

Federal Tax Changes Impacting the State of Utah Tax System

This report is designed to fulfill the requirements of Utah Code § 59-1-213 **Annual report on Internal Revenue Code changes.**

- **Indirect Impacts:** All taxes are distortionary in that they alter production or consumption decisions. As such, any change in federal taxes impact Utah inasmuch as the changes alter the economy. Often these distortions are not readily discernible, may be negligible in magnitude, or require a protracted time horizon to be realized. As such, it is extremely difficult to mitigate these types of changes by changing public policy. However, some indirect impacts can have discernable, large, and immediate impacts.

- **Direct Impacts:** Some taxes within the State of Utah are dependent upon Federal Tax definitions or calculations. When federal taxes change, it can produce a direct impact on the level of Utah tax collected. To mitigate these direct impacts to revenue collection Utah policy can sever the link to the federal tax system. Such policy changes have the potential to be costly, complicated, or confusing to taxpayers which could minimize or negate the revenue benefit from delinking from the federal tax system.

- **Disclaimer:** This report does not contain Tax Commission recommended policy changes; pursuant to law, it may contain options for mitigating impacts to state tax law.

	Enacted	Effective		Utah Taxes	Utah Fiscal Impact millions	Federal Tax	Utah or Federal Code Reference	Explanation / Federal Impact
		begin	end					
1.01	Feb 2009	Jan 2009	Dec 2010	Many	Indirect	Income	ARRA	Making Work Pay: \$116 billion - \$400 Single, \$800 MFJ, \$250 to Social Security or Veterans (phases out at \$75k and \$150k).
1.02	Feb 2009	Jan 2009	Dec 2009	Income	Small	Income	ARRA	AMT Patch: \$70 billion - Increases amount at which taxpayers are liable for AMT. May alter the calculation of income or the Utah taxpayer tax credit.
1.03	Feb 2009	Jan 2009	Dec 2009	Many	Indirect	Income	ARRA	First-Time Homebuyer Credit: \$6.6 billion - \$8,000 refundable tax credit, cancels repayment provisions (if house is owned for 3+ years).
1.04	Feb 2009	Feb 17 2009	Dec 31 2009	Income Sales	-\$1m ± \$500k +\$1m ± \$500k	Income	ARRA	Sales tax deduction for new cars: \$1.7 billion - Allows the sales tax from new car purchases to be added to the federal deduction. Alter taxpayer tax credit calculation to exclude such.
1.05	Feb 2009	Jan 2009	Dec 2009	Income	-\$2m ± \$500k	Income	ARRA	Reduce Taxable UI benefits: \$5 billion - The first \$2,400 of Unemployment Insurance benefits is not taxable (does not end up in Federal Adjusted Gross Income).
1.06	Feb 2009	Jan 2009	Dec 2010	Sales	Small	Income	ARRA	Energy Efficiency Credit: \$4 billion - 30% of the price of energy improvements up to \$1,500. Changes electric car credit, conversion kits, and treatment of some credits against the AMT.
1.07	Feb 2009	Jan 2009	Dec 2010	Many	Indirect	Income	ARRA	Enhanced Tax Credits: \$34 billion - expanded EITC, Tuition credits, Child Tax Credit
1.08	Feb 2009	Jan 2009	Dec 2010	Many	Indirect	Income	ARRA	Health Coverage Credits: \$25 billion - 65% to 80% of health insurance premiums. Implements 65% COBRA subsidy.
1.09	Feb 2009	Jan 2009	Dec 2010	Corporate Income	Indirect -\$2m ± \$500k	Corporate	ARRA	Loss Carry Backs: \$15 billion - Allows loss to be applied to prior year profits and taxes.
1.10	Feb 2009	Jan 2012		Many	Indirect	Corporate Withholding	ARRA	Government Contracting: \$11 billion - 3% upfront withholding of contractor payments.
1.11	Feb 2009	Jan 2009	Dec 2009	Corporate Future	-\$5m ± \$2m +\$5m ± \$2m	Corporate	ARRA	Bonus Depreciation: \$5 billion - Allows companies to depreciate assets faster.
1.12	Feb 2009	Jan 2009	Dec 2018	Many	Indirect	Corporate Income	ARRA	Other: \$20 billion - Repeal of bank credit, reduced estimated payments, defer CODI, S Corp conversion nontaxable capital gains, Work Opportunity credit (40% of first \$6,000) for hiring certain workers, expanded energy credits