

**Tax Credit Review Process Amendments**

2026 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Daniel McCay**

House Sponsor: Steve Eliason

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**LONG TITLE****Committee Note:**

The Revenue and Taxation Interim Committee recommended this bill.

Legislative Vote: 10 voting for 0 voting against 8 absent

**General Description:**

This bill modifies the tax credit review cycle for income tax credits.

**Highlighted Provisions:**

This bill:

- exempts the income tax credit for taxes paid to another state from periodic review by the Revenue and Taxation Interim Committee (the committee);
  - repeals an expired review requirement;
  - aligns the timing of the committee's review of the income tax credit allowed for purchases of motor fuel used in agriculture with the timing for reviewing other income tax credits;
- and
- makes technical changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:****AMENDS:**

**59-10-137**, as last amended by Laws of Utah 2025, Chapter 292

**59-10-1403.3**, as last amended by Laws of Utah 2021, Chapter 367

**59-13-202**, as last amended by Laws of Utah 2022, Chapter 456

**63I-2-259**, as last amended by Laws of Utah 2025, Chapters 157, 182, 277, and 366

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

Section 1. Section **59-10-137** is amended to read:

**59-10-137 . Review of credits allowed under this chapter.**

- (1) As used in this section, "committee" means the Revenue and Taxation Interim Committee.
- (2)(a) [The] Except as provided in Subsection (3), the committee shall review each tax credit described in this chapter once every five years to determine whether to continue, modify, or repeal the tax credit.
- (b) In conducting the review required under Subsection (2)(a), the committee shall:
- (i) schedule time on a committee agenda to conduct the review as needed;
  - (ii) invite state agencies, individuals, and organizations concerned with a tax credit under review to provide oral or written testimony;
  - (iii)(A) invite the Governor's Office of Economic Opportunity to present a summary and analysis of the information for each tax credit regarding which the Governor's Office of Economic Opportunity is required to make a report under this chapter; and
  - (B) invite the Office of the Legislative Fiscal Analyst to present a summary and analysis of the information for each tax credit regarding which the Office of the Legislative Fiscal Analyst is required to make a report under this chapter;
  - (iv) evaluate:
    - (A) the cost of the tax credit to the state;
    - (B) the purpose and effectiveness of the tax credit; and
    - (C) the extent to which the state benefits from the tax credit; and
  - (v) undertake other review efforts as determined by the committee chairs or as otherwise required by law.
- (3) The review requirements of this section do not apply to the tax credit described in Section 59-10-1003.

Section 2. Section **59-10-1403.3** is amended to read:

**59-10-1403.3 . Refund of amounts paid or withheld for a pass-through entity.**

- (1) As used in this section<sup>[:]</sup> ,
- ~~[(a) "Committee" means the Revenue and Taxation Interim Committee.]~~
- ~~[(b) "Qualifying"]~~ "qualifying excess withholding" means an amount that:
- ~~[(i)]~~ (a) is paid or withheld:
    - ~~[(A)]~~ (i) by a pass-through entity that has a different taxable year than the pass-through entity that requests a refund under this section; and
    - ~~[(B)]~~ (ii) on behalf of the pass-through entity that requests the refund, if the

pass-through entity that requests the refund also is a pass-through entity taxpayer;  
and

~~[(ii)]~~ (b) is equal to the difference between:

~~[(A)]~~ (i) the amount paid or withheld for the taxable year on behalf of the  
pass-through entity that requests the refund; and

~~[(B)]~~ (ii) the product of the percentage listed in Subsection 59-10-104(2) and the  
income, described in Subsection 59-10-1403.2(1)(a)(i), of the pass-through entity  
that requests the refund.

(2) ~~[For a taxable year ending on or after July 1, 2017, a]~~ A pass-through entity may claim a  
refund of qualifying excess withholding, if the amount of the qualifying excess  
withholding is equal to or greater than \$250,000.

(3) A pass-through entity that requests a refund of qualifying excess withholding under this  
section shall:

(a) apply to the commission for a refund on or, subject to Subsection (4), after the day  
on which the pass-through entity files the pass-through entity's income tax return; and

(b) provide any information that the commission may require to determine that the  
pass-through entity is eligible to receive the refund.

(4) A pass-through entity shall claim a refund of qualifying excess withholding under this  
section within 30 days after the earlier of the day on which:

(a) the pass-through entity files an income tax return; or

(b) the pass-through entity's income tax return is due, including any extension of due  
date authorized in statute.

(5) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the  
commission may make rules establishing the information that a pass-through entity shall  
provide to the commission to obtain a refund of qualifying excess withholding under this  
section.

~~[(6)(a) On or before November 30, 2018, the committee shall review the \$250,000  
threshold described in Subsection (2) for the purpose of assessing whether the  
threshold amount should be maintained, increased, or decreased.]~~

~~[(b) To assist the committee in conducting the review described in Subsection (6)(a), the  
commission shall provide the committee with:]~~

~~[(i) the total number of refund requests made under this section;]~~

~~[(ii) the total costs of any refunds issued under this section;]~~

~~[(iii) the costs of any audits conducted on refund requests made under this section;]~~

and]

~~[(iv) an estimation of:]~~

~~[(A) the number of refund requests the commission expects to receive if the  
Legislature increases the threshold;]~~

~~[(B) the number of refund requests the commission expects to receive if the  
Legislature decreases the threshold; and]~~

~~[(C) the costs of any audits the commission would conduct if the Legislature  
increases or decreases the threshold.]~~

Section 3. Section **59-13-202** is amended to read:

**59-13-202 . Refund of tax for agricultural uses on individual income and  
corporate franchise and income tax returns -- Application for permit for refund --  
Division of Finance to pay claims -- Rules permitted to enforce part -- Penalties --  
Revenue and Taxation Interim Committee study.**

(1) As used in this section:

(a)(i) ~~[Except as provided in Subsection (1)(a)(ii), "claimant"]~~ "Claimant" means a  
resident or nonresident person.

(ii) "Claimant" does not include an estate or trust.

(b) "Committee" means the Revenue and Taxation Interim Committee.

~~[(b)]~~ (c) "Estate" means a nonresident estate or a resident estate.

~~[(c)]~~ (d) "Refundable tax credit" or "tax credit" means a tax credit that a claimant, estate,  
or trust may claim:

(i) as provided by statute; and

(ii) regardless of whether, for the taxable year for which the claimant, estate, or trust  
claims the tax credit, the claimant, estate, or trust has a tax liability under:

(A) Chapter 7, Corporate Franchise and Income Taxes; or

(B) Chapter 10, Individual Income Tax Act.

~~[(d)]~~ (e) "Trust" means a nonresident trust or a resident trust.

(2) Any claimant, estate, or trust that purchases and uses any motor fuel within the state for  
the purpose of operating or propelling stationary farm engines and self-propelled farm  
machinery used for nonhighway agricultural uses, and that has paid the tax on the motor  
fuel as provided by this part, is entitled to a refund of the tax subject to the conditions  
and limitations provided under this part.

(3)(a) A claimant, estate, or trust desiring a nonhighway agricultural use refund under  
this part shall claim the refund as a refundable tax credit on the tax return the

claimant, estate, or trust files under:

(i) Chapter 7, Corporate Franchise and Income Taxes; or

(ii) Chapter 10, Individual Income Tax Act.

(b) A claimant, estate, or trust not subject to filing a tax return described in Subsection

(3)(a) shall obtain a permit and file claims on a calendar year basis.

(c) Any claimant, estate, or trust claiming a refundable tax credit under this section is

required to ~~[furnish any or all of]~~ provide the information outlined in this section upon request of the commission.

(d) ~~[A-]~~ The commission shall allow a refundable tax credit under this section ~~[is allowed-]~~

only on purchases on which tax is paid during the taxable year covered by the tax return.

(4) ~~[In order to]~~

(a) To obtain a permit for a refund of motor fuel tax paid, a claimant, estate, or trust shall file an application ~~[shall be filed-]~~ containing:

~~[(a)]~~ (i) the name of the claimant, estate, or trust;

~~[(b)]~~ (ii) the claimant's, estate's, or trust's address;

~~[(c)]~~ (iii) location and number of acres owned and operated~~[-]~~ ;

(iv) location and number of acres rented and operated, ~~[the latter of which shall be verified by a signed statement from the legal owner]~~ which the legal owner shall verify by signed statement;

~~[(d)]~~ (v) number of acres planted to each crop, type of soil, and whether irrigated or dry; and

~~[(e)]~~ (vi) make, size, and type of fuel used and power rating of each piece of equipment using fuel.

(b) If the claimant, estate, or trust is an operator of self-propelled or tractor-pulled farm machinery with which the claimant, estate, or trust works for hire doing custom jobs for other farmers, the application shall include information the commission requires and shall all be contained in, and be considered part of, the original application.

(c) The claimant, estate, or trust shall also file with the application a certificate from the county assessor showing each piece of equipment using fuel.

(d) This original application and all information contained in it constitutes a permanent file with the commission in the name of the claimant, estate, or trust.

(5)(a) A claimant, estate, or trust claiming the right to a refund of motor fuel tax paid shall file a claim with the commission by April 15 of each year for the refund for the

previous calendar year.

(b) The claim shall state the name and address of the claimant, estate, or trust, the number of gallons of motor fuel purchased for nonhighway agricultural uses, and the amount paid for the motor fuel.

(c) The claimant, estate, or trust shall retain the original invoice to support the claim.

(d) ~~[No]~~ A claimant may claim no more than one claim for a tax refund [may be filed annually by each user of motor fuel purchased for nonhighway agricultural uses] annually.

(6)(a) Upon commission approval of the claim for a refund, the Division of Finance shall pay the amount ~~[found]~~ due to the claimant, estate, or trust. ~~[The total amount of claims for refunds shall be paid from motor fuel taxes.]~~

(b) The Division of Finance shall pay the refunds from motor fuel taxes.

(7)(a) The commission may refuse to accept as evidence of purchase or payment any instruments that show alteration or that fail to indicate the quantity of the purchase, the price of the motor fuel, a statement that the motor fuel is purchased for purposes other than transportation, and the date of purchase and delivery.

(b) If the commission is not satisfied with the evidence submitted in connection with the claim, the commission may reject the claim or require additional evidence.

(8) A claimant, estate, or trust aggrieved by the decision of the commission with respect to a refundable tax credit or refund may file a request for agency action, requesting a hearing before the commission.

(9)(a) A claimant, estate, or trust that makes any false claim, report, or statement, as claimant, estate, trust, agent, or creditor, with intent to defraud or secure a refund to which the claimant, estate, or trust is not entitled, is subject to the criminal penalties provided under Section 59-1-401, and the commission shall initiate the filing of a complaint for alleged violations of this part.

(b) In addition to these penalties, the claimant, estate, or trust may not receive any refund as a claimant, estate, or trust or as a creditor of a claimant, estate, or trust for refund for a period of five years.

(10)(a) In accordance with any rules ~~[prescribed]~~ made by the commission under Subsection (10)(b), the Division of Finance shall transfer at least annually from the Transportation Fund into the Income Tax Fund an amount equal to the amount of the refund claimed under this section.

(b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the

commission may make rules providing procedures for:

(i) making a refund to a claimant, estate, or trust as required by Subsection ~~[(3)(a)(i)]~~

~~(3)(a);~~

(ii) making a transfer from the Transportation Fund into the Income Tax Fund as required by Subsection (10)(a); or

(iii) enforcing this part.

(11)(a) On or before November 30, ~~[2017]~~ 2028, and every ~~[three years after 2017, the Revenue and Taxation Interim Committee]~~ five years after 2028, the committee shall review the tax credit provided by this section and make recommendations concerning whether the tax credit should be continued, modified, or repealed.

(b) In conducting the review required by Subsection (11)(a), the ~~[Revenue and Taxation Interim Committee]~~ committee shall:

(i) schedule time on ~~[at least one]~~ a committee agenda to conduct the review as needed;

(ii) invite state agencies, individuals, and organizations concerned with the credit under review to provide oral or written testimony;

(iii) ~~[ensure that the recommendations described in this section include an evaluation of]~~ evaluate:

(A) the cost of the tax credit to the state;

(B) the purpose and effectiveness of the tax credit; and

(C) the extent to which the state benefits from the tax credit; and

(iv) undertake other review efforts as determined by the chairs of the ~~[Revenue and Taxation Interim Committee]~~ committee.

Section 4. Section **63I-2-259** is amended to read:

**63I-2-259 . Repeal dates: Title 59.**

~~[(1) Subsection 59-7-159(3)(b)(iii), referencing Section 59-7-614.10, is repealed December 31, 2026.]~~

~~[(2)]~~ (1) Section 59-7-614.10, Nonrefundable enterprise zone tax credit, is repealed December 31, 2026.

~~[(3) Subsection 59-10-137(3)(b)(viii), referencing Section 59-10-1037, is repealed December 31, 2026.]~~

~~[(4)]~~ (2) Section 59-10-1037, Nonrefundable enterprise zone tax credit, is repealed December 31, 2026.

~~[(5)]~~ (3) Subsection 59-14-807(3)(a)(iii), regarding the Youth Electronic Cigarette, Marijuana, and Other Drug Prevention Committee, is repealed July 1, 2030.

235     ~~[(6)]~~ (4) Subsection 59-14-807(4)(b), regarding the Youth Electronic Cigarette, Marijuana,  
236             and Other Drug Prevention Committee, is repealed July 1, 2030.

237     ~~[(7)]~~ (5) Section 59-24-103.8, Radioactive waste facility expansion tax -- Payment --  
238             Deposit of tax revenue, is repealed July 1, 2026.

239             Section 5. **Effective Date.**

240     This bill takes effect on May 6, 2026.