DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** Emily M. Jordan

2. **Bill Number** SB 696
   House of Origin:
   __X__ **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

   Second House:
   _____ **In Committee**
   _____ **Substitute**
   _____ **Enrolled**

3. **Committee** Senate Finance and Appropriations

4. **Title** Corporate income tax rate; reduction.

5. **Summary/Purpose:**

   This bill would reduce the corporate income tax rate by 1.25 percent each taxable year from the current six percent rate as follows: The rate would be:
   - 6 percent for taxable years beginning before January 1, 2026;
   - 4.75 percent for taxable years beginning on and after January 1, 2026, but before January 1, 2027;
   - 3.5 percent for taxable years beginning on and after January 1, 2027, but before January 1, 2028; and
   - 2.25 percent for taxable years beginning on and after January 1, 2028.

   This bill would become effective for taxable years beginning on and after January 1, 2026.

6. **Budget amendment necessary:** Yes.
   Page 1 Revenue Estimates

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
   7b. Revenue Impact:

Fiscal Year	***Dollars***	***Fund***
2026-27	($759.6 million)	GF
2027-28	($1,004.9 million)	GF
2028-29	($1,300.2 million)	GF
2029-30	($1,409.2 million)	GF
2030-31	($1,512.2 million)	GF
2031-32	($1,616.4 million)	GF

8. **Fiscal implications:**

   Administrative Costs

   The Department of Taxation ("the Department") considers this bill as routine and does not require additional funding.

   This legislation does not require significant changes to the Department's systems and is not impacted by the first phase of the Integrated Revenue Management System ("IRMS") replacement project. No resource constraints or implementation considerations are anticipated.

Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Background

The tax rate on corporate income was set at 5 percent in 1948 and increased to the current 6 percent in 1972.

The maximum tax rate on an individual's income was set in 1948 at 5 percent on $5,000 or more, which was increased in 1972 to 5.75 percent on $12,000 or more. Since 1991 the maximum individual rate has been 5.75 percent on $17,000 or more.

Proposal

This bill would reduce the corporate income tax rate by 1.25 percent each taxable year from the current six percent rate as follows: The rate would be:

- 6 percent for taxable years beginning before January 1, 2026;
- 4.75 percent for taxable years beginning on and after January 1, 2026, but before January 1, 2027;
- 3.5 percent for taxable years beginning on and after January 1, 2027, but before January 1, 2028; and
- 2.25 percent for taxable years beginning on and after January 1, 2028.

This bill would become effective for taxable years beginning on and after January 1, 2026.

cc : Secretary of Finance

Date: 01/26/2026 JPJ
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