

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 404-FN, relative to economic revitalization zone tax credits.

Hearing Date: January 21, 2026

Members of the Committee Present: Senators Lang, Sullivan, Rosenwald and Fenton, McConkey

Members of the Committee Absent : Senator Murphy

Bill Analysis: This bill makes changes to the eligibility and award of economic revitalization tax zone credits.

Sponsors:
Sen. Gray

Who supports the bill: Sen. Gray

Who opposes the bill: Megan Schmitt

Who is neutral on the bill: Bridget Beckwith

Summary of testimony presented:
Sen Gray

- Sen. Gray said this bill was requested by the department and makes changes to the Economic Revitalization Zone (ERZ) tax credit administered by the Dept. of Business and Economic Affairs.
- The bill increases the aggregate credits awarded from \$825,000 to \$1 million; changes from a program year to a calendar year; makes changes to the amounts and types of eligible credits; and ensures credits are used properly.

Bridgett Beckwith BEA

- Ms. Beckwith stated that she has been working on this program for ten years and described the bill as just cleanup to make sure the program is operating properly and they maximize the tax credits.

Sen. Fenton asked why the bill moves from five to eight years with regard to the evaluation of the zones.

Ms. Beckwith said it is a reevaluation period and the reason for the change is because they are not seeing a lot of change in the five years. She ensures they still meet the

criteria to be an ERZ and they are consistently still meeting the criteria at the five-year mark.

Sen. Fenton noted the bill raises the cap, which may result in revenue loss. He asked if there are performance guarantees.

Ms. Beckwith explained that the performance has already happened before the credit is awarded. The incentive is there ahead of time. If they meet the criteria, they get the reward. This change would allow the qualifying zones to get a little more return on their refund.

Sen. Lang said the bill increases the total aggregate credit that can be awarded from \$825,000 to \$1 million so the net effect on revenue is \$175,000.

Ms. Beckwith said that was correct. She explained that the proration has been such that qualifying zones are receiving 30 cents on the dollar. The cap has been the same since the inception of the credit, so this change would just let them access a little more of what they are eligible for.

Sen. Lang said the credits awarded are prorated to roughly 30%, meaning people are putting in for the max amount but only getting 1/3 of that.

Ms. Beckwith said that was correct.

Sen. Rosenwald asked how much each tax credit would be worth given the number of these zones and the small increase in the aggregate amount.

Ms. Beckwith said they are hoping to bring it up. They can't ask for all that they need because the requests are quite high. Last year they would have qualified for \$2 million. She reiterated that they are just looking to give a little more money. She estimated they might get 75% of what they ask for with this increase in the cap, but it depends on the year and how many applicants they get.

Sen. Rosenwald asked what the increase might be in dollars received.

Ms. Beckwith said she would have to run the numbers because each company is different in terms of what they qualify for. Last year, the average tax credit award was \$62,000 and they only got \$23,000. She said they are hoping this bill will bring that number up by half. She also explained that they don't all take the maximum credit if they don't have enough BPT obligation to apply it to. They can use the credit over six years. Another part of the cleanup language contained in the bill is that a taxpayer cannot reapply for additional credits until they have used all of their existing ERZ tax credits. This will ensure there aren't unused credits on the books.

Sen. Lang asked if the credits lapse back into the fund if the taxpayer doesn't have enough BPT obligation within the prescribed window of time.

Ms. Beckwith explained that they are not able to track that well enough. The language in this bill will help them maximize the money they have to award and stretch it farther.