

INCOME TAX REVENUE AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Norman K. Thurston

Senate Sponsor: _____

LONG TITLE**General Description:**

This bill modifies provisions relating to income tax revenue.

Highlighted Provisions:

This bill:

- ▶ creates the Income Tax Surplus Restricted Account;
- ▶ specifies purposes for which revenue deposited into the Income Tax Surplus

Restricted Account may be used;

- ▶ requires the Division of Finance to deposit a certain amount of income tax revenue into the Income Tax Surplus Restricted Account following a federal tax law change that will likely cause an increase in state income tax revenue;

- ▶ requires the State Tax Commission to report to the Revenue and Taxation Interim Committee and the Division of Finance if a federal tax law change is enacted that will likely cause an increase in state income tax revenue; and

- ▶ requires the Revenue and Taxation Interim Committee to review the State Tax Commission's report and make recommendations to the Legislative Management Committee.

Money Appropriated in this Bill:

None

Other Special Clauses:

None



Utah Code Sections Affected:

AMENDS:

59-1-213, as last amended by Laws of Utah 2016, Chapter 135

ENACTS:

59-1-103, Utah Code Annotated 1953

*Be it enacted by the Legislature of the state of Utah:*Section 1. Section **59-1-103** is enacted to read:**59-1-103. Income Tax Surplus Restricted Account.**

(1) As used in this section, "federal tax law change impacting state income tax revenue" means the same as that term is defined in Section **59-1-213**.

(2) There is created within the Education Fund a restricted account known as the "Income Tax Surplus Restricted Account."

(3) The account shall be funded by the revenue deposited into the account in accordance with Subsection (5).

(4) (a) The account shall earn interest.

(b) The interest described in Subsection (4)(a) shall be deposited into the account.

(5) After the Division of Finance receives a report in accordance with Section **59-1-213**, the Division of Finance shall deposit into the account an amount of income tax revenue equal to the estimate stated in the report each fiscal year:

(a) beginning the fiscal year that begins after the effective date of the federal tax law change impacting state income tax revenue described in the report; and

(b) ending the fiscal year for which the Legislature appropriates the money in the account attributed to the federal tax law change impacting state income tax revenue.

(6) Upon appropriation, the money in the account may be used for the purposes specified by the Legislature in accordance with Utah Constitution, Article X, Section 1.

Section 2. Section **59-1-213** is amended to read:**59-1-213. Annual report on Internal Revenue Code changes.**

(1) As used in this section:

(a) "Federal tax law change impacting state income tax revenue" means a change to federal tax law that will likely result in a material increase in state income tax revenue for the

59 first full fiscal year the change is implemented, as determined by consensus between:

60 (i) the legislative fiscal analyst;

61 (ii) the commission; and

62 (iii) the Governor's Office of Management and Budget.

63 (b) "Material increase in state income tax revenue" means an increase in the revenue
64 the state receives from the income taxes imposed under this title that is equal to or greater than
65 .5% of the revenue the state received from the income taxes imposed under this title for the
66 preceding fiscal year.

67 (2) The commission shall annually provide an electronic report to the Revenue and
68 Taxation Interim Committee on or before the October interim meeting concerning the impacts
69 of the reliance of this title on the Internal Revenue Code, including:

70 [~~(+)~~] (a) any modification to the Internal Revenue Code that is likely to have a fiscal
71 impact on state revenues:

72 [~~(a)~~] (i) that became effective:

73 [~~(i)~~] (A) if the commission is preparing its initial report in accordance with this section,
74 during the previous calendar year; or

75 [~~(ii)~~] (B) if the commission has prepared a previous report in accordance with this
76 section, after the most recent report prepared in accordance with this section; or

77 [~~(b)~~] (ii) that have been enacted and will become effective prior to the end of the
78 calendar year that begins January 1 following the current report prepared in accordance with
79 this section;

80 [~~(2)~~] (b) the fiscal impacts a modification described in Subsection [~~(+)~~] (2)(a) may have
81 on state revenues; [~~and~~]

82 [~~(3)~~] (c) statutory or administrative options to:

83 [~~(a)~~] (i) implement the effects on this title of a modification described in Subsection
84 [~~(+)~~] (2)(a); or

85 [~~(b)~~] (ii) change this title to prevent this title from implementing a modification
86 described in Subsection [~~(+)~~] (2)(a); and

87 (d) if there is a federal tax law change impacting state income tax revenue enacted
88 during the preceding year:

89 (i) a description of each federal tax law change impacting state income tax revenue;

90 (ii) an estimate of the amount of the increase in state income tax revenue expected to
91 result from each federal tax law change impacting state income tax revenue, based on
92 consensus between:

93 (A) the legislative fiscal analyst;

94 (B) the commission; and

95 (C) the Governor's Office of Management and Budget.

96 (3) Each year in which the commission reports a federal tax law change impacting state
97 income tax revenue in accordance with Subsection (2)(d):

98 (a) the commission shall submit an electronic report to the Division of Finance that
99 contains the information described in Subsection (2)(d); and

100 (b) the Revenue and Taxation Interim Committee shall:

101 (i) review each federal tax law change impacting state income tax revenue; and

102 (ii) no later than one year after the day on which the Revenue and Taxation Interim
103 Committee receives a report under this section that includes a federal tax law change impacting
104 state income tax revenue, recommend to the Legislative Management Committee any
105 legislative action.