

# SB 2001

# Tax Restructuring Revisions

## Compliance and Enforcement

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Commissioner Rebecca Rockwell  
Utah State Tax Commission

# Sales and Use Tax Changes

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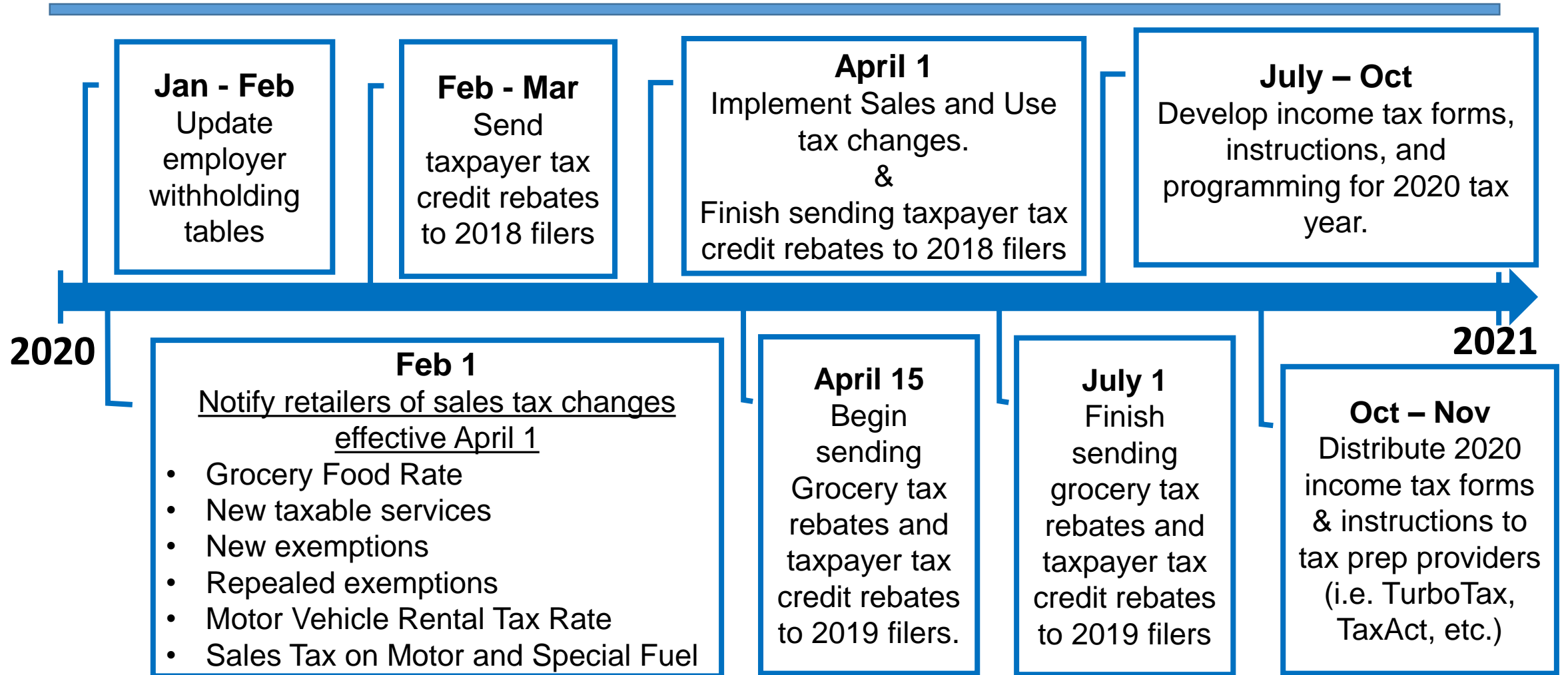
- Increases Sales Tax Rate on Grocery Food from 3% to 6.1%
- New Taxable Services
- New Sales Tax Exemption
- Repealed Sales Tax Exemptions
- Clarification of Taxable Transactions
- Increased Motor Vehicle Rental Tax Rate 2.5% to 4%
- Fuel Tax Changes

# Income Tax Changes

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- Individual and Corporate Income Tax Rate 4.95% to 4.66%
- Increase Taxpayer Tax Credit
- Taxpayer Tax Credit Rebate
- Social Security Tax Credit
- Grocery Tax Credit
- Grocery Tax Credit Rebate
- Inter-generational Poverty Earned Income Tax Credit

# Tax Reform Implementation Timeline



# Impact of Voter Referendum

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- Tax Commission has a constitutional duty to administer the tax laws of the state.
- The Tax Commission is currently preparing to implement SB 2001 when it becomes effective in February 2020.
- However, the filing of the voter referendum to repeal SB 2001 poses unique challenges related to the timing and enforcement of the bill.
- For now, the Tax Commission will continue to monitor the progress of the referendum while proceeding to prepare to implement the law when it goes into effect.

# Sales and Use Tax Changes

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# Tax Rate on Grocery Food (Beginning April 1, 2020)

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Total Sales Tax Rate on Grocery Food increased from 3% to 6.1%

Grocery Tax Breakdown	Current	Beginning April 1, 2020
State Rate	1.75%	4.85%
Local Option	1.0%	1.0%
<u>County Option</u>	<u>0.25%</u>	<u>0.25%</u>
<b>Total Rate</b>	<b>3.0%</b>	<b>6.1%</b>

# New Taxable Services (Beginning April 1, 2020)

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- Security System Monitoring
- Personal Transportation
- Parking
- Towing



- Pet Boarding and Care
- Pet Grooming
- Dating Referral
- Identity Theft Protection





# New Taxable Services (Beginning April 1, 2020)

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- New taxable service providers may have never collected sales tax before and may not be registered with the Tax Commission.
- The Tax Commission is developing outreach efforts to educate service providers of the collection obligation using methods including:
  - Working with the media
  - Contacting industry groups
  - Updating Tax Commission publications
- Even with outreach efforts compliance is expected to start slow and increase over time.

# New Taxable Services (Beginning April 1, 2020)

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## Are installation and delivery now taxable?

Installation or delivery charges are not subject to sales tax unless charged in conjunction with the sale of a taxable item.

Taxable Installation or Delivery	Not Taxable Installation or Delivery
Shipping and handling associated with the sale of taxable goods to a consumer	Shipping and handling associated with the sale goods to a retailer or distributor for resale
Installation associated with the sale of taxable goods to a consumer.	Installation unrelated to a sale of taxable goods.

# Repealed Exemptions (Beginning April 1, 2020)

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- Ski Resort Electricity
- Admission to College Sporting Events
- Tangible Personal Property converted to Real Property by a Transit District
- Fuel sold to a Railroad for use in a Locomotive
- Charges for Accessing a Database

Similar to the new taxable services, the Tax Commission is developing outreach efforts to inform taxpayers of the taxability of these transactions.

# New Exemption (Beginning April 1, 2020)

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Amounts paid for Tangible Personal Property that:

1. is not electricity, gas, machinery, equipment, vehicles, parts, office equipment, or office supplies; and
2. is consumed while providing one of the following:
  - Repairing or renovating tangible personal property
  - Cleaning or washing tangible personal property
  - Laundry or dry cleaning services

Examples include:  
Soaps, lubricants, etc.



# Clarification of Taxable Transactions

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- Software as a Service (SAAS) was already considered taxable in Utah but SAAS was not defined in Utah code.
  - The bill clarified the definition to include the use of seller-hosted software regardless of how the software is accessed.
- Also clarified that a charge for streamed media is taxable regardless of whether the charge includes the option to download.



# Increased Tax on Fuel (April 1, 2020)

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Fuel Type	Current Rate	April 1 <sup>st</sup> Rate
Motor Fuel	\$0.311	\$0.41
Non-diesel Special Fuel	\$0.168	\$0.221
Diesel	\$0.311	\$0.371

- These rates represent the aggregate of taxes imposed on each fuel type.
- The tax will be collected and paid by the supplier/distributor using the current fuel tax return. There will be no additional filing requirements.

# Income Tax Changes

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# Taxpayer Tax Credit (Beginning 2020 tax year)

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- Utah Personal Exemption \$2500 per dependent.  
(previously \$565)
- One personal exemption allowed for taxpayers with no dependents.
- Subject to the phase-out, all qualified Utah income tax filers will receive the increased taxpayer tax credit with no additional effort.
- Taxpayers may use this credit to reduce or eliminate Utah income tax when they file their 2020 return in the spring of 2021.





# Taxpayer Tax Credit Rebate

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- The Tax Commission will authorize rebate payments to qualified taxpayers between March and June 2020.
- Rebates will be automatically generated by the Tax Commission computers based on 2018 return info.\*
- The rebate is \$1,285 per dependent subject to an income phase-out.
- This rebate will benefit low income taxpayers with dependents.



\*2019 return information will be used if a 2018 return was not filed by October 15, 2019. If 2019 return is also not filed by April 15, 2020, the taxpayer is not qualified for a rebate.

# Social Security Tax Credit (Beginning 2020 Tax Year)

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- Credit equal to 4.66% of taxable social security benefits subject to a phase-out.
- Provides tax relief to a broader group of retired taxpayers than the retirement tax credit alone.
- Covers the gap for retired taxpayers who are under 67 years old and drawing social security benefits.
- Credit may be used to reduce or eliminate Utah income tax when they file their 2020 return in 2021.



# Grocery Tax Credit (Beginning 2020 Tax Year)

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- \$125 for first 4 household members and \$50 per additional household member.
- Phases out gradually for household income over 175% of the federal poverty level.
- Can be claimed by filing a Utah income tax return.
- This credit is refundable - taxpayers without a Utah tax liability or filing obligation can still benefit.



# Grocery Tax Rebate

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- The Tax Commission will authorize rebate payments to qualified taxpayers between April and June 2020.
- Rebates will be automatically generated by the Tax Commission computers based on 2019 return info if a 2019 Utah return is filed by April 15, 2020.
- The rebate is 25% of the amount a household would receive under the Grocery Tax Credit if the credit were effective for 2019 tax year.



# Earned Income Tax Credit (Beginning 2020 Tax Year)

- 10% of the qualified federal EITC for the previous year.
- Claimant must be identified by the Dept. of Workforce Services as experiencing intergenerational poverty.
- This credit is refundable - taxpayers without a Utah tax liability or filing obligation can still benefit.

