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2026 Utah General Session Week 2 Legislative Update

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by Cloe Nixon

The second week of Utah's 2026 General Session remained full of hustle and bustle as bill files now total over 700, appropriations subcommittees worked to pass base budget bills (the funding bills, which fund existing and ongoing appropriations for state programs and make up around 90% of the state budget), and industry groups continue to negotiate with legislators on priority issues. An emerging theme is the growing tension legislators face as they endeavor to balance the tight budget year with the need for bold investments to meet the needs of Utah's meteoric growth and the desire to reduce the strain on Utah families by lowering the cost of living.

Below we walk through a couple key issues from week two and highlight five bills we are watching going into week three.

Non-Compete Agreements Legislation Advances

This week Representative Tyler Clancy's HB 203 – Noncompete Amendments has been a key focus of the business community. Rep. Clancy met with members of the Utah Chamber on Wednesday and committed to work with businesses and industry to make the proposal more palatable. Prior to the committee hearing for HB 203 on Friday, Rep. Clancy released a substitute draft of the bill, which reflects *some* of the feedback provided by the business community. Among other changes, the substitute addressed the following concerns:

- **Removes the 25-mile geographic restriction** prohibiting enforcement of a non-compete agreement that *restricted an employee's ability to work within 25 miles* of a geographic location
- **Removes the "for cause" requirement** prohibiting employers from enforcing non-competes against an employee terminated "without cause"
- **Removes the garden leave requirements** for employers to include and explain a garden-leave clause in all non-compete agreements
- **Removes** provisions granting the **Labor Commission enforcement authority**

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We appreciate the sponsor's good faith efforts to work with the business community. Despite the changes in the first substitute, the bill still has a number of concerning provisions, including the $155,000 salary threshold for enforceability, and the Utah Chamber (spearheading industry efforts) has requested that the bill be tabled and studied over the interim. Dorsey clients and other businesses continue to express valid concerns over the negative impact the proposal would have on businesses and workforce development. The bill passed out of committee with a favorable recommendation and will move to the House floor for additional consideration. Dorsey looks forward to continuing to work with the bill sponsors to address concerns moving forward.

Tax Policies

A couple proposals to reduce taxes advanced this week and conversations are taking shape regarding possible cuts to other funding areas and potential policy proposals to generate additional revenue for the state and offset a proposed .05% cut to state corporate and income tax rates.

Recall that tax cut and general budget discussions are happening against the backdrop of the projected $300 million decrease in income tax revenue for fiscal year 2026 due to the federal tax cuts and expanded deductions enacted under H.R. 1 – the One Big Beautiful Bill Act. This has created some debate as to whether the benefits of reducing the state's corporate and income tax rates from 4.5% to 4.45% are worth the cost.

Opponents of the tax cut assert that funds could be better used elsewhere in a flat budget year. Whereas proponents applaud the legislature for its fiscally responsible, incremental approach to cutting taxes since 2021, which has resulted in around $300-600 in annual savings for the average Utah family.

Below are three proposals we will continue to watch.

- **B. 60 Income Tax Rate Amendments** – the proposal would reduce corporate and income tax rates from 4.5% to 4.45% and is projected to save an average of $45/year for an average Utah family. This bill passed out of committee on Wednesday and will move to the Senate floor for consideration.
- **B. 116 Income Tax Rate Modifications –** among other provisions, this proposal would allow for an automatic income tax reduction when the actual state revenue exceeds the forecast revenue. This bill likewise passed out of committee, though by more narrow margins, and will move to the Senate floor for further consideration.
- **B. 161 Property Tax Modifications – this proposal** would create a referendum asking voters whether to amend the state's constitution to increase the residential property tax exemption from 45% of its value to 60%, which would take effect in January of 2027, **if** the referendum H.J.R. 7, receives support from a majority of voters when put on the ballot in November of 2026. The implication of this policy is that it would shift a greater portion of the property tax burden from residential to commercial properties.

It is likely that the plan for tax cuts will not be finalized until the February state revenue projections are released. Governor Cox has signaled that his support for a tax cut will be contingent on the budget forecast showing that “there’s room to do it.”

Five Bills we are Watching

1. **B. 211** - **Tort Amendments** (Sen. Kirk Cullimore): This bill would:
    a. **Limit what juries can hear about insurance and paid medical bills.** In most tort lawsuits, juries would no longer see evidence that a plaintiff’s medical bills were paid, discounted or written off by insurance or public programs. Damages would be considered without reference to those collateral payments.
    b. **Prevent settlement decisions based on discounted medical costs.** Defendants, including insurers, could not reduce settlement offers based on the lower amounts actually paid for medical care. This may lead to higher claim valuations in negotiations and at trial.
    c. **Increase potential liability exposure and insurance costs.** By limiting the use of collateral source evidence and restricting settlement leverage, the bill could increase damage awards and claim payouts. Insurers may respond by adjusting underwriting or raising premiums, which could ultimately increase insurance costs for Utah businesses.

2. **B. 179 – Wage Amendments** (Sen. Nate Blouin): this bill would require that an employer include information relating to wages and other compensation in a job listing; **increases the minimum wage in the state to $20 per hour**; prohibits that the Labor Commission from establishing a minimum wage that is lower than $20 per hour; requires that the commission adjust the minimum wage for inflation at least once per year.
3. **B. 190 – Childcare Business Tax Credit** (Rep. Jason Thompson): this bill increases the amount of the nonrefundable corporate and individual income tax credits to 30% of the qualified child care expenditures if they qualify as an eligible small business; repeals the requirement for an employer to have claimed the tax credit for construction expenditures in order to claim the tax credit for child care expenditures.
4. **B. 291** – **Security and Land Restriction Amendments** (Rep. Candice Pierucci)**:** This bill would lower the percentage of ownership a restricted foreign entity may maintain in a separate entity before the separate entity is considered a restricted foreign entity from 51% to 25% ownership interest.
5. **B. 436 - Moderate Income Housing Infrastructure Amendments** (Rep. Stephanie Gricius): This bill would require priority consideration by the Transportation Commission for certain transportation projects in communities with an annual housing development growth rate greater than 2.5%. Which, in effect, would further prioritize communities that are experiencing higher growth rates for investments in transportation, and ultimately allow for additional multimodal transportation options for employees living in high-growth communities.