

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5851S.01I
 Bill No.: SB 1425
 Subject: Economic Development; Tax Credits
 Type: Original
 Date: March 2, 2026

Bill Summary: This proposal modifies a provision relating to a tax credit for new business facilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2032)
General Revenue*	\$0	\$0	\$0	More or less than (\$19,202,293)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	More or less than (\$19,202,293)

*Oversight reflects ongoing costs due to the extension of the sunset through January 1, 2041 (FY 2042).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2032)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2032)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2032)
Total Estimated Net Effect on FTE	0	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029	Fully Implemented (FY 2032)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.155 – Tax Credits for New Business Facilities

Officials from the **Department of Revenue (DOR)** assume this proposal extends from January 1, 2031, to January 1, 2041, the time allowed for a company to qualify for the New Business Facility Tax Credit program. The program allows up to a \$16 million tax credit annually for the expansion of the companies headquarter building.

This tax credit program was created prior to 1980 and from FY 2020 through FY 2025 the House Appropriations committee has frozen the amount of the credit at no more than 12 million annually. The program has been modified numerous times to expand the definition of qualifying expenditures to allow the company to continue to qualify for the credit. For informational purposes only, the department is providing the amount of issuances and redemptions of this program over the last several years.

Year	Authorized	Issued	Total Redeemed
FY 2025	\$40,798,821.49	\$40,798,821.49	\$19,769,148.27
FY 2024	\$16,808,057.81	\$16,808,057.81	\$16,474,636.43
FY 2023	\$0.00	\$0.00	\$14,181,033.00
FY 2022	\$0.00	\$0.00	\$14,833,669.00
FY 2021	\$24,959,370.00	\$24,959,370.00	\$12,345,744.00
FY 2020	\$0.00	\$0.00	\$7,555,278.00
FY 2019	\$9,213,825.00	\$9,213,825.00	\$8,217,556.00
FY 2018	\$8,762,244.00	\$8,762,244.00	\$6,329,689.00
FY 2017	\$8,044,858.00	\$8,044,858.00	\$4,046,742.00
FY 2016	\$4,778,641.00	\$4,778,641.00	\$4,593,362.00
FY 2015	\$4,160,818.00	\$4,160,818.00	\$4,493,611.28
FY 2014	\$6,563,164.00	\$6,563,164.00	\$6,618,443.21
FY 2013	\$5,704,373.00	\$5,704,373.00	\$4,431,017.94
FY 2012	\$4,840,502.00	\$4,840,502.00	\$4,796,279.38

There is no fiscal impact from the extension of the expiration date. However, should the program actually be allowed to expire this could result in an unknown savings to the State of up to its \$16 million allowed cap.

Oversight notes that the New and Expanded Business Facility Credit program awards credits from \$75 to \$125 per job (for a new company) and per \$100,000 of new investment each year for 10 years. The program has no annual cap.

Oversight notes that this legislation extends the sunset date from January 1, 2031, to January 1, 2041. Therefore, **Oversight** will reflect a potential cost to the General Revenue Fund associated with the continuation of the tax credit of approximately \$19,202,293, which represents the 3-year average (2023-2025) annual authorization amounts shown in the table above.

Officials from the **Office of Administration – Budget & Planning, Department of Economic Development, and Oversight Division** each assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these respective agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2032)
GENERAL REVENUE				
<u>Cost – (\$135.155) Sunset Extension p.3-4</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	More or less than (\$19,202,293)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	More or less than (\$19,202,293)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029	Fully Implemented (FY 2032)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

A direct fiscal impact on small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law authorizes a tax credit for a 10-year period for business headquarters that commence operations in this state on or before December 31, 2030. This act extends such date to December 31, 2040.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
 Department of Economic Development
 Department of Revenue
 Office of the Secretary of State
 Joint Committee on Administrative Rules
 Oversight Division



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 Director
 March 2, 2026



Jessica Harris
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 March 2, 2026