

**Representative Brad R. Wilson** proposes the following substitute bill:

**TAXATION OF FOREIGN INCOME AMENDMENTS**

2016 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Brad R. Wilson**

Senate Sponsor: Curtis S. Bramble

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**LONG TITLE**

**General Description:**

This bill addresses adjustments to adjusted gross income.

**Highlighted Provisions:**

This bill:

▶ addresses adjustments to adjusted gross income for certain manufacturing entities that pay an income tax to a foreign country.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

**59-10-115**, as last amended by Laws of Utah 2008, Chapters 382 and 389

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

Section 1. Section **59-10-115** is amended to read:

**59-10-115. Adjustments to adjusted gross income.**

(1) As used in this section:



26 (a) "Net foreign source taxable income" means:  
27 (i) the amount calculated on line 17 of Internal Revenue Code Form 1116, Foreign Tax  
28 Credit; or  
29 (ii) if, for purposes of federal individual income taxes, the amount calculated on line 17  
30 of Form 1116 is reported on a line other than line 17 of Form 1116, the amount on a line of a  
31 federal individual income tax form designated by the commission as being substantially similar  
32 to line 17 of the 2015 version of Form 1116.

33 (b) "Pass-through entity taxpayer" means the same as that term is defined in Section  
34 59-10-1402.

35 ~~[(+)]~~ (2) The commission shall allow an adjustment to adjusted gross income of a  
36 resident or nonresident individual if the resident or nonresident individual would otherwise:

- 37 (a) receive a double tax benefit under this part; or
- 38 (b) suffer a double tax detriment under this part.

39 (3) (a) For a pass-through entity taxpayer generating taxable income primarily from  
40 establishments classified in Code Section 33242, Metal Tank (Heavy Gauge) Manufacturing,  
41 of the 2002 or 2007 North American Industry Classification System of the federal Executive  
42 Office of the President, Office of Management and Budget, an adjustment described in  
43 Subsection (2) includes net foreign source taxable income generated from Metal Tank (Heavy  
44 Gauge) Manufacturing establishments.

45 (b) (i) For a taxable year beginning on or after January 1, 2017, and ending on or before  
46 December 31, 2018, a pass-through entity taxpayer may make an adjustment to adjusted gross  
47 income equal to 25% of net foreign source taxable income.

48 (ii) For a taxable year beginning on or after January 1, 2019, a pass-through entity  
49 taxpayer may make an adjustment to adjusted gross income equal to 100% of net foreign  
50 source taxable income.

51 ~~[(2)]~~ (4) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking  
52 Act, the commission may make rules ~~[to allow]~~:

- 53 (a) making the designation described in Subsection (1)(a)(ii), if necessary; and
- 54 (b) allowing for the adjustment to adjusted gross income required by Subsection ~~[(+)]~~  
55 (2).