

Utah Legislature 2026 General Session - Week 6 Update

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by Cloe Nixon



The penultimate week of the 2026 General Session was marked by budget deliberations, R&D decoupling concerns, the Statement of Economic Prosperity (the agreement between Utah Petroleum Association, association members, and the Legislature regarding the fuel tax proposal), and ongoing tort reform debate, among other issues.

Utah R&D Expensing Decoupling Update

Yesterday the **Second Substitute of HB 587 – Income Tax Amendments** (Rep. S. Eliason) was publicly released and **removes provisions to decouple Utah's R&D/R&E expensing approach from the federal approach**. As a result, Utah will not be an outlier with respect to R&D expensing and research and innovation intensive companies will retain the benefits of this longstanding tax provision. We are grateful to all of the Dorsey clients, business groups, and industry associations who reached out and expressed concerns regarding the impacts of the proposed decoupling and engaged in proactive discussions with the bill's sponsor and legislative leadership. And we are grateful to the Sponsor, Rep. Eliason, and legislative leadership who listened to feedback from the business community and committed to policy decisions to maintain the state's strong business climate.

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Revenue & Budget Updates

Last Friday, Senator Jerry Stevenson, Budget Chair for the Utah Senate, announced some good news. The updated revenue estimates for Fiscal Year 2026 and 2027 from the Office of the Legislative Fiscal Analyst predict that the state will have an **additional \$88 million in ongoing funds** and **\$125 million in one-time funds** this coming fiscal year, thanks to Utah's strong, 4.8% year-over-year revenue growth. This sunny economic outlook came as a surprise to many who were expecting a bleak budget year thanks in part to the impact of federal tax changes in H.R.1/OBBA, which reduced income tax liability for Utah taxpayers by over \$500 million.

The positive revenue estimates are likely to soften the urgency of budget cuts signaled by legislative leadership early in the session, though we anticipate that the Executive Appropriations Committee will still adopt many of the modest, 5% reductions to state agency operating budgets and programs submitted to the appropriations subcommittees earlier this year.

The Governor's Office of Planning and Budget released a "[Fiscal Field Guide](#)" for the state budget, providing additional context to the LFA's revenue numbers and their impact on the state budget. GOPB notes that: *"Overall, revenue is expected to reach \$11.99 billion for FY 2027, a healthy 3.67% increase even after accounting for the ongoing impacts of federal tax reconciliation."*

Bills We Are Watching (*all of them*)

As we enter the last week of the legislative session, we continue to monitor all of the bills noted in previous updates. Once the session adjourns, we will provide an update on the final outcomes of these priority proposals.

As always, please don't hesitate to reach out with any questions or if you would like to discuss.