

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 2533**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: NOVEMBER 10, 2022

**SUMMARY**

**Synopsis:** Provides gross income tax deduction for charitable contributions to certain New Jersey-based charitable organizations during COVID-19 pandemic.

**Type of Impact:** State revenue loss to Property Tax Relief Fund.

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2023 &amp; Thereafter</u></b>
<b>State Revenue Loss</b>	\$78.6 million to \$134.7 million

- The Office of Legislative Services (OLS) is unable to determine the exact magnitude of the State gross income tax revenue loss from the charitable contribution deduction provided in the bill, given the absence of information on contributions by New Jersey gross income taxpayers to qualified New Jersey-based charitable organizations. Subject to certain assumptions, however, the OLS estimates that the annual State revenue loss could range from \$78.6 million to \$134.7 million.
- The bill allows taxpayers to exclude from gross income only those charitable deductions made to New Jersey-based charitable organizations during the exclusion period. The length of the exclusion period is tied to duration of the COVID-19 state of emergency declared through the issuance of Executive Order No. 103 of 2020. The OLS cannot predict when the state of emergency will be lifted. The State will experience ongoing revenue losses until that occurs.

**BILL DESCRIPTION**

This bill allows a deduction from gross income for charitable contributions that are made to certain New Jersey-based charitable organizations during the COVID-19 pandemic.

The bill permits New Jersey taxpayers to deduct from gross income charitable contributions that are made during the taxable year during the COVID-19 pandemic to a qualified New Jersey-

based charitable organization. The bill limits the amount of the deduction to \$20,000 for joint filers and heads of households and \$10,000 for single filers, married taxpayers filing separately, or surviving spouses.

The bill defines “exclusion period” as the time when the Governor issued Executive Order No. 103 of 2020 declaring a state of emergency due to the COVID-19 pandemic (March 9, 2020) until at least 90 days after the Governor determines there is no longer a state of emergency. The bill defines a “qualified New Jersey-based charitable organization” as a charitable organization that is registered pursuant to the “Charitable Registration and Investigation Act,” or an organization that is exempt from the registration requirements of that act, and maintains an office, employs persons, and provides services in this State.

The bill will take effect immediately upon enactment and applies to charitable contributions that are made during the exclusion period.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS is unable to determine the exact magnitude of the State gross income tax revenue loss from the charitable contribution deduction provided in the bill, given the absence of information on contributions by New Jersey gross income taxpayers to qualified New Jersey-based charitable organizations. Subject to certain assumptions, however, the OLS estimates that the annual revenue loss could range from \$78.6 million to \$134.7 million. Any revenue loss will be temporally limited because the bill allows taxpayers to deduct from gross income only those charitable contributions made during the exclusion period.

Exact information on the total value of contributions made by New Jersey taxpayers to charitable organizations in New Jersey is not available. Tax-exempt organizations are required to file an annual information return (Form 990) with the Internal Revenue Service (IRS). Each tax-exempt organization that files Form 990 is required to report the total dollar value of contributions and grants received by that entity. With the assistance of the Indiana University Lilly Family School of Philanthropy, the OLS has aggregated state-level contribution data reported on Form 990. These data show that tax-exempt organizations located in New Jersey received approximately \$3.8 billion in contributions in calendar year 2019. This represented about 1.52 percent of the national total of \$251.9 billion.

The OLS notes that the state-level figure does not include data submitted by grant-making organizations and certain private foundations because they often serve as pass-through entities for charitable donations and there is a risk that a donation may be counted twice. The data also does not include information for religious organizations because those entities are not required to file Form 990 with the IRS. According to the report “Giving USA 2020: The Annual Report on Philanthropy for the Year 2019” (also prepared by the Lilly Family School of Philanthropy), charitable giving to religious organizations totaled \$128.1 billion. Applying the proportion of donations received by charitable organizations located in New Jersey (1.52 percent) to the total amount of donations made to religious organizations yields an estimated \$1.9 billion in charitable donations made to religious organizations located in the State. Altogether charitable organizations located in New Jersey received an estimated \$5.8 billion in donations in 2019.

The “Giving USA 2020” report also indicates that charitable giving by American individuals, bequests, foundations, and corporations to United States charities equaled an estimated \$449.6 billion in 2019. Giving by individuals represented approximately 69.0 percent of that total. When that proportion is applied to the estimated \$5.8 billion in donations received by organizations in New Jersey, the total amount donated by individuals is approximately \$4.0 billion.

According to the tax year 2017 IRS data, the average itemized charitable contribution for 20,050 New Jersey taxpayers with federal adjusted gross income of \$1 million or more was approximately \$107,000. The bill allows these taxpayers to deduct a maximum of \$20,000 from their New Jersey gross income for eligible contributions made to New Jersey-based charitable organizations. If these taxpayers utilized the full deduction, then they would deduct \$401 million from their New Jersey gross income. The amount that would not be deductible, \$1.74 billion (or \$87,000 per taxpayer) represents about 44 percent of the total amount of charitable contributions deducted from federal adjusted gross income by New Jersey taxpayers in tax year 2017. To reflect the non-deductibility of that amount, the OLS reduced the total amount of charitable contributions that would be deductible from gross income from \$4.0 billion to approximately \$2.3 billion. Multiplying that amount by effective tax rates of 3.5 percent and 6.0 percent yields an estimated State tax revenue loss of \$78.6 million to \$134.7 million annually.

The OLS cannot predict when the exclusion period will conclude. The length of the exclusion period is tied to the duration of the COVID-19 state of emergency declared by the Governor on March 9, 2020 in Executive Order No. 103. Executive Order No. 103 was most recently continued by Executive Order No. 292, issued on March 4, 2022. States of emergency are declared and terminated through the issuance of executive orders by the Governor. The OLS cannot predict when the COVID-19 state of emergency will be lifted. The State will experience annual revenue losses until that occurs.

*Section: Revenue, Finance, and Appropriations*

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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.).