

FISCAL NOTE

[First Reprint]

ASSEMBLY, No. 5322

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 6, 2026

SUMMARY

Synopsis: Imposes temporary \$1 million cap on use of net operating loss deductions under corporation business tax for certain privilege periods.

Type of Impact: Temporally limited deferral of State revenue losses to the General Fund

Agency Affected: Department of the Treasury

Executive Estimate

Fiscal Impact	Fiscal Year 2027
State Revenue Gain	\$485.0 million

Office of Legislative Services Estimate

Fiscal Impact	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
State Revenue Gain	\$456.0 million	\$437.1 million	\$418.4 million	\$400.1 million	\$0	\$0
State Revenue Loss	\$0	\$0	\$0	\$0	\$855.8 million	\$855.8 million

- The Office of Legislative Services (OLS) **generally agrees** with the Executive estimate that the \$1.0 million cap on the use of net operating losses under the corporation business tax will increase State revenue collections by \$485.0 million in FY 2027. The OLS only projects a moderately smaller impact in FY 2027 and extends its forecast to additional fiscal years.
- The bill is structurally revenue-neutral in the long-run: it will cap the deductibility of net operating losses for the next four tax years and then allow affected taxpayers to claim the disallowed deduction amounts in the next two tax years. Accordingly, the OLS projects that the bill will temporarily disallow \$1.7 billion in net operating loss deductions in the next four tax years combined, resulting in State revenue gains in those years. In the two years thereafter, taxpayers will claim the deferred \$1.7 billion, yielding a cumulative two-year State revenue loss of \$1.7 billion, assuming taxpayer liabilities can fully absorb the accrued deductions.



BILL DESCRIPTION

For tax years ending on or after July 31, 2026 and before July 31, 2030, this bill caps at \$1 million the currently unrestricted net operating loss deduction under the corporation business tax. A taxpayer that is disallowed any portion of a net operating loss deduction due to the temporary cap may claim the disallowed amount in tax years ending on or after July 31, 2030 but before July 31, 2032, except that the deduction may not reduce the taxpayer's net income by more than 75 percent. In addition, a taxpayer with a disallowed deduction amount may also carry over any unused deduction amount for an additional five tax years beyond the tax year in which the deduction would have otherwise expired. The cap does not apply to public utilities.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of the Treasury estimates that this bill will generate \$485 million in State revenue in FY 2027 and affect about 600 taxpayers.

OFFICE OF LEGISLATIVE SERVICES

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The OLS bases its estimate on Department of the Treasury data indicating that the tax year 2022 revenue loss from the net operating loss deduction totaled \$748.5 million. The amount then jumped to nearly \$1.2 billion in tax year 2023 subsequent to the enactment of P.L.2023, c.96, which facilitated the use of previously accumulated unused net operating losses. The effects of P.L.2023, c.96 are likely to moderate as accumulated net operating losses are claimed.

Section: Legislative Budget and Finance Office
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This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).