

SB0238S01 compared with SB0238

~~deleted text~~ shows text that was in SB0238 but was deleted in SB0238S01.

inserted text shows text that was not in SB0238 but was inserted into SB0238S01.

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Senator John D. Johnson proposes the following substitute bill:

INDEPENDENT CONTRACTOR BENEFITS TAX CREDIT

AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John D. Johnson

House Sponsor: _____

LONG TITLE

General Description:

This bill enacts an income tax credit for the purchase of insurance benefits.

Highlighted Provisions:

This bill:

- ▶ enacts a nonrefundable income tax credit for:
 - a hiring party that contributes to the purchase of a portable benefit plan or other insurance benefits on behalf of an independent contractor; and
 - an independent contractor that pays for a portable benefit plan or other insurance benefits out of pocket; and
- ▶ provides for apportionment of the income tax credit.

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Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-10-1002.2, as last amended by Laws of Utah 2023, Chapters 460, 462

ENACTS:

59-7-627, Utah Code Annotated 1953

59-10-1048, Utah Code Annotated 1953

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

Section 1. Section **59-7-627** is enacted to read:

59-7-627. Nonrefundable tax credit for purchase of insurance benefits.

(1) As used in this section:

(a) "Contribution" means an amount, up to \$2,000, paid to:

(i) a portable benefit plan; or

(ii) an independent contractor to purchase a portable benefit plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security Act.

(b) "Hiring party" means the same as that term is defined in Section 34-57-101.

(c) "Independent contractor" means the same as that term is defined in Section 34A-2-103.

(d) (i) "Payment" means an amount, up to \$2,000, paid to purchase a portable benefit plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security Act.

(ii) "Payment" does not include an amount that is a contribution.

(e) "Portable benefit plan" means the same as that term is defined in Section 34-57-101.

(f) "Qualifying hiring party" means a taxpayer that:

(i) is a hiring party; and

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(ii) has a written agreement with an independent contractor to make a contribution in an amount stated in the agreement.

(2) (a) A ~~taxpayer that is a~~ qualifying hiring party may claim a nonrefundable tax credit equal to ~~50%~~ the percentage listed in Subsection 59-7-104(2) multiplied by the amount of a contribution the qualifying hiring party made during the taxable year.

(b) A qualifying hiring party may not claim a tax credit described in this Subsection (2) to the extent that the qualifying hiring party:

(i) claims a business expense deduction for the contribution on the qualifying hiring party's federal income tax return for that taxable year; or

(ii) makes the contribution with income that is not subject to federal income tax.

(3) (a) A taxpayer that is an independent contractor may claim a nonrefundable tax credit equal to the percentage listed in Subsection 59-7-104(2) multiplied by the amount of a payment the independent contractor made during the taxable year.

(b) An independent contractor may not claim a tax credit described in this Subsection (3) to the extent that the independent contractor makes the payment with income that is not subject to federal income tax.

(4) A qualifying hiring party or an independent contractor may not carry forward or carry back the amount of the tax credit that exceeds tax liability.

Section 2. 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, 59-10-1043, 59-10-1044, 59-10-1046, [or] 59-10-1047, or 59-10-1048 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:

(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

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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, or 59-10-1048 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 3. Section **59-10-1048** is enacted to read:

59-10-1048. Nonrefundable tax credit for purchase of insurance benefits.

(1) As used in this section:

(a) "Contribution" means an amount, up to \$2,000, paid to:

(i) a portable benefit plan; or

(ii) an independent contractor to purchase a portable benefit plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security Act.

(b) "Hiring party" means the same as that term is defined in Section 34-57-101.

(c) "Independent contractor" means the same as that term is defined in Section 34A-2-103.

(d) (i) "Payment" means an amount, up to \$2,000, paid to purchase a portable benefit plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security Act.

(ii) "Payment" does not include an amount that is a contribution.

(e) "Portable benefit plan" means the same as that term is defined in Section 34-57-101.

(f) "Qualifying hiring party" means a claimant, estate, or trust that:

(i) is a hiring party; and

(ii) has a written agreement with an independent contractor to make a contribution in an amount stated in the agreement.

(2) (a) Subject to Section 59-10-1002.2, a ~~{claimant, estate, or trust that is a}~~ qualifying hiring party may claim a nonrefundable tax credit equal to ~~{50%}~~ the percentage listed in Subsection 59-10-104(2)(b) multiplied by the amount of a contribution the qualifying hiring

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party made during the taxable year.

(b) A qualifying hiring party may not claim a credit described in this Subsection (2) to the extent that the qualifying hiring party:

(i) claims a business expense deduction for the contribution on the qualifying hiring party's federal income tax return for that taxable year; or

(ii) makes the contribution with income that is not subject to federal income tax.

(3) (a) Subject to Section 59-10-1002.2, a claimant, estate, or trust that is an independent contractor may claim a nonrefundable tax credit equal to the percentage listed in Subsection 59-10-104(2)(b) multiplied by the amount of a payment the independent contractor made during the taxable year.

(b) An independent contractor may not claim a credit described in this Subsection (3) to the extent that the independent contractor makes the payment with income that is not subject to federal income tax.

(4) A qualifying hiring party or an independent contractor may not carry forward or carry back the amount of the tax credit that exceeds tax liability.

Section 4. **Effective date.**

This bill takes effect for a taxable year beginning on or after January 1, 2025.