

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 3783

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 22, 2023

SUMMARY

Synopsis:	Modifies certain provisions of "New Jersey Innovation Evergreen Act" and "Food Desert Relief Act."
Type of Impact:	Annually reduced insurance premiums tax collections. Potential State revenue loss shift to earlier fiscal years.
Agencies Affected:	New Jersey Economic Development Authority. Department of the Treasury.

Office of Legislative Services Estimate

Annual Fiscal Impact	
Insurance Premiums Tax Collections	
Decrease	Indeterminate
Potential State Revenue Loss Shift	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will result in decreased insurance premiums tax collections due to the bill’s provisions that would permit a purchaser of tax credits under the New Jersey Innovation Evergreen Program to apply a tax credit or tax credit transfer certificate to the purchaser’s insurance premiums tax liability. The magnitude of the reduced insurance premiums tax collections is indeterminate because which companies will purchase tax credits, and the insurance premiums tax liabilities of those companies, cannot be credibly projected.
- The bill may also result in the State incurring revenue losses sooner than it otherwise would under current law. This stems from a provision of the bill providing that any tax credit sold under the Food Desert Relief Program would be valid in the privilege period in which the sale is approved, as opposed to the year in which the sale is completed.
- The OLS notes that overall, direct State revenue losses stemming from the award of tax credits will remain unchanged compared to current law as the bill does not change the amount of tax credits that may be awarded under the New Jersey Innovation Evergreen Program or the Food Desert Relief Program.

BILL DESCRIPTION

This bill modifies certain provisions of the New Jersey Innovation Evergreen Program, which is an economic development program that sells discounted tax credits to raise capital for qualified businesses in New Jersey. Among other changes, the bill allows a purchaser to apply a credit or tax credit transfer certificate awarded under the program to the purchaser's insurance premiums tax liability, in the case of a purchaser that is an insurance company. Under current law, a purchaser may apply a credit or tax credit transfer certificate awarded under the program against the purchaser's corporate business tax liability.

The bill also modifies a provision of the Food Desert Relief Program, which is an economic development program that provides tax credits to eligible businesses to incentivize those businesses to establish and retain new supermarkets and grocery stores in "food desert communities." The bill provides that any tax credit sold by the New Jersey Economic Development Authority under the program is valid in the privilege period in which the sale is approved. Under current law, the credit is valid under in the privilege period in which the sale is completed.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in decreased insurance premiums tax collections due to the bill's provisions that would permit a purchaser of tax credits under the New Jersey Innovation Evergreen Program to apply a tax credit or tax credit transfer certificate to the purchaser's insurance premiums tax liability. The magnitude of the reduced insurance premiums tax collections resulting from the enactment of the bill is indeterminate because which companies will purchase tax credits, and the insurance premiums tax liabilities of those companies, cannot be credibly projected.

Under current law governing the Innovation Evergreen Program, the State is authorized to sell up to \$300 million in tax credits via annual competitive auctions to eligible corporations over a seven-year period. Purchasers of tax credits under the program purchase the credits for a minimum of 75 percent of the face value of their requested tax credit award to offset their corporation business tax liability by up to 25 percent. On December 21, 2022, the Economic Development Authority board approved tax credit awards to eight qualified applicants at a total purchase price of approximately \$41 million.

While current law only permits the credit to be applied to corporate business tax liabilities, this bill would allow credits to be applied to insurance premiums tax liability. The insurance premiums tax applies to premiums collected on insurance risks by every insurance company transacting business in the State. In general, insurance companies that are subject to the insurance premiums tax are exempt from paying corporation business tax.

The bill may also result in the State incurring revenue losses sooner than it otherwise would under current law. This stems from a provision of the bill providing that any tax credit sold under the Food Desert Relief Program would be valid in the privilege period in which the sale is approved, as opposed to the year in which the sale is completed. Under current law, the State is

authorized to sell up to \$240 million annually over a six-year period through competitive auctions. In April 2023, the Economic Development Authority's board approved the sale of up to \$50 million to fund future grant, loan, and technical assistance programs administered by the authority to strengthen food security in designated food desert communities. The auction of these credits is expected to take place in July 2023.

Section: Revenue, Finance & 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.).