CHARITABLE CONTRIBUTION AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Luz Escamilla

House Sponsor: Angela Romero

LONG TITLE

General Description:

This bill creates the Nonprofit Capacity Fund and provides an option for a taxpayer to make a contribution for nonprofit support organizations on the income tax return.

Highlighted Provisions:

This bill:

- creates the Nonprofit Capacity Fund;
- allows a taxpayer to contribute to the Nonprofit Capacity Fund through the income tax return;
- creates the Nonprofit Capacity Grant Program in the Department of Cultural and Community Engagement (department);
- specifies how the department shall administer the Nonprofit Capacity Grant Program; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-10-1304, as last amended by Laws of Utah 2020, Chapter 311

ENACTS:

9-1-211, Utah Code Annotated 1953

59-10-1321, Utah Code Annotated 1953

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

Section 1. Section **9-1-211** is enacted to read:

9-1-211. Nonprofit Capacity Grant Program.

(1) As used in this section, "nonprofit support organization" means a nonprofit organization that:

(a) is organized under the Utah Revised Nonprofit Corporation Act; and

(b) provides the following support for nonprofit organizations located in the state:

(i) building operational capacity;

(ii) improving the delivery of essential services in the state;

(iii) providing professional training;

(iv) providing technical support; or

(v) encouraging collaboration with other nonprofit organizations, industry, and government agencies.

(2) (a) There is created within the department the Nonprofit Capacity Grant Program.

(b) The purpose of the program is to provide grants to nonprofit support organizations.

(3) (a) A nonprofit support organization that submits a proposal for a grant to the department shall include details in the proposal regarding:

(i) the nonprofit support organization's name;

(ii) information about the nonprofit support organization's activities and purpose;

(iii) the nonprofit support organization's budget;

(iv) plans for sustaining the nonprofit support organization beyond the grant period;

(v) specific proposals for how the nonprofit support organization would use the grant; and

(vi) other information the department determines necessary to evaluate the proposal.

(b) When evaluating a proposal for a grant, the department shall consider:

(i) the grant amount requested;

(ii) the extent to which the proposal advances the goals described in Subsection (1)(b);

(iii) the extent to which any additional funding sources or existing or planned partnerships may benefit the proposal; and

(iv) the viability of the proposal.

(4) Subject to Subsection (3), the department may, in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, make rules to establish:

(a) eligibility criteria for a grant;

(b) the form and process for submitting a proposal to the department for a grant;

(c) the process and criteria for determining the priority of applications received;

(d) the formula and method for determining a grant amount; and

(e) reporting requirements for a grant recipient.

Section 2. Section **59-10-1304** is amended to read:

59-10-1304. Removal of designation and prohibitions on collection for certain contributions on income tax return -- Conditions for removal and prohibitions on collection -- Commission publication requirements.

(1) (a) If a contribution or combination of contributions described in Subsection (1)(b) generate less than $30,000 per year for three consecutive years, the commission shall remove the designation for the contribution from the individual income tax return and may not collect the contribution from a resident or nonresident individual beginning two taxable years after the three-year period for which the contribution generates less than $30,000 per year.

(b) The following contributions apply to Subsection (1)(a):

(i) the contribution provided for in Section 59-10-1306;

(ii) the sum of the contributions provided for in Subsection 59-10-1307(1);

(iii) the contribution provided for in Section 59-10-1308;

(iv) the contribution provided for in Section 59-10-1315;

(v) the contribution provided for in Section 59-10-1318;

(vi) the contribution provided for in Section 59-10-1319; [~~or~~]

(vii) the contribution provided for in Section 59-10-1320[~~.~~]; or

(viii) the contribution provided for in Section 59-10-1321.

(2) If the commission removes the designation for a contribution under Subsection (1), the commission shall report to the Revenue and Taxation Interim Committee by electronic means that the commission removed the designation on or before the November interim meeting of the year in which the commission determines to remove the designation.

(3) (a) Within a 30-day period after [~~making~~] the day on which the commission makes the report required by Subsection (2), the commission shall publish a list in accordance with Subsection (3)(b) stating each contribution that the commission will remove from the individual income tax return.

(b) The list shall:

(i) be published on:

(A) the commission's website; and

(B) the public legal notice website in accordance with Section 45-1-101;

(ii) include a statement that the commission:

(A) is required to remove the contribution from the individual income tax return; and

(B) may not collect the contribution;

(iii) state the taxable year for which the removal described in Subsection (3)(a) takes effect; and

(iv) remain available for viewing and searching until the commission publishes a new list in accordance with this Subsection (3).

Section 3. Section **59-10-1321** is enacted to read:

59-10-1321. Contribution to the Nonprofit Capacity Fund.

(1) (a) There is created an expendable special revenue fund known as the "Nonprofit Capacity Fund."

(b) The fund shall consist of all amounts deposited into the fund in accordance with Subsection (2).

(2) Except as provided in Section 59-10-1304, a resident or nonresident individual who files an income tax return under this chapter may designate on the resident or nonresident

individual's income tax return a contribution to be:

(a) deposited into the Nonprofit Capacity Fund; and

(b) expended as provided in Subsection (3).

(3) (a) Each year, the commission shall disburse from the Nonprofit Capacity Fund all money deposited into the fund since the last disbursement.

(b) The commission shall disburse money under Subsection (3)(a) to the Department of Cultural and Community Engagement for the purpose of providing money for grants to nonprofit organizations in the state.

Section 4. **Effective date.**

(1) Except as provided in Subsection (2), this bill takes effect for a taxable year beginning on or after January 1, 2024.

(2) Section 9-1-211 takes effect on January 1, 2024.