STATE OF NEW YORK

9249

IN SENATE

February 18, 2026

Introduced by Sen. C. RYAN -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations

AN ACT to amend the tax law and the state finance law, in relation to establishing the New York rural growth fund tax credit and the New York rural growth fund

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. The tax law is amended by adding a new section 50 to read as follows:

§ 50. New York rural growth fund credit. (a) Definitions. For purposes of this section, the following terms shall have the following meanings:

(1) "Affiliate" means a person that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person. For the purposes of this paragraph, a person is "controlled by" another person if the controlling person holds, directly or indirectly, the majority voting or ownership interest in the controlled person or has control over the day-to-day operations of the controlled person by contract or by law.

(2) "Closing date" means the date on which a rural business growth fund has collected all of the amounts specified by subparagraphs (A) and (B) of paragraph seven of subdivision (b) of this section.

(3) "Credit-eligible capital contribution" means an investment of cash by a person in a rural business growth fund for which tax credits are certified that is made in exchange for an equity interest in, or a debt instrument issued by, such rural business growth fund. The investment shall purchase an equity interest in the rural business growth fund or purchase, at par value or premium, a debt instrument issued by the rural business growth fund that meets all of the following criteria:

(A) the debt instrument has an original maturity date of at least five years after the date of issuance;

(B) the debt instrument has a repayment schedule that is not faster than a level principal amortization over five years; and

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD14844-01-6

(C) the debt instrument has no interest, distribution, or payment features dependent on the rural business growth fund's profitability or the success of the rural growth investments.

(4) "Eligible investment authority" means the amount stated on the notice issued under subparagraph (A) of paragraph six of subdivision (b) of this section certifying the rural business growth fund.

(5) "Jobs created" means the number of people employed by a rural business that has received a rural growth investment during the taxable year, determined by averaging the number of full-time employees employed on March thirty-first, June thirtieth, September thirtieth, and December thirty-first of such taxable year, to the extent such number exceeds the number of jobs retained. An individual shall be considered employed full-time if such individual works not less than thirty-five hours per week, or if two or more individuals together constitute the equivalent of one full-time position.

(6) "Jobs retained" means the number of persons employed by a rural business that has received a rural growth investment during the taxable year, determined by averaging the number of full-time employees employed on March thirty-first, June thirtieth, September thirtieth, and December thirty-first of the taxable year in which the initial rural growth investment was made. An individual shall be considered employed full-time if such individual works not less than thirty-five hours per week, or if two or more individuals together constitute the equivalent of one full-time position.

(7) "Principal business operations in New York state" means a business that has at least eighty percent of its employees who reside in New York state, the individuals who receive at least eighty percent of the business's payroll reside in New York state, or the business has agreed to use the proceeds of a rural growth investment to relocate at least eighty percent of its employees to New York state within twelve months of receiving the investment by a rural business growth fund.

(8) "Rural area" shall have the same meaning as defined in subdivision seven of section four hundred eighty-one of the executive law.

(9) (A) "Rural business" means any business that has its principal business operations in New York state that, at the time of the initial investment in the business by a rural business growth fund, employs no more than two hundred fifty full-time employees and has earned not more than fifteen million dollars in net income for the preceding taxable year. A "rural business" shall exclude the following:

(i) a country club;

(ii) a racetrack or other facility used for gambling;

(iii) a store for which the principal purpose is the sale of alcoholic beverages for consumption off premises;

(iv) a massage parlor;

(v) a hot tub facility;

(vi) a suntan facility;

(vii) a business engaged in the development or holding of intangibles for sale;

(viii) a private or commercial golf course;

(ix) a business that derives or projects to derive fifteen percent or more of its net income from the rental or sale of real property, except any business that is a special purpose entity principally owned by a principal user of that property formed solely for the purpose of renting, either directly or indirectly, or selling real property back to such principal user if such principal user does not derive fifteen

percent or more of its gross annual revenue from the rental or sale of real property; or

(x) a publicly traded business or any business or organization that is exempt from taxation under section 501(c) of the internal revenue code or any for-profit entity that is directly or indirectly owned, controlled, or operated by, or under common control with, an organization exempt from taxation under section 501(c) of the internal revenue code.

(B) For purposes of this paragraph, "net income" means federal adjusted gross income as required to be reported under the internal revenue code less federal and state taxes imposed on or measured by income. Any business which is classified as a rural business at the time of the initial investment in such business by a rural business growth fund shall remain classified as a rural business and may receive follow-on investments from any rural business growth fund, and such follow-on investments shall qualify as a rural growth investment provided it otherwise meets the definition of rural business with the exception of the employee limitation and net income limitation in such definition.

(10) "Rural business growth fund" means an entity certified by the department under this section.

(11) "Rural growth investment" means any capital or equity investment in a rural business or any loan to a rural business with a term of at least one year.

(12) "Tax credit certificate" means the document issued by the department to a person who has made a credit-eligible capital contribution to a rural business growth fund.

(13) "Taxable year", when used in reference to an insurance company, means the calendar year ending on the thirty-first day of December next preceding the day the annual report is required to be returned under subdivision (d) of this section.

(14) "Department" means the department of economic development.

(b) Certification. (1) On and after August first, two thousand twenty-six, an applicant that has developed a business plan to invest in rural business in this state and has successfully solicited private investors to make capital contributions in support of such business plan may apply to the department for certification as a rural business growth fund. Such application shall include all of the following:

(A) the total eligible investment authority sought by the applicant under the business plan;

(B) documents and other evidence sufficient to prove that the applicant meets all of the following criteria: (i) The applicant or an affiliate of the applicant is licensed as a rural business investment company under 7 U.S.C. 2009cc, or as a small business investment company under 15 U.S.C. 681, and a certificate executed by an executive officer of the applicant attesting that such license remains in effect and has not been revoked, and (ii) As of the date the application is submitted, the applicant has invested more than one hundred million dollars in operating companies in rural areas located inside or outside of New York state. In computing investments under this subdivision, the applicant may include investments made by affiliates of the applicant;

(C) an estimate of the number of jobs created and jobs retained that will result from the applicant's rural growth investments, together with the anticipated average wage per job;

(D) a revenue impact assessment for the applicant's proposed rural growth investments prepared by a nationally recognized third-party inde-

pendent economic forecasting firm using a dynamic economic forecasting model. The revenue impact assessment shall analyze the applicant's business plan over the ten years following the date the application is submitted to the department;

(E) a signed affidavit from each investor successfully solicited by the applicant to make a credit eligible capital contribution in support of the business plan. Each affidavit shall include information sufficient for the department to identify the investor and shall state the amount of the investor's credit-eligible capital contribution; and

(F) a non-refundable application fee of ten thousand dollars.

(2) The department shall review and make a determination with respect to each application submitted under paragraph one of this subdivision within thirty days of receipt. The department shall make determinations on the applications in the order in which the applications are received by the department. Applications received by the department on the same day shall be deemed to have been received simultaneously. Except as provided in paragraph four of subdivision (c) of this section, the department shall not approve more than two hundred fifty million dollars in eligible investment authority or more than one hundred seventy-five million dollars in tax credits.

(3) The department shall deny an application submitted under this section if any of the following are true:

(A) the application is incomplete;

(B) the application fee is not paid in full;

(C) the applicant does not satisfy all the criteria described in subparagraph (B) of paragraph one of this subdivision;

(D) the revenue impact assessment submitted under subparagraph (D) of paragraph one of this subdivision does not demonstrate that the applicant's business plan will result in a positive economic impact on this state over a ten-year period that exceeds the credit eligible capital contributions sought by the applicant; or

(E) the department has already approved the maximum amount of eligible investment authority and credit-eligible capital contributions allowed under paragraph two of this subdivision.

(4) If the department denies an application under paragraph three of this subdivision, the department shall send notice of its determination of the application to the applicant. Such notice shall include the reasons that the application was denied. If the application was denied for any reason other than the reason specified in subparagraph (E) of paragraph three of this subdivision, the applicant may provide additional information to the department to complete, clarify, or cure defects in the application. The additional information shall be submitted within thirty days after the date the notice of denial was sent by the department. If the person or entity submits additional information within thirty days, the department shall reconsider the application within thirty days after receiving such additional information. If, after submission of additional information, the application is approved, then the submission date shall be the date of the original submission of the application. If the person or entity does not submit additional information within thirty days after the notice of denial was sent, the applicant may submit a new application with a new submission date at any time.

(5) If approving multiple simultaneously submitted applications would result in exceeding the overall eligible investment limit prescribed by paragraph two of this subdivision, the department shall proportionally reduce the eligible investment authority and the credit-eligible capital

contributions for each approved application as necessary to avoid exceeding the limit.

(6) The department shall not deny a rural business growth fund's application or reduce the requested eligible investment authority for any reasons other than those described in paragraph three and paragraph five of this subdivision. If the department approves such application, the department shall:

(A) issue a written notice certifying that the applicant qualifies as a rural business growth fund, specifying the amount of the applicant's eligible investment authority, and certifying and making available tax credits in an aggregate amount equal to seventy percent of such eligible investment authority, to be allocated among investors in accordance with the affidavits submitted pursuant to subparagraph (E) of paragraph one of this subdivision;

(B) to each investor whose affidavit was included in the application, issue a tax credit certificate specifying the amount of the tax credit and the utilization schedule of such tax credit, which, in the aggregate, shall equal seventy percent of the applicant's eligible investment authority; and

(C) submit to the commissioner a copy of each tax credit certificate issued under subparagraph (B) of this paragraph.

(7) A rural business growth fund whose application was accepted shall complete subparagraphs (A) and (B) of this paragraph within sixty days of receiving the written notice issued under paragraph six of this subdivision and shall complete the requirements set forth in subparagraph (C) of this paragraph within sixty-five days of receiving the written notice issued under paragraph six of this subdivision:

(A) Collect the credit-eligible capital contributions from each investor whose credit-eligible capital contributions are described in affidavits submitted pursuant to subparagraph (E) of paragraph one of this subdivision in the form of cash paid in exchange for equity interests or debt instruments.

(B) Collect one or more investments of cash, which shall purchase an equity interest in the rural business growth fund or a debt instrument issued by the rural business growth fund at par value or premium, with a maturity date of at least five years from the closing date that, when added to the contributions collected under subparagraph (A) of this paragraph, equal the fund's eligible investment authority. At least ten percent of the fund's eligible investment authority shall be composed of capital raised directly or indirectly by affiliates of the rural business growth fund, including employees, officers, and directors of such affiliates.

(C) Send to the department documentation sufficient to prove that the amounts described in subparagraphs (A) and (B) of this paragraph have been collected. If the rural business growth fund fails to fully comply with this paragraph, the rural business growth fund's certification shall lapse.

(8) Eligible investment authority and corresponding credit-eligible capital contributions eligible for tax credits that lapse under paragraph seven of this subdivision shall not count toward the limitations on total eligible investment authority and credit-eligible capital contributions prescribed in paragraph two of this subdivision. Once eligible investment authority has lapsed, the department shall first award such lapsed authority pro rata to each rural business growth fund that was awarded less than the requested eligible investment authority

under paragraph five of this subdivision. Any remaining eligible investment authority may be awarded by the department to new applicants.

(9) Application fees submitted to the department pursuant to subparagraph (F) of paragraph one of this subdivision shall be credited to the New York rural growth fund, as established pursuant to section ninety-nine-uu of the state finance law.

(c) Revocation of certification and penalties. (1) The department shall revoke a tax credit certificate issued under subdivision (b) of this section if any of the following occur with respect to a rural business growth fund before the fund exits the program pursuant to paragraph five of this subdivision:

(A) the rural business growth fund in which the credit-eligible capital contribution was made does not invest one hundred percent of its eligible investment authority in rural growth investments in this state within two years of the closing date;

(B) after investing one hundred percent of its eligible investment authority in rural growth investments in this state, the rural business growth fund fails to maintain such investment until the seventh anniversary of the closing date. For purposes of this subdivision, an investment shall be deemed "maintained" even if the investment is sold or repaid so long as the rural business growth fund reinvests an amount equal to the capital returned or recovered by the fund from the original investment, exclusive of any profits realized, in other rural growth investments in this state within twelve months of the receipt of such capital. Amounts received periodically by a rural business growth fund shall be treated as continually invested in rural growth investments if the amounts are reinvested in one or more rural growth investments by the end of the following calendar year. A rural business growth fund shall not be required to reinvest capital returned from rural growth investments in the twelve months immediately preceding the seventh anniversary of the closing date, and such rural growth investments shall be considered held continuously by the rural business growth fund through the seventh anniversary of the closing date;

(C) the rural business growth fund invests more than the greater of five million dollars or twenty percent of its eligible investment authority in the same rural business, including amounts invested in affiliates of the rural business but excluding amounts reinvested in the rural business growth fund with repaid or redeemed rural business growth investments, provided such reinvestments shall not count towards the requirement of subparagraph (A) of this paragraph; or

(D) the rural business growth fund makes a rural growth investment in a rural business that directly or indirectly through an affiliate owns, has the right to acquire an ownership interest, make a loan to, or make an investment in the rural business growth fund, an affiliate of the rural business growth fund, or an investor in the rural business growth fund. This paragraph shall not apply to investments in publicly traded securities by a rural business or an owner or affiliate of such concern.

(2) Before taking action pursuant to the provisions of paragraph one of this subdivision, the department shall notify the rural business growth fund of the reasons for the pending action. If the rural business growth fund corrects the violations, other than violations of subparagraph (D) of paragraph one of this subdivision, outlined in the notice to the satisfaction of the department within one hundred eighty days of the date the notice was sent, the department shall not revoke the tax credit certificates or levy a fine.

(3) If the department revokes a tax credit certificate under paragraph one of this subdivision, it shall notify the commissioner, who shall make an assessment for the amount of the credit claimed by the certificate holder before the certificate was revoked. The commissioner shall make the assessment within one year after the certificate has been revoked.

(4) If tax credit certificates are revoked under paragraph one of this subdivision, the associated eligible investment authority and tax credits identified on such certificate shall not count toward the limit on total eligible investment authority and credit-eligible capital contributions described in paragraph two of subdivision (b) of this section. The department shall first award such reverted authority pro rata to each rural business growth fund that was awarded less than the requested eligible investment authority under paragraph five of subdivision (b) of this section. Any remaining eligible investment authority may be awarded by the department to new applicants.

(5) (A) On or after the seventh anniversary of the closing date, a rural business growth fund that has not committed any of the acts described in paragraph one of this subdivision may apply to the department to exit the program as a rural business growth fund and no longer be subject to regulation under this section. The department shall respond to the application within thirty days after receiving such application. In evaluating such request, the fact that no tax credit certificates have been revoked with respect to the rural business growth fund shall be sufficient evidence to prove that the fund is eligible to exit the program. The department shall not unreasonably deny an application submitted under this subdivision.

(B) The department shall send written notice of its determination with respect to an application submitted under subparagraph (A) of this paragraph to the rural business growth fund. If the application is denied, the notice shall include the reasons for such determination.

(C) The department shall not revoke a tax credit certificate due to any actions of a rural business growth fund that occur after the date the fund's application for exiting the program is approved under subparagraph (A) of this paragraph.

(6) A rural business growth fund may, prior to making a rural growth investment, request from the department a written determination as to whether the business entity in which it proposes to invest qualifies as a rural business. Such request shall be in a form prescribed by the department. Rural business determination requests shall be accepted, reviewed, and approved on a rolling basis. The department shall issue a written determination, not later than the twentieth business day after the date of receipt of such request, provided the request includes all of the required information to perform such review, and shall notify the rural business growth fund of its determination. If the department fails to notify such fund of its determination within such twenty business day period, the business in which the rural business growth fund proposes to invest shall be deemed to qualify as a rural business. A determination or deemed determination under this paragraph shall be binding on the department for all purposes of this section.

(7) A rural business growth fund shall be subject to a penalty if the aggregate number of jobs created and jobs retained, as reported in the annual reports submitted pursuant to subdivision (d) of this section, is less than the number of jobs created and jobs retained certified in the department's notice of approval issued under paragraph six of subdivision (b) of this section.

(8) The amount of the penalty shall be equal to the amount of tax credits issued to the rural business growth fund pursuant to tax credit certificates issued under subdivision (b) of this section, multiplied by a fraction:

(A) the numerator of which is the difference between the number of jobs created and jobs retained certified in the notice of approval and the aggregate number of jobs created and jobs retained actually reported; and

(B) the denominator of which is the number of jobs created and jobs retained certified in the notice of approval.

(9) Prior to making any distribution to equity holders, the rural business growth fund shall deduct the amount of any penalty calculated pursuant to paragraph seven of this subdivision and remit such amount to the department.

(d) Reports. (1) A rural business growth fund shall submit a report to the department on or before the first day of March after each anniversary of the closing date until the rural business growth fund has exited the program in accordance with paragraph five of subdivision (c) of this section. Such report shall document the rural business growth fund's growth investments and shall include, but shall not be limited to:

(A) a bank statement or equivalent documentation showing each rural growth investment;

(B) the name, location, and North American industry classification system code of each rural business receiving a rural growth investment, together with either the determination notice described by paragraph six of subdivision (c) of this section or evidence that such determination was requested and no notice was provided;

(C) the number of employment positions that existed at each business described in subparagraph (B) of this paragraph;

(D) the number of jobs created and jobs retained during the preceding twelve-month reporting period, calculated in accordance with subdivision (a) of this section; and

(E) any other information the department may require by rule or guidance.

(2) The department may adopt rules and regulations necessary to implement the provisions of this section.

(3) Each certified rural business growth fund shall pay an annual fee of twenty thousand dollars to the department. The initial annual fee shall be submitted along with the fund's initial report. Annual fees received shall be credited to the New York rural growth fund, as established pursuant to section ninety-nine-uu of the state finance law. Any rural business growth fund required to file an annual report pursuant to paragraph one of this subdivision shall remit the fee together with such report. No annual fee shall be required after the fund has been approved to exit the program under subdivision (c) of this section.

§ 2. Section 1511 of the tax law is amended by adding a new subdivision (ff) to read as follows:

(ff) Credit for certain investments to a rural business growth fund. (1) There is hereby allowed a nonrefundable tax credit for taxpayers that made a credit-eligible capital contribution to a rural business growth fund and were issued a tax credit certificate under subparagraph (B) of paragraph six of subdivision (b) of section fifty of this chapter. The total amount of credit authorized by such certificate shall equal the amount of tax credit specified on the tax credit certificate, which, in the aggregate, shall reflect seventy percent of the eligible investment authority certified pursuant to section fifty of this chap-

ter. Such credit may be claimed against the tax imposed by this article and section one thousand one hundred twelve of the insurance law. Such credit may not be sold, transferred, or allocated to any entity other than an affiliate of the taxpayer.

(2) A taxpayer may claim credits authorized by the tax credit certificate in the taxable years in which the third, fourth, fifth, sixth and seventh anniversaries of the closing date, as such term is defined pursuant to section fifty of this chapter, associated with such certificate occur, provided that the maximum credit claimed for any taxable year shall not exceed one-fifth of the amount stated on the tax credit certificate, exclusive of any amounts carried forward pursuant to paragraph three of this subdivision.

(3) If the amount of credits allowable for any taxable year exceeds the tax otherwise due for such year, the excess shall be carried forward to subsequent taxable years until fully used. A taxpayer claiming a credit under this subdivision shall submit a copy of the tax credit certificate with the taxpayer's return for each taxable year for which the credit is claimed.

§ 3. The tax law is amended by adding a new section 187-s to read as follows:

§ 187-s. Credit for certain investments to a rural business growth fund. 1. There is hereby allowed a non-refundable tax credit for taxpayers that made a credit-eligible capital contribution to a rural business growth fund and were issued a tax credit certificate under subparagraph (B) of paragraph six of subdivision (b) of section fifty of this chapter. The total amount of credit authorized by such certificate shall equal the amount of tax credit specified on the tax credit certificate, which, in the aggregate, shall reflect seventy percent of the eligible investment authority certified pursuant to section fifty of this chapter. The credit may be claimed against the tax imposed by this article. The credit may not be sold, transferred, or allocated to any entity other than an affiliate of the taxpayer.

2. The taxpayer may claim credits authorized by the tax credit certificate in the taxable years in which the third, fourth, fifth, sixth and seventh anniversaries of the closing date, as such term is defined pursuant to section fifty of this chapter, associated with such certificate occur, provided that the maximum credit allowed for any taxable year shall not exceed one-fifth of the amount stated on the tax credit certificate, exclusive of any amounts carried forward pursuant to subdivision three of this section. In no event shall the credit under this section be allowed in an amount that reduces the tax payable to less than the minimum tax imposed by section one hundred eighty-three of this article.

3. If the amount of the credit allowable for any taxable year exceeds the tax otherwise due for such year, the excess shall be carried forward to subsequent taxable years until fully used. A taxpayer claiming a credit under this section shall submit a copy of the tax credit certificate with the return for each taxable year for which the credit is claimed.

§ 4. The state finance law is amended by adding a new section 99-uu to read as follows:

§ 99-uu. New York rural growth fund. 1. There is hereby established, in the joint custody of the state comptroller and the commissioner of taxation and finance, a special fund to be known as the "New York rural growth fund".

2. Such fund shall consist of all fees submitted pursuant to section fifty of the tax law, and all other moneys appropriated, credited, or transferred thereto from any other fund or source pursuant to law.

3. Moneys of the fund, following appropriation by the legislature, shall be expended only for the purposes of providing funding for the New York rural growth fund credit established by section fifty of the tax law. Moneys shall be paid out of the fund on the audit and warrant of the state comptroller on vouchers approved and certified by the commissioner of taxation and finance. Any interest received by the comptroller on moneys deposited in the fund shall be retained in and become part of such fund.

§ 5. This act shall take effect July 1, 2026 and shall apply to taxable years beginning on and after such date.