

LEGISLATIVE FISCAL ESTIMATE
[First Reprint]
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 287
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 5, 2022

SUMMARY

- Synopsis:** Provides CBT and gross income tax credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete.
- Type of Impact:** Annual State revenue decrease; Potential State expenditure increase.
- Agencies Affected:** Department of Environmental Protection, Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Decrease	Up to \$10 million
Potential State Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) notes that providing corporation business tax (CBT) credits and gross income tax (GIT) credits to concrete producers and certain other taxpayers would result in an annual State revenue loss over a multi-year period from the newly established incentive program.
- The OLS cannot quantify the precise direct revenue loss the bill will impose on the State, but notes that incentive awards established by the bill will be largely capped by limiting the tax credit to \$1 million annually per concrete producer that delivers low carbon concrete and \$3,000 to a taxpayer that conducts an environmental product declaration analysis. The OLS is unable to determine how many concrete producers or taxpayers would apply and qualify for the CBT and GIT credits. However, the Statewide annual amount of all the tax credits established by the bill would be limited to \$10 million.
- The OLS also determines that this bill would increase the administrative workload of the Department of Environmental Protection (DEP) and the Department of the Treasury, but these tasks could likely be subsumed by current staff using existing resources.

BILL DESCRIPTION

This bill would provide CBT and GIT credits to concrete producers that deliver concrete associated with reduced greenhouse gas emissions for use in certain State funded projects. The bill would also provide CBT and GIT credits to taxpayers that produce concrete or a major component of concrete for the costs of conducting environmental production declaration analyses of their products.

Specifically, the bill would authorize CBT and GIT credits to concrete producers who deliver low-carbon concrete pursuant to a contract with a State procuring agency, or with a private contracting firm that has contracted with the State, if the concrete is used by a construction or improvement project that requires the purchase of 50 cubic yards or more of concrete. The amount of the tax credits would be determined using formulae developed by the DEP, which would make the tax credit proportional to the greenhouse gas emissions reduction achieved by the specific type of low-carbon concrete used. However, the amount of the credits would be capped at five percent of the cost of the concrete, for low embodied carbon concrete, and three percent of the costs of the concrete, for concrete that incorporates carbon capture, utilization, and storage technology. Concrete that meets both criteria could receive a tax credit of up to eight percent of the cost of the low-carbon concrete.

In order to qualify for the tax credits, concrete producers would be required to submit a certification to the State agency that is using the concrete that includes (a) a statement of the amount and cost of the concrete that was delivered, with appropriate supporting documentation; (b) an environmental product declaration for the concrete that has been approved by the DEP; (c) the amount of the tax credit; (d) a copy of the contract pursuant to which concrete was delivered; and (e) any other information determined relevant by the DEP or requested by the State agency that is using the concrete. A concrete producer could not receive a total CBT and GIT credit greater than \$1 million annually for the delivery of low-carbon concrete.

The bill would also authorize CBT and GIT credits to taxpayers that produce concrete or a major component of concrete for the costs of conducting an environmental product declaration analysis to determine the global warming potential of concrete or concrete component produced at a production facility that the taxpayer owns or operates. The amount of the tax credit would not exceed the lesser of: (1) the full cost incurred for an environmental product declaration analysis of a single concrete, cement, aggregate, or related production facility, or (2) \$3,000. A taxpayer could claim the credit for the cost of completing environmental product declaration analyses at up to eight production facilities owned or operated by the same taxpayer in a single privilege period, for a total of \$24,000 annually.

The bill would also direct the DEP to provide certain information to aid in the bill's implementation, including global warming potential baselines for concrete mixes supplied pursuant to contracts with State agencies. Finally, the bill would authorize the DEP and the Department of the Treasury to adopt rules and regulations to implement the bill. The bill would take effect six months after the enactment of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS notes that providing CBT and GIT credits to concrete producers and certain other taxpayers would result in an annual State revenue decrease. The bill would produce a direct State revenue loss over a multi-year period from the newly established incentive programs.

The OLS cannot quantify the precise direct revenue loss the bill will impose on the State, but notes that incentive awards established by the bill will be largely capped by limiting the tax credit to \$1 million annually per concrete producer that delivers low carbon concrete and \$3,000 to a taxpayer that conducts an environmental product declaration analysis. The OLS is unable to determine how many concrete producers or taxpayers would apply and qualify for the CBT and GIT credits. However, the Statewide amount of all tax credits authorized by the bill would be limited by the bill to \$10 million annually.

The OLS notes that the DEP and Department of Treasury would incur a marginal annual State expenditure increase, since it requires the DEP and the Department of the Treasury to take certain actions to implement the tax credits authorized by the bill, including adopting rules and regulations and reviewing applications for the tax credits. It is likely that these tasks could be subsumed by current staff using existing resources.

Section: Environment, Agriculture, Energy, and Natural Resources

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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.).