

HB0099S01 compared with HB0099

~~{deleted text}~~ shows text that was in HB0099 but was deleted in HB0099S01.

inserted text shows text that was not in HB0099 but was inserted into HB0099S01.

DISCLAIMER: This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

Representative Lee B. Perry proposes the following substitute bill:

MILITARY RETIREMENT INCOME TAX EXEMPTION

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lee B. Perry

Senate Sponsor: _____

LONG TITLE

~~{Committee Note:~~

~~_____ The Veterans' and Military Affairs Commission recommended this bill:~~

~~_____ Membership: _____ 5 legislators _____ 18 non-legislators~~

~~_____ Legislative Vote: _____ 3 voting for _____ 0 voting against _____ 2 absent~~

~~{General Description:~~

This bill exempts retirement pay for service in the armed forces.

Highlighted Provisions:

This bill:

- ▶ exempts all retirement payments related to service within the armed forces ~~{.}~~; and
▶ phases the exemption in over a four-year period.

Money Appropriated in this Bill:

None

HB0099S01 compared with HB0099

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

59-10-114, as last amended by Laws of Utah 2010, Chapter 6

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

Section 1. Section **59-10-114** is amended to read:

59-10-114. Additions to and subtractions from adjusted gross income of an individual.

(1) There shall be added to adjusted gross income of a resident or nonresident individual:

(a) a lump sum distribution that the taxpayer does not include in adjusted gross income on the taxpayer's federal individual income tax return for the taxable year;

(b) the amount of a child's income calculated under Subsection (4) that:

(i) a parent elects to report on the parent's federal individual income tax return for the taxable year; and

(ii) the parent does not include in adjusted gross income on the parent's federal individual income tax return for the taxable year;

(c) (i) a withdrawal from a medical care savings account and any penalty imposed for the taxable year if:

(A) the resident or nonresident individual does not deduct the amounts on the resident or nonresident individual's federal individual income tax return under Section 220, Internal Revenue Code;

(B) the withdrawal is subject to Subsections 31A-32a-105(1) and (2); and

(C) the withdrawal is:

(I) subtracted on a return the resident or nonresident individual files under this chapter for a taxable year beginning on or before December 31, 2007; or

(II) used as the basis for a resident or nonresident individual to claim a tax credit under Section 59-10-1021;

(ii) a disbursement required to be added to adjusted gross income in accordance with

HB0099S01 compared with HB0099

Subsection 31A-32a-105(3); or

(iii) an amount required to be added to adjusted gross income in accordance with Subsection 31A-32a-105(5)(c);

(d) the amount withdrawn under Title 53B, Chapter 8a, Utah Educational Savings Plan, from the account of a resident or nonresident individual who is an account owner as defined in Section 53B-8a-102, for the taxable year for which the amount is withdrawn, if that amount withdrawn from the account of the resident or nonresident individual who is the account owner:

(i) is not expended for:

(A) higher education costs as defined in Section 53B-8a-102; or

(B) a payment or distribution that qualifies as an exception to the additional tax for distributions not used for educational expenses provided in Sections 529(c) and 530(d), Internal Revenue Code; and

(ii) is:

(A) subtracted by the resident or nonresident individual:

(I) who is the account owner; and

(II) on the resident or nonresident individual's return filed under this chapter for a taxable year beginning on or before December 31, 2007; or

(B) used as the basis for the resident or nonresident individual who is the account owner to claim a tax credit under Section 59-10-1017;

(e) except as provided in Subsection (5), for bonds, notes, and other evidences of indebtedness acquired on or after January 1, 2003, the interest from bonds, notes, and other evidences of indebtedness issued by one or more of the following entities:

(i) a state other than this state;

(ii) the District of Columbia;

(iii) a political subdivision of a state other than this state; or

(iv) an agency or instrumentality of an entity described in Subsections (1)(e)(i) through (iii);

(f) subject to Subsection (2)(c), any distribution received by a resident beneficiary of a resident trust of income that was taxed at the trust level for federal tax purposes, but was subtracted from state taxable income of the trust pursuant to Subsection 59-10-202(2)(b);

HB0099S01 compared with HB0099

(g) any distribution received by a resident beneficiary of a nonresident trust of undistributed distributable net income realized by the trust on or after January 1, 2004, if that undistributed distributable net income was taxed at the trust level for federal tax purposes, but was not taxed at the trust level by any state, with undistributed distributable net income considered to be distributed from the most recently accumulated undistributed distributable net income; and

(h) any adoption expense:

(i) for which a resident or nonresident individual receives reimbursement from another person; and

(ii) to the extent to which the resident or nonresident individual subtracts that adoption expense:

(A) on a return filed under this chapter for a taxable year beginning on or before December 31, 2007; or

(B) from federal taxable income on a federal individual income tax return.

(2) There shall be subtracted from adjusted gross income of a resident or nonresident individual:

(a) the difference between:

(i) the interest or a dividend on an obligation or security of the United States or an authority, commission, instrumentality, or possession of the United States, to the extent that interest or dividend is:

(A) included in adjusted gross income for federal income tax purposes for the taxable year; and

(B) exempt from state income taxes under the laws of the United States; and

(ii) any interest on indebtedness incurred or continued to purchase or carry the obligation or security described in Subsection (2)(a)(i);

(b) for taxable years beginning on or after January 1, 2000, if the conditions of Subsection (3)(a) are met, the amount of income derived by a Ute tribal member:

(i) during a time period that the Ute tribal member resides on homesteaded land diminished from the Uintah and Ouray Reservation; and

(ii) from a source within the Uintah and Ouray Reservation;

(c) an amount received by a resident or nonresident individual or distribution received

HB0099S01 compared with HB0099

by a resident or nonresident beneficiary of a resident trust:

(i) if that amount or distribution constitutes a refund of taxes imposed by:

(A) a state; or

(B) the District of Columbia; and

(ii) to the extent that amount or distribution is included in adjusted gross income for that taxable year on the federal individual income tax return of the resident or nonresident individual or resident or nonresident beneficiary of a resident trust;

(d) the amount of a railroad retirement benefit:

(i) paid:

(A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec. 231 et seq.;

(B) to a resident or nonresident individual; and

(C) for the taxable year; and

(ii) to the extent that railroad retirement benefit is included in adjusted gross income on that resident or nonresident individual's federal individual income tax return for that taxable year; ~~and~~

(e) an amount:

(i) received by an enrolled member of an American Indian tribe; and

(ii) to the extent that the state is not authorized or permitted to impose a tax under this part on that amount in accordance with:

(A) federal law;

(B) a treaty; or

(C) a final decision issued by a court of competent jurisdiction[-]; and

(f) ~~{all}~~ retirement ~~{payments received from}~~ pay received by the taxpayer from the federal government, in accordance with the schedule in Subsection (6), for:

(i) service performed in an active component of the United States ~~{that relate to service in the armed forces}~~ Armed Forces or a reserve component of the United States Armed Forces, as defined in Section 59-10-1027; and

(ii) in the amount included in adjusted gross income for that taxable year on the taxpayer's federal individual income tax return.

(3) (a) A subtraction for an amount described in Subsection (2)(b) is allowed only if:

HB0099S01 compared with HB0099

- (i) the taxpayer is a Ute tribal member; and
- (ii) the governor and the Ute tribe execute and maintain an agreement meeting the requirements of this Subsection (3).
 - (b) The agreement described in Subsection (3)(a):
 - (i) may not:
 - (A) authorize the state to impose a tax in addition to a tax imposed under this chapter;
 - (B) provide a subtraction under this section greater than or different from the subtraction described in Subsection (2)(b); or
 - (C) affect the power of the state to establish rates of taxation; and
 - (ii) shall:
 - (A) provide for the implementation of the subtraction described in Subsection (2)(b);
 - (B) be in writing;
 - (C) be signed by:
 - (I) the governor; and
 - (II) the chair of the Business Committee of the Ute tribe;
 - (D) be conditioned on obtaining any approval required by federal law; and
 - (E) state the effective date of the agreement.
 - (c) (i) The governor shall report to the commission by no later than February 1 of each year regarding whether or not an agreement meeting the requirements of this Subsection (3) is in effect.
 - (ii) If an agreement meeting the requirements of this Subsection (3) is terminated, the subtraction permitted under Subsection (2)(b) is not allowed for taxable years beginning on or after the January 1 following the termination of the agreement.
 - (d) For purposes of Subsection (2)(b) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:
 - (i) for determining whether income is derived from a source within the Uintah and Ouray Reservation; and
 - (ii) that are substantially similar to how adjusted gross income derived from Utah sources is determined under Section 59-10-117.
 - (4) (a) For purposes of this Subsection (4), "Form 8814" means:
 - (i) the federal individual income tax Form 8814, Parents' Election To Report Child's

HB0099S01 compared with HB0099

Interest and Dividends; or

(ii) (A) a form designated by the commission in accordance with Subsection (4)(a)(ii)(B) as being substantially similar to 2000 Form 8814 if for purposes of federal individual income taxes the information contained on 2000 Form 8814 is reported on a form other than Form 8814; and

(B) for purposes of Subsection (4)(a)(ii)(A) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules designating a form as being substantially similar to 2000 Form 8814 if for purposes of federal individual income taxes the information contained on 2000 Form 8814 is reported on a form other than Form 8814.

(b) The amount of a child's income added to adjusted gross income under Subsection (1)(b) is equal to the difference between:

(i) the lesser of:

(A) the base amount specified on Form 8814; and

(B) the sum of the following reported on Form 8814:

(I) the child's taxable interest;

(II) the child's ordinary dividends; and

(III) the child's capital gain distributions; and

(ii) the amount not taxed that is specified on Form 8814.

(5) Notwithstanding Subsection (1)(e), interest from bonds, notes, and other evidences of indebtedness issued by an entity described in Subsections (1)(e)(i) through (iv) may not be added to adjusted gross income of a resident or nonresident individual if, as annually determined by the commission:

(a) for an entity described in Subsection (1)(e)(i) or (ii), the entity and all of the political subdivisions, agencies, or instrumentalities of the entity do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state; or

(b) for an entity described in Subsection (1)(e)(iii) or (iv), the following do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state:

(i) the entity; or

(ii) (A) the state in which the entity is located; or

HB0099S01 compared with HB0099

(B) the District of Columbia, if the entity is located within the District of Columbia.

†

Legislative Review Note

~~Office of Legislative Research and General Counsel~~ (6) The exemption in Subsection (2)(f) shall be phased in over a four year period.

(a) For the taxable year beginning on or after January 1, 2017, and ending on or before December 31, 2017, 25% of the eligible retirement pay is exempt from tax.

(b) For the taxable year beginning on or after January 1, 2018, and ending on or before December 31, 2018, 50% of the eligible retirement pay is exempt from tax.

(c) For the taxable year beginning on or after January 1, 2019, and ending on or before December 31, 2019, 75% of the eligible retirement pay is exempt from tax.

(d) For taxable years beginning on or after January 1, 2020, 100% of the eligible retirement pay is exempt from tax.