

## Week 3 Update - 2026 Utah General Session

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by Cloe Nixon



800+ bills and counting... Week 3 of Utah's 2026 General Session was full of noteworthy updates for businesses. We've highlighted a few of these updates below.

### Possible Utah R&D Tax Deduction -- Decoupling

One issue we are paying particular attention to is the emerging proposal for Utah to **decouple** from the federal approach to expensing research and development (R&D) costs. At the federal level, H.R. 1 – the One Big Beautiful Bill Act, reinstated the ability for companies to **immediately deduct** (rather than amortize over time) costs associated with R&D expenses. There is no bill file available, but if the legislature pursues the proposal, it is expected to take the form of a provision to withdraw this tax benefit with respect to Utah taxes. The state corporate income tax rate is around 4.5%, and for a company that is heavy in developers or researchers, the impact can be significant (see the below AI generated comparison for a company with 100 developers).

This is already considered the top issue of the session for several industries. We are likewise concerned with how the proposal is likely to impact businesses who utilize these incentives and the state's business climate as a whole. If enacted, this proposal would arguably make Utah a less attractive place to do business relative to states that continue to allow for immediate expensing of R&D costs.

We understand that the “why” behind this proposal is to bring additional funds online in a tough budget year. We have heard that the “back of the napkin” impact of decoupling the R&D credits would free up approximately \$100 million for the legislature to allocate elsewhere.

#### Example of Decoupling on a Software Company with 100 Developers

### Related People

- Cloe Nixon

### Related Capabilities

- Mergers & Acquisitions
- Securities & Financial Services Litigation & Enforcement
- Government Enforcement & Corporate Investigations

| Category                | Path A: Decoupled             | Path B: Conformed to Federal   |
|-------------------------|-------------------------------|--------------------------------|
| Gross Revenue           | \$30,000,000                  | \$30,000,000                   |
| Operating Expenses      | (\$10,000,000)                | (\$10,000,000)                 |
| R&D (100 Devs @ \$150k) | (\$1,500,000) (10% Amortized) | (\$15,000,000) (100% Expensed) |
| Utah Taxable Income     | \$18,500,000                  | \$5,000,000                    |
| Utah State Tax (4.5%)   | \$832,500                     | \$225,000                      |
| "Decoupling" Penalty    | +\$607,500                    | \$0                            |

***We'd like to hear from you*** – please let us know if your company relies on these R&D credits and how the possible decoupling might impact R&D activities and timing.

## **Property Tax Amendments Proposal**

As we mentioned in previous updates, **H.B. 161 – Property Tax Modifications**, and **H.J.R. 7 – Proposal to Amend Utah Constitution – Property Tax Modifications**, have been at the top of the list of concerns for the business community this session. At a high level, the business community expressed concern that the proposal (and accompanying constitutional amendment, if enacted) would have shifted a greater portion of the property tax burden from residential to commercial properties. Our friends at the Utah Chamber shared that **they have been notified that both measures have been placed on hold** while lawmakers explore other approaches to reducing the property tax burden for all property owners, residential and commercial alike.

## **Bills We Are Watching**

- (New) **B. 441 – Property Transaction Amendments** (Rep. J. Koford): This proposal came online this week and would require that, when certain real property changes hands, the seller or closing agent provide property details including the sales price to the county assessor within a specified period after closing. The bill also clarifies that sales price information shared with the State Tax Commission or county assessors is not a “private record” under GRAMA and authorizes disclosure under defined circumstances. For commercial property interests, these changes could affect reporting obligations and transparency around transaction data used in assessment and valuation processes.
- **B. 203 (S1) – Noncompete Amendments** (Rep. T. Clancy): as we have previously noted, this bill has been a key focus of the business community. This bill would prohibit employers from enforcing a non-compete agreement if the employee is: nonexempt, a full-time student engaging in an internship or other short-term employment, eighteen years or younger, their total earnings are less than \$155,000

per year, or if the agreement would restrict an employee's ability to work more than 25 miles from a specific geographic location. It would: prohibit non-compete agreements for independent contractors; require that an employer intending to enforce a non-compete agreement to give advance notice and include the agreement with the offer of employment and imposes requirements, and outlines that the offer should include a garden leave clause; imposes at \$10,000 fee for violating this section; specifies that an employee has a right of action against a person if a violation occurs.

- **Updates:** the First Substitute of the bill reflects *some* of the changes requested by the business community and passed out of the House Business and Labor Committee with a favorable recommendation. The bill is now on the House 3<sup>rd</sup> Reading Calendar, which is the final step in the House. Negotiations with the sponsor remain ongoing and industry groups, Dorsey, etc. remain actively engaged in lobbying for a more favorable bill.
- **B. 190 (S2) – 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 childcare 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 childcare expenditures.
  - **Updates:** This week Senator Balderree was added as the Floor Sponsor and the House Revenue and Tax Committee adopted a Second Substitute of this bill and passed it out of committee with a favorable recommendation.
- **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.
  - **Updates:** this week an amendment to the bill was adopted and the bill subsequently passed out of the House unanimously with a vote of 64-0 (11 absent). The bill is waiting for introduction in the Senate, where Senator McKell will be the floor sponsor.
- **B. 175 – Public Funds and Political Activities Amendments** (Rep. T. Lee): This bill prohibits an entity from receiving a government contract or state grant if they: participate in a political campaign, devote more than an insubstantial part of the entity's activities to attempting to influence legislation, or if their primary objective can only be attained by legislative action or inaction. It would prohibit a current or prospective government contractor or grant recipient from making a contribution to a political entity or to another person for a political purpose.
  - **Updates:** this bill remains in House Rules and has not yet been assigned to a standing committee.
- **B. 286 (S1)– Artificial Intelligence Transparency Amendments** (Rep. D. Fiefia): This bill Requires a large frontier developer to write, implement, comply with, and publish a public safety plan, and a child safety plan if they operate a covered chat bot with more than a million subscribers; establishes requirements for the public safety plans; requires the large frontier developer to publish any material modification to the plan; requires large frontiers to publish risk assessments for covered chatbots; prohibits a frontier developer from making a false or misleading statement or omission about covered risks; allows a frontier developer to redact proprietary information or information that is integral to public safety or national security, and must describe the

justification of the redaction; enacts civil penalties of \$1,000,000 to \$3,000,000, dependent on previous violations; requires developers to report certain safety incidents to the Office of Artificial Intelligence Policy and gives a timeframe based on severity of incident; requires this office to provide annual assessments and legislative recommendations regarding regulation of certain artificial intelligence, such as covered chatbots; establishes remedies for employees who suffer adverse action for whistleblower activity; provides a severability clause.

- **Updates:** The First Substitute of this bill was passed out of the House standing committee with a favorable recommendation, Sen. M. McKell has been added as the Senate Floor Sponsor, and the bill was recently circled (held from consideration) on the House 3<sup>rd</sup> Reading Calendar.
- **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.
  - **Updates:** This bill was “not considered” by the Senate Committee it was assigned to this week and is likely to not progress further.

Please don't hesitate to reach out if you have any questions or would like to discuss.