

Utah Legislature 2026 General Session – Week 5 Update

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Inside the Utah State Capitol, Salt Lake City.

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Welcome to Week 5 of the Utah Legislature's 2026 General Session. With several of the bills of concern tabled for the remainder of the session, this week has felt a bit quieter than the preceding weeks. Too quiet... And too good to be true. On Thursday morning **HB 587 – Income Tax Amendments** (Rep. S. Eliason) was numbered and publicly released. Among other things, this bill includes the research and development (R&D) decoupling proposal that Utah's House has been mulling over as a means of bolstering

state revenue.

In effect, **HB 587 would eliminate the immediate deduction for R&D expenses for Utah tax purposes**, requiring taxpayers to add back all R&D expenses deducted at the federal level and amortize the R&D costs over five years, rather than in the year they are incurred. This bill takes effect on May 6, 2026, and has retrospective operation for a taxable year beginning on or after January 1, 2026. Additionally, the bill would **drop** the state's corporate franchise, income, and individual **tax rates from 4.5% to 4.45%**.

The proposed decoupling has sparked serious concerns across key industries operating in the state. Businesses and industry leaders have expressed that this policy change is likely to **significantly increase the cost of innovation** for Utah businesses and negatively impact investment decisions moving forward. Troy Keller notes that "if Utah decouples from the federal fix, we will be one of the few places in the world where R&D is treated *worse* than a standard operating expense."

Regarding the proposal, [BioUtah](#) wrote: "research is the fuel of innovation and innovation is the engine for creating jobs. This policy will not only weaken research in Utah but seriously slow innovation while in the process penalizing members of the life sciences industry that have been such a strong contributor to the state economic engine. A tax policy that is punitive toward research-intensive companies cannot help but cause loss of jobs and discourage companies from considering Utah for research functions."

Additional background and insights on R&D expensing and the proposed decoupling from **Troy Keller** below.

Background on R&D Deductions & Likely Impacts of Proposal

The R&D Deduction is a standard business deduction—an operating expense essential to running a business. At the federal level, the One Big Beautiful Bill Act reinstated immediate expensing for domestic R&D costs under IRC § 174A, reversing the prior amortization requirement that applied for tax years after 2021, as enacted by the 2017 Tax Cuts and Jobs Act.

Why are we talking about R&D expenses as separate from other types of expenses? It's a historical quirk. In the 1950s, the IRS took a novel approach and tried to classify research wages as "capital improvements" (like building a factory) rather than operating expenses. This created massive litigation and uncertainty, discouraging businesses from hiring scientists. Congress intervened in 1954, passing **Section 174** to clarify once and for all that R&D expenses should be deducted immediately, just like any other business cost.

The Recent "Seesaw" For nearly 70 years, this commonsense approach prevailed. However, the 2017 Tax Cuts and Jobs Act, in order to get through reconciliation, made use of the fact that Section 174 created this category of expense and included a delayed

revenue-raising provision that forced companies to amortize (spread out) R&D expenses over five years starting in 2022. This was never intended to actually happen—it was a budgetary gimmick designed to offset other tax cuts, and Congress fully intended to fix the gap and return its historic approach before they ever got to 2022. In fact, they chose this one because they were confident both sides would agree to fix it—but gridlock got in the way. Fortunately, Congress was able to reinstate immediate expensing in 2025 through the "One Big Beautiful Bill Act."

The Trap for States. States generally follow the federal tax code for efficiency. But now, some states are considering "decoupling" from the federal fix to keep the amortization rule in place for R&D expenses. Why? Because it artificially inflates taxable income, generating a short-term revenue windfall for the state. But this is irrational and arbitrary. If more revenue is needed, there are better ways to go about it than punishing R&D.

Why Amortization is Bad Policy for Utah. It's very simple. We want businesses in Utah to invest in the future. Why would we penalize them for hiring scientists, software developers, and other investments in R&D activities?

Engagement: with just two weeks left in the session, if your company is **concerned** with the likely impacts of this proposal, **please reach out to us** and we would be glad to connect you with your legislator.

Bills We Are Watching

- **HB 254 Construction Wage Standard Act** (Rep. T. Clancy): This bill addresses wage standards for construction projects; directs the Labor Commission to determine the wages for the occupations a construction project requires for each county; **establishes: a wage minimum that a contractor may pay a qualifying employee;** a recordkeeping requirement; and the penalties for noncompliance; and makes technical and conforming changes.
- **HB 294 Employer Verification Amendments** (Rep. T. Auxier): This bill reduces the employer verification threshold from **150 to 100** and would require a private employer who employs 100 or more employees to register with a status verification system to verify the federal legal working status of any new employee after July 1, 2027.
 - **Note:** the original version of this bill would have lowered the employer verification threshold from 150 to 50. The bill was recently amended to reflect the 100+ employer threshold.
- **SB 298 Programmable Money Amendments** (Sen. K. Stratton): This bill: excludes programmable money from the standard definition of money; **prohibits a person from requiring the use of programmable money for a transaction unless the person also offers a free, non-digital alternative; outlaws an issuer denying a transaction based on discriminatory criteria**, including a person's political opinions, religious beliefs, medical history, or lawful ownership of a firearm; prevents an issuer from using environmental, social, or governance standards and diversity programming compliance as a basis for failing or restricting a transaction; requires an issuer to provide a detailed written statement of the specific reason for a denied transaction or terminated service within 30 days of an affected party's request; **establishes that violations are class A misdemeanors punishable by a fine of up to \$10,000; grants an aggrieved party the right to seek punitive damages or**

the revocation of an issuer's business authorization; and does not prohibit the purchase or sale of cryptocurrency or other assets by public or private parties.

- **Note:** When presenting this bill in committee, the expressed goal of the legislation is to prevent citizens from being mandated to use programmable money in a way that would restrict their “basic sovereignty and financial freedom.”
- **HB 571 Immigrant Amendments** (Rep. T. Lee): Among other provisions, this bill would: [for a licensee under the Money Transmitter Act:] prohibit a licensee from initiating an international money transmission unless the licensee has verified that the sender is not an unauthorized alien; requires certain record keeping; and imposes penalties for a violation; require the Department of Financial Institutions to conduct random quarterly audits of licensees under the Money Transmitter Act to ensure compliance; prohibit a person from hiring or employing an unauthorized alien, and provide penalties for a violation, including fines and business license suspension or revocation; create a right of action against a person who hired, employed, or recruited an unauthorized alien and the actions of the unauthorized alien caused an injury or death; exempts an adult unauthorized alien from the definition of "employee" for purposes of the Workers' Compensation Act; requires an employer who knowingly hires or employs an unauthorized alien to be personally liable for all medical and treatment costs resulting from an injury sustained by the unauthorized alien during the unauthorized alien's employment, and imposes fines and other penalties.