

TAX RATE AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: _____

LONG TITLE**General Description:**

This bill modifies the income tax rates.

Highlighted Provisions:

This bill:

- decreases the corporate franchise and income tax rates and the individual income tax rates for the 2021 and 2022 tax years; and

- makes the tax rate decrease permanent if revenue in the General Fund and Education Fund exceeds a certain amount at the close of fiscal year 2021-22.

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 2020, Chapter 354**59-7-201**, as last amended by Laws of Utah 2018, Chapter 456**59-10-104**, as last amended by Laws of Utah 2018, Chapter 456**ENACTS:****63A-3-112**, Utah Code Annotated 1953



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

Section 1. Section **59-7-104** is amended to read:

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

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

(2) (a) The tax shall be ~~[4.95% of a corporation's Utah taxable income.]~~ equal to the amount calculated by multiplying a corporation's Utah taxable income by:

(i) for a taxable year beginning on or after January 1, 2021, and beginning on or before December 31, 2022, 4.75%; and

(ii) for a taxable year beginning on or after January 1, 2023:

(A) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(a), 4.75%; or

(B) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(b), 4.95%.

(b) Upon receiving the notification described in Section 63A-3-112, the commission shall:

(i) post, in a conspicuous location on the commission's website, the income tax rate under this section for a taxable year beginning on or after January 1, 2023; and

(ii) notify the Revenue and Taxation Interim Committee electronically of the income tax rate under this section for a taxable year beginning on or after January 1, 2023.

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

Section 2. Section **59-7-201** is amended to read:

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

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

(2) (a) The tax imposed by Subsection (1) shall be ~~[4.95% of a corporation's Utah taxable income.]~~ equal to the amount calculated by multiplying a corporation's Utah taxable

income by:

(i) for a taxable year beginning on or after January 1, 2021, and beginning on or before December 31, 2022, 4.75%; and

(ii) for a taxable year beginning on or after January 1, 2023:

(A) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(a), 4.75%; or

(B) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(b), 4.95%.

(b) Upon receiving the notification described in Section 63A-3-112, the commission shall:

(i) post, in a conspicuous location on the commission's website, the income tax rate under this section for a taxable year beginning on or after January 1, 2023; and

(ii) notify the Revenue and Taxation Interim Committee electronically of the income tax rate under this section for a taxable year beginning on or after January 1, 2023.

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

Section 3. Section **59-10-104** is amended to read:

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

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

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

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

~~[(b) 4.95%.]~~

(b) (i) for a taxable year beginning on or after January 1, 2021, and beginning on or before December 31, 2022, 4.75%; and

(ii) for a taxable year beginning on or after January 1, 2023:

(A) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(a), 4.75%; or

(B) if the Division of Finance makes the determination described in Subsection 63A-3-112(1)(b), 4.95%.

(3) Upon receiving the notification described in Section 63A-3-112, the commission

90 shall:

91 (a) post, in a conspicuous location on the commission's website, the income tax rate
92 under this section and Section 59-10-201 for a taxable year beginning on or after January 1,
93 2023; and

94 (b) notify the Revenue and Taxation Interim Committee electronically of the income
95 tax rate under this section and Section 59-10-201 for a taxable year beginning on or after
96 January 1, 2023.

97 ~~[(3)]~~ (4) This section does not apply to a resident individual exempt from taxation
98 under Section 59-10-104.1.

99 Section 4. Section 63A-3-112 is enacted to read:

100 **63A-3-112. Certification of revenue -- Notice to State Tax Commission.**

101 (1) On or before October 31, 2022, the Division of Finance shall determine whether the
102 certified revenue in the General Fund and the Education Fund combined at the close of fiscal
103 year 2021-22:

104 (a) is \$8,765,000,000 or more; or

105 (b) is less than \$8,765,000,000.

106 (2) On or before November 1, 2022, the Division of Finance shall notify the State Tax
107 Commission of the division's determination under Subsection (1).

108 Section 5. **Retrospective operation.**

109 This bill has retrospective operation for a taxable year beginning on or after January 1,
110 2021.