apportionment of tax credits.**

28 (1) A nonresident individual or a part-year resident individual that claims a tax credit  
29 in accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1021, 59-10-1022,  
30 59-10-1023, 59-10-1024, [or] 59-10-1028, or 59-10-1033 may only claim an apportioned  
31 amount of the tax credit equal to:

32 (a) for a nonresident individual, the product of:

33 (i) the state income tax percentage for the nonresident individual; and

34 (ii) the amount of the tax credit that the nonresident individual would have been  
35 allowed to claim but for the apportionment requirements of this section; or

36 (b) for a part-year resident individual, the product of:

37 (i) the state income tax percentage for the part-year resident individual; and

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

40 (2) A nonresident estate or trust that claims a tax credit in accordance with Section  
41 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, or 59-10-1028 may only claim an  
42 apportioned amount of the tax credit equal to the product of:

43 (a) the state income tax percentage for the nonresident estate or trust; and

44 (b) the amount of the tax credit that the nonresident estate or trust would have been  
45 allowed to claim but for the apportionment requirements of this section.

46 Section 2. Section 59-10-1033 is enacted to read:

47 **59-10-1033. Nonrefundable tax credit for higher education costs.**

48 (1) As used in this section, "qualified higher education expenses" means an expense  
49 described in Section 529(e)(3), Internal Revenue Code, except that an expense shall be  
50 determined without regard to whether the individual with respect to whom the expense is  
51 incurred is a beneficiary under Section 529(e)(3), Internal Revenue Code.

52 (2) Except as provided in Section 59-10-1002.2 and subject to the other provisions of  
53 this section, a claimant may claim a nonrefundable tax credit against a tax under this chapter:

54 (a) if the claimant filing the return has an adjusted gross income on the claimant's  
55 federal individual income tax return that is less than:

56 (i) for a claimant who has a single filing status as defined in Section 59-10-1018,

57 \$30,000;

58 (ii) for a claimant who has a head of household filing status as defined in Section

59 59-10-1018, \$45,000; or

60 (iii) for a claimant who has a joint filing status as defined in Section 59-10-1018,

61 \$60,000; and

62 (b) equal to the product of:

63 (i) the amount of qualified higher education expenses the claimant pays during the

64 taxable year; and

65 (ii) 5%.

66 (3) Subject to Subsection (4), a tax credit under this section may not exceed \$1,000.

67 (4) (a) For taxable years beginning on or after January 1, 2016, the commission shall

68 annually increase or decrease the dollar amounts described in Subsections (2)(a)(i), (2)(a)(ii),

69 and (3) by a percentage equal to the percentage difference between the consumer price index

70 for the preceding calendar year and the consumer price index for calendar year 2014.

71 (b) After making an increase or decrease required by Subsection (4)(a), the commission

72 shall:

73 (i) round the dollar amounts described in Subsections (2)(a)(i), (2)(a)(ii), and (3) to the

74 nearest whole dollar; and

75 (ii) increase or decrease the dollar amount described in Subsection (2)(a)(iii) so that the

76 dollar amount described in Subsection (2)(a)(iii) is equal to the product of:

77 (A) the dollar amount described in Subsection (2)(a)(i) as rounded under Subsection

78 (4)(b)(i); and

79 (B) two.

80 (iii) For purposes of Subsection (4)(a), the commission shall calculate the consumer

81 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

82 (5) A tax credit under this section may not be carried forward or carried back.

83 **Section 3. Retrospective operation.**

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

85 2015.