

TAX AMENDMENTS

2022 GENERAL SESSION

STATE OF UTAH

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| | | | |
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LONG TITLE

General Description:

This bill modifies income tax provisions.

Highlighted Provisions:

This bill:

- ▶ amends the corporate franchise and income tax rates;
- ▶ amends the individual income tax rate;
- ▶ expands eligibility for the social security benefits tax credit by increasing the threshold for the income-based phaseout; and
- ▶ enacts a state earned income tax credit and provides for apportionment of that credit.

Money Appropriated in this Bill:

None

28 **Other Special Clauses:**

29 This bill provides retrospective operation.

30 **Utah Code Sections Affected:**

31 AMENDS:

32 **59-7-104**, as last amended by Laws of Utah 2020, Chapter 354

33 **59-7-201**, as last amended by Laws of Utah 2018, Chapter 456

34 **59-10-104**, as last amended by Laws of Utah 2018, Chapter 456

35 **59-10-1002.2**, as last amended by Laws of Utah 2021, Chapters 68 and 428

36 **59-10-1042**, as enacted by Laws of Utah 2021, Chapter 428

37 ENACTS:

38 **59-10-1044**, Utah Code Annotated 1953

39

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

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

42 **59-7-104. Tax -- Minimum tax.**

43 (1) Each domestic and foreign corporation, except a corporation that is exempt under
44 Section **59-7-102**, shall pay an annual tax to the state based on the corporation's Utah taxable
45 income for the taxable year for the privilege of exercising the corporation's corporate franchise
46 or for the privilege of doing business in the state.

47 (2) The tax shall be [~~4.95%~~] 4.85% of a corporation's Utah taxable income.

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

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

50 **59-7-201. Tax -- Minimum tax.**

51 (1) There is imposed upon each corporation, except a corporation that is exempt under
52 Section **59-7-102**, a tax upon the corporation's Utah taxable income for the taxable year that is
53 derived from sources within this state other than income for any period that the corporation is
54 required to include in the corporation's tax base under Section **59-7-104**.

55 (2) The tax imposed by Subsection (1) shall be [~~4.95%~~] 4.85% of a corporation's Utah

56 taxable income.

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

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

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

60 (1) A tax is imposed on the state taxable income of a resident individual as provided in
61 this section.

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

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

65 (b) [~~4.95%~~] 4.85%.

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

68 Section 4. Section **59-10-1002.2** is amended to read:

69 **59-10-1002.2. Apportionment of tax credits.**

70 (1) A nonresident individual or a part-year resident individual that claims a tax credit
71 in accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1022, 59-10-1023,
72 59-10-1024, 59-10-1028, 59-10-1042, [~~or~~] 59-10-1043, or 59-10-1044 may only claim an
73 apportioned amount of the tax credit equal to:

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

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

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

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

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

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

82 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
83 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, or 59-10-1028 may only claim an

84 apportioned amount of the tax credit equal to the product of:

- 85 (a) the state income tax percentage for the nonresident estate or trust; and
- 86 (b) the amount of the tax credit that the nonresident estate or trust would have been
- 87 allowed to claim but for the apportionment requirements of this section.

88 Section 5. Section **59-10-1042** is amended to read:

89 **59-10-1042. Nonrefundable tax credit for social security benefits.**

90 (1) As used in this section:

91 (a) "Head of household filing status" means the same as that term is defined in Section

92 [59-10-1018](#).

93 (b) "Joint filing status" means the same as that term is defined in Section [59-10-1018](#).

94 (c) "Married filing separately status" means a married individual who:

95 (i) does not file a single federal individual income tax return jointly with that married

96 individual's spouse for the taxable year; and

97 (ii) files a single federal individual income tax return for the taxable year.

98 (d) "Modified adjusted gross income" means the sum of the following for a claimant

99 or, if the claimant's return under this chapter is allowed a joint filing status, the claimant and

100 the claimant's spouse:

101 (i) adjusted gross income for the taxable year for which a tax credit is claimed under

102 this section;

103 (ii) any interest income that is not included in adjusted gross income for the taxable

104 year described in Subsection (1)(d)(i); and

105 (iii) any addition to adjusted gross income required by Section [59-10-114](#) for the

106 taxable year described in Subsection (1)(d)(i).

107 (e) "Single filing status" means a single individual who files a single federal individual

108 income tax return for the taxable year.

109 (f) "Social security benefit" means an amount received by a claimant as a monthly

110 benefit in accordance with the Social Security Act, 42 U.S.C. Sec. 401 et seq.

111 (2) Except as provided in Section [59-10-1002.2](#) and Subsections (3) and (4), each

112 claimant on a return that receives a social security benefit may claim a nonrefundable tax credit
113 against taxes otherwise due under this part equal to the product of:

- 114 (a) the percentage listed in Subsection 59-10-104(2); and
- 115 (b) the claimant's social security benefit that is included in adjusted gross income on
116 the claimant's federal income tax return for the taxable year.

117 (3) (a) A claimant may not:

- 118 (i) carry forward or carry back the amount of a tax credit under this section that
119 exceeds the claimant's tax liability for the taxable year; or

120 (ii) claim a tax credit under this section and a tax credit under Section 59-10-1019.

121 (b) A claimant that qualifies for a tax credit under this section and a tax credit under
122 Section 59-10-1019 may elect whether to claim a tax credit under this section or a tax credit
123 under Section 59-10-1019.

124 (4) The tax credit allowed by Subsection (2) claimed on a return filed under this part
125 shall be reduced by \$.025 for each dollar by which modified adjusted gross income for
126 purposes of the return exceeds:

127 (a) for a federal individual income tax return that is allowed a married filing separately
128 status, [~~\$25,000~~] \$31,000;

129 (b) for a federal individual income tax return that is allowed a single filing status,
130 [~~\$30,000~~] \$37,000;

131 (c) for a federal individual income tax return that is allowed a head of household filing
132 status, [~~\$50,000~~] \$62,000; or

133 (d) for a return under this chapter that is allowed a joint filing status, [~~\$50,000~~]
134 \$62,000.

135 (5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
136 commission may make rules governing the calculation and method for claiming the tax credit
137 described in this section.

138 Section 6. Section 59-10-1044 is enacted to read:

139 **59-10-1044. Nonrefundable earned income tax credit.**

140 (1) As used in this section:

141 (a) "Federal earned income tax credit" means the federal earned income tax credit
142 described in Section 32, Internal Revenue Code.

143 (b) "Qualifying claimant" means a resident or nonresident individual who qualifies and
144 claims the federal earned income tax credit for the current taxable year.

145 (2) Subject to Section 59-10-1002.2, a qualifying claimant may claim a nonrefundable
146 earned income tax credit equal to 15% of the amount of the federal earned income tax credit
147 that the qualifying claimant was entitled to claim on a federal income tax return for the current
148 taxable year.

149 (3) A qualifying claimant may not carry forward or carry back the amount of the earned
150 income tax credit that exceeds the qualifying claimant's tax liability.

151 **Section 7. Retrospective Operation.**

152 This bill has retrospective operation for a taxable year beginning on or after January 1,
153 2022.