

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2917
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JULY 1, 2022

SUMMARY

Synopsis: Expands allowance for developers to carry forward unused tax credits under New Jersey Aspire Program.

Type of Impact: Potential annual decrease in State revenue; annual decrease in State expenditures.

Agencies Affected: Department of the Treasury and New Jersey Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Potential State Revenue Decrease	Indeterminate
State Expenditure Decrease	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would result in a potential decrease in annual State revenue and a marginal decrease in annual State expenditures associated with the expanded allowance for developers to carry forward unused tax credits under the New Jersey Aspire Program.
- Specifically, a developer would be permitted to carry forward any tax credits that cannot be claimed due to the value of the tax credits exceeding the amount of eligible tax liabilities against which the tax credits may be claimed.
- Although this provision would not impact the total value of tax credits that are awarded under the program, this allowance may increase the rate at which these credits are applied against actual tax liabilities and extend the State’s revenue loss over a longer period of time. Accordingly, the bill may result in a potential decrease in annual State revenues.
- The bill also provides that the New Jersey Economic Development Authority (EDA) would no longer be required to approve the carry forward of these credits. Consequently, the OLS expects the bill to marginally decrease EDA expenses incurred in the administration of the New Jersey Aspire Program.

BILL DESCRIPTION

This bill provides that the recipients of tax credits under the New Jersey Aspire Program may carry forward unused tax credits during the seven privilege periods following the year in which the credits are awarded.

Under current law, when a developer is awarded tax credits under the New Jersey Aspire Program, the developer may only carry forward unused tax credits in certain circumstances. Specifically, the developer is required to demonstrate that the tax credits could not be claimed because the developer's redevelopment project was directly impacted by a natural disaster, state emergency, national emergency, or other situation beyond the developer's control. In these circumstances, current law allows the developer to carry forward the unused tax credit for up to two years if the developer receives approval from the EDA.

The bill expands the circumstances in which a developer may carry forward unused tax credits under the New Jersey Aspire Program. Under the bill, a developer would be permitted to carry forward any tax credits that cannot be claimed due to the value of the tax credits exceeding the amount of eligible tax liabilities against which the tax credits may be claimed. The bill also provides that the EDA would no longer be required to approve the carry forward of tax credits.

Additionally, the bill increases the period of time in which unused tax credits may be carried forward. Specifically, the bill permits a developer to carry forward unused tax credits for use in the seven privilege periods following the privilege period for which the tax credits are awarded.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill would result in a potential annual decrease in State revenue and a marginal annual decrease in State expenditures associated with the expanded allowance for developers to carry forward unused tax credits under the New Jersey Aspire Program.

Specifically, a developer would be permitted to carry forward any tax credits that cannot be claimed due to the value of the tax credits exceeding the amount of eligible tax liabilities against which the tax credits may be claimed. Although this provision would not impact the total value of tax credits that are awarded under the program, this allowance may increase the rate at which these credits are applied against actual tax liabilities and extend the State's revenue loss over a longer period of time. Accordingly, the bill may result in a potential decrease in annual State revenues.

In addition, the bill provides that the EDA would no longer be required to approve the carry forward of unused tax credits under the New Jersey Aspire Program. Consequently, the bill would reduce certain administrative responsibilities currently borne by the EDA. As a result, the bill is expected to marginally decrease annual EDA expenses incurred in the administration of the New Jersey Aspire Program.

Section: Authorities, Utilities, Transportation and Communications

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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.).