EARNED INCOME TAX CREDIT AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Marsha Judkins

Senate Sponsor: ____________

LONG TITLE

General Description:

This bill makes the earned income tax credit refundable.

Highlighted Provisions:

This bill:

- makes the earned income tax credit refundable.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

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

59-10-1102.1, as enacted by Laws of Utah 2023, Chapter 460

ENACTS:

59-10-1115, Utah Code Annotated 1953

REPEALS:

59-10-1044, as last amended by Laws of Utah 2023, Chapter 459

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

Section 1. 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 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 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 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 2. Section **59-10-1102.1** is amended to read:

59-10-1102.1. Apportionment of tax credit.

A nonresident individual or a part-year resident individual who claims a tax credit in accordance with Section 59-10-1114 <u>or 59-10-1115</u> may claim only an apportioned amount of the tax credit equal to the product of:

(1) the state income tax percentage for the nonresident individual or the state income tax percentage for the part-year resident individual; and

(2) the amount of the tax credit that the nonresident individual or the part-year resident individual would have been allowed to claim but for the apportionment requirement of this section.

Section 3. Section **59-10-1115** is enacted to read:

<u>59-10-1115.</u> Refundable earned income tax credit.

(1) As used in this section:

(a) "Federal earned income tax credit" means the federal earned income tax credit described in Section 32, Internal Revenue Code.

(b) "Qualifying claimant" means a claimant who:

(i) qualifies for and claims the federal earned income tax credit for the current taxable year; and

(ii) earns income in Utah that is reported on a W-2 form.

(2) Subject to Section 59-10-1102.1, a qualifying claimant may claim a refundable earned income tax credit equal to the lesser of:

(a) 20% of the amount of the federal earned income tax credit that the qualifying claimant was entitled to claim on a federal income tax return for the current taxable year; and

(b) the total Utah wages reported on the qualifying claimant's W-2 form for the current taxable year.

Section 4. **Repealer.**

This bill repeals:

Section **59-10-1044, Nonrefundable earned income tax credit.**

Section 5. **Effective date.**

This bill takes effect on May 1, 2024.

Section 6. **Retrospective operation.**

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