

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3046
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: SEPTEMBER 30, 2022

SUMMARY

Synopsis: Provides for child tax credit to be available in Tax Year 2022.

Type of Impact: Revenue loss to Property Tax Relief Fund in Fiscal Year 2023.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Fiscal Year 2023</u> |
|---------------------------|------------------------------------|
| State Revenue Loss | \$134.7 million to \$156.3 million |

- The Office of Legislative Services (OLS) estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$134.7 million to \$156.3 million in FY 2023. It will have no significant effect in subsequent years.
- The OLS projects that taxpayers will claim the child tax credit for 374,000 dependent children under the age of six in calendar year 2022. Taxpayers are estimated to claim the bill's maximum credit of \$500 per child for 180,700 dependent children. Another 99,500 dependent children are estimated to yield a credit of at least \$300 each.
- The tax credit is refundable, so taxpayers will be able to claim and utilize the full amount of their tax credit.

BILL DESCRIPTION

This bill accelerates the effective date of the State's child tax credit by one year, so that the program will be active for Tax Year 2022 and taxpayers will claim the credit on their tax returns filed in 2023.

The child tax credit allows a refundable gross income tax credit of \$500 for each child of a resident taxpayer if the taxpayer's income is \$30,000 or less. The \$500 amount is reduced by \$100 for every \$10,000 of income that the taxpayer's taxable income exceeds \$30,000 until the taxpayer's income reaches \$80,000.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$134.7 million to \$156.3 million in FY 2023. Any effects in subsequent years would be minimal, caused only by amended tax returns filed well after the April 2023 due date for tax year 2022 returns.

Based on Statistics of Income for tax year 2016 New Jersey gross income tax returns, roughly 1.2 million dependent children were claimed by taxpayers with gross income of less than \$80,000. The OLS infers that roughly 385,000 of whom were under the age of six. After adjusting for a decline in this age cohort since 2016, the OLS estimates that taxpayers will claim the tax credit for 374,000 children in calendar year 2022. Taxpayers will be able to claim the bill's maximum credit of \$500 per child for an estimated 180,700 dependent children under the age of six. Another 99,500 dependent children are estimated to yield a credit of at least \$300 each. The OLS notes that the tax credit is refundable, so taxpayers will be able to claim and utilize the full amount of their tax credit.

Section: Revenue, Finance, and Appropriations

*Analyst: David Drescher
Section Chief*

*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.).