



Utah Educational  
Savings Plan®

**UESP – Summary of 2<sup>nd</sup> Substitute House Bill 36**  
**“Income Tax Additions and Subtractions for Higher Education Savings”**  
<http://le.utah.gov/~2007/htmldoc/hbillhtm/HB0036S02.htm>  
**2007 General Session**

**The provisions in the bill are now effective as the bill contained a retroactive effective date of January 1, 2007.**

**For INDIVIDUALS, TRUSTS and CORPORATIONS, the bill:**

- Clearly requires that if a withdrawal is not used for qualified higher education expenses, any previously taken deduction or credit must be added back to income.

**For INDIVIDUALS, the bill:**

- Keeps the tax deduction for individual filers who use the “traditional” tax method. Allows a tax credit for individual filers who use the “single-rate” tax method.
- Married couples who file a joint Utah individual income tax return will not need to own separate accounts for the same beneficiary for the married couple to claim the full Utah state income tax deduction or credit.
- Non-residents and part year residents may only take the credit proportional to their Utah income.

**The tax deduction for individual tax filers using the “traditional” method:**

The 2007 deduction is up to \$1,620 in contributions per beneficiary. This amount is doubled to \$3,240 for married couples who file a joint income tax return.

**The tax credit for individual tax filers using the “single-rate” method:**

The 2007 credit is up to \$1,620 in contributions per beneficiary multiplied by 5.35% = \$87 per beneficiary. The maximum per beneficiary credit amount is \$173 for married couples who file a joint income tax return.

The credit does not phase out based on the taxpayer’s income.

**For TRUSTS, the bill:**

- Allows a deduction for estates and trusts, including a deduction for 2006 contributions that may be claimed on the 2007 tax return. (UESP will include the 2006 amount on the 2007 TC-675H form in January 2008.)
- The 2007 deduction is up to \$1,620 in contributions per beneficiary.

**For CORPORATIONS, the bill:**

- Corporations retain the deduction.
- The 2007 deduction is up to \$1,620 in contributions per beneficiary.