

INCOME TAX DOMICILE AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: Steve Eliason

LONG TITLE

Committee Note:

The Revenue and Taxation Interim Committee recommended this bill.

Legislative Vote: 15 voting for 0 voting against 4 absent

General Description:

This bill modifies provisions relating to income tax domicile requirements.

Highlighted Provisions:

This bill:

- provides that an individual may not be determined to have domicile in this state for purposes of assessing an income tax based on the individual's dependent being enrolled in a public school in this state if the individual is a noncustodial parent and the individual was never married to the dependent's custodial parent.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-10-136, as last amended by Laws of Utah 2020, Chapter 354

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



28 Section 1. Section **59-10-136** is amended to read:

29 **59-10-136. Domicile -- Temporary absence from state.**

30 (1) (a) An individual is considered to have domicile in this state if:

31 (i) except as provided in Subsection (1)(b), a dependent with respect to whom the
32 individual or the individual's spouse claims a personal exemption or a tax credit under Section
33 24, Internal Revenue Code, on the individual's or individual's spouse's federal individual
34 income tax return is enrolled in a public kindergarten, public elementary school, or public
35 secondary school in this state; or

36 (ii) the individual or the individual's spouse is a resident student in accordance with
37 Section **53B-8-102** who is enrolled in an institution of higher education described in Section
38 **53B-2-101** in this state.

39 (b) The determination of whether an individual is considered to have domicile in this
40 state may not be determined in accordance with Subsection (1)(a)(i) if the individual:

41 (i) is the noncustodial parent of a dependent:

42 (A) with respect to whom the individual claims a personal exemption or a tax credit
43 under Section 24, Internal Revenue Code, on the individual's federal individual income tax
44 return; and

45 (B) who is enrolled in a public kindergarten, public elementary school, or public
46 secondary school in this state; and

47 (ii) (A) is divorced from the custodial parent of the dependent described in Subsection
48 (1)(b)(i)~~[-]~~; or

49 (B) was never married to the custodial parent of the dependent described in Subsection
50 (1)(b)(i).

51 (2) There is a rebuttable presumption that an individual is considered to have domicile
52 in this state if:

53 (a) the individual or the individual's spouse claims a residential exemption in
54 accordance with Chapter 2, Property Tax Act, for that individual's or individual's spouse's
55 primary residence;

56 (b) the individual or the individual's spouse:

57 (i) votes in this state in a regular general election, municipal general election, primary
58 election, or special election during the taxable year; and

59 (ii) has not registered to vote in another state in that taxable year; or

60 (c) the individual or the individual's spouse asserts residency in this state for purposes
61 of filing an individual income tax return under this chapter, including asserting that the
62 individual or the individual's spouse is a part-year resident of this state for the portion of the
63 taxable year for which the individual or the individual's spouse is a resident of this state.

64 (3) (a) Subject to Subsection (3)(b), if the requirements of Subsection (1) or (2) are not
65 met for an individual to be considered to have domicile in this state, the individual is
66 considered to have domicile in this state if:

67 (i) the individual or the individual's spouse has a permanent home in this state to which
68 the individual or the individual's spouse intends to return after being absent; and

69 (ii) the individual or the individual's spouse has voluntarily fixed the individual's or the
70 individual's spouse's habitation in this state, not for a special or temporary purpose, but with the
71 intent of making a permanent home.

72 (b) The determination of whether an individual is considered to have domicile in this
73 state under Subsection (3)(a) shall be based on the preponderance of the evidence, taking into
74 consideration the totality of the following facts and circumstances:

75 (i) whether the individual or the individual's spouse has a driver license in this state;

76 (ii) whether a dependent with respect to whom the individual or the individual's spouse
77 claims a personal exemption or a tax credit under Section 24, Internal Revenue Code, on the
78 individual's or individual's spouse's federal individual income tax return is a resident student in
79 accordance with Section 53B-8-102 who is enrolled in an institution of higher education
80 described in Section 53B-2-101 in this state;

81 (iii) the nature and quality of the living accommodations that the individual or the
82 individual's spouse has in this state as compared to another state;

83 (iv) the presence in this state of a spouse or dependent with respect to whom the
84 individual or the individual's spouse claims a personal exemption or a tax credit under Section
85 24, Internal Revenue Code, on the individual's or individual's spouse's federal individual
86 income tax return;

87 (v) the physical location in which earned income as defined in Section 32(c)(2),
88 Internal Revenue Code, is earned by the individual or the individual's spouse;

89 (vi) the state of registration of a vehicle as defined in Section 59-12-102 owned or

90 leased by the individual or the individual's spouse;

91 (vii) whether the individual or the individual's spouse is a member of a church, a club,
92 or another similar organization in this state;

93 (viii) whether the individual or the individual's spouse lists an address in this state on
94 mail, a telephone listing, a listing in an official government publication, other correspondence,
95 or another similar item;

96 (ix) whether the individual or the individual's spouse lists an address in this state on a
97 state or federal tax return;

98 (x) whether the individual or the individual's spouse asserts residency in this state on a
99 document, other than an individual income tax return filed under this chapter, filed with or
100 provided to a court or other governmental entity;

101 (xi) the failure of an individual or the individual's spouse to obtain a permit or license
102 normally required of a resident of the state for which the individual or the individual's spouse
103 asserts to have domicile;

104 (xii) whether the individual is an individual described in Subsection (1)(b);

105 (xiii) whether the individual:

106 (A) maintains a place of abode in the state; and

107 (B) spends in the aggregate 183 or more days of the taxable year in the state; or

108 (xiv) whether the individual or the individual's spouse:

109 (A) did not vote in this state in a regular general election, municipal general election,
110 primary election, or special election during the taxable year, but voted in the state in a general
111 election, municipal general election, primary election, or special election during any of the
112 three taxable years prior to that taxable year; and

113 (B) has not registered to vote in another state during a taxable year described in
114 Subsection (3)(b)(xiv)(A).

115 (c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, and
116 for purposes of Subsection (3)(b)(xiii), the commission may by rule define what constitutes
117 spending a day of the taxable year in the state.

118 (4) (a) Notwithstanding Subsections (1) through (3) and subject to the other provisions
119 of this Subsection (4), an individual is not considered to have domicile in this state if the
120 individual meets the following qualifications:

- 121 (i) except as provided in Subsection (4)(a)(ii)(A), the individual and the individual's
122 spouse are absent from the state for at least 761 consecutive days; and
- 123 (ii) during the time period described in Subsection (4)(a)(i), neither the individual nor
124 the individual's spouse:
- 125 (A) return to this state for more than 30 days in a calendar year;
- 126 (B) claim a personal exemption or a tax credit under Section 24, Internal Revenue
127 Code, on the individual's or individual's spouse's federal individual income tax return with
128 respect to a dependent who is enrolled in a public kindergarten, public elementary school, or
129 public secondary school in this state, unless the individual is an individual described in
130 Subsection (1)(b);
- 131 (C) are resident students in accordance with Section 53B-8-102 who are enrolled in an
132 institution of higher education described in Section 53B-2-101 in this state;
- 133 (D) claim a residential exemption in accordance with Chapter 2, Property Tax Act, for
134 that individual's or individual's spouse's primary residence; or
- 135 (E) assert that this state is the individual's or the individual's spouse's tax home for
136 federal individual income tax purposes.
- 137 (b) Notwithstanding Subsection (4)(a), an individual that meets the qualifications of
138 Subsection (4)(a) to not be considered to have domicile in this state may elect to be considered
139 to have domicile in this state by filing an individual income tax return in this state as a resident
140 individual.
- 141 (c) For purposes of Subsection (4)(a), an absence from the state:
- 142 (i) begins on the later of the date:
- 143 (A) the individual leaves this state; or
144 (B) the individual's spouse leaves this state; and
- 145 (ii) ends on the date the individual or the individual's spouse returns to this state if the
146 individual or the individual's spouse remains in this state for more than 30 days in a calendar
147 year.
- 148 (d) An individual shall file an individual income tax return or amended individual
149 income tax return under this chapter and pay any applicable interest imposed under Section
150 59-1-402 if:
- 151 (i) the individual did not file an individual income tax return or amended individual

152 income tax return under this chapter based on the individual's belief that the individual has met
153 the qualifications of Subsection (4)(a) to not be considered to have domicile in this state; and

154 (ii) the individual or the individual's spouse fails to meet a qualification of Subsection
155 (4)(a) to not be considered to have domicile in this state.

156 (e) (i) Except as provided in Subsection (4)(e)(ii), an individual that files an individual
157 income tax return or amended individual income tax return under Subsection (4)(d) shall pay
158 any applicable penalty imposed under Section 59-1-401.

159 (ii) The commission shall waive the penalties under Subsections 59-1-401(2), (3), and
160 (5) if an individual who is required by Subsection (4)(d) to file an individual income tax return
161 or amended individual income tax return under this chapter:

162 (A) files the individual income tax return or amended individual income tax return
163 within 105 days after the individual fails to meet a qualification of Subsection (4)(a) to not be
164 considered to have domicile in this state; and

165 (B) within the 105-day period described in Subsection (4)(e)(ii)(A), pays in full the tax
166 due on the return, any interest imposed under Section 59-1-402, and any applicable penalty
167 imposed under Section 59-1-401, except for a penalty under Subsection 59-1-401(2), (3), or
168 (5).

169 (5) Notwithstanding Subsections (2) and (3), for individuals who are spouses for
170 purposes of this section and one of the spouses has domicile under this section, the other
171 spouse is not considered to have domicile in this state under Subsection (2) or (3) if one of the
172 spouses establishes by a preponderance of the evidence that, during the taxable year and for
173 three taxable years prior to that taxable year, that other spouse:

174 (a) is not an owner of property in this state;

175 (b) does not return to this state for more than 30 days in a calendar year;

176 (c) has not received earned income as defined in Section 32(c)(2), Internal Revenue
177 Code, in this state;

178 (d) has not voted in this state in a regular general election, municipal general election,
179 primary election, or special election; and

180 (e) does not have a driver license in this state.

181 (6) (a) Except as provided in Subsection (5), an individual is considered to have
182 domicile in this state in accordance with this section, the individual's spouse is considered to

183 have domicile in this state.

184 (b) For purposes of this section, an individual is not considered to have a spouse if:

185 (i) the individual is legally separated or divorced from the spouse; or

186 (ii) the individual and the individual's spouse claim married filing separately filing

187 status for purposes of filing a federal individual income tax return for the taxable year.

188 (c) Except as provided in Subsection (6)(b)(ii), for purposes of this section, an
189 individual's filing status on a federal individual income tax return or a return filed under this
190 chapter may not be considered in determining whether an individual has a spouse.

191 (7) For purposes of this section, whether or not an individual or the individual's spouse
192 claims a property tax residential exemption under Chapter 2, Property Tax Act, for the
193 residential property that is the primary residence of a tenant of the individual or the individual's
194 spouse may not be considered in determining domicile in this state.

195 Section 2. **Retrospective operation.**

196 This bill has retrospective operation for a taxable year beginning on or after January 1,
197 2021.