

Steve Eliason proposes the following substitute bill:

Income Tax Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Steve Eliason

Senate Sponsor:

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:

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

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

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

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

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

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
30 of Utah 2025, Chapter 407

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

33

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.**

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

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

42 (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**
45 **unadjusted income.**

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

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

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

53 (a) to Utah for taxes imposed by this chapter; and

54 (b) to another state of the United States, a foreign country, a United States possession, or
55 the Commonwealth of Puerto Rico for taxes imposed for the privilege of doing
56 business, or exercising its corporate franchise, including income, franchise, corporate
57 stock and business and occupation taxes;

58 (3) the safe harbor lease adjustment required under Subsections 59-7-111(1)(a) and (2)(a);

59 (4) capital losses that have been deducted on a Utah corporate return in previous years;

60 (5) any deduction on the federal return that has been previously deducted on the Utah return;

61 (6) charitable contributions, to the extent deducted on the federal return when determining
62 federal taxable income;

- 63 (7) the amount of gain or loss determined under Section 59-7-114 relating to a target
64 corporation under Section 338, Internal Revenue Code, unless such gain or loss has
65 already been included in the unadjusted income of the target corporation;
- 66 (8) the amount of gain or loss determined under Section 59-7-115 relating to [corporations]
67 a corporation treated for federal purposes as having disposed of [its] the corporation's
68 assets under Section 336(e), Internal Revenue Code, unless such gain or loss has already
69 been included in the unadjusted income of the target corporation;
- 70 (9) adjustments to gains, losses, depreciation expense, amortization expense, and similar
71 items due to a difference between basis for federal purposes and basis as computed
72 under Section 59-7-107;
- 73 (10) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from the
74 account of a corporation that is an account owner as defined in Section 53H-10-101, for
75 the taxable year for which the amount is withdrawn, if that amount withdrawn from the
76 account of the corporation that is the account owner:
- 77 (a) is not expended for:
- 78 (i) higher education costs as defined in Section 53H-10-201; or
79 (ii) a payment or distribution that qualifies as an exception to the additional tax for
80 distributions not used for educational expenses provided in Sections 529(c) and
81 530(d), Internal Revenue Code; and
- 82 (b) is subtracted by the corporation:
- 83 (i) that is the account owner; and
84 (ii) in accordance with Subsection 59-7-106(1)(r);
- 85 (11) the amount of the deduction for dividends paid, as defined in Section 561, Internal
86 Revenue Code, that is allowed under Section 857(b)(2)(B), Internal Revenue Code, in
87 computing the taxable income of a captive real estate investment trust, if that captive
88 real estate investment trust is subject to federal income taxation; [~~and~~]
- 89 (12) any deduction on a return filed under this chapter for a royalty or other expense that a
90 corporation pays to an entity related by common ownership for the use of an intangible
91 asset where the intangible asset is owned by the entity related by common ownership
92 unless the corporation can demonstrate to the satisfaction of the commission or a court
93 on judicial review in accordance with Section 59-1-602 or Title 63G, Chapter 4, Part 4,
94 Judicial Review, that:
- 95 (a) for the same taxable year, the entity related by common ownership is subject to
96 income taxes on the royalty or other expense:

- 97 (i) under this chapter;
- 98 (ii) under the laws of another state; or
- 99 (iii) by a foreign government that has in force an income tax treaty with the United
100 States; or
- 101 (b) if Subsection (12)(a) does not apply, the corporation paying the royalty or other
102 expenses never owned the intangible asset[-] ; and
- 103 (13) unless the taxpayer made the election described in Subsection 174A(c)(1), Internal
104 Revenue Code, the amount of domestic research and experimental expenditures that the
105 taxpayer deducted on the federal income tax return in accordance with Section 174A(a),
106 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**
109 **unadjusted income.**

- 110 (1) In computing adjusted income, the following amounts shall be subtracted from
111 unadjusted income:
- 112 (a) the foreign dividend gross-up included in gross income for federal income tax
113 purposes under Section 78, Internal Revenue Code;
- 114 (b) subject to Subsection (2), the net capital loss, as defined for federal purposes, if the
115 taxpayer elects to deduct the net capital loss on the return filed under this chapter for
116 the taxable year for which the net capital loss is incurred;
- 117 (c) the decrease in salary expense deduction for federal income tax purposes due to
118 claiming the federal work opportunity credit under Section 51, Internal Revenue
119 Code;
- 120 (d) the decrease in qualified research and basic research expense deduction for federal
121 income tax purposes due to claiming the federal credit for increasing research
122 activities under Section 41, Internal Revenue Code;
- 123 (e) the decrease in qualified clinical testing expense deduction for federal income tax
124 purposes due to claiming the federal credit for clinical testing expenses for certain
125 drugs for rare diseases or conditions under Section 45C, Internal Revenue Code;
- 126 (f) any decrease in any expense deduction for federal income tax purposes due to
127 claiming any other federal credit;
- 128 (g) the safe harbor lease adjustment required under Subsections 59-7-111(1)(b) and
129 (2)(b);
- 130 (h) any income on the federal corporation income tax return that has been previously

- 131 taxed by Utah;
- 132 (i) an amount included in federal taxable income that is due to a refund of a tax,
133 including a franchise tax, an income tax, a corporate stock and business tax, or an
134 occupation tax:
- 135 (i) if that tax is imposed for the privilege of:
- 136 (A) doing business; or
- 137 (B) exercising a corporate franchise;
- 138 (ii) if that tax is paid by the corporation to:
- 139 (A) Utah;
- 140 (B) another state of the United States;
- 141 (C) a foreign country;
- 142 (D) a United States possession; or
- 143 (E) the Commonwealth of Puerto Rico; and
- 144 (iii) to the extent that tax was added to unadjusted income under Section 59-7-105;
- 145 (j) a charitable contribution, to the extent the charitable contribution is allowed as a
146 subtraction under Section 59-7-109;
- 147 (k) subject to Subsection (3), 50% of a dividend considered to be received or received
148 from a subsidiary that:
- 149 (i) is a member of the unitary group;
- 150 (ii) is organized or incorporated outside of the United States; and
- 151 (iii) is not included in a combined report under Section 59-7-402 or 59-7-403;
- 152 (l) subject to Subsection (4) and Section 59-7-401, 50% of the adjusted income of a
153 foreign operating company;
- 154 (m) the amount of gain or loss that is included in unadjusted income but not recognized
155 for federal purposes on stock sold or exchanged by a member of a selling
156 consolidated group as defined in Section 338, Internal Revenue Code, if an election
157 has been made in accordance with Section 338(h)(10), Internal Revenue Code;
- 158 (n) the amount of gain or loss that is included in unadjusted income but not recognized
159 for federal purposes on stock sold, exchanged, or distributed by a corporation in
160 accordance with Section 336(e), Internal Revenue Code, if an election under Section
161 336(e), Internal Revenue Code, has been made for federal purposes;
- 162 (o) subject to Subsection (5), an adjustment to the following due to a difference between
163 basis for federal purposes and basis as computed under Section 59-7-107:
- 164 (i) an amortization expense;

- 165 (ii) a depreciation expense;
- 166 (iii) a gain;
- 167 (iv) a loss; or
- 168 (v) an item similar to Subsections (1)(o)(i) through (iv);
- 169 (p) an interest expense that is not deducted on a federal corporation income tax return
- 170 under Section 265(b) or 291(e), Internal Revenue Code;
- 171 (q) 100% of dividends received from a subsidiary that is an insurance company if that
- 172 subsidiary that is an insurance company is:
- 173 (i) exempt from this chapter under Subsection 59-7-102(1)(c); and
- 174 (ii) under common ownership;
- 175 (r) subject to Subsection 59-7-105(10), for a corporation that is an account owner as
- 176 defined in Section 53H-10-101, the amount of a qualified investment as defined in
- 177 Section 53H-10-201:
- 178 (i) that the corporation or a person other than the corporation makes into an account
- 179 owned by the corporation during the taxable year;
- 180 (ii) to the extent that neither the corporation nor the person other than the corporation
- 181 described in Subsection (1)(r)(i) deducts the qualified investment on a federal
- 182 income tax return; and
- 183 (iii) to the extent the qualified investment does not exceed the maximum amount of
- 184 the qualified investment that may be subtracted from unadjusted income for a
- 185 taxable year in accordance with Subsection 53H-10-205(1);
- 186 (s) for purposes of income included in a combined report under Part 4, Combined
- 187 Reporting, the entire amount of the dividends a member of a unitary group receives
- 188 or is considered to receive from a captive real estate investment trust;
- 189 (t) the increase in income for federal income tax purposes due to claiming a:
- 190 (i) qualified tax credit bond credit under Section 54A, Internal Revenue Code; or
- 191 (ii) qualified zone academy bond under Section 1397E, Internal Revenue Code;
- 192 ~~[(u) for a taxable year beginning on or after January 1, 2019, but beginning on or before~~
- 193 ~~December 31, 2019, only:]~~
- 194 ~~[(i) the amount of any FDIC premium paid or incurred by the taxpayer that is~~
- 195 ~~disallowed as a deduction for federal income tax purposes under Section 162(r),~~
- 196 ~~Internal Revenue Code, on the taxpayer's 2018 federal income tax return; plus]~~
- 197 ~~[(ii) the amount of any FDIC premium paid or incurred by the taxpayer that is~~
- 198 ~~disallowed as a deduction for federal income tax purposes under Section 162(r),~~

- 199 Internal Revenue Code, for the taxable year; and]
- 200 [~~(v)~~] (u) [for a taxable year beginning on or after January 1, 2020,]the amount of any
- 201 FDIC premium paid or incurred by the taxpayer that is disallowed as a deduction for
- 202 federal income tax purposes under Section 162(r), Internal Revenue Code, for the
- 203 taxable year[:] ; and
- 204 (v) if the taxpayer added domestic research and experimental expenditures in accordance
- 205 with Subsection 59-7-105(13), the amount of domestic research and experimental
- 206 expenditures, as that term is defined in Section 174A(a), Internal Revenue Code, for
- 207 the taxable year that the taxpayer may subtract according to the amortization schedule
- 208 described in Subsection (6).
- 209 (2) For purposes of Subsection (1)(b):
- 210 (a) the subtraction shall be made by claiming the subtraction on a return filed:
- 211 (i) under this chapter for the taxable year for which the net capital loss is incurred; and
- 212 (ii) by the due date of the return, including extensions; and
- 213 (b) a net capital loss for a taxable year shall be:
- 214 (i) subtracted for the taxable year for which the net capital loss is incurred; or
- 215 (ii) carried forward as provided in Sections 1212(a)(1)(B) and (C), Internal Revenue
- 216 Code.
- 217 (3)(a) For purposes of calculating the subtraction provided for in Subsection (1)(k), a
- 218 taxpayer shall first subtract from a dividend considered to be received or received an
- 219 expense directly attributable to that dividend.
- 220 (b) For purposes of Subsection (3)(a), the amount of an interest expense that is
- 221 considered to be directly attributable to a dividend is calculated by multiplying the
- 222 interest expense by a fraction:
- 223 (i) the numerator of which is the taxpayer's average investment in the dividend
- 224 paying subsidiaries; and
- 225 (ii) the denominator of which is the taxpayer's average total investment in assets.
- 226 (c)(i) For purposes of calculating the subtraction allowed by Subsection (1)(k), in
- 227 determining income apportionable to this state, a portion of the factors of a foreign
- 228 subsidiary that has dividends that are partially subtracted under Subsection (1)(k)
- 229 shall be included in the combined report factors as provided in this Subsection
- 230 (3)(c).
- 231 (ii) For purposes of Subsection (3)(c)(i), the portion of the factors of a foreign
- 232 subsidiary that has dividends that are partially subtracted under Subsection (1)(k)

- 233 that shall be included in the combined report factors is calculated by multiplying
234 each factor of the foreign subsidiary by a fraction:
- 235 (A) not to exceed 100%; and
- 236 (B)(I) the numerator of which is the amount of the dividend paid by the foreign
237 subsidiary that is included in adjusted income; and
- 238 (II) the denominator of which is the current year earnings and profits of the
239 foreign subsidiary as determined under the Internal Revenue Code.
- 240 (d) A dividend described in Subsection (1)(k) includes amounts included in federal
241 taxable income under Section 965(a), Internal Revenue Code and amounts included
242 in federal taxable income under Section 951A, Internal Revenue Code.
- 243 (4)(a) For purposes of Subsection (1)(l), a taxpayer may not make a subtraction under
244 Subsection (1)(l):
- 245 (i) if the taxpayer elects to file a worldwide combined report as provided in Section
246 59-7-403; or
- 247 (ii) for the following:
- 248 (A) income generated from intangible property; or
- 249 (B) a capital gain, dividend, interest, rent, royalty, or other similar item that is
250 generated from an asset held for investment and not from a regular business
251 trading activity.
- 252 (b) In calculating the subtraction provided for in Subsection (1)(l), a foreign operating
253 company:
- 254 (i) may not subtract an amount provided for in Subsection (1)(k) or (l); and
- 255 (ii) prior to determining the subtraction under Subsection (1)(l), shall eliminate a
256 transaction that occurs between members of a unitary group.
- 257 (c) For purposes of the subtraction provided for in Subsection (1)(l), in determining
258 income apportionable to this state, the factors for a foreign operating company shall
259 be included in the combined report factors in the same percentages as the foreign
260 operating company's adjusted income is included in the combined adjusted income.
- 261 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
262 commission may by rule define what constitutes:
- 263 (i) income generated from intangible property; or
- 264 (ii) a capital gain, dividend, interest, rent, royalty, or other similar item that is
265 generated from an asset held for investment and not from a regular business
266 trading activity.

- 267 (5)(a) For purposes of the subtraction provided for in Subsection (1)(o), the amount of a
 268 reduction in basis shall be allowed as an expense for the taxable year in which a
 269 federal tax credit is claimed if:
- 270 (i) there is a reduction in federal basis for a federal tax credit; and
 271 (ii) there is no corresponding tax credit allowed in this state.
- 272 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 273 commission may by rule define what constitutes an item similar to Subsections
 274 (1)(o)(i) through (iv).
- 275 (6)(a) Subject to Subsection (6)(b), a taxpayer may take an amortization subtraction for
 276 domestic research and experimental expenditures ratably over a sixty-month period
 277 beginning with the midpoint of the taxable year in which the taxpayer pays or incurs
 278 the domestic research and experimental expenditures.
- 279 (b) The combined amount of subtractions over the sixty-month period may not exceed
 280 the amount added in accordance with Subsection 59-7-105(13) for the same domestic
 281 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.**
- 284 (1) There is imposed upon each corporation, except a corporation that is exempt under
 285 Section 59-7-102, a tax upon the corporation's Utah taxable income for the taxable year
 286 that is derived from sources within this state other than income for any period that the
 287 corporation is required to include in the corporation's tax base under Section 59-7-104.
- 288 (2) The tax imposed by Subsection (1) shall be [~~4.5~~] 4.45% of a corporation's Utah taxable
 289 income.
- 290 (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**
 293 **rate -- Exemption.**
- 294 (1) A tax is imposed on the state taxable income of a resident individual as provided in this
 295 section.
- 296 (2) For purposes of Subsection (1), for a taxable year, the tax is an amount equal to the
 297 product of:
- 298 (a) the resident individual's state taxable income for that taxable year; and
 299 (b) [~~4.5~~] 4.45%.
- 300 (3) This section does not apply to a resident individual exempt from taxation under Section

301 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**
304 **subtractions from adjusted gross income of an individual.**

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

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

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

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

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

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

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

318 (B) the withdrawal is subject to Subsections 31A-32a-105(1) and (2); and

319 (C) the withdrawal is subtracted on, or used as the basis for claiming a tax credit
320 on, a return the resident or nonresident individual files under this chapter;

321 (ii) a disbursement required to be added to adjusted gross income in accordance with
322 Subsection 31A-32a-105(3); or

323 (iii) an amount required to be added to adjusted gross income in accordance with
324 Subsection 31A-32a-105(5)(c);

325 (d) the amount withdrawn under Title 53H, Chapter 10, Utah Education Savings, from
326 the account of a resident or nonresident individual who is an account owner as
327 defined in Section 53H-10-101, for the taxable year for which the amount is
328 withdrawn, if that amount withdrawn from the account of the resident or nonresident
329 individual who is the account owner:

330 (i) is not expended for:

331 (A) higher education costs as defined in Section 53H-10-201; or

332 (B) a payment or distribution that qualifies as an exception to the additional tax
333 for distributions not used for educational expenses provided in Sections 529(c)
334 and 530(d), Internal Revenue Code; and

- 335 (ii) is:
- 336 (A) subtracted by the resident or nonresident individual:
- 337 (I) who is the account owner; and
- 338 (II) on the resident or nonresident individual's return filed under this chapter
- 339 for a taxable year beginning on or before December 31, 2007; or
- 340 (B) used as the basis for the resident or nonresident individual who is the account
- 341 owner to claim a tax credit under Section 59-10-1017;
- 342 (e) except as provided in Subsection (5), for bonds, notes, and other evidences of
- 343 indebtedness acquired on or after January 1, 2003, the interest from bonds, notes, and
- 344 other evidences of indebtedness:
- 345 (i) issued by one or more of the following entities:
- 346 (A) a state other than this state;
- 347 (B) the District of Columbia;
- 348 (C) a political subdivision of a state other than this state; or
- 349 (D) an agency or instrumentality of an entity described in Subsections (1)(e)(i)(A)
- 350 through (C); and
- 351 (ii) to the extent the interest is not included in adjusted gross income on the taxpayer's
- 352 federal income tax return for the taxable year;
- 353 (f) subject to Subsection (2)(c), any distribution received by a resident beneficiary of a
- 354 resident trust of income that was taxed at the trust level for federal tax purposes, but
- 355 was subtracted from state taxable income of the trust pursuant to Subsection
- 356 59-10-202(2)(b);
- 357 (g) any distribution received by a resident beneficiary of a nonresident trust of
- 358 undistributed distributable net income realized by the trust on or after January 1,
- 359 2004, if that undistributed distributable net income was taxed at the trust level for
- 360 federal tax purposes, but was not taxed at the trust level by any state, with
- 361 undistributed distributable net income considered to be distributed from the most
- 362 recently accumulated undistributed distributable net income;
- 363 (h) any adoption expense:
- 364 (i) for which a resident or nonresident individual receives reimbursement from
- 365 another person; and
- 366 (ii) to the extent to which the resident or nonresident individual subtracts that
- 367 adoption expense:
- 368 (A) on a return filed under this chapter for a taxable year beginning on or before

- 369 December 31, 2007; or
- 370 (B) from federal taxable income on a federal individual income tax return;
- 371 (i) the amount of tax paid on income attributed to the individual in accordance with
- 372 Subsection 59-10-1403.2(2) that is not included in adjusted gross income; and
- 373 (j) the amount of tax paid:
- 374 (i) on income attributed to the individual and taxable in this state, that is not included
- 375 in adjusted gross income;
- 376 (ii) to another state; and
- 377 (iii) that the commission determines is substantially similar to the tax imposed under
- 378 Subsection 59-10-1403.2(2)[~~-~~] ; and
- 379 (k) unless the resident or nonresident individual made the election described in
- 380 Subsection 174A(c)(1), Internal Revenue Code, the amount of domestic research and
- 381 experimental expenditures for the taxable year that the resident or nonresident
- 382 individual deducted on the federal income tax return in accordance with Section 174,
- 383 Internal Revenue Code.
- 384 (2) There shall be subtracted from adjusted gross income of a resident or nonresident
- 385 individual:
- 386 (a) the difference between:
- 387 (i) the interest or a dividend on an obligation or security of the United States or an
- 388 authority, commission, instrumentality, or possession of the United States, to the
- 389 extent that interest or dividend is:
- 390 (A) included in adjusted gross income for federal income tax purposes for the
- 391 taxable year; and
- 392 (B) exempt from state income taxes under the laws of the United States; and
- 393 (ii) any interest on indebtedness incurred or continued to purchase or carry the
- 394 obligation or security described in Subsection (2)(a)(i);
- 395 (b) if the conditions of Subsection (3)(a) are met, the amount of income derived by a Ute
- 396 tribal member:
- 397 (i) during a time period that the Ute tribal member resides on homesteaded land
- 398 diminished from the Uintah and Ouray Reservation; and
- 399 (ii) from a source within the Uintah and Ouray Reservation;
- 400 (c) an amount received by a resident or nonresident individual or distribution received
- 401 by a resident or nonresident beneficiary of a resident trust:
- 402 (i) if that amount or distribution constitutes a refund of taxes imposed by:

- 403 (A) a state; or
- 404 (B) the District of Columbia; and
- 405 (ii) to the extent that amount or distribution is included in adjusted gross income for
- 406 that taxable year on the federal individual income tax return of the resident or
- 407 nonresident individual or resident or nonresident beneficiary of a resident trust;
- 408 (d) the amount of a railroad retirement benefit:
- 409 (i) paid:
- 410 (A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec. 231
- 411 et seq.;
- 412 (B) to a resident or nonresident individual; and
- 413 (C) for the taxable year; and
- 414 (ii) to the extent that railroad retirement benefit is included in adjusted gross income
- 415 on that resident or nonresident individual's federal individual income tax return for
- 416 that taxable year;
- 417 (e) an amount:
- 418 (i) received by an enrolled member of an American Indian tribe; and
- 419 (ii) to the extent that the state is not authorized or permitted to impose a tax under this
- 420 part on that amount in accordance with:
- 421 (A) federal law;
- 422 (B) a treaty; or
- 423 (C) a final decision issued by a court of competent jurisdiction;
- 424 (f) an amount received:
- 425 (i) for the interest on a bond, note, or other obligation issued by an entity for which
- 426 state statute provides an exemption of interest on its bonds from state individual
- 427 income tax;
- 428 (ii) by a resident or nonresident individual;
- 429 (iii) for the taxable year; and
- 430 (iv) to the extent the amount is included in adjusted gross income on the taxpayer's
- 431 federal income tax return for the taxable year;
- 432 (g) the amount of all income, including income apportioned to another state, of a
- 433 nonmilitary spouse of an active duty military member if:
- 434 (i) both the nonmilitary spouse and the active duty military member are nonresident
- 435 individuals;
- 436 (ii) the active duty military member is stationed in Utah;

- 437 (iii) the nonmilitary spouse is subject to the residency provisions of 50 U.S.C. Sec.
438 4001(a)(2); and
- 439 (iv) the income is included in adjusted gross income for federal income tax purposes
440 for the taxable year;
- 441 (h) the amount of any FDIC premium paid or incurred by the taxpayer that is disallowed
442 as a deduction for federal income tax purposes under Section 162(r), Internal
443 Revenue Code, for the taxable year;
- 444 (i) an amount of a distribution from a qualified retirement plan under Section 401(a),
445 Internal Revenue Code, if:
- 446 (i) the amount of the distribution is included in adjusted gross income on the resident
447 or nonresident individual's federal individual income tax return for the taxable
448 year; and
- 449 (ii) for the taxable year when the amount of the distribution was contributed to the
450 qualified retirement plan, the amount of the distribution:
- 451 (A) was not included in adjusted gross income on the resident or nonresident
452 individual's federal individual income tax return for the taxable year; and
- 453 (B) was taxed by another state of the United States, the District of Columbia, or a
454 possession of the United States; and
- 455 (j) the amount of any repayment in the current taxable year of social security income
456 received in a previous taxable year if:
- 457 (i) the individual claimed a credit for the repayment on the individual's federal
458 individual income tax return for the current taxable year; and
- 459 (ii) the individual did not claim a tax credit under Section 59-10-1042 for the taxable
460 year in which the individual received the social security income[-] ; and
- 461 (k) if the resident or nonresident individual added domestic research and experimental
462 expenditures in accordance with Subsection (1)(k), the amount of domestic research
463 and experimental expenditures, as that term is defined in Section 174A, Internal
464 Revenue Code, for the taxable year that the resident or nonresident individual may
465 subtract according to the amortization schedule described in Subsection (6).
- 466 (3)(a) A subtraction for an amount described in Subsection (2)(b) is allowed only if:
- 467 (i) the taxpayer is a Ute tribal member; and
- 468 (ii) the governor and the Ute tribe execute and maintain an agreement meeting the
469 requirements of this Subsection (3).
- 470 (b) The agreement described in Subsection (3)(a):

- 471 (i) may not:
- 472 (A) authorize the state to impose a tax in addition to a tax imposed under this
- 473 chapter;
- 474 (B) provide a subtraction under this section greater than or different from the
- 475 subtraction described in Subsection (2)(b); or
- 476 (C) affect the power of the state to establish rates of taxation; and
- 477 (ii) shall:
- 478 (A) provide for the implementation of the subtraction described in Subsection
- 479 (2)(b);
- 480 (B) be in writing;
- 481 (C) be signed by:
- 482 (I) the governor; and
- 483 (II) the chair of the Business Committee of the Ute tribe;
- 484 (D) be conditioned on obtaining any approval required by federal law; and
- 485 (E) state the effective date of the agreement.
- 486 (c)(i) The governor shall report to the commission by no later than February 1 of each
- 487 year regarding whether or not an agreement meeting the requirements of this
- 488 Subsection (3) is in effect.
- 489 (ii) If an agreement meeting the requirements of this Subsection (3) is terminated, the
- 490 subtraction permitted under Subsection (2)(b) is not allowed for taxable years
- 491 beginning on or after the January 1 following the termination of the agreement.
- 492 (d) For purposes of Subsection (2)(b) and in accordance with Title 63G, Chapter 3, Utah
- 493 Administrative Rulemaking Act, the commission may make rules:
- 494 (i) for determining whether income is derived from a source within the Uintah and
- 495 Ouray Reservation; and
- 496 (ii) that are substantially similar to how adjusted gross income derived from Utah
- 497 sources is determined under Section 59-10-117.
- 498 (4)(a) For purposes of this Subsection (4), "Form 8814" means:
- 499 (i) the federal individual income tax Form 8814, Parents' Election To Report Child's
- 500 Interest and Dividends; or
- 501 (ii)(A) a form designated by the commission in accordance with Subsection
- 502 (4)(a)(ii)(B) as being substantially similar to 2000 Form 8814 if for purposes of
- 503 federal individual income taxes the information contained on 2000 Form 8814
- 504 is reported on a form other than Form 8814; and

- 505 (B) for purposes of Subsection (4)(a)(ii)(A) and in accordance with Title 63G,
506 Chapter 3, Utah Administrative Rulemaking Act, the commission may make
507 rules designating a form as being substantially similar to 2000 Form 8814 if for
508 purposes of federal individual income taxes the information contained on 2000
509 Form 8814 is reported on a form other than Form 8814.
- 510 (b) The amount of a child's income added to adjusted gross income under Subsection
511 (1)(b) is equal to the difference between:
- 512 (i) the lesser of:
- 513 (A) the base amount specified on Form 8814; and
514 (B) the sum of the following reported on Form 8814:
- 515 (I) the child's taxable interest;
516 (II) the child's ordinary dividends; and
517 (III) the child's capital gain distributions; and
518 (ii) the amount not taxed that is specified on Form 8814.
- 519 (5) Notwithstanding Subsection (1)(e), interest from bonds, notes, and other evidences of
520 indebtedness issued by an entity described in Subsections (1)(e)(i)(A) through (D) may
521 not be added to adjusted gross income of a resident or nonresident individual if, as
522 annually determined by the commission:
- 523 (a) for an entity described in Subsection (1)(e)(i)(A) or (B), the entity and all of the
524 political subdivisions, agencies, or instrumentalities of the entity do not impose a tax
525 based on income on any part of the bonds, notes, and other evidences of indebtedness
526 of this state; or
- 527 (b) for an entity described in Subsection (1)(e)(i)(C) or (D), the following do not impose
528 a tax based on income on any part of the bonds, notes, and other evidences of
529 indebtedness of this state:
- 530 (i) the entity; or
531 (ii)(A) the state in which the entity is located; or
532 (B) the District of Columbia, if the entity is located within the District of
533 Columbia.
- 534 (6)(a) Subject to Subsection (6)(b), a resident or nonresident individual may take an
535 amortization subtraction for domestic research and experimental expenditures ratably
536 over a sixty-month period beginning with the midpoint of the taxable year in which
537 the resident or nonresident individual pays or incurs the domestic research and
538 experimental expenditures.

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

542 Section 7. **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	ITEM 1	To Capital Budget - Higher Education Capital Projects Fund	
551		From Income Tax Fund	(75,851,500)
552		Schedule of Programs:	
553		Higher Education Capital Projects Fund	(75,851,500)
554	ITEM 2	To Capital Budget - Technical Colleges Capital Projects Fund	
555		From Income Tax Fund	(12,610,300)
556		Schedule of Programs:	
557		Technical Colleges Capital Projects Fund	(12,610,300)

558 Section 8. **Effective Date.**

559 This bill takes effect on May 6, 2026.

560 Section 9. **Retrospective operation.**

561 (1) Except as provided in subsection (2), this bill has retrospective operation to January 1,
 562 2026.

563 (2) FY 2027 Appropriations. which has no retrospective operation.