

Income Tax Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Steve Eliason

Senate Sponsor: Daniel McCay

LONG TITLE**General Description:**

This bill modifies income tax provisions.

Highlighted Provisions:

This bill:

- amends the corporate franchise and income tax rates;
- amends the individual income tax rate;
- creates an addition for domestic research and experimental expenditures that a taxpayer fully deducts on the federal tax return for a taxable year; and
- 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.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-7-104, as last amended by Laws of Utah 2025, Chapter 407

59-7-105, as last amended by Laws of Utah 2025, First Special Session, Chapter 9

59-7-106, as last amended by Laws of Utah 2025, First Special Session, Chapter 9

59-7-201, as last amended by Laws of Utah 2025, Chapter 407

59-10-104, as last amended by Laws of Utah 2025, Chapter 407

59-10-114, as last amended by Laws of Utah 2025, First Special Session, Chapter 9

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

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

59-7-104 . Tax -- Minimum tax.

(1) Each domestic and foreign corporation, except a corporation that is exempt under

31 Section 59-7-102, shall pay an annual tax to the state based on the corporation's Utah
32 taxable income for the taxable year for the privilege of exercising the corporation's
33 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.

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

37 **59-7-105 . Additions to unadjusted income.**

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

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

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

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
47 the Commonwealth of Puerto Rico for taxes imposed for the privilege of doing
48 business, or exercising its corporate franchise, including income, franchise, corporate
49 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
54 federal taxable income;

55 (7) the amount of gain or loss determined under Section 59-7-114 relating to a target
56 corporation under Section 338, Internal Revenue Code, unless such gain or loss has
57 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~~]
59 a corporation treated for federal purposes as having disposed of [its] the corporation's
60 assets under Section 336(e), Internal Revenue Code, unless such gain or loss has already
61 been included in the unadjusted income of the target corporation;

62 (9) adjustments to gains, losses, depreciation expense, amortization expense, and similar
63 items due to a difference between basis for federal purposes and basis as computed
64 under Section 59-7-107;

- 65 (10) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from the
66 account of a corporation that is an account owner as defined in Section 53H-10-101, for
67 the taxable year for which the amount is withdrawn, if that amount withdrawn from the
68 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
72 distributions not used for educational expenses provided in Sections 529(c) and
73 530(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);
- 77 (11) the amount of the deduction for dividends paid, as defined in Section 561, Internal
78 Revenue Code, that is allowed under Section 857(b)(2)(B), Internal Revenue Code, in
79 computing the taxable income of a captive real estate investment trust, if that captive
80 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
82 corporation pays to an entity related by common ownership for the use of an intangible
83 asset where the intangible asset is owned by the entity related by common ownership
84 unless the corporation can demonstrate to the satisfaction of the commission or a court
85 on judicial review in accordance with Section 59-1-602 or Title 63G, Chapter 4, Part 4,
86 Judicial Review, that:
- 87 (a) for the same taxable year, the entity related by common ownership is subject to
88 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
92 States; or
- 93 (b) if Subsection (12)(a) does not apply, the corporation paying the royalty or other
94 expenses never owned the intangible asset[-] ; and
- 95 (13) unless the taxpayer made the election described in Subsection 174A(c)(1), Internal
96 Revenue Code, the amount of domestic research and experimental expenditures that the
97 taxpayer deducted on the federal income tax return in accordance with Section 174A(a),
98 Internal Revenue Code, for the taxable year.

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

100 **59-7-106 . Subtractions from unadjusted income.**

- 101 (1) In computing adjusted income, the following amounts shall be subtracted from
102 unadjusted income:
- 103 (a) the foreign dividend gross-up included in gross income for federal income tax
104 purposes under Section 78, Internal Revenue Code;
 - 105 (b) subject to Subsection (2), the net capital loss, as defined for federal purposes, if the
106 taxpayer elects to deduct the net capital loss on the return filed under this chapter for
107 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
109 claiming the federal work opportunity credit under Section 51, Internal Revenue
110 Code;
 - 111 (d) the decrease in qualified research and basic research expense deduction for federal
112 income tax purposes due to claiming the federal credit for increasing research
113 activities under Section 41, Internal Revenue Code;
 - 114 (e) the decrease in qualified clinical testing expense deduction for federal income tax
115 purposes due to claiming the federal credit for clinical testing expenses for certain
116 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
118 claiming any other federal credit;
 - 119 (g) the safe harbor lease adjustment required under Subsections 59-7-111(1)(b) and
120 (2)(b);
 - 121 (h) any income on the federal corporation income tax return that has been previously
122 taxed by Utah;
 - 123 (i) an amount included in federal taxable income that is due to a refund of a tax,
124 including a franchise tax, an income tax, a corporate stock and business tax, or an
125 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
137 subtraction under Section 59-7-109;
138 (k) subject to Subsection (3), 50% of a dividend considered to be received or received
139 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
144 foreign operating company;
145 (m) the amount of gain or loss that is included in unadjusted income but not recognized
146 for federal purposes on stock sold or exchanged by a member of a selling
147 consolidated group as defined in Section 338, Internal Revenue Code, if an election
148 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
150 for federal purposes on stock sold, exchanged, or distributed by a corporation in
151 accordance with Section 336(e), Internal Revenue Code, if an election under Section
152 336(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
154 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
161 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
163 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

- 167 defined in Section 53H-10-101, the amount of a qualified investment as defined in
 168 Section 53H-10-201:
- 169 (i) that the corporation or a person other than the corporation makes into an account
 170 owned by the corporation during the taxable year;
- 171 (ii) to the extent that neither the corporation nor the person other than the corporation
 172 described in Subsection (1)(r)(i) deducts the qualified investment on a federal
 173 income tax return; and
- 174 (iii) to the extent the qualified investment does not exceed the maximum amount of
 175 the qualified investment that may be subtracted from unadjusted income for a
 176 taxable year in accordance with Subsection 53H-10-205(1);
- 177 (s) for purposes of income included in a combined report under Part 4, Combined
 178 Reporting, the entire amount of the dividends a member of a unitary group receives
 179 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
 184 December 31, 2019, only:]~~
- 185 ~~[(i) the amount of any FDIC premium paid or incurred by the taxpayer that is
 186 disallowed as a deduction for federal income tax purposes under Section 162(r),
 187 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
 189 disallowed as a deduction for federal income tax purposes under Section 162(r),
 190 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
 192 FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for
 193 federal income tax purposes under Section 162(r), Internal Revenue Code, for the
 194 taxable year[-] ; and~~
- 195 (v) if the taxpayer added domestic research and experimental expenditures in accordance
 196 with Subsection 59-7-105(13), the amount of domestic research and experimental
 197 expenditures, as that term is defined in Section 174A(a), Internal Revenue Code, for
 198 the taxable year that the taxpayer may subtract according to the amortization schedule
 199 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
207 Code.
- 208 (3)(a) For purposes of calculating the subtraction provided for in Subsection (1)(k), a
209 taxpayer shall first subtract from a dividend considered to be received or received an
210 expense directly attributable to that dividend.
- 211 (b) For purposes of Subsection (3)(a), the amount of an interest expense that is
212 considered to be directly attributable to a dividend is calculated by multiplying the
213 interest expense by a fraction:
214 (i) the numerator of which is the taxpayer's average investment in the dividend
215 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
218 determining income apportionable to this state, a portion of the factors of a foreign
219 subsidiary that has dividends that are partially subtracted under Subsection (1)(k)
220 shall be included in the combined report factors as provided in this Subsection
221 (3)(c).
222 (ii) For purposes of Subsection (3)(c)(i), the portion of the factors of a foreign
223 subsidiary that has dividends that are partially subtracted under Subsection (1)(k)
224 that shall be included in the combined report factors is calculated by multiplying
225 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
228 subsidiary that is included in adjusted income; and
229 (II) the denominator of which is the current year earnings and profits of the
230 foreign subsidiary as determined under the Internal Revenue Code.
- 231 (d) A dividend described in Subsection (1)(k) includes amounts included in federal
232 taxable income under Section 965(a), Internal Revenue Code and amounts included
233 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

- 235 Subsection (1)(l):
- 236 (i) if the taxpayer elects to file a worldwide combined report as provided in Section
237 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
241 generated from an asset held for investment and not from a regular business
242 trading activity.
- 243 (b) In calculating the subtraction provided for in Subsection (1)(l), a foreign operating
244 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
247 transaction that occurs between members of a unitary group.
- 248 (c) For purposes of the subtraction provided for in Subsection (1)(l), in determining
249 income apportionable to this state, the factors for a foreign operating company shall
250 be included in the combined report factors in the same percentages as the foreign
251 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
253 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
256 generated from an asset held for investment and not from a regular business
257 trading activity.
- 258 (5)(a) For purposes of the subtraction provided for in Subsection (1)(o), the amount of a
259 reduction in basis shall be allowed as an expense for the taxable year in which a
260 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
264 commission may by rule define what constitutes an item similar to Subsections
265 (1)(o)(i) through (iv).
- 266 (6)(a) Subject to Subsection (6)(b), a taxpayer may take an amortization subtraction for
267 domestic research and experimental expenditures ratably over a sixty-month period
268 beginning with the midpoint of the taxable year in which the taxpayer pays or incurs

269 the domestic research and experimental expenditures.

270 (b) The combined amount of subtractions over the sixty-month period may not exceed
271 the amount added in accordance with Subsection 59-7-105(13) for the same domestic
272 research and experimental expenditures.

273 Section 4. Section **59-7-201** is amended to read:

274 **59-7-201 . Tax -- Minimum tax.**

275 (1) There is imposed upon each corporation, except a corporation that is exempt under
276 Section 59-7-102, a tax upon the corporation's Utah taxable income for the taxable year
277 that is derived from sources within this state other than income for any period that the
278 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
280 income.

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

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

283 **59-10-104 . Tax basis -- Tax rate -- Exemption.**

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

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

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

289 (b) 4.45%.

290 [~~(b) 4.5%.~~]

291 (3) This section does not apply to a resident individual exempt from taxation under Section
292 59-10-104.1.

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

294 **59-10-114 . Additions to and subtractions from adjusted gross income of an**
295 **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
298 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
301 taxable year; and

302 (ii) the parent does not include in adjusted gross income on the parent's federal

- 303 individual income tax return for the taxable year;
- 304 (c)(i) a withdrawal from a medical care savings account and any penalty imposed for
305 the taxable year if:
- 306 (A) the resident or nonresident individual does not deduct the amounts on the
307 resident or nonresident individual's federal individual income tax return under
308 Section 220, Internal Revenue Code;
- 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
311 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
313 Subsection 31A-32a-105(3); or
- 314 (iii) an amount required to be added to adjusted gross income in accordance with
315 Subsection 31A-32a-105(5)(c);
- 316 (d) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from
317 the account of a resident or nonresident individual who is an account owner as
318 defined in Section 53H-10-101, for the taxable year for which the amount is
319 withdrawn, if that amount withdrawn from the account of the resident or nonresident
320 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
324 for distributions not used for educational expenses provided in Sections 529(c)
325 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
330 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
332 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
334 indebtedness acquired on or after January 1, 2003, the interest from bonds, notes, and
335 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)
- 341 through (C); and
- 342 (ii) to the extent the interest is not included in adjusted gross income on the taxpayer's
- 343 federal income tax return for the taxable year;
- 344 (f) subject to Subsection (2)(c), any distribution received by a resident beneficiary of a
- 345 resident trust of income that was taxed at the trust level for federal tax purposes, but
- 346 was subtracted from state taxable income of the trust pursuant to Subsection
- 347 59-10-202(2)(b);
- 348 (g) any distribution received by a resident beneficiary of a nonresident trust of
- 349 undistributed distributable net income realized by the trust on or after January 1,
- 350 2004, if that undistributed distributable net income was taxed at the trust level for
- 351 federal tax purposes, but was not taxed at the trust level by any state, with
- 352 undistributed distributable net income considered to be distributed from the most
- 353 recently accumulated undistributed distributable net income;
- 354 (h) any adoption expense:
- 355 (i) for which a resident or nonresident individual receives reimbursement from
- 356 another person; and
- 357 (ii) to the extent to which the resident or nonresident individual subtracts that
- 358 adoption expense:
- 359 (A) on a return filed under this chapter for a taxable year beginning on or before
- 360 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
- 363 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
- 366 in adjusted gross income;
- 367 (ii) to another state; and
- 368 (iii) that the commission determines is substantially similar to the tax imposed under
- 369 Subsection 59-10-1403.2(2)[~~]~~ ; and
- 370 (k) unless the resident or nonresident individual made the election described in

371 Subsection 174A(c)(1), Internal Revenue Code, the amount of domestic research and
372 experimental expenditures for the taxable year that the resident or nonresident
373 individual deducted on the federal income tax return in accordance with Section 174,
374 Internal Revenue Code.

375 (2) There shall be subtracted from adjusted gross income of a resident or nonresident
376 individual:

377 (a) the difference between:

378 (i) the interest or a dividend on an obligation or security of the United States or an
379 authority, commission, instrumentality, or possession of the United States, to the
380 extent that interest or dividend is:

381 (A) included in adjusted gross income for federal income tax purposes for the
382 taxable year; and

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
385 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
387 tribal member:

388 (i) during a time period that the Ute tribal member resides on homesteaded land
389 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
392 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
397 that taxable year on the federal individual income tax return of the resident or
398 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
402 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
406 on that resident or nonresident individual's federal individual income tax return for
407 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
411 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:
- 416 (i) for the interest on a bond, note, or other obligation issued by an entity for which
417 state statute provides an exemption of interest on its bonds from state individual
418 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
422 federal income tax return for the taxable year;
- 423 (g) the amount of all income, including income apportioned to another state, of a
424 nonmilitary spouse of an active duty military member if:
- 425 (i) both the nonmilitary spouse and the active duty military member are nonresident
426 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.
429 4001(a)(2); and
430 (iv) the income is included in adjusted gross income for federal income tax purposes
431 for the taxable year;
- 432 (h) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed
433 as a deduction for federal income tax purposes under Section 162(r), Internal
434 Revenue Code, for the taxable year;
- 435 (i) an amount of a distribution from a qualified retirement plan under Section 401(a),
436 Internal Revenue Code, if:
- 437 (i) the amount of the distribution is included in adjusted gross income on the resident
438 or nonresident individual's federal individual income tax return for the taxable

- 439 year; and
- 440 (ii) for the taxable year when the amount of the distribution was contributed to the
- 441 qualified retirement plan, the amount of the distribution:
- 442 (A) was not included in adjusted gross income on the resident or nonresident
- 443 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
- 445 possession of the United States; and
- 446 (j) the amount of any repayment in the current taxable year of social security income
- 447 received in a previous taxable year if:
- 448 (i) the individual claimed a credit for the repayment on the individual's federal
- 449 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
- 451 year in which the individual received the social security income[-] ; and
- 452 (k) if the resident or nonresident individual added domestic research and experimental
- 453 expenditures in accordance with Subsection (1)(k), the amount of domestic research
- 454 and experimental expenditures, as that term is defined in Section 174A, Internal
- 455 Revenue Code, for the taxable year that the resident or nonresident individual may
- 456 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
- 460 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
- 464 chapter;
- 465 (B) provide a subtraction under this section greater than or different from the
- 466 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
- 470 (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
478 year regarding whether or not an agreement meeting the requirements of this
479 Subsection (3) is in effect.
- 480 (ii) If an agreement meeting the requirements of this Subsection (3) is terminated, the
481 subtraction permitted under Subsection (2)(b) is not allowed for taxable years
482 beginning on or after the January 1 following the termination of the agreement.
- 483 (d) For purposes of Subsection (2)(b) and in accordance with Title 63G, Chapter 3, Utah
484 Administrative Rulemaking Act, the commission may make rules:
- 485 (i) for determining whether income is derived from a source within the Uintah and
486 Ouray Reservation; and
487 (ii) that are substantially similar to how adjusted gross income derived from Utah
488 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
491 Interest and Dividends; or
492 (ii)(A) a form designated by the commission in accordance with Subsection
493 (4)(a)(ii)(B) as being substantially similar to 2000 Form 8814 if for purposes of
494 federal individual income taxes the information contained on 2000 Form 8814
495 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,
497 Chapter 3, Utah Administrative Rulemaking Act, the commission may make
498 rules designating a form as being substantially similar to 2000 Form 8814 if for
499 purposes of federal individual income taxes the information contained on 2000
500 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
502 (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
511 indebtedness issued by an entity described in Subsections (1)(e)(i)(A) through (D) may
512 not be added to adjusted gross income of a resident or nonresident individual if, as
513 annually determined by the commission:
- 514 (a) for an entity described in Subsection (1)(e)(i)(A) or (B), the entity and all of the
515 political subdivisions, agencies, or instrumentalities of the entity do not impose a tax
516 based on income on any part of the bonds, notes, and other evidences of indebtedness
517 of this state; or
- 518 (b) for an entity described in Subsection (1)(e)(i)(C) or (D), the following do not impose
519 a tax based on income on any part of the bonds, notes, and other evidences of
520 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
524 Columbia.

525 (6)(a) Subject to Subsection (6)(b), a resident or nonresident individual may take an
526 amortization subtraction for domestic research and experimental expenditures ratably
527 over a sixty-month period beginning with the midpoint of the taxable year in which
528 the resident or nonresident individual pays or incurs the domestic research and
529 experimental expenditures.

530 (b) The combined amount of subtractions over the sixty-month period may not exceed
531 the amount added in accordance with Subsection (1)(k) for the same domestic
532 research and experimental expenditures.

533 **Section 7. Effective Date.**

534 This bill takes effect on May 6, 2026.

535 **Section 8. Retrospective operation.**

536 This bill has retrospective operation for a taxable year beginning on or after January 1,
537 2026.