



## Specific detail of a tax credit incentive for rural Utah

The Southeast Utah Community Development Corporation (SUCDC) is a non-profit Utah corporation and has 501 c (3) designation from the Internal Revenue Service. The first page of the IRS letter is attached for your reference. This allows donations to SUCDC to be tax deductible on federal and state taxes.

Carbon County is also designated an 'enterprise zone' under Utah law. In Utah Code Section 63-38f-413, an approved non-profit corporation offers a 50% state income tax credit incentive for rural areas of the state. The section reads,

**Section 63-38f-413 State tax credits.**

- 1- Subject to the limitations of Subsections (2) through (4), the following state tax credits against individual income taxes or corporate franchise and income taxes are applicable in an enterprise zone: . . .
  - (e) a credit of 50% of the value of a cash contribution to a private nonprofit corporation, except that the credit claimed may not exceed \$100,000;
  - (i) that is exempt from federal income taxation under Section 501(c)(3), Internal Revenue Code;
  - (ii) whose primary purpose is community and economic development; and
  - (iii) that has been accredited by the board of directors of the Utah Rural Development Council;

Southeast Utah Community Development Corporation meets the requirements in (i) – (iii). A copy of the accreditation letter from the Utah Rural Development Council is also attached.

The “. . . limitations of Subsections (2) through (4)” noted above follow. Subsection 2 only pertains to paragraphs a through d and not applicable to paragraph e, quoted above.

Paragraph 3 of the section allows the credit carried forward for three years. It reads,

- (3) If the amount of a tax credit under this section exceeds a business entity's tax liability under this chapter for a taxable year, the amount of the credit exceeding the liability may be carried forward for a period that does not exceed the next three taxable years.

Subsection 4 deals with businesses and counties before 1/1/1998 and is not applicable.

Sections 5 and 6 do add two other minor limitations. They are quoted below.

- (5) The tax credits under Subsections (1)(a) through (g) may not be claimed by a business engaged in retail trade or by a public utilities business.
- (6) A business may not claim or carry forward a tax credit available under this part for a taxable year during which the business has claimed the targeted business income tax credit available under Section 63-38f-503.

This non-refundable Utah State Income tax credit is entered as Code 07 on Schedule A, line 16 of TC-20 for Utah Corporations, or Part 2, Credit Type 07 on TC-20S for Utah S Corporations, or line 34 of TC-40, the Utah Individual Income Tax form.

**Trustees**

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