

SB0059S03 compared with SB0059S01

~~{deleted text}~~ shows text that was in SB0059S01 but was deleted in SB0059S03.

inserted text shows text that was not in SB0059S01 but was inserted into SB0059S03.

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~~{Senator Evan J. Vickers}~~Representative Casey Snider proposes the following substitute bill:

~~{STATE INCOME}~~TAX ~~{RATE REDUCTION}~~AMENDMENTS

2022 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

House Sponsor: _____

~~{Cosponsor:~~

~~Ann Millner~~

~~{Cosponsors:~~

J. Stuart Adams

Jacob L. Anderegg

Curtis S. Bramble

David G. Buxton

Kirk A. Cullimore

Lincoln Fillmore

Keith Grover

Wayne A. Harper

David P. Hinkins

Don L. Ipson

John D. Johnson

Michael S. Kennedy

Michael K. McKell

Ann Millner

Derrin R. Owens

Scott D. Sandall

Jerry W. Stevenson

Daniel W. Thatcher

Evan J. Vickers

Todd D. Weiler

Chris H. Wilson

Ronald M. Winterton

LONG TITLE

General Description:

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This bill ~~{amends the}~~ modifies income tax ~~{rates}~~ provisions.

Highlighted Provisions:

This bill:

- ▶ amends the corporate franchise and income tax rates; ~~{and}~~
- ▶ 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

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

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

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

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

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

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

ENACTS:

59-10-1044, Utah Code Annotated 1953

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

59-10-1002.2. Apportionment of tax credits.

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

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

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

(ii) the amount of the tax credit that the nonresident individual would have been

allowed to claim but for the apportionment requirements of this section; or

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

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

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

(2) A nonresident estate or trust that claims a tax credit in accordance with Section 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, or 59-10-1028 may only claim an apportioned amount of the tax credit equal to the product of:

(a) the state income tax percentage for the nonresident estate or trust; and

(b) the amount of the tax credit that the nonresident estate or trust would have been allowed to claim but for the apportionment requirements of this section.

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

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

(1) As used in this section:

(a) "Head of household filing status" means the same as that term is defined in Section 59-10-1018.

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

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

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

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

(d) "Modified adjusted gross income" means the sum of the following for a claimant or, if the claimant's return under this chapter is allowed a joint filing status, the claimant and the claimant's spouse:

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

(ii) any interest income that is not included in adjusted gross income for the taxable year described in Subsection (1)(d)(i); and

(iii) any addition to adjusted gross income required by Section 59-10-114 for the taxable year described in Subsection (1)(d)(i).

(e) "Single filing status" means a single individual who files a single federal individual income tax return for the taxable year.

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

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

(2) Except as provided in Section 59-10-1002.2 and Subsections (3) and (4), each claimant on a return that receives a social security benefit may claim a nonrefundable tax credit against taxes otherwise due under this part equal to the product of:

(a) the percentage listed in Subsection 59-10-104(2); and

(b) the claimant's social security benefit that is included in adjusted gross income on the claimant's federal income tax return for the taxable year.

(3) (a) A claimant may not:

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

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

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

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

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

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

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

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

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

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

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

(1) As used in this section:

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

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

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

Section 7. Effective date.

This bill ~~takes effect~~ has retrospective operation for a taxable year beginning on or after January 1, 2022.