# MAJOR HIGHLIGHTS OF DRAFT LEGISLATION
# "INCOME TAX -- TAXATION OF INDIVIDUALS, ESTATES, AND TRUSTS"

This table provides a brief summary comparison of the individual income tax, the income taxation of estates and trusts, and the Estate and Trust Working Group conclusions. The table is not a comprehensive summary of the draft legislation. Red highlights indicate that an item is listed on Form TC-40 or Form TC-41 but is not specifically authorized or required by statute. Blue highlights indicate that an item is authorized or required by statute but is not listed on Form TC-40 or Form TC-41.

| **Individual Income Tax (IIT)** | **Income Tax Estates/Trusts (E/T)** | **Working Group Conclusion** |
|---|---|---|
| A. Additions to Income | | |
| 25% of personal exemptions | | Do not add to E/T |
| state income tax deducted as itemized deduction | state income tax deducted on federal fiduciary return (resident E/T) | Leave statute as written; Tax Commission should add to form |
| lump sum distributions | lump sum distributions | Leave statute as written; Tax Commission should add to E/T form |
| state taxes allocated from an estate or trust | | Leave statute as written; prepare a separate bill to address distributions received by a resident beneficiary of a nonresident trust |
| Utah Medical Savings Account amounts | | Leave statute as written |
| Utah Educational Savings Plan amounts | | Leave statute as written |
| reimbursed adoption expenses | | Add this addition to IIT |
| child's income excluded from parent's return | | Leave statute as written |
| municipal bond interest | municipal bond interest | Add this addition to E/T |
| | interest on U.S. obligations allocated to beneficiaries | Tax Commission should remove from form |
| | electing small business trust S corp. income | Add this addition to E/T |
| | fiduciary adjustments | Modified the fiduciary adjustments (Section 59-10-210) |
| | IRC § 644(b) gain | Repeal because stricken from IRC |
| B. Subtractions from income | | |
| 50% federal tax | 50% federal tax (if nonresident 50% of portion allocable to Utah) | Leave statute as written |

| | | |
|---|---|---|
| state tax refund included in federal income | | Add this subtraction to E/T |
| **Individual Income Tax** | **Income Tax Estates/Trusts (E/T)** | **Working Group Conclusion** |
| retirement exemption/deduction | | Leave statute as written |
| | state tax addback allocated to beneficiaries | Tax Commission should remove from form |
| interest from U.S. gov't obligations | interest from U.S. obligations | Leave statute as written |
| Utah Medical Savings Account amounts | | Leave statute as written |
| Utah Educational Savings Plan amounts | | Leave statute as written |
| health care insurance premiums | | Leave statute as written |
| long-term care insurance premiums | | Leave statute as written |
| adoptions expenses | | Leave statute as written |
| Native American income | Native American income | Add subtraction for Ute tribal members to E/T to address income in respect of a decedent (IRD); also add broader subtraction required by federal law |
| railroad retirement income | railroad retirement income | Add subtraction for IIT and E/T as required by federal law |
| equitable adjustments | | Modified the equitable adjustments (§§ 59-10-115 and 59-10-209.1) |
| gains on capital transactions | gains on capital transactions | Add subtraction to E/T |
| military pay | | Add subtraction to E/T to address IRD |
| WWII reparation payments | | Repeal because already excluded from federal taxable income under federal law |
| 2001 bracket benefit acceleration | | Repeal because obsolete language |
| | fiduciary adjustments | Modified the fiduciary adjustments (Section 59-10-210) |
| | income of an irrevocable resident trust | Leave statute as written; Tax Commission should add to form |

| Individual Income Tax | Income Tax Estates/Trusts (E/T) | Working Group Conclusion |
|---|---|---|
| A. Nonrefundable tax credits - Note that the Working Group decided to repeal a tax credit for cleaner burning fuels that expired in 2003 but is still in statute. The repeal is contained in the draft legislation. | | |
| income tax paid to another state | fiduciary income tax paid to another state (applies only to resident E/T) | Add tax credit to E/T |
| at-home parents | | Leave statute as written |
| qualified sheltered workshop cash contributions | qualified sheltered workshop cash contributions | Add tax credit to E/T |
| renewable energy systems | renewable energy systems | Add tax credit to E/T |
| clean fuel vehicles | clean fuel vehicles | Add tax credit to E/T |
| historic preservation of certain structures | historic preservation of certain structures | Add tax credit to E/T; repeal residency requirement for eligibility |
| enterprise zones | enterprise zones | Add tax credit to E/T |
| low-income housing | low-income housing | Add tax credit to E/T |
| employers who hire persons with disabilities | employers who hire persons with disabilities | Add tax credit to E/T |
| recycling market development zones | recycling market development zones | Add tax credit to E/T |
| tutoring for disabled dependents | tutoring for disabled dependents | Add tax credit to E/T |
| increasing research activities | increasing research activities | Add tax credit to E/T |
| machinery and equipment used to conduct research | machinery and equipment used to conduct research | Add tax credit to E/T |
| live organ donation expenses (effective 1/1/05) | | Leave statute as written; Tax Commission should add to form |
| B. Refundable tax credits | | |
| targeted business | Targeted business | Add tax credit to E/T |
| special needs adoption | Special needs adoption | Tax Commission should remove from form |
| nonresident shareholder's withholding | Nonresident shareholder's withholding | Add tax credit to E/T |
| mineral production withholding | Mineral production withholding | Add tax credit to E/T |
| agricultural off-highway gas/undyed diesel fuel | Agricultural off-highway gas/undyed diesel fuel | Add tax credit to E/T |
| farm operation hand tools | | Add tax credit to E/T |

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| venture capital | | Add tax credit to E/T; Tax Commission should add to IIT and E/T forms |