

Senator Daniel McCay proposes the following substitute bill:

CALCULATION OF INCOME TAX AMENDMENTS

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: Robert M. Spendlove

LONG TITLE

General Description:

This bill modifies provisions related to payment of income tax.

Highlighted Provisions:

This bill:

- ▶ creates a subtraction from unadjusted income of corporate taxpayers for global intangible low-taxed income;
- ▶ creates a subtraction from adjusted gross income of individual taxpayers for global intangible low-taxed income;
- ▶ creates a subtraction from unadjusted income of estate and trust taxpayers for global intangible low-taxed income; and
- ▶ modifies the amount of the Utah personal exemption.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-7-106, as last amended by Laws of Utah 2019, Chapter 412



26 [59-10-114](#), as last amended by Laws of Utah 2019, Chapter 412

27 [59-10-202](#), as last amended by Laws of Utah 2019, Chapter 412

28 [59-10-1018](#), as last amended by Laws of Utah 2018, Second Special Session, Chapter 3

29

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

31 Section 1. Section **59-7-106** is amended to read:

32 **59-7-106. Subtractions from unadjusted income.**

33 (1) In computing adjusted income, the following amounts shall be subtracted from
34 unadjusted income:

35 (a) the foreign dividend gross-up included in gross income for federal income tax
36 purposes under Section 78, Internal Revenue Code;

37 (b) subject to Subsection (2), the net capital loss, as defined for federal purposes, if the
38 taxpayer elects to deduct the net capital loss on the return filed under this chapter for the
39 taxable year for which the net capital loss is incurred;

40 (c) the decrease in salary expense deduction for federal income tax purposes due to
41 claiming the federal work opportunity credit under Section 51, Internal Revenue Code;

42 (d) the decrease in qualified research and basic research expense deduction for federal
43 income tax purposes due to claiming the federal credit for increasing research activities under
44 Section 41, Internal Revenue Code;

45 (e) the decrease in qualified clinical testing expense deduction for federal income tax
46 purposes due to claiming the federal credit for clinical testing expenses for certain drugs for
47 rare diseases or conditions under Section 45C, Internal Revenue Code;

48 (f) any decrease in any expense deduction for federal income tax purposes due to
49 claiming any other federal credit;

50 (g) the safe harbor lease adjustment required under Subsections [59-7-111](#)(1)(b) and
51 (2)(b);

52 (h) any income on the federal corporation income tax return that has been previously
53 taxed by Utah;

54 (i) an amount included in federal taxable income that is due to a refund of a tax,
55 including a franchise tax, an income tax, a corporate stock and business tax, or an occupation
56 tax:

- 57 (i) if that tax is imposed for the privilege of:
58 (A) doing business; or
59 (B) exercising a corporate franchise;
60 (ii) if that tax is paid by the corporation to:
61 (A) Utah;
62 (B) another state of the United States;
63 (C) a foreign country;
64 (D) a United States possession; or
65 (E) the Commonwealth of Puerto Rico; and
66 (iii) to the extent that tax was added to unadjusted income under Section 59-7-105;
67 (j) a charitable contribution, to the extent the charitable contribution is allowed as a
68 subtraction under Section 59-7-109;
69 (k) subject to Subsection (3), 50% of a dividend considered to be received or received
70 from a subsidiary that:
71 (i) is a member of the unitary group;
72 (ii) is organized or incorporated outside of the United States; and
73 (iii) is not included in a combined report under Section 59-7-402 or 59-7-403;
74 (l) subject to Subsection (4) and Section 59-7-401, 50% of the adjusted income of a
75 foreign operating company;
76 (m) the amount of gain or loss that is included in unadjusted income but not recognized
77 for federal purposes on stock sold or exchanged by a member of a selling consolidated group as
78 defined in Section 338, Internal Revenue Code, if an election has been made in accordance
79 with Section 338(h)(10), Internal Revenue Code;
80 (n) the amount of gain or loss that is included in unadjusted income but not recognized
81 for federal purposes on stock sold, exchanged, or distributed by a corporation in accordance
82 with Section 336(e), Internal Revenue Code, if an election under Section 336(e), Internal
83 Revenue Code, has been made for federal purposes;
84 (o) subject to Subsection (5), an adjustment to the following due to a difference
85 between basis for federal purposes and basis as computed under Section 59-7-107:
86 (i) an amortization expense;
87 (ii) a depreciation expense;

- 88 (iii) a gain;
- 89 (iv) a loss; or
- 90 (v) an item similar to Subsections (1)(o)(i) through (iv);
- 91 (p) an interest expense that is not deducted on a federal corporation income tax return
- 92 under Section 265(b) or 291(e), Internal Revenue Code;
- 93 (q) 100% of dividends received from a subsidiary that is an insurance company if that
- 94 subsidiary that is an insurance company is:
- 95 (i) exempt from this chapter under Subsection 59-7-102(1)(c); and
- 96 (ii) under common ownership;
- 97 (r) subject to Subsection 59-7-105(10), for a corporation that is an account owner as
- 98 defined in Section 53B-8a-102, the amount of a qualified investment as defined in Section
- 99 53B-8a-102.5:
- 100 (i) that the corporation or a person other than the corporation makes into an account
- 101 owned by the corporation during the taxable year;
- 102 (ii) to the extent that neither the corporation nor the person other than the corporation
- 103 described in Subsection (1)(r)(i) deducts the qualified investment on a federal income tax
- 104 return; and
- 105 (iii) to the extent the qualified investment does not exceed the maximum amount of the
- 106 qualified investment that may be subtracted from unadjusted income for a taxable year in
- 107 accordance with Subsection 53B-8a-106(1);
- 108 (s) for a corporation that makes a donation, as that term is defined in Section
- 109 53B-8a-201, to the Student Prosperity Savings Program created in Section 53B-8a-202, the
- 110 amount of the donation to the extent that the corporation did not deduct the donation on a
- 111 federal income tax return;
- 112 (t) for purposes of income included in a combined report under Part 4, Combined
- 113 Reporting, the entire amount of the dividends a member of a unitary group receives or is
- 114 considered to receive from a captive real estate investment trust;
- 115 (u) the increase in income for federal income tax purposes due to claiming a:
- 116 (i) qualified tax credit bond credit under Section 54A, Internal Revenue Code; or
- 117 (ii) qualified zone academy bond under Section 1397E, Internal Revenue Code;
- 118 (v) for a taxable year beginning on or after January 1, 2019, but beginning on or before

119 December 31, 2019, only:

120 (i) the amount of any FDIC premium paid or incurred by the taxpayer that is
121 disallowed as a deduction for federal income tax purposes under Section 162(r), Internal
122 Revenue Code, on the taxpayer's 2018 federal income tax return; plus

123 (ii) the amount of any FDIC premium paid or incurred by the taxpayer that is
124 disallowed as a deduction for federal income tax purposes under Section 162(r), Internal
125 Revenue Code, for the taxable year; ~~and~~

126 (w) for a taxable year beginning on or after January 1, 2020, the amount of any FDIC
127 premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income
128 tax purposes under Section 162(r), Internal Revenue Code, for the taxable year~~[-]; and~~

129 (x) the amount of global intangible low-taxed income described in Section 951A,
130 Internal Revenue Code, that is included in unadjusted income.

131 (2) For purposes of Subsection (1)(b):

132 (a) the subtraction shall be made by claiming the subtraction on a return filed:

133 (i) under this chapter for the taxable year for which the net capital loss is incurred; and

134 (ii) by the due date of the return, including extensions; and

135 (b) a net capital loss for a taxable year shall be:

136 (i) subtracted for the taxable year for which the net capital loss is incurred; or

137 (ii) carried forward as provided in Sections 1212(a)(1)(B) and (C), Internal Revenue
138 Code.

139 (3) (a) For purposes of the subtraction described in Subsection (1)(k), global intangible
140 low-taxed income described in Section 951A, Internal Revenue Code, is not a dividend
141 considered to be received or received.

142 ~~[(3)(a)]~~ (b) For purposes of calculating the subtraction ~~[provided for]~~ described in
143 Subsection (1)(k), a taxpayer shall first subtract from a dividend considered to be received or
144 received an expense directly attributable to that dividend.

145 ~~[(b)]~~ (c) For purposes of Subsection (3)~~[(a)]~~(b), the amount of an interest expense that
146 is considered to be directly attributable to a dividend is calculated by multiplying the interest
147 expense by a fraction:

148 (i) the numerator of which is the taxpayer's average investment in the dividend paying
149 subsidiaries; and

(ii) the denominator of which is the taxpayer's average total investment in assets.

~~[(e)]~~ (d) (i) For purposes of calculating the subtraction allowed by Subsection (1)(k), in determining income apportionable to this state, a portion of the factors of a foreign subsidiary that has dividends that are partially subtracted under Subsection (1)(k) shall be included in the combined report factors as provided in this Subsection (3)~~[(e)]~~(d).

(ii) For purposes of Subsection (3)~~[(e)]~~(d)(i), the portion of the factors of a foreign subsidiary that has dividends that are partially subtracted under Subsection (1)(k) that shall be included in the combined report factors is calculated by multiplying each factor of the foreign subsidiary by a fraction:

(A) not to exceed 100%; and

(B) (I) the numerator of which is the amount of the dividend paid by the foreign subsidiary that is included in adjusted income; and

(II) the denominator of which is the current year earnings and profits of the foreign subsidiary as determined under the Internal Revenue Code.

(4) (a) For purposes of Subsection (1)(l), a taxpayer may not make a subtraction under Subsection (1)(l):

(i) if the taxpayer elects to file a worldwide combined report as provided in Section 59-7-403; or

(ii) for the following:

(A) income generated from intangible property; or

(B) a capital gain, dividend, interest, rent, royalty, or other similar item that is generated from an asset held for investment and not from a regular business trading activity.

(b) In calculating the subtraction provided for in Subsection (1)(l), a foreign operating company:

(i) may not subtract an amount provided for in Subsection (1)(k) or (l); and

(ii) prior to determining the subtraction under Subsection (1)(l), shall eliminate a transaction that occurs between members of a unitary group.

(c) For purposes of the subtraction provided for in Subsection (1)(l), in determining income apportionable to this state, the factors for a foreign operating company shall be included in the combined report factors in the same percentages as the foreign operating company's adjusted income is included in the combined adjusted income.

(d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may by rule define what constitutes:

- (i) income generated from intangible property; or
- (ii) a capital gain, dividend, interest, rent, royalty, or other similar item that is generated from an asset held for investment and not from a regular business trading activity.

(5) (a) For purposes of the subtraction provided for in Subsection (1)(o), the amount of a reduction in basis shall be allowed as an expense for the taxable year in which a federal tax credit is claimed if:

- (i) there is a reduction in federal basis for a federal tax credit; and
- (ii) there is no corresponding tax credit allowed in this state.

(b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may by rule define what constitutes an item similar to Subsections (1)(o)(i) through (iv).

Section 2. Section **59-10-114** is amended to read:

59-10-114. Additions to and subtractions from adjusted gross income of an individual.

(1) There shall be added to adjusted gross income of a resident or nonresident individual:

(a) a lump sum distribution that the taxpayer does not include in adjusted gross income on the taxpayer's federal individual income tax return for the taxable year;

(b) the amount of a child's income calculated under Subsection (4) that:

(i) a parent elects to report on the parent's federal individual income tax return for the taxable year; and

(ii) the parent does not include in adjusted gross income on the parent's federal individual income tax return for the taxable year;

(c) (i) a withdrawal from a medical care savings account and any penalty imposed for the taxable year if:

(A) the resident or nonresident individual does not deduct the amounts on the resident or nonresident individual's federal individual income tax return under Section 220, Internal Revenue Code;

(B) the withdrawal is subject to Subsections [31A-32a-105](#)(1) and (2); and

(C) the withdrawal is subtracted on, or used as the basis for claiming a tax credit on, a return the resident or nonresident individual files under this chapter;

(ii) a disbursement required to be added to adjusted gross income in accordance with Subsection 31A-32a-105(3); or

(iii) an amount required to be added to adjusted gross income in accordance with Subsection 31A-32a-105(5)(c);

(d) the amount withdrawn under Title 53B, Chapter 8a, Utah Educational Savings Plan, from the account of a resident or nonresident individual who is an account owner as defined in Section 53B-8a-102, for the taxable year for which the amount is withdrawn, if that amount withdrawn from the account of the resident or nonresident individual who is the account owner:

(i) is not expended for:

(A) higher education costs as defined in Section 53B-8a-102.5; or

(B) a payment or distribution that qualifies as an exception to the additional tax for distributions not used for educational expenses provided in Sections 529(c) and 530(d), Internal Revenue Code; and

(ii) is:

(A) subtracted by the resident or nonresident individual:

(I) who is the account owner; and

(II) on the resident or nonresident individual's return filed under this chapter for a taxable year beginning on or before December 31, 2007; or

(B) used as the basis for the resident or nonresident individual who is the account owner to claim a tax credit under Section 59-10-1017;

(e) except as provided in Subsection (5), for bonds, notes, and other evidences of indebtedness acquired on or after January 1, 2003, the interest from bonds, notes, and other evidences of indebtedness:

(i) issued by one or more of the following entities:

(A) a state other than this state;

(B) the District of Columbia;

(C) a political subdivision of a state other than this state; or

(D) an agency or instrumentality of an entity described in Subsections (1)(e)(i)(A)

through (C); and

(ii) to the extent the interest is not included in adjusted gross income on the taxpayer's federal income tax return for the taxable year;

(f) subject to Subsection (2)(c), any distribution received by a resident beneficiary of a resident trust of income that was taxed at the trust level for federal tax purposes, but was subtracted from state taxable income of the trust pursuant to Subsection 59-10-202(2)(b);

(g) any distribution received by a resident beneficiary of a nonresident trust of undistributed distributable net income realized by the trust on or after January 1, 2004, if that undistributed distributable net income was taxed at the trust level for federal tax purposes, but was not taxed at the trust level by any state, with undistributed distributable net income considered to be distributed from the most recently accumulated undistributed distributable net income; and

(h) any adoption expense:

(i) for which a resident or nonresident individual receives reimbursement from another person; and

(ii) to the extent to which the resident or nonresident individual subtracts that adoption expense:

(A) on a return filed under this chapter for a taxable year beginning on or before December 31, 2007; or

(B) from federal taxable income on a federal individual income tax return.

(2) There shall be subtracted from adjusted gross income of a resident or nonresident individual:

(a) the difference between:

(i) the interest or a dividend on an obligation or security of the United States or an authority, commission, instrumentality, or possession of the United States, to the extent that interest or dividend is:

(A) included in adjusted gross income for federal income tax purposes for the taxable year; and

(B) exempt from state income taxes under the laws of the United States; and

(ii) any interest on indebtedness incurred or continued to purchase or carry the obligation or security described in Subsection (2)(a)(i);

274 (b) for taxable years beginning on or after January 1, 2000, if the conditions of
275 Subsection (3)(a) are met, the amount of income derived by a Ute tribal member:
276 (i) during a time period that the Ute tribal member resides on homesteaded land
277 diminished from the Uintah and Ouray Reservation; and
278 (ii) from a source within the Uintah and Ouray Reservation;
279 (c) an amount received by a resident or nonresident individual or distribution received
280 by a resident or nonresident beneficiary of a resident trust:
281 (i) if that amount or distribution constitutes a refund of taxes imposed by:
282 (A) a state; or
283 (B) the District of Columbia; and
284 (ii) to the extent that amount or distribution is included in adjusted gross income for
285 that taxable year on the federal individual income tax return of the resident or nonresident
286 individual or resident or nonresident beneficiary of a resident trust;
287 (d) the amount of a railroad retirement benefit:
288 (i) paid:
289 (A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec. 231 et
290 seq.;
291 (B) to a resident or nonresident individual; and
292 (C) for the taxable year; and
293 (ii) to the extent that railroad retirement benefit is included in adjusted gross income on
294 that resident or nonresident individual's federal individual income tax return for that taxable
295 year;
296 (e) an amount:
297 (i) received by an enrolled member of an American Indian tribe; and
298 (ii) to the extent that the state is not authorized or permitted to impose a tax under this
299 part on that amount in accordance with:
300 (A) federal law;
301 (B) a treaty; or
302 (C) a final decision issued by a court of competent jurisdiction;
303 (f) an amount received:
304 (i) for the interest on a bond, note, or other obligation issued by an entity for which

state statute provides an exemption of interest on its bonds from state individual income tax;

(ii) by a resident or nonresident individual;

(iii) for the taxable year; and

(iv) to the extent the amount is included in adjusted gross income on the taxpayer's federal income tax return for the taxable year;

(g) the amount of all income, including income apportioned to another state, of a nonmilitary spouse of an active duty military member if:

(i) both the nonmilitary spouse and the active duty military member are nonresident individuals;

(ii) the active duty military member is stationed in Utah;

(iii) the nonmilitary spouse is subject to the residency provisions of 50 U.S.C. Sec. 4001(a)(2); and

(iv) the income is included in adjusted gross income for federal income tax purposes for the taxable year;

(h) for a taxable year beginning on or after January 1, 2019, but beginning on or before December 31, 2019, only:

(i) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, on the taxpayer's 2018 federal income tax return; plus

(ii) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the taxable year; ~~and~~

(i) for a taxable year beginning on or after January 1, 2020, the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the taxable year[-]; and

(j) the amount of global intangible low-taxed income described in Section 951A, Internal Revenue Code, that is included in adjusted gross income.

(3) (a) A subtraction for an amount described in Subsection (2)(b) is allowed only if:

(i) the taxpayer is a Ute tribal member; and

(ii) the governor and the Ute tribe execute and maintain an agreement meeting the requirements of this Subsection (3).

(b) The agreement described in Subsection (3)(a):

(i) may not:

(A) authorize the state to impose a tax in addition to a tax imposed under this chapter;

(B) provide a subtraction under this section greater than or different from the subtraction described in Subsection (2)(b); or

(C) affect the power of the state to establish rates of taxation; and

(ii) shall:

(A) provide for the implementation of the subtraction described in Subsection (2)(b);

(B) be in writing;

(C) be signed by:

(I) the governor; and

(II) the chair of the Business Committee of the Ute tribe;

(D) be conditioned on obtaining any approval required by federal law; and

(E) state the effective date of the agreement.

(c) (i) The governor shall report to the commission by no later than February 1 of each year regarding whether or not an agreement meeting the requirements of this Subsection (3) is in effect.

(ii) If an agreement meeting the requirements of this Subsection (3) is terminated, the subtraction permitted under Subsection (2)(b) is not allowed for taxable years beginning on or after the January 1 following the termination of the agreement.

(d) For purposes of Subsection (2)(b) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:

(i) for determining whether income is derived from a source within the Uintah and Ouray Reservation; and

(ii) that are substantially similar to how adjusted gross income derived from Utah sources is determined under Section [59-10-117](#).

(4) (a) For purposes of this Subsection (4), "Form 8814" means:

(i) the federal individual income tax Form 8814, Parents' Election To Report Child's Interest and Dividends; or

(ii) (A) a form designated by the commission in accordance with Subsection (4)(a)(ii)(B) as being substantially similar to 2000 Form 8814 if for purposes of federal

individual income taxes the information contained on 2000 Form 8814 is reported on a form other than Form 8814; and

(B) for purposes of Subsection (4)(a)(ii)(A) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules designating a form as being substantially similar to 2000 Form 8814 if for purposes of federal individual income taxes the information contained on 2000 Form 8814 is reported on a form other than Form 8814.

(b) The amount of a child's income added to adjusted gross income under Subsection (1)(b) is equal to the difference between:

(i) the lesser of:

(A) the base amount specified on Form 8814; and

(B) the sum of the following reported on Form 8814:

(I) the child's taxable interest;

(II) the child's ordinary dividends; and

(III) the child's capital gain distributions; and

(ii) the amount not taxed that is specified on Form 8814.

(5) Notwithstanding Subsection (1)(e), interest from bonds, notes, and other evidences of indebtedness issued by an entity described in Subsections (1)(e)(i)(A) through (D) may not be added to adjusted gross income of a resident or nonresident individual if, as annually determined by the commission:

(a) for an entity described in Subsection (1)(e)(i)(A) or (B), the entity and all of the political subdivisions, agencies, or instrumentalities of the entity do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state; or

(b) for an entity described in Subsection (1)(e)(i)(C) or (D), the following do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state:

(i) the entity; or

(ii) (A) the state in which the entity is located; or

(B) the District of Columbia, if the entity is located within the District of Columbia.

Section 3. Section **59-10-202** is amended to read:

59-10-202. Additions to and subtractions from unadjusted income of a resident or

398 **nonresident estate or trust.**

399 (1) There shall be added to unadjusted income of a resident or nonresident estate or
400 trust:

401 (a) a lump sum distribution allowable as a deduction under Section 402(d)(3), Internal
402 Revenue Code, to the extent deductible under Section 62(a)(8), Internal Revenue Code, in
403 determining adjusted gross income;

404 (b) except as provided in Subsection (3), for bonds, notes, and other evidences of
405 indebtedness acquired on or after January 1, 2003, the interest from bonds, notes, and other
406 evidences of indebtedness:

407 (i) issued by one or more of the following entities:

408 (A) a state other than this state;

409 (B) the District of Columbia;

410 (C) a political subdivision of a state other than this state; or

411 (D) an agency or instrumentality of an entity described in Subsections (1)(b)(i)(A)
412 through (C); and

413 (ii) to the extent the interest is not included in federal taxable income on the taxpayer's
414 federal income tax return for the taxable year;

415 (c) any portion of federal taxable income for a taxable year if that federal taxable
416 income is derived from stock:

417 (i) in an S corporation; and

418 (ii) that is held by an electing small business trust;

419 (d) the amount withdrawn under Title 53B, Chapter 8a, Utah Educational Savings Plan,
420 from the account of a resident or nonresident estate or trust that is an account owner as defined
421 in Section 53B-8a-102, for the taxable year for which the amount is withdrawn, if that amount
422 withdrawn from the account of the resident or nonresident estate or trust that is the account
423 owner:

424 (i) is not expended for:

425 (A) higher education costs as defined in Section 53B-8a-102.5; or

426 (B) a payment or distribution that qualifies as an exception to the additional tax for
427 distributions not used for educational expenses provided in Sections 529(c) and 530(d),
428 Internal Revenue Code; and

(ii) is:

(A) subtracted by the resident or nonresident estate or trust:

(I) that is the account owner; and

(II) on the resident or nonresident estate's or trust's return filed under this chapter for a taxable year beginning on or before December 31, 2007; or

(B) used as the basis for the resident or nonresident estate or trust that is the account owner to claim a tax credit under Section 59-10-1017; and

(e) any fiduciary adjustments required by Section 59-10-210.

(2) There shall be subtracted from unadjusted income of a resident or nonresident estate or trust:

(a) the interest or a dividend on obligations or securities of the United States and its possessions or of any authority, commission, or instrumentality of the United States, to the extent that interest or dividend is included in gross income for federal income tax purposes for the taxable year but exempt from state income taxes under the laws of the United States, but the amount subtracted under this Subsection (2) shall be reduced by any interest on indebtedness incurred or continued to purchase or carry the obligations or securities described in this Subsection (2), and by any expenses incurred in the production of interest or dividend income described in this Subsection (2) to the extent that such expenses, including amortizable bond premiums, are deductible in determining federal taxable income;

(b) income of an irrevocable resident trust if:

(i) the income would not be treated as state taxable income derived from Utah sources under Section 59-10-204 if received by a nonresident trust;

(ii) the trust first became a resident trust on or after January 1, 2004;

(iii) no assets of the trust were held, at any time after January 1, 2003, in another resident irrevocable trust created by the same settlor or the spouse of the same settlor;

(iv) the trustee of the trust is a trust company as defined in Subsection 7-5-1(1)(d);

(v) the amount subtracted under this Subsection (2)(b) is reduced to the extent the settlor or any other person is treated as an owner of any portion of the trust under Subtitle A, Subchapter J, Subpart E of the Internal Revenue Code; and

(vi) the amount subtracted under this Subsection (2)(b) is reduced by any interest on indebtedness incurred or continued to purchase or carry the assets generating the income

described in this Subsection (2)(b), and by any expenses incurred in the production of income described in this Subsection (2)(b), to the extent that those expenses, including amortizable bond premiums, are deductible in determining federal taxable income;

(c) if the conditions of Subsection (4)(a) are met, the amount of income of a resident or nonresident estate or trust derived from a deceased Ute tribal member:

(i) during a time period that the Ute tribal member resided on homesteaded land diminished from the Uintah and Ouray Reservation; and

(ii) from a source within the Uintah and Ouray Reservation;

(d) any amount:

(i) received by a resident or nonresident estate or trust;

(ii) that constitutes a refund of taxes imposed by:

(A) a state; or

(B) the District of Columbia; and

(iii) to the extent that amount is included in total income on that resident or nonresident estate's or trust's federal tax return for estates and trusts for that taxable year;

(e) the amount of a railroad retirement benefit:

(i) paid:

(A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec. 231 et seq.;

(B) to a resident or nonresident estate or trust derived from a deceased resident or nonresident individual; and

(C) for the taxable year; and

(ii) to the extent that railroad retirement benefit is included in total income on that resident or nonresident estate's or trust's federal tax return for estates and trusts;

(f) an amount:

(i) received by a resident or nonresident estate or trust if that amount is derived from a deceased enrolled member of an American Indian tribe; and

(ii) to the extent that the state is not authorized or permitted to impose a tax under this part on that amount in accordance with:

(A) federal law;

(B) a treaty; or

491 (C) a final decision issued by a court of competent jurisdiction;

492 (g) the amount that a qualified nongrantor charitable lead trust deducts under Section
493 642(c), Internal Revenue Code, as a charitable contribution deduction, as allowed on the
494 qualified nongrantor charitable lead trust's federal income tax return for estates and trusts for
495 the taxable year;

496 (h) any fiduciary adjustments required by Section 59-10-210;

497 (i) an amount received:

498 (i) for the interest on a bond, note, or other obligation issued by an entity for which
499 state statute provides an exemption of interest on its bonds from state individual income tax;

500 (ii) by a resident or nonresident estate or trust;

501 (iii) for the taxable year; and

502 (iv) to the extent the amount is included in federal taxable income on the taxpayer's
503 federal income tax return for the taxable year;

504 (j) for a taxable year beginning on or after January 1, 2019, but beginning on or before
505 December 31, 2019, only:

506 (i) the amount of any FDIC premium paid or incurred by the resident or nonresident
507 estate or trust that is disallowed as a deduction for federal income tax purposes under Section
508 162(r), Internal Revenue Code, on the resident's or nonresident estate's or trust's 2018 federal
509 income tax return; plus

510 (ii) the amount of any FDIC premium paid or incurred by the resident or nonresident
511 estate or trust that is disallowed as a deduction for federal income tax purposes under Section
512 162(r), Internal Revenue Code, for the taxable year; ~~and~~

513 (k) for a taxable year beginning on or after January 1, 2020, the amount of any FDIC
514 premium paid or incurred by the resident or nonresident estate or trust that is disallowed as a
515 deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the
516 taxable year[-]; and

517 (l) the amount of global intangible low-taxed income described in Section 951A,
518 Internal Revenue Code, that is included in unadjusted income.

519 (3) Notwithstanding Subsection (1)(b), interest from bonds, notes, and other evidences
520 of indebtedness issued by an entity described in Subsections (1)(b)(i)(A) through (D) may not
521 be added to unadjusted income of a resident or nonresident estate or trust if, as annually

determined by the commission:

(a) for an entity described in Subsection (1)(b)(i)(A) or (B), the entity and all of the political subdivisions, agencies, or instrumentalities of the entity do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state; or

(b) for an entity described in Subsection (1)(b)(i)(C) or (D), the following do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state:

(i) the entity; or

(ii) (A) the state in which the entity is located; or

(B) the District of Columbia, if the entity is located within the District of Columbia.

(4) (a) A subtraction for an amount described in Subsection (2)(c) is allowed only if:

(i) the income is derived from a deceased Ute tribal member; and

(ii) the governor and the Ute tribe execute and maintain an agreement meeting the requirements of this Subsection (4).

(b) The agreement described in Subsection (4)(a):

(i) may not:

(A) authorize the state to impose a tax in addition to a tax imposed under this chapter;

(B) provide a subtraction under this section greater than or different from the subtraction described in Subsection (2)(c); or

(C) affect the power of the state to establish rates of taxation; and

(ii) shall:

(A) provide for the implementation of the subtraction described in Subsection (2)(c);

(B) be in writing;

(C) be signed by:

(I) the governor; and

(II) the chair of the Business Committee of the Ute tribe;

(D) be conditioned on obtaining any approval required by federal law; and

(E) state the effective date of the agreement.

(c) (i) The governor shall report to the commission by no later than February 1 of each year regarding whether or not an agreement meeting the requirements of this Subsection (4) is in effect.

(ii) If an agreement meeting the requirements of this Subsection (4) is terminated, the subtraction permitted under Subsection (2)(c) is not allowed for taxable years beginning on or after the January 1 following the termination of the agreement.

(d) For purposes of Subsection (2)(c) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:

(i) for determining whether income is derived from a source within the Uintah and Ouray Reservation; and

(ii) that are substantially similar to how adjusted gross income derived from Utah sources is determined under Section 59-10-117.

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

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

(1) As used in this section:

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

(b) "Joint filing status" means:

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

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

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

(d) "Single filing status" means:

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

(ii) a married individual who:

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

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

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

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

(A) pays for the taxable year; and

(B) reports on the claimant's federal individual income tax return for the taxable year, regardless of whether the claimant is allowed an itemized deduction on the claimant's federal individual income tax return for the taxable year for the full amount of state or local income tax paid; and

(ii) \$10,000.

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

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

(g) "Utah personal exemption" means, subject to Subsection (6), [~~\$565~~] \$3,113 multiplied by the number of the claimant's qualifying dependents.

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

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

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

(b) 6% of the claimant's Utah personal exemption.

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

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

(a) for a claimant who has a single filing status, \$12,000;

(b) for a claimant who has a head of household filing status, \$18,000; or

(c) for a claimant who has a joint filing status, \$24,000.

(5) (a) For a taxable year beginning on or after January 1, 2009, the commission shall increase or decrease annually the following dollar amounts by a percentage equal to the percentage difference between the consumer price index for the preceding calendar year and the consumer price index for calendar year 2007:

- (i) the dollar amount listed in Subsection (4)(a); and
- (ii) the dollar amount listed in Subsection (4)(b).

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

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

- (i) the dollar amount listed in Subsection (4)(a); and
- (ii) two.

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

(6) (a) For a taxable year beginning on or after January 1, 2019, the commission shall increase annually the Utah personal exemption amount listed in Subsection (1)(g) by a percentage equal to the percentage by which the consumer price index for the preceding calendar year exceeds the consumer price index for calendar year 2017.

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

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

Section 5. **Retrospective operation.**

This bill has retrospective operation for a taxable year beginning on or after January 1, 2020.