

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2233
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MARCH 22, 2022

SUMMARY

Synopsis: Eliminates one percent tax on purchasers of Class 4A commercial property transferred for consideration in excess of \$1 million.

Type of Impact: Annual State General Fund revenue loss.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

| Fiscal Impact | <u>FY 2022 and Thereafter</u> |
|---------------------------|--------------------------------------|
| State Revenue Loss | \$5 million |

- The Office of Legislative Services (OLS) expects this bill to reduce State General Fund revenue by roughly \$5 million annually.
- The bill eliminates a one percent tax on the transfer of a controlling interest in an entity that directly or indirectly owns certain Class 4A commercial real property, otherwise known as the controlling interest transfer tax (CITT). Based on data available in the State's accounting system from the past five full fiscal years, the CITT generated on average \$4.5 million annually.

BILL DESCRIPTION

The bill eliminates the one percent tax imposed on the purchaser in a non-deed transfer of a controlling interest in an entity that owns Class 4A commercial properties if the total consideration for the transfer is in excess of \$1 million. Class 4A commercial property is any kind of income-producing real property, other than property classified as vacant land, residential property or apartments, farm property, and industrial property.

The bill applies to transfers made on or after the first day of the second month next following the date of enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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Section: Revenue, Finance and Appropriations
Analyst: Scott A. Brodsky
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Approved: Thomas Koenig
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).