

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1619

STATE OF NEW JERSEY  
220th LEGISLATURE

DATED: JULY 26, 2023

SUMMARY

- Synopsis:

Provides corporation business tax and gross income tax credits for value of certain fruit and vegetable donations made by commercial farm operators.
- Type of Impact:

Annual State revenue decrease to the General Fund and Property Tax Relief Fund.
- Agencies Affected:

Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Five-Year Duration of Tax Credit Program</u>
Annual State Revenue Decrease	\$206,000 to \$367,000

- The Office of Legislative Services (OLS) concludes that this bill will result in an annual decrease in State revenue that could range from approximately \$206,000 to \$367,000 to provide tax credits to commercial farm operators who donate certain fruits and vegetables over a five-year period beginning January 1, 2024.

BILL DESCRIPTION

This bill provides a credit against the corporation business tax and the gross income tax for the value of certain donations of fruits and vegetables that are made to charitable organizations by commercial farm operators over a five-year period beginning January 1, 2024.

Under the bill, commercial farm operators who make donations of fruits or vegetables fit for human consumption to a charitable organization located in this State would be allowed to claim a credit that can be used to reduce the commercial farm operator’s tax liability. The credit would be equal to 10 percent of the wholesale value for the fruits or vegetables donated to the charitable organization during the tax period of the donation, as determined using a quantity-weighted average of comparable wholesale sales of similar fruits or vegetables made by the commercial farm operator during the month of the donation or, if no comparable sales are made, the overall average price paid for similar fruits or vegetables at the nearest regional market during the month

of the donation. The bill would require commercial farm operators claiming the credit to obtain a written statement from the charitable organization to verify each donation of fruits or vegetables.

The Division of Taxation in the Department of the Treasury would be required to prepare an annual report on the utilization of the credits provided by the bill for each year of the five-year period for which credits are allowed.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in a decrease in State revenue that could range from approximately \$206,000 to \$367,000. The OLS assumes a range of producer costs, noting that producer behavior can vary widely and that there does not appear to be publicly available information regarding the exact value of fruits and vegetables produced and donated in New Jersey.

For purposes of estimating potential revenue losses to the State resulting from the provisions of the bill, the OLS makes certain assumptions concerning the behavior of market participants. With respect to the percentage of fruits and vegetables produced in New Jersey that will be donated and utilize the tax credit program, the OLS assumes that the behavior of market participants will be similar to when California enacted a similar law. The OLS notes that tax credits under the bill may be carried forward up to five years following the final year during which the tax credits are awarded (FY 2029). The OLS’ calculations are summarized in the table below.

Estimated Range Level	Estimated Total Value of Fruits and Vegetables Produced in New Jersey	Estimated Percentage of New Jersey Fruits and Vegetables that will be Donated and Utilize the Tax Credit	Estimated Annual Tax Credit Amount
Low	\$995,713,956	0.02%	\$205,516
High	\$995,713,956	0.04%	\$367,120

Section: Revenue, Finance, and Appropriations  
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Assistant Fiscal Analyst  
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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.).