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CANNABIS BUSINESS TAX CREDIT AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Evan J. Vickers

House Sponsor: ____________

LONG TITLE

General Description:

This bill enacts a cannabis business expenses income tax credit.

Highlighted Provisions:

This bill:

- enacts a nonrefundable income tax credit for business expenses related to cultivating, processing, or selling medical cannabis within the state.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

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 cannabis business expenses credit.

(1) As used in this section:

(a) "Medical cannabis" means the same as that term is defined in Section 26B-4-201.

S.B. 71

(b) "Medical cannabis activity" means an activity related to cultivation, processing, or sale of medical cannabis that is permitted under Title 4, Chapter 41a, Cannabis Production Establishments and Pharmacies, by a qualifying taxpayer.

(c) "Qualifying taxpayer" means a corporation that holds a license issued in accordance with Section 4-41a-201 to operate a cannabis production establishment or Section 4-41a-1001 to sell medical cannabis in the state during the taxable year.

(2) A qualifying taxpayer may claim a nonrefundable tax credit equal to 1.8% multiplied by Utah taxable income that is related to medical cannabis activity.

(3) (a) A qualifying taxpayer may carry forward the amount of the tax credit that exceeds the qualifying taxpayer's tax liability for a period of three years.

(b) A qualifying taxpayer may not carry back the amount of the tax credit that exceeds the qualifying taxpayer's tax liability.

Section 2. Section **59-10-1048** is enacted to read:

59-10-1048. Nonrefundable cannabis business expenses credit.

(1) As used in this section:

(a) "Medical cannabis" means the same as that term is defined in Section 26B-4-201.

(b) "Medical cannabis activity" means the same as that term is defined in Section 59-7-627.

(c) "Pass-through entity income" means income that is derived from or connected with Utah sources related to medical cannabis activity equal to the sum of:

(i) business income as defined in Section 59-10-1402; and

(ii) nonbusiness income as defined in Section 59-10-1402.

(d) "Qualifying claimant" means a pass-through entity taxpayer of a pass-through entity that holds a license issued in accordance with Section 4-41a-201 to operate a cannabis production establishment or Section 4-41a-1001 to sell medical cannabis in the state during the taxable year.

(2) A qualifying claimant may claim a nonrefundable tax credit equal to 1.8% multiplied by pass-through entity income.

(3) (a) A qualifying claimant may carry forward the amount of the tax credit that exceeds the qualifying claimant's tax liability for a period of three years.

(b) A qualifying claimant may not carry back the amount of the tax credit that exceeds the qualifying claimant's tax liability.

Section 3. **Effective date.**

This bill takes effect on May 1, 2024.

Section 4. **Retrospective operation.**

This bill has retrospective operation for a taxable year beginning on or after January 1, 2024.