2025-2026 General Assembly

SENATE BILL 595: Various Revenue Laws Changes, Part VIII: Corporate and Franchise Tax Changes

Analysis of:	S.L. 2026-31, Part VIII	**Date:**	August 14, 2026
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Part VIII of S.L. 2026-31 (Senate Bill 595) makes various corporate income and franchise tax changes, including:

- With respect to the taxation of an S Corporation, clarifying that regardless of whether a shareholder's income is taxed at the entity level, the income must be taken into account by the shareholder when completing their individual income tax return. The shareholder may be entitled to adjustment deductions for income that was taxed at the entity level.
- Allowing a corporation to make an adjustment to its net worth for purposes of calculating its franchise tax liability by deducting any investment it has, whether direct or indirect, in an insurance company that is subject to tax under Article 8B of Chapter 105, which imposes a gross premiums tax on insurance companies. This adjustment only applies if the corporation owns, directly or indirectly, more than 80% of the outstanding voting stock, voting capital interests, or ownership interests in the insurance company. This provision became effective retroactively for taxable years beginning on or after January 1, 2019, and is applicable to the calculation of franchise tax reported on the 2018 and later corporate income tax return.
- For taxable years beginning on or after January 1, 2026, establishing a tax credit in the amount of 40% of qualified rehabilitation expenditures for a taxpayer who is allowed a credit under section 47 of the Code for making qualified rehabilitation expenditures of at least $10 million dollars with respect to an eligible corporate campus. An "eligible corporate campus" is one that meets all of the following conditions:
  - Is a certified historic structure or a State certified historic structure.
  - At one time served as a corporate headquarters.
  - Is located on a parcel or commonly-owned parcels comprising a minimum of 20 acres of land.
  - Is subject to a preservation agreement as defined in G.S. 121-35.
  - Has been listed on the National Register of Historic Places and certified as a local landmark by a county or municipality.
  - Has been at least eighty percent (80%) vacant for a period of at least two years immediately preceding the date the eligibility certification is issued.

Except as otherwise stated, this Part became effective July 2, 2026.