

Senator John D. Johnson proposes the following substitute bill:

INDEPENDENT CONTRACTOR BENEFITS TAX CREDIT

AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John D. Johnson

House Sponsor: _____

LONG TITLE

General Description:

This bill enacts an income tax credit for the purchase of insurance benefits.

Highlighted Provisions:

This bill:

▶ enacts a nonrefundable income tax credit for:

• a hiring party that contributes to the purchase of a portable benefit plan or other insurance benefits on behalf of an independent contractor; and

• an independent contractor that pays for a portable benefit plan or other insurance benefits out of pocket; and

▶ provides for apportionment of the income tax credit.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-10-1002.2, as last amended by Laws of Utah 2023, Chapters 460, 462



26 ENACTS:

27 [59-7-627](#), Utah Code Annotated 1953

28 [59-10-1048](#), Utah Code Annotated 1953

29

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

31 Section 1. Section [59-7-627](#) is enacted to read:

32 **[59-7-627](#). Nonrefundable tax credit for purchase of insurance benefits.**

33 (1) As used in this section:

34 (a) "Contribution" means an amount, up to \$2,000, paid to:

35 (i) a portable benefit plan; or

36 (ii) an independent contractor to purchase a portable benefit plan or an insurance

37 product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security

38 Act.

39 (b) "Hiring party" means the same as that term is defined in Section [34-57-101](#).

40 (c) "Independent contractor" means the same as that term is defined in Section

41 [34A-2-103](#).

42 (d) (i) "Payment" means an amount, up to \$2,000, paid to purchase a portable benefit

43 plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4,

44 Employment Security Act.

45 (ii) "Payment" does not include an amount that is a contribution.

46 (e) "Portable benefit plan" means the same as that term is defined in Section

47 [34-57-101](#).

48 (f) "Qualifying hiring party" means a taxpayer that:

49 (i) is a hiring party; and

50 (ii) has a written agreement with an independent contractor to make a contribution in

51 an amount stated in the agreement.

52 (2) (a) A qualifying hiring party may claim a nonrefundable tax credit equal to the

53 percentage listed in Subsection [59-7-104](#)(2) multiplied by the amount of a contribution the

54 qualifying hiring party made during the taxable year.

55 (b) A qualifying hiring party may not claim a tax credit described in this Subsection (2)

56 to the extent that the qualifying hiring party:

57 (i) claims a business expense deduction for the contribution on the qualifying hiring
58 party's federal income tax return for that taxable year; or

59 (ii) makes the contribution with income that is not subject to federal income tax.

60 (3) (a) A taxpayer that is an independent contractor may claim a nonrefundable tax
61 credit equal to the percentage listed in Subsection 59-7-104(2) multiplied by the amount of a
62 payment the independent contractor made during the taxable year.

63 (b) An independent contractor may not claim a tax credit described in this Subsection
64 (3) to the extent that the independent contractor makes the payment with income that is not
65 subject to federal income tax.

66 (4) A qualifying hiring party or an independent contractor may not carry forward or
67 carry back the amount of the tax credit that exceeds tax liability.

68 Section 2. Section **59-10-1002.2** is amended to read:

69 **59-10-1002.2. Apportionment of tax credits.**

70 (1) A nonresident individual or a part-year resident individual that claims a tax credit
71 in accordance with Section 59-10-1017, 59-10-1018, 59-10-1019, 59-10-1022, 59-10-1023,
72 59-10-1024, 59-10-1028, 59-10-1042, 59-10-1043, 59-10-1044, 59-10-1046, [or] 59-10-1047,
73 or 59-10-1048 may only claim an apportioned amount of the tax credit equal to:

74 (a) for a nonresident individual, the product of:

75 (i) the state income tax percentage for the nonresident individual; and

76 (ii) the amount of the tax credit that the nonresident individual would have been
77 allowed to claim but for the apportionment requirements of this section; or

78 (b) for a part-year resident individual, the product of:

79 (i) the state income tax percentage for the part-year resident individual; and

80 (ii) the amount of the tax credit that the part-year resident individual would have been
81 allowed to claim but for the apportionment requirements of this section.

82 (2) A nonresident estate or trust that claims a tax credit in accordance with Section
83 59-10-1017, 59-10-1020, 59-10-1022, 59-10-1024, [or] 59-10-1028, or 59-10-1048 may only
84 claim an apportioned amount of the tax credit equal to the product of:

85 (a) the state income tax percentage for the nonresident estate or trust; and

86 (b) the amount of the tax credit that the nonresident estate or trust would have been
87 allowed to claim but for the apportionment requirements of this section.

88 Section 3. Section **59-10-1048** is enacted to read:

89 **59-10-1048. Nonrefundable tax credit for purchase of insurance benefits.**

90 (1) As used in this section:

91 (a) "Contribution" means an amount, up to \$2,000, paid to:

92 (i) a portable benefit plan; or

93 (ii) an independent contractor to purchase a portable benefit plan or an insurance

94 product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4, Employment Security

95 Act.

96 (b) "Hiring party" means the same as that term is defined in Section 34-57-101.

97 (c) "Independent contractor" means the same as that term is defined in Section

98 34A-2-103.

99 (d) (i) "Payment" means an amount, up to \$2,000, paid to purchase a portable benefit
100 plan or an insurance product regulated by Title 31A, Insurance Code, or Title 35A, Chapter 4,
101 Employment Security Act.

102 (ii) "Payment" does not include an amount that is a contribution.

103 (e) "Portable benefit plan" means the same as that term is defined in Section

104 34-57-101.

105 (f) "Qualifying hiring party" means a claimant, estate, or trust that:

106 (i) is a hiring party; and

107 (ii) has a written agreement with an independent contractor to make a contribution in
108 an amount stated in the agreement.

109 (2) (a) Subject to Section 59-10-1002.2, a qualifying hiring party may claim a
110 nonrefundable tax credit equal to the percentage listed in Subsection 59-10-104(2)(b)
111 multiplied by the amount of a contribution the qualifying hiring party made during the taxable
112 year.

113 (b) A qualifying hiring party may not claim a credit described in this Subsection (2) to
114 the extent that the qualifying hiring party:

115 (i) claims a business expense deduction for the contribution on the qualifying hiring
116 party's federal income tax return for that taxable year; or

117 (ii) makes the contribution with income that is not subject to federal income tax.

118 (3) (a) Subject to Section 59-10-1002.2, a claimant, estate, or trust that is an

119 independent contractor may claim a nonrefundable tax credit equal to the percentage listed in
120 Subsection 59-10-104(2)(b) multiplied by the amount of a payment the independent contractor
121 made during the taxable year.

122 (b) An independent contractor may not claim a credit described in this Subsection (3)
123 to the extent that the independent contractor makes the payment with income that is not subject
124 to federal income tax.

125 (4) A qualifying hiring party or an independent contractor may not carry forward or
126 carry back the amount of the tax credit that exceeds tax liability.

127 **Section 4. Effective date.**

128 This bill takes effect for a taxable year beginning on or after January 1, 2025.