



UTAH
LEGISLATURE



Tax Options – 2023 Session

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2017 Tax Cuts and Jobs Act (TCJA)

- Bonus depreciation
 - 100 percent bonus depreciation for short-lived investments, such as machinery and equipment, allowing full cost recovery for qualifying investments
 - Starts phasing down at beginning of 2023
- Expire end of 2025 tax year
 - Elimination of personal exemption and several deductions
 - Increase to standard deduction
 - When this expires the Utah taxpayer tax credit will decrease. Utah income tax collections will increase.
- Non-expiring
 - Alternative Inflation Measure: C-CPI
 - Changes the federal EITC phase-in/phaseout thresholds
 - Limitation on interest deduction



Tax policy options for reducing taxes

- EAC set-aside for ongoing tax cuts = \$400M

Tax Relief Options	Income Tax Fund	General Fund	Transportation Fund	Property Tax	Other
Sales tax on food reduction		X			X
Income tax cut	X				
One-time income tax rebate	X				
Refundable taxpayer tax credit	X				
Expand Social Security credit	X				
Expand circuit breaker		X		X	
Double refundable pregnancy exemption	X				
Universal Service Fund one-time rebate					X
Property tax reduction				X	
Gas tax reduction			X		
Expand EITC	X				
Net Operating Loss modification	X				
Residential exemption increase/basic levy increase/income tax credit for resident secondary homes	X			X	



Sales tax on food

- Currently at 1.75%
- Full repeal – (\$155.6M) in FY2024, (\$186.9M) in FY2025
- Impact is ~75% to General Fund and ~25% to earmarks (water, transportation, etc.)



Income tax rate reduction/rebate

- Income tax rate currently at 4.85%
- Each basis point (0.01) costs roughly \$19Million



Taxpayer tax credit

- Current law allows for a nonrefundable tax credit in the amount of:
 - 6% of the sum of the filer's:
 - federal standard/itemized deduction minus state and local taxes; and
 - Utah personal exemption (\$1,802 per dependent in 2022)
- The credit is reduced by \$.013 for every dollar of taxable income above:
 - \$15,548 for single and married filing separately filers
 - \$31,096 for married filing jointly filers
 - \$23,322 for head of household filers

The income thresholds increase annually for inflation.



Taxpayer tax credit

- The Governor's Budget allows for up to \$250 of the credit to be refundable ongoing. Thus, if a filer's tax liability is less than their taxpayer tax credit, they can receive up to \$250 of the difference as a check.
- Levers for change:
 - Amount/calculation of the credit
 - Amount that is refundable, if at all
 - Phaseout – base amounts and/or rate of phaseout



Pregnant dependent exemption (credit)

- Utah allows a nonrefundable personal exemption of \$1,802 per dependent
 - Credit equals 6% of the personal exemption
- The Governor's Budget allows pregnant women to claim two refundable dependent exemptions for the year in which they give birth



Social Security tax credit

- Utah allows taxpayers who receive Social Security income to claim a nonrefundable tax credit for the amount of tax due on their Social Security income:
 - The credit is reduced by \$0.025 for each dollar of total income above:
 - \$31,000 for married filing separately filers
 - \$37,000 for single filers
 - \$62,000 for head of household and married filing jointly filers
- The credit was initially enacted in the 2021 General Session at lower income thresholds. The income thresholds were raised in the 2022 General Session.



Property tax

- Utah currently has a “circuit breaker” program that provides property tax relief to low-income homeowners and renters.
- The Governor’s Budget proposes expanding the program by raising both income thresholds and credit amounts for homeowners, and income thresholds for renters.
 - The current maximum income for claiming the credit is \$34,666; the Governor’s Budget would raise this threshold to \$45,807.
 - The current maximum homeowner’s credit is \$1,027; the Governor’s Budget would raise it to \$1,061.
 - Total cost \$6M General Fund



Primary residential exemption

- Utah currently exempts 45% of a home's value from property tax, if that home is used as a primary residence.
- Thus, if a home's market value were \$600,000, that homeowner would only pay property tax on \$330,000 in that home's value ($\$600,000 * 0.55$).
- The Utah Constitution sets the current 45% primary residential exemption as the maximum percentage of value that may be exempt.
 - 2023 S.J.R. 1 Proposal to Amend Utah Constitution - Revenue and Taxation proposes to make 45% the minimum percentage of a home's value that may be exempt from property tax.



Earned income tax credit

- Utah enacted a nonrefundable earned income tax credit (EITC) in the 2022 General Session.
- It is a nonrefundable credit equal to 15% of the amount of the federal EITC that a qualifying filer may claim.
- The federal EITC allows for a credit of up to \$6,935 for low-income individuals; it varies based on the number of qualifying children a filer claims.



