

Representative Daniel McCay proposes the following substitute bill:

AMENDMENTS TO TAX LAW

2018 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends the state's income tax provisions.

Highlighted Provisions:

This bill:

- ▶ reduces the state's corporate and individual income tax rates;
- ▶ defines terms; and
- ▶ modifies the calculation of the taxpayer tax credit.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-7-104, as repealed and reenacted by Laws of Utah 1993, Chapter 169

59-7-201, as last amended by Laws of Utah 1993, Chapter 169

59-10-104, as last amended by Laws of Utah 2008, Chapter 389

59-10-1018, as last amended by Laws of Utah 2012, Chapter 295



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

27 Section 1. Section **59-7-104** is amended to read:

28 **59-7-104. Tax -- Minimum tax.**

29 (1) Each domestic and foreign corporation, except [~~those exempted~~] a corporation that
30 is exempt under Section **59-7-102**, shall pay an annual tax to the state based on [~~its~~] the
31 corporation's Utah taxable income for the taxable year for the privilege of exercising [~~its~~] the
32 corporation's corporate franchise or for the privilege of doing business in the state.

33 (2) The tax shall be [~~5%~~] 4.925% of a corporation's Utah taxable income.

34 (3) The minimum tax a corporation shall pay under this chapter is \$100.

35 Section 2. Section **59-7-201** is amended to read:

36 **59-7-201. Tax -- Minimum tax.**

37 (1) There is imposed upon each corporation, except [~~those~~] a corporation that is
38 exempt under Section **59-7-102** [~~for each taxable year~~], a tax upon [~~its~~] the corporation's Utah
39 taxable income for the taxable year that is derived from sources within this state other than
40 income for any period [~~which~~] that the corporation is required to include in [~~its~~] the
41 corporation's tax base under Section **59-7-104**.

42 (2) The tax imposed by Subsection (1) shall be [~~5%~~] 4.925% of a corporation's Utah
43 taxable income.

44 (3) In no case shall the tax be less than \$100.

45 Section 3. Section **59-10-104** is amended to read:

46 **59-10-104. Tax basis -- Tax rate -- Exemption.**

47 (1) [~~For taxable years beginning on or after January 1, 2008, a~~] A tax is imposed on the
48 state taxable income of a resident individual as provided in this section.

49 (2) For purposes of Subsection (1), for a taxable year, the tax is an amount equal to the
50 product of:

51 (a) the resident individual's state taxable income for that taxable year; and

52 (b) [~~5%~~] 4.925%.

53 (3) This section does not apply to a resident individual exempt from taxation under
54 Section **59-10-104.1**.

55 Section 4. Section **59-10-1018** is amended to read:

56 **59-10-1018. Definitions -- Nonrefundable taxpayer tax credits.**

57 (1) As used in this section:

58 [~~(a) "Dependent adult with a disability" means an individual who:]~~

59 [~~(i) a claimant claims as a dependent under Section 151, Internal Revenue Code, on the~~
60 ~~claimant's federal individual income tax return for the taxable year;~~]

61 [~~(ii) is not the claimant or the claimant's spouse; and]~~

62 [~~(iii) is:]~~

63 [~~(A) 18 years of age or older;~~]

64 [~~(B) eligible for services under Title 62A, Chapter 5, Services for People with~~
65 ~~Disabilities; and]~~

66 [~~(C) not enrolled in an education program for students with disabilities that is~~
67 ~~authorized under Section 53A-15-301.]~~

68 [(b) "Dependent child with a disability" means an individual 21 years of age or younger
69 who:]

70 [~~(i) a claimant claims as a dependent under Section 151, Internal Revenue Code, on the~~
71 ~~claimant's federal individual income tax return for the taxable year;~~]

72 [~~(ii) is not the claimant or the claimant's spouse; and]~~

73 [~~(iii) is:]~~

74 [~~(A) an eligible student with a disability; or]~~

75 [~~(B) identified under guidelines of the Department of Health as qualified for Early~~
76 ~~Intervention or Infant Development Services.]~~

77 [(c) "Eligible student with a disability" means an individual who is:]

78 [(i) diagnosed by a school district representative under rules the State Board of
79 Education adopts in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
80 Act, as having a disability classified as autism, deafness, preschool developmental delay, dual
81 sensory impairment, hearing impairment, intellectual disability, multidisability, orthopedic
82 impairment, other health impairment, traumatic brain injury, or visual impairment;]

83 [(ii) not receiving residential services from the Division of Services for People with
84 Disabilities created under Section 62A-5-102 or a school established under Title 53A, Chapter
85 25b, Utah Schools for the Deaf and the Blind; and]

86 [(iii) (A) enrolled in an education program for students with disabilities that is
87 authorized under Section 53A-15-301; or]

88 ~~[(B) a recipient of a scholarship awarded under Title 53A, Chapter 1a, Part 7, Carson~~
89 ~~Smith Scholarships for Students with Special Needs Act.]~~

90 ~~[(d)]~~ (a) "Head of household filing status" means a head of household, as defined in
91 Section 2(b), Internal Revenue Code, who files a single federal individual income tax return for
92 the taxable year.

93 ~~[(e)]~~ (b) "Joint filing status" means:

94 (i) ~~[a husband and wife]~~ spouses who file a single return jointly under this chapter for a
95 taxable year; or

96 (ii) a surviving spouse, as defined in Section 2(a), Internal Revenue Code, who files a
97 single federal individual income tax return for the taxable year.

98 ~~[(f)]~~ (c) "Single filing status" means:

99 (i) a single individual who files a single federal individual income tax return for the
100 taxable year; or

101 (ii) a married individual who:

102 (A) does not file a single federal individual income tax return jointly with that married
103 individual's spouse for the taxable year; and

104 (B) files a single federal individual income tax return for the taxable year.

105 (d) "State or local income tax" means the lesser of:

106 (i) the amount of state or local income tax that the claimant:

107 (A) pays for the taxable year; and

108 (B) reports on the claimant's federal individual income tax return for the taxable year,

109 regardless of whether the claimant is allowed an itemized deduction on the claimant's federal
110 individual income tax return for the taxable year for the full amount of state or local income tax
111 paid; and

112 (ii) \$10,000.

113 (e) (i) "Utah itemized deduction" means the amount the claimant deducts as allowed as
114 an itemized deduction on the claimant's federal individual income tax return for that taxable
115 year minus any amount of state or local income tax for the taxable year.

116 (ii) "Utah itemized deduction" does not include any amount of qualified business
117 income that the claimant subtracts as allowed by Section 199A, Internal Revenue Code, on the
118 claimant's federal income tax return for that taxable year.

119 (2) Except as provided in Section 59-10-1002.2, and subject to Subsections (3) through
120 (5), a claimant may claim a nonrefundable tax credit against taxes otherwise due under this part
121 equal to ~~[the sum of]:~~

122 (a) ~~[(i)]~~ for a claimant that deducts the standard deduction on the claimant's federal
123 individual income tax return for the taxable year, 6% of the amount the claimant deducts as
124 allowed as the standard deduction on the claimant's federal individual income tax return for
125 that taxable year; or

126 ~~[(ii)]~~ (b) for a claimant that itemizes deductions on the claimant's federal individual
127 income tax return for the taxable year, ~~[the product of:]~~ 6% of the amount of the claimant's
128 Utah itemized deduction.

129 ~~[(A) the difference between:]~~

130 ~~[(F) the amount the claimant deducts as allowed as an itemized deduction on the~~
131 ~~claimant's federal individual income tax return for that taxable year; and]~~

132 ~~[(H) any amount of state or local income taxes the claimant deducts as allowed as an~~
133 ~~itemized deduction on the claimant's federal individual income tax return for that taxable year;~~
134 ~~and]~~

135 ~~[(B) 6%; and]~~

136 ~~[(b) the product of:]~~

137 ~~[(i) 75% of the total amount the claimant deducts as allowed as a personal exemption~~
138 ~~deduction on the claimant's federal individual income tax return for that taxable year, plus an~~
139 ~~additional 75% of the amount the claimant deducts as allowed as a personal exemption~~
140 ~~deduction on the claimant's federal individual income tax return for that taxable year with~~
141 ~~respect to each dependent adult with a disability or dependent child with a disability; and]~~

142 ~~[(ii) 6%.]~~

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

144 (4) The tax credit allowed by Subsection (2) shall be reduced by \$.013 for each dollar
145 by which a claimant's state taxable income exceeds:

146 (a) for a claimant who has a single filing status, \$12,000;

147 (b) for a claimant who has a head of household filing status, \$18,000; or

148 (c) for a claimant who has a joint filing status, \$24,000.

149 (5) (a) For ~~[taxable years]~~ a taxable year beginning on or after January 1, 2009, the

150 commission shall increase or decrease annually the following dollar amounts by a percentage
151 equal to the percentage difference between the consumer price index for the preceding calendar
152 year and the consumer price index for calendar year 2007:

153 (i) the dollar amount listed in Subsection (4)(a); and

154 (ii) the dollar amount listed in Subsection (4)(b).

155 (b) After the commission increases or decreases the dollar amounts listed in Subsection
156 (5)(a), the commission shall round those dollar amounts listed in Subsection (5)(a) to the
157 nearest whole dollar.

158 (c) After the commission rounds the dollar amounts as required by Subsection (5)(b),
159 the commission shall increase or decrease the dollar amount listed in Subsection (4)(c) so that
160 the dollar amount listed in Subsection (4)(c) is equal to the product of:

161 (i) the dollar amount listed in Subsection (4)(a); and

162 (ii) two.

163 (d) For purposes of Subsection (5)(a), the commission shall calculate the consumer
164 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

165 **Section 5. Retrospective operation.**

166 This bill has retrospective operation for a taxable year beginning on or after January 1,
167 2018.