

# HB0587S01 compared with HB0587

~~{Omitted text}~~ shows text that was in HB0587 but was omitted in HB0587S01

inserted text shows text that was not in HB0587 but was inserted into HB0587S01

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**Income Tax Amendments**  
2026 GENERAL SESSION  
STATE OF UTAH  
**Chief Sponsor: Steve Eliason**  
Senate Sponsor:



2

3 **LONG TITLE**

4 **General Description:**

5 This bill modifies income tax provisions.

6 **Highlighted Provisions:**

7 This bill:

- 8 ▶ amends the corporate franchise and income tax rates;
- 9 ▶ amends the individual income tax rate;
- 10 ▶ creates an addition for domestic research and experimental expenditures that a taxpayer fully deducts on the federal tax return for a taxable year; and
- 12 ▶ authorizes a taxpayer that adds back domestic research and experimental expenditures to subtract those expenditures according to an amortization schedule on the state tax return.

14 **Money Appropriated in this Bill:**

- 15 ▶ **This bill appropriates (\$88,461,800) in capital project funds for fiscal year 2027, all of**
- 16 **which is from the Income Tax Fund.**

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17 **Other Special Clauses:**

18 This bill provides retrospective operation.

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19 **Utah Code Sections Affected:**

20 AMENDS:

21 **59-7-104** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, Chapter 407

23 **59-7-105** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, First Special Session, Chapter 9

25 **59-7-106** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, First Special Session, Chapter 9

27 **59-7-201** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, Chapter 407

29 **59-10-104** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, Chapter 407

31 **59-10-114** (Effective 05/06/26) (Applies beginning 01/01/26), as last amended by Laws of Utah  
2025, First Special Session, Chapter 9

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

35 Section 1. Section **59-7-104** is amended to read:

36 **59-7-104.** (Effective 05/06/26) (Applies beginning 01/01/26) **Tax -- Minimum tax.**

30 (1) Each domestic and foreign corporation, except a corporation that is exempt under Section 59-7-102,  
shall pay an annual tax to the state based on the corporation's Utah taxable income for the taxable  
year for the privilege of exercising the corporation's corporate franchise or for the privilege of doing  
business in the state.

34 (2) The tax shall be [4.5] 4.45% of a corporation's Utah taxable income.

35 (3) The minimum tax a corporation shall pay under this chapter is \$100.

43 Section 2. Section **59-7-105** is amended to read:

44 **59-7-105.** (Effective 05/06/26) (Applies beginning 01/01/26) **Additions to unadjusted income.**

In computing adjusted income the following amounts shall be added to unadjusted  
income:

40 (1) interest from bonds, notes, and other evidences of indebtedness issued by any state of the United  
States, including any agency and instrumentality of a state of the United States;

43 (2) the amount of any deduction taken on a corporation's federal return for taxes paid by a corporation:

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- 45 (a) to Utah for taxes imposed by this chapter; and
- 46 (b) to another state of the United States, a foreign country, a United States possession, or the  
Commonwealth of Puerto Rico for taxes imposed for the privilege of doing business, or exercising  
its corporate franchise, including income, franchise, corporate stock and business and occupation  
taxes;
- 50 (3) the safe harbor lease adjustment required under Subsections 59-7-111(1)(a) and (2)(a);
- 51 (4) capital losses that have been deducted on a Utah corporate return in previous years;
- 52 (5) any deduction on the federal return that has been previously deducted on the Utah return;
- 53 (6) charitable contributions, to the extent deducted on the federal return when determining federal  
taxable income;
- 55 (7) the amount of gain or loss determined under Section 59-7-114 relating to a target corporation under  
Section 338, Internal Revenue Code, unless such gain or loss has already been included in the  
unadjusted income of the target corporation;
- 58 (8) the amount of gain or loss determined under Section 59-7-115 relating to [~~corporations~~] a  
corporation treated for federal purposes as having disposed of [~~its~~] the corporation's assets under  
Section 336(e), Internal Revenue Code, unless such gain or loss has already been included in the  
unadjusted income of the target corporation;
- 62 (9) adjustments to gains, losses, depreciation expense, amortization expense, and similar items due to a  
difference between basis for federal purposes and basis as computed under Section 59-7-107;
- 65 (10) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from the account of  
a corporation that is an account owner as defined in Section 53H-10-101, for the taxable year for  
which the amount is withdrawn, if that amount withdrawn from the account of the corporation that  
is the account owner:
- 69 (a) is not expended for:
- 70 (i) higher education costs as defined in Section 53H-10-201; or
- 71 (ii) a payment or distribution that qualifies as an exception to the additional tax for distributions not  
used for educational expenses provided in Sections 529(c) and 530(d), Internal Revenue Code; and
- 74 (b) is subtracted by the corporation:
- 75 (i) that is the account owner; and
- 76 (ii) in accordance with Subsection 59-7-106(1)(r);

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(11) the amount of the deduction for dividends paid, as defined in Section 561, Internal Revenue Code, that is allowed under Section 857(b)(2)(B), Internal Revenue Code, in computing the taxable income of a captive real estate investment trust, if that captive real estate investment trust is subject to federal income taxation;[~~and~~]

81 (12) any deduction on a return filed under this chapter for a royalty or other expense that a corporation pays to an entity related by common ownership for the use of an intangible asset where the intangible asset is owned by the entity related by common ownership unless the corporation can demonstrate to the satisfaction of the commission or a court on judicial review in accordance with Section 59-1-602 or Title 63G, Chapter 4, Part 4, Judicial Review, that:

87 (a) for the same taxable year, the entity related by common ownership is subject to income taxes on the royalty or other expense:

89 (i) under this chapter;

90 (ii) under the laws of another state; or

91 (iii) by a foreign government that has in force an income tax treaty with the United States; or

93 (b) if Subsection (12)(a) does not apply, the corporation paying the royalty or other expenses never owned the intangible asset[-] ; and

95 (13) unless the taxpayer made the election described in Subsection 174A(c)(1), Internal Revenue Code, the amount of domestic research and experimental expenditures that the taxpayer deducted on the federal income tax return in accordance with Section 174A(a), Internal Revenue Code, for the taxable year.

107 Section 3. Section **59-7-106** is amended to read:

108 **59-7-106. (Effective 05/06/26) (Applies beginning 01/01/26)Subtractions from unadjusted income.**

101 (1) In computing adjusted income, the following amounts shall be subtracted from unadjusted income:

103 (a) the foreign dividend gross-up included in gross income for federal income tax purposes under Section 78, Internal Revenue Code;

105 (b) subject to Subsection (2), the net capital loss, as defined for federal purposes, if the taxpayer elects to deduct the net capital loss on the return filed under this chapter for the taxable year for which the net capital loss is incurred;

108 (c) the decrease in salary expense deduction for federal income tax purposes due to claiming the federal work opportunity credit under Section 51, Internal Revenue Code;

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- 111 (d) the decrease in qualified research and basic research expense deduction for federal income tax  
purposes due to claiming the federal credit for increasing research activities under Section 41,  
Internal Revenue Code;
- 114 (e) the decrease in qualified clinical testing expense deduction for federal income tax purposes due  
to claiming the federal credit for clinical testing expenses for certain drugs for rare diseases or  
conditions under Section 45C, Internal Revenue Code;
- 117 (f) any decrease in any expense deduction for federal income tax purposes due to claiming any other  
federal credit;
- 119 (g) the safe harbor lease adjustment required under Subsections 59-7-111(1)(b) and (2)(b);
- 121 (h) any income on the federal corporation income tax return that has been previously taxed by Utah;
- 123 (i) an amount included in federal taxable income that is due to a refund of a tax, including a franchise  
tax, an income tax, a corporate stock and business tax, or an occupation tax:
- 126 (i) if that tax is imposed for the privilege of:
- 127 (A) doing business; or
- 128 (B) exercising a corporate franchise;
- 129 (ii) if that tax is paid by the corporation to:
- 130 (A) Utah;
- 131 (B) another state of the United States;
- 132 (C) a foreign country;
- 133 (D) a United States possession; or
- 134 (E) the Commonwealth of Puerto Rico; and
- 135 (iii) to the extent that tax was added to unadjusted income under Section 59-7-105;
- 136 (j) a charitable contribution, to the extent the charitable contribution is allowed as a subtraction under  
Section 59-7-109;
- 138 (k) subject to Subsection (3), 50% of a dividend considered to be received or received from a subsidiary  
that:
- 140 (i) is a member of the unitary group;
- 141 (ii) is organized or incorporated outside of the United States; and
- 142 (iii) is not included in a combined report under Section 59-7-402 or 59-7-403;
- 143 (l) subject to Subsection (4) and Section 59-7-401, 50% of the adjusted income of a foreign operating  
company;

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- 145 (m) the amount of gain or loss that is included in unadjusted income but not recognized for federal  
purposes on stock sold or exchanged by a member of a selling consolidated group as defined in  
Section 338, Internal Revenue Code, if an election has been made in accordance with Section 338(h)  
(10), Internal Revenue Code;
- 149 (n) the amount of gain or loss that is included in unadjusted income but not recognized for federal  
purposes on stock sold, exchanged, or distributed by a corporation in accordance with Section  
336(e), Internal Revenue Code, if an election under Section 336(e), Internal Revenue Code, has  
been made for federal purposes;
- 153 (o) subject to Subsection (5), an adjustment to the following due to a difference between basis for  
federal purposes and basis as computed under Section 59-7-107:
- 155 (i) an amortization expense;
- 156 (ii) a depreciation expense;
- 157 (iii) a gain;
- 158 (iv) a loss; or
- 159 (v) an item similar to Subsections (1)(o)(i) through (iv);
- 160 (p) an interest expense that is not deducted on a federal corporation income tax return under Section  
265(b) or 291(e), Internal Revenue Code;
- 162 (q) 100% of dividends received from a subsidiary that is an insurance company if that subsidiary that is  
an insurance company is:
- 164 (i) exempt from this chapter under Subsection 59-7-102(1)(c); and
- 165 (ii) under common ownership;
- 166 (r) subject to Subsection 59-7-105(10), for a corporation that is an account owner as defined in Section  
53H-10-101, the amount of a qualified investment as defined in Section 53H-10-201:
- 169 (i) that the corporation or a person other than the corporation makes into an account owned by the  
corporation during the taxable year;
- 171 (ii) to the extent that neither the corporation nor the person other than the corporation described in  
Subsection (1)(r)(i) deducts the qualified investment on a federal income tax return; and
- 174 (iii) to the extent the qualified investment does not exceed the maximum amount of the qualified  
investment that may be subtracted from unadjusted income for a taxable year in accordance with  
Subsection 53H-10-205(1);

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- (s) for purposes of income included in a combined report under Part 4, Combined Reporting, the entire amount of the dividends a member of a unitary group receives or is considered to receive from a captive real estate investment trust;
- 180 (t) the increase in income for federal income tax purposes due to claiming a:
- 181 (i) qualified tax credit bond credit under Section 54A, Internal Revenue Code; or
- 182 (ii) qualified zone academy bond under Section 1397E, Internal Revenue Code;
- 183 [~~(u) for a taxable year beginning on or after January 1, 2019, but beginning on or before December 31, 2019, only;~~]
- 185 [~~(i) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, on the taxpayer's 2018 federal income tax return; plus]~~
- 188 [~~(ii) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the taxable year; and]~~
- 191 [~~(v)~~] (u) [~~for a taxable year beginning on or after January 1, 2020,~~] the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the taxable year[-] ; and
- 195 (v) if the taxpayer added domestic research and experimental expenditures in accordance with Subsection 59-7-105(13), the amount of domestic research and experimental expenditures, as that term is defined in Section 174A(a), Internal Revenue Code, for the taxable year that the taxpayer may subtract according to the amortization schedule described in Subsection (6).
- 200 (2) For purposes of Subsection (1)(b):
- 201 (a) the subtraction shall be made by claiming the subtraction on a return filed:
- 202 (i) under this chapter for the taxable year for which the net capital loss is incurred; and
- 203 (ii) by the due date of the return, including extensions; and
- 204 (b) a net capital loss for a taxable year shall be:
- 205 (i) subtracted for the taxable year for which the net capital loss is incurred; or
- 206 (ii) carried forward as provided in Sections 1212(a)(1)(B) and (C), Internal Revenue Code.
- 208 (3)

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- (a) For purposes of calculating the subtraction provided for in Subsection (1)(k), a taxpayer shall first subtract from a dividend considered to be received or received an expense directly attributable to that dividend.
- 211 (b) For purposes of Subsection (3)(a), the amount of an interest expense that is considered to be directly  
attributable to a dividend is calculated by multiplying the interest expense by a fraction:
- 214 (i) the numerator of which is the taxpayer's average investment in the dividend paying subsidiaries; and  
216 (ii) the denominator of which is the taxpayer's average total investment in assets.
- 217 (c)
- (i) For purposes of calculating the subtraction allowed by Subsection (1)(k), in determining income apportionable to this state, a portion of the factors of a foreign subsidiary that has dividends that are partially subtracted under Subsection (1)(k) shall be included in the combined report factors as provided in this Subsection (3)(c).
- 222 (ii) For purposes of Subsection (3)(c)(i), the portion of the factors of a foreign subsidiary that has dividends that are partially subtracted under Subsection (1)(k) that shall be included in the combined report factors is calculated by multiplying each factor of the foreign subsidiary by a fraction:
- 226 (A) not to exceed 100%; and  
227 (B)
- (I) the numerator of which is the amount of the dividend paid by the foreign subsidiary that is included in adjusted income; and
- 229 (II) the denominator of which is the current year earnings and profits of the foreign subsidiary as determined under the Internal Revenue Code.
- 231 (d) A dividend described in Subsection (1)(k) includes amounts included in federal taxable income under Section 965(a), Internal Revenue Code and amounts included in federal taxable income under Section 951A, Internal Revenue Code.
- 234 (4)
- (a) For purposes of Subsection (1)(l), a taxpayer may not make a subtraction under Subsection (1)(l):
- 236 (i) if the taxpayer elects to file a worldwide combined report as provided in Section 59-7-403; or  
238 (ii) for the following:
- 239 (A) income generated from intangible property; or  
240 (B) a capital gain, dividend, interest, rent, royalty, or other similar item that is generated from an asset held for investment and not from a regular business trading activity.

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- 243 (b) In calculating the subtraction provided for in Subsection (1)(l), a foreign operating company:  
245 (i) may not subtract an amount provided for in Subsection (1)(k) or (l); and  
246 (ii) prior to determining the subtraction under Subsection (1)(l), shall eliminate a transaction that occurs  
between members of a unitary group.
- 248 (c) For purposes of the subtraction provided for in Subsection (1)(l), in determining income  
apportionable to this state, the factors for a foreign operating company shall be included in the  
combined report factors in the same percentages as the foreign operating company's adjusted income  
is included in the combined adjusted income.
- 252 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission  
may by rule define what constitutes:
- 254 (i) income generated from intangible property; or  
255 (ii) a capital gain, dividend, interest, rent, royalty, or other similar item that is generated from an asset  
held for investment and not from a regular business trading activity.
- 258 (5)
- (a) For purposes of the subtraction provided for in Subsection (1)(o), the amount of a reduction in basis  
shall be allowed as an expense for the taxable year in which a federal tax credit is claimed if:
- 261 (i) there is a reduction in federal basis for a federal tax credit; and  
262 (ii) there is no corresponding tax credit allowed in this state.
- 263 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission  
may by rule define what constitutes an item similar to Subsections (1)(o)(i) through (iv).
- 266 (6)
- (a) Subject to Subsection (6)(b), a taxpayer may take an amortization subtraction for domestic research  
and experimental expenditures ratably over a sixty-month period beginning with the midpoint  
of the taxable year in which the taxpayer pays or incurs the domestic research and experimental  
expenditures.
- 270 (b) The combined amount of subtractions over the sixty-month period may not exceed the amount  
added in accordance with Subsection 59-7-105(13) for the same domestic research and experimental  
expenditures.
- 282 Section 4. Section **59-7-201** is amended to read:  
283 **59-7-201. (Effective 05/06/26) (Applies beginning 01/01/26)Tax -- Minimum tax.**  
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(1) There is imposed upon each corporation, except a corporation that is exempt under Section 59-7-102, a tax upon the corporation's Utah taxable income for the taxable year that is derived from sources within this state other than income for any period that the corporation is required to include in the corporation's tax base under Section 59-7-104.

279 (2) The tax imposed by Subsection (1) shall be [4.5] 4.45% of a corporation's Utah taxable income.

281 (3) In no case shall the tax be less than \$100.

291 Section 5. Section **59-10-104** is amended to read:

292 **59-10-104. (Effective 05/06/26) (Applies beginning 01/01/26)Tax basis -- Tax rate --**

### **Exemption.**

284 (1) A tax is imposed on the state taxable income of a resident individual as provided in this section.

286 (2) For purposes of Subsection (1), for a taxable year, the tax is an amount equal to the product of:

288 (a) the resident individual's state taxable income for that taxable year; and

289 ~~{(b) 4.45%.~~

290 ~~{(b) }[4.5] 4.45{%.}~~

291 (3) This section does not apply to a resident individual exempt from taxation under Section 59-10-104.1.

302 Section 6. Section **59-10-114** is amended to read:

303 **59-10-114. (Effective 05/06/26) (Applies beginning 01/01/26)Additions to and subtractions from adjusted gross income of an individual.**

296 (1) There shall be added to adjusted gross income of a resident or nonresident individual:

297 (a) a lump sum distribution that the taxpayer does not include in adjusted gross income on the taxpayer's federal individual income tax return for the taxable year;

299 (b) the amount of a child's income calculated under Subsection (4) that:

300 (i) a parent elects to report on the parent's federal individual income tax return for the taxable year; and

302 (ii) the parent does not include in adjusted gross income on the parent's federal individual income tax return for the taxable year;

304 (c)

(i) a withdrawal from a medical care savings account and any penalty imposed for the taxable year if:

306 (A) the resident or nonresident individual does not deduct the amounts on the resident or nonresident individual's federal individual income tax return under Section 220, Internal Revenue Code;

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- 309 (B) the withdrawal is subject to Subsections 31A-32a-105(1) and (2); and  
310 (C) the withdrawal is subtracted on, or used as the basis for claiming a tax credit on, a return the  
resident or nonresident individual files under this chapter;
- 312 (ii) a disbursement required to be added to adjusted gross income in accordance with Subsection  
31A-32a-105(3); or  
314 (iii) an amount required to be added to adjusted gross income in accordance with Subsection  
31A-32a-105(5)(c);
- 316 (d) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from the account of  
a resident or nonresident individual who is an account owner as defined in Section 53H-10-101, for  
the taxable year for which the amount is withdrawn, if that amount withdrawn from the account of  
the resident or nonresident individual who is the account owner:
- 321 (i) is not expended for:
- 322 (A) higher education costs as defined in Section 53H-10-201; or  
323 (B) a payment or distribution that qualifies as an exception to the additional tax for distributions not  
used for educational expenses provided in Sections 529(c) and 530(d), Internal Revenue Code; and  
326 (ii) is:
- 327 (A) subtracted by the resident or nonresident individual:
- 328 (I) who is the account owner; and  
329 (II) on the resident or nonresident individual's return filed under this chapter for a taxable year  
beginning on or before December 31, 2007; or
- 331 (B) used as the basis for the resident or nonresident individual who is the account owner to claim a tax  
credit under Section 59-10-1017;
- 333 (e) except as provided in Subsection (5), for bonds, notes, and other evidences of indebtedness acquired  
on or after January 1, 2003, the interest from bonds, notes, and other evidences of indebtedness:
- 336 (i) issued by one or more of the following entities:
- 337 (A) a state other than this state;  
338 (B) the District of Columbia;  
339 (C) a political subdivision of a state other than this state; or  
340 (D) an agency or instrumentality of an entity described in Subsections (1)(e)(i)(A) through (C); and  
342 (ii) to the extent the interest is not included in adjusted gross income on the taxpayer's federal income  
tax return for the taxable year;

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- 344 (f) subject to Subsection (2)(c), any distribution received by a resident beneficiary of a resident trust  
of income that was taxed at the trust level for federal tax purposes, but was subtracted from state  
taxable income of the trust pursuant to Subsection 59-10-202(2)(b);
- 348 (g) any distribution received by a resident beneficiary of a nonresident trust of undistributed  
distributable net income realized by the trust on or after January 1, 2004, if that undistributed  
distributable net income was taxed at the trust level for federal tax purposes, but was not taxed at the  
trust level by any state, with undistributed distributable net income considered to be distributed from  
the most recently accumulated undistributed distributable net income;
- 354 (h) any adoption expense:
- 355 (i) for which a resident or nonresident individual receives reimbursement from another person; and
- 357 (ii) to the extent to which the resident or nonresident individual subtracts that adoption expense:
- 359 (A) on a return filed under this chapter for a taxable year beginning on or before December 31, 2007; or
- 361 (B) from federal taxable income on a federal individual income tax return;
- 362 (i) the amount of tax paid on income attributed to the individual in accordance with Subsection  
59-10-1403.2(2) that is not included in adjusted gross income; and
- 364 (j) the amount of tax paid:
- 365 (i) on income attributed to the individual and taxable in this state, that is not included in adjusted gross  
income;
- 367 (ii) to another state; and
- 368 (iii) that the commission determines is substantially similar to the tax imposed under Subsection  
59-10-1403.2(2)[-] ; and
- 370 (k) unless the resident or nonresident individual made the election described in Subsection 174A(c)  
(1), Internal Revenue Code, the amount of domestic research and experimental expenditures for the  
taxable year that the resident or nonresident individual deducted on the federal income tax return in  
accordance with Section 174, Internal Revenue Code.
- 375 (2) There shall be subtracted from adjusted gross income of a resident or nonresident individual:
- 377 (a) the difference between:
- 378 (i) the interest or a dividend on an obligation or security of the United States or an authority,  
commission, instrumentality, or possession of the United States, to the extent that interest or  
dividend is:
- 381 (A) included in adjusted gross income for federal income tax purposes for the taxable year; and

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- 383 (B) exempt from state income taxes under the laws of the United States; and  
384 (ii) any interest on indebtedness incurred or continued to purchase or carry the obligation or security  
described in Subsection (2)(a)(i);
- 386 (b) if the conditions of Subsection (3)(a) are met, the amount of income derived by a Ute tribal member:  
388 (i) during a time period that the Ute tribal member resides on homesteaded land diminished from the  
Uintah and Ouray Reservation; and
- 390 (ii) from a source within the Uintah and Ouray Reservation;
- 391 (c) an amount received by a resident or nonresident individual or distribution received by a resident or  
nonresident beneficiary of a resident trust:
- 393 (i) if that amount or distribution constitutes a refund of taxes imposed by:  
394 (A) a state; or  
395 (B) the District of Columbia; and
- 396 (ii) to the extent that amount or distribution is included in adjusted gross income for that taxable year  
on the federal individual income tax return of the resident or nonresident individual or resident or  
nonresident beneficiary of a resident trust;
- 399 (d) the amount of a railroad retirement benefit:  
400 (i) paid:  
401 (A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec. 231 et seq.;
- 403 (B) to a resident or nonresident individual; and  
404 (C) for the taxable year; and
- 405 (ii) to the extent that railroad retirement benefit is included in adjusted gross income on that resident or  
nonresident individual's federal individual income tax return for that taxable year;
- 408 (e) an amount:  
409 (i) received by an enrolled member of an American Indian tribe; and  
410 (ii) to the extent that the state is not authorized or permitted to impose a tax under this part on that  
amount in accordance with:
- 412 (A) federal law;  
413 (B) a treaty; or  
414 (C) a final decision issued by a court of competent jurisdiction;
- 415 (f) an amount received:  
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- (i) for the interest on a bond, note, or other obligation issued by an entity for which state statute provides an exemption of interest on its bonds from state individual income tax;
- 419 (ii) by a resident or nonresident individual;
- 420 (iii) for the taxable year; and
- 421 (iv) to the extent the amount is included in adjusted gross income on the taxpayer's federal income tax return for the taxable year;
- 423 (g) the amount of all income, including income apportioned to another state, of a nonmilitary spouse of an active duty military member if:
- 425 (i) both the nonmilitary spouse and the active duty military member are nonresident individuals;
- 427 (ii) the active duty military member is stationed in Utah;
- 428 (iii) the nonmilitary spouse is subject to the residency provisions of 50 U.S.C. Sec. 4001(a)(2); and
- 430 (iv) the income is included in adjusted gross income for federal income tax purposes for the taxable year;
- 432 (h) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for federal income tax purposes under Section 162(r), Internal Revenue Code, for the taxable year;
- 435 (i) an amount of a distribution from a qualified retirement plan under Section 401(a), Internal Revenue Code, if:
- 437 (i) the amount of the distribution is included in adjusted gross income on the resident or nonresident individual's federal individual income tax return for the taxable year; and
- 440 (ii) for the taxable year when the amount of the distribution was contributed to the qualified retirement plan, the amount of the distribution:
- 442 (A) was not included in adjusted gross income on the resident or nonresident individual's federal individual income tax return for the taxable year; and
- 444 (B) was taxed by another state of the United States, the District of Columbia, or a possession of the United States; and
- 446 (j) the amount of any repayment in the current taxable year of social security income received in a previous taxable year if:
- 448 (i) the individual claimed a credit for the repayment on the individual's federal individual income tax return for the current taxable year; and
- 450 (ii) the individual did not claim a tax credit under Section 59-10-1042 for the taxable year in which the individual received the social security income[-] ; and

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- 452 (k) if the resident or nonresident individual added domestic research and experimental expenditures in  
accordance with Subsection (1)(k), the amount of domestic research and experimental expenditures,  
as that term is defined in Section 174A, Internal Revenue Code, for the taxable year that the  
resident or nonresident individual may subtract according to the amortization schedule described in  
Subsection (6).
- 457 (3)
- (a) A subtraction for an amount described in Subsection (2)(b) is allowed only if:
- 458 (i) the taxpayer is a Ute tribal member; and
- 459 (ii) the governor and the Ute tribe execute and maintain an agreement meeting the requirements of  
this Subsection (3).
- 461 (b) The agreement described in Subsection (3)(a):
- 462 (i) may not:
- 463 (A) authorize the state to impose a tax in addition to a tax imposed under this chapter;
- 465 (B) provide a subtraction under this section greater than or different from the subtraction described in  
Subsection (2)(b); or
- 467 (C) affect the power of the state to establish rates of taxation; and
- 468 (ii) shall:
- 469 (A) provide for the implementation of the subtraction described in Subsection (2)(b);
- 471 (B) be in writing;
- 472 (C) be signed by:
- 473 (I) the governor; and
- 474 (II) the chair of the Business Committee of the Ute tribe;
- 475 (D) be conditioned on obtaining any approval required by federal law; and
- 476 (E) state the effective date of the agreement.
- 477 (c)
- (i) The governor shall report to the commission by no later than February 1 of each year regarding  
whether or not an agreement meeting the requirements of this Subsection (3) is in effect.
- 480 (ii) If an agreement meeting the requirements of this Subsection (3) is terminated, the subtraction  
permitted under Subsection (2)(b) is not allowed for taxable years beginning on or after the January  
1 following the termination of the agreement.

483

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- (d) For purposes of Subsection (2)(b) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:
- 485 (i) for determining whether income is derived from a source within the Uintah and Ouray Reservation;  
and
- 487 (ii) that are substantially similar to how adjusted gross income derived from Utah sources is determined  
under Section 59-10-117.
- 489 (4)
- (a) For purposes of this Subsection (4), "Form 8814" means:
- 490 (i) the federal individual income tax Form 8814, Parents' Election To Report Child's Interest and  
Dividends; or
- 492 (ii)
- (A) a form designated by the commission in accordance with Subsection (4)(a)(ii)(B) as being  
substantially similar to 2000 Form 8814 if for purposes of federal individual income taxes the  
information contained on 2000 Form 8814 is reported on a form other than Form 8814; and
- 496 (B) for purposes of Subsection (4)(a)(ii)(A) and in accordance with Title 63G, Chapter 3, Utah  
Administrative Rulemaking Act, the commission may make rules designating a form as being  
substantially similar to 2000 Form 8814 if for purposes of federal individual income taxes the  
information contained on 2000 Form 8814 is reported on a form other than Form 8814.
- 501 (b) The amount of a child's income added to adjusted gross income under Subsection (1)(b) is equal to  
the difference between:
- 503 (i) the lesser of:
- 504 (A) the base amount specified on Form 8814; and
- 505 (B) the sum of the following reported on Form 8814:
- 506 (I) the child's taxable interest;
- 507 (II) the child's ordinary dividends; and
- 508 (III) the child's capital gain distributions; and
- 509 (ii) the amount not taxed that is specified on Form 8814.
- 510 (5) Notwithstanding Subsection (1)(e), interest from bonds, notes, and other evidences of indebtedness  
issued by an entity described in Subsections (1)(e)(i)(A) through (D) may not be added to adjusted  
gross income of a resident or nonresident individual if, as annually determined by the commission:
- 514

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- (a) for an entity described in Subsection (1)(e)(i)(A) or (B), the entity and all of the political subdivisions, agencies, or instrumentalities of the entity do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state; or
- 518 (b) for an entity described in Subsection (1)(e)(i)(C) or (D), the following do not impose a tax based on income on any part of the bonds, notes, and other evidences of indebtedness of this state:
- 521 (i) the entity; or
- 522 (ii)
- (A) the state in which the entity is located; or
- 523 (B) the District of Columbia, if the entity is located within the District of Columbia.
- 525 (6)
- (a) Subject to Subsection (6)(b), a resident or nonresident individual may take an amortization subtraction for domestic research and experimental expenditures ratably over a sixty-month period beginning with the midpoint of the taxable year in which the resident or nonresident individual pays or incurs the domestic research and experimental expenditures.
- 530 (b) The combined amount of subtractions over the sixty-month period may not exceed the amount added in accordance with Subsection (1)(k) for the same domestic research and experimental expenditures.

### 542 Section . **FY 2027 Appropriations.**

543 The following sums of money are appropriated for the fiscal year beginning July 1,  
544 2026, and ending June 30, 2027. These are additions to amounts previously appropriated for  
545 fiscal year 2027.

#### 546 Subsection 7(a). **Capital Project Funds**

547 The Legislature has reviewed the following capital project funds. The Legislature  
548 authorizes the State Division of Finance to transfer amounts between funds and accounts as  
549 indicated.

550 To Capital Budget - Higher Education Capital Projects Fund

551 (75,851,500)

552 Schedule of Programs:

553 (75,851,500)

554 To Capital Budget - Technical Colleges Capital Projects Fund

555 (12,610,300)

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556	Schedule of Programs:	
557		(12,610,300)
558	Section 8. <b>Effective date.</b> Effective Date. <u>This bill takes effect on May 6, 2026.</u>	
560	Section 9. <b>Retrospective Operation.</b> Retrospective operation. { <u>This</u> } <u>Except as provided in subsection (2), this</u> bill has retrospective operation { <u>for a taxable</u> <u>year beginning on or after</u> } <u>to January 1, 2026.</u>	
563	<u>(2) FY 2027 Appropriations. which has no retrospective operation.</u>	

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