

Representative Steve Eliason proposes the following substitute bill:

TAX REVISIONS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Steve Eliason

Senate Sponsor: Daniel McCay

LONG TITLE

General Description:

This bill modifies state income tax provisions.

Highlighted Provisions:

This bill:

- ▶ amends the corporate franchise and income tax rates;
- ▶ amends the individual income tax rate;
- ▶ adds to the taxpayer tax credit an additional Utah personal exemption in the year of a qualifying dependent's birth;
- ▶ expands eligibility for the social security benefits tax credit by increasing the thresholds for the income-based phaseout; and
- ▶ modifies the calculation of the earned income 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 last amended by Laws of Utah 2022, Chapter 12



- 26 [59-7-201](#), as last amended by Laws of Utah 2022, Chapter 12
- 27 [59-10-104](#), as last amended by Laws of Utah 2022, Chapter 12
- 28 [59-10-1018](#), as last amended by Laws of Utah 2021, Chapter 75
- 29 [59-10-1042](#), as last amended by Laws of Utah 2022, Chapters 12, 258
- 30 [59-10-1044](#), as enacted by Laws of Utah 2022, Chapter 12

31
32 *Be it enacted by the Legislature of the state of Utah:*

33 Section 1. Section [59-7-104](#) is amended to read:

34 **59-7-104. Tax -- Minimum tax.**

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

39 (2) The tax shall be [~~4.85~~] 4.65% of a corporation's Utah taxable income.

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

41 Section 2. Section [59-7-201](#) is amended to read:

42 **59-7-201. Tax -- Minimum tax.**

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

47 (2) The tax imposed by Subsection (1) shall be [~~4.85~~] 4.65% of a corporation's Utah
48 taxable income.

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

50 Section 3. Section [59-10-104](#) is amended to read:

51 **59-10-104. Tax basis -- Tax rate -- Exemption.**

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

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

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

57 (b) [~~4.85~~] 4.65%.

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

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

61 **59-10-1018. Definitions -- Nonrefundable taxpayer tax credits.**

62 (1) As used in this section:;

63 (a) "Head of household filing status" means a head of household, as defined in Section
64 2(b), Internal Revenue Code, who files a single federal individual income tax return for the
65 taxable year.

66 (b) "Joint filing status" means:

67 (i) spouses who file a single return jointly under this chapter for a taxable year; or

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

70 (c) "Qualifying dependent" means an individual with respect to whom the claimant is
71 allowed to claim a tax credit under Section 24, Internal Revenue Code, on the claimant's
72 federal individual income tax return for the taxable year.

73 (d) "Single filing status" means:

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

76 (ii) a married individual who:

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

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

80 (e) "State or local income tax" means the lesser of:

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

82 (A) pays for the taxable year; and

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

84 regardless of whether the claimant is allowed an itemized deduction on the claimant's federal

85 individual income tax return for the taxable year for the full amount of state or local income tax
86 paid; and

87 (ii) \$10,000.

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

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

94 (g) "Utah personal exemption" means, subject to Subsection (6), \$1,750 multiplied by
95 the number of the claimant's qualifying dependents.

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

99 (a) (i) for a claimant that deducts the standard deduction on the claimant's federal
100 individual income tax return for the taxable year, 6% of the amount the claimant deducts as
101 allowed as the standard deduction on the claimant's federal individual income tax return for
102 that taxable year; or

103 (ii) for a claimant that itemizes deductions on the claimant's federal individual income
104 tax return for the taxable year, 6% of the amount of the claimant's Utah itemized deduction;
105 and

106 (b) 6% of the claimant's Utah personal exemption plus an additional qualifying
107 dependent in the year of a qualifying dependent's birth.

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

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

111 (a) for a claimant who has a single filing status, \$15,095;

112 (b) for a claimant who has a head of household filing status, \$22,643; or

113 (c) for a claimant who has a joint filing status, \$30,190.

114 (5) (a) For a taxable year beginning on or after January 1, 2022, the commission shall
115 increase or decrease annually the following dollar amounts by a percentage equal to the
116 percentage difference between the consumer price index for the preceding calendar year and
117 the consumer price index for calendar year 2020:

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

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

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

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

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

127 (ii) two.

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

130 (6) (a) For a taxable year beginning on or after January 1, 2022, the commission shall
131 increase annually the Utah personal exemption amount listed in Subsection (1)(g) by a
132 percentage equal to the percentage by which the consumer price index for the preceding
133 calendar year exceeds the consumer price index for calendar year 2020.

134 (b) After the commission increases the Utah personal exemption amount as described
135 in Subsection (6)(a), the commission shall round the Utah personal exemption amount to the
136 nearest whole dollar.

137 (c) For purposes of Subsection (6)(a), the commission shall calculate the consumer
138 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

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

140 **59-10-1042. Nonrefundable tax credit for social security benefits.**

141 (1) As used in this section:

142 (a) "Head of household filing status" means the same as that term is defined in Section
143 [59-10-1018](#).

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

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

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

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

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

150 or, if the claimant's return under this chapter is allowed a joint filing status, the claimant and
151 the claimant's spouse:

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

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

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

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

160 (f) "Social security benefit" means an amount received by a claimant as a monthly
161 benefit in accordance with the Social Security Act, 42 U.S.C. Sec. 401 et seq.

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

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

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

168 (3) A claimant may not:

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

171 (b) claim a tax credit under this section for a taxable year if a tax credit under Section
172 59-10-1019 is claimed on the claimant's return for the same taxable year.

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

176 (a) for a federal individual income tax return that is allowed a married filing separately
177 status, [~~\$31,000~~] \$37,500;

178 (b) for a federal individual income tax return that is allowed a single filing status,
179 [~~\$37,000~~] \$45,000;

180 (c) for a federal individual income tax return that is allowed a head of household filing

181 status, [~~\$62,000~~] \$75,000; or

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

183 \$75,000.

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

187 Section 6. Section **59-10-1044** is amended to read:

188 **59-10-1044. Nonrefundable earned income tax credit.**

189 (1) As used in this section:

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

192 (b) "Qualifying claimant" means a resident or nonresident individual who:

193 (i) qualifies for and claims the federal earned income tax credit for the current taxable
194 year[-]; and

195 (ii) earns income in Utah that is reported on a W-2 form.

196 (2) Subject to Section **59-10-1002.2**, a qualifying claimant may claim a nonrefundable
197 earned income tax credit equal to the lesser of:

198 (a) [~~15~~] 20% of the amount of the federal earned income tax credit that the qualifying
199 claimant was entitled to claim on a federal income tax return for the current taxable year[-]; and

200 (b) the total Utah wages reported on the qualifying claimant's W-2 form for the current
201 taxable year.

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

204 Section 7. **Retrospective operation.**

205 This bill has retrospective operation for a taxable year beginning on or after January 1,
206 2023.