

FISCAL NOTE

ASSEMBLY, No. 5323

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 2, 2026

SUMMARY

**Synopsis:** Modifies eligibility for alternative business calculation adjustment allowed under gross income tax.

**Type of Impact:** Annual revenue gain to the Property Tax Relief Fund

**Agency Affected:** Department of the Treasury

Executive Estimate

| Fiscal Impact             | Fiscal Year 2027 |
|---------------------------|------------------|
| Annual State Revenue Gain | \$120.0 million  |

Office of Legislative Services Estimate

| Fiscal Impact             | FY 2027         | FY 2028         | FY 2029         |
|---------------------------|-----------------|-----------------|-----------------|
| Annual State Revenue Gain | \$128.6 million | \$132.4 million | \$136.4 million |

- The Office of Legislative Services (OLS) **generally agrees** with the Executive estimate that restricting the alternative business calculation adjustment under the gross income tax will increase FY 027 State revenue collections by about \$120.0 million. The OLS only projects a moderately larger impact in FY2027 and extends its forecast to two additional fiscal years.

BILL DESCRIPTION

The bill will limit the alternative business calculation adjustment under the gross income tax beginning with tax year 2026.

The adjustment currently permits all gross income taxpayers with certain categories of business income to use 50 percent of the losses in one category of business income to offset their taxable income from another. Unused deduction amounts may be carried forward for up to 20 years.

The bill will limit eligibility to taxpayers with gross incomes not exceeding \$1 million, reduce the deduction to 25 percent for taxpayers with gross incomes over \$500,000 but no more than \$1.0 million, and maintain the deduction as is for taxpayers with gross incomes not exceeding \$500,000.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Department of the Treasury estimates that this bill will increase State revenues by \$120.0 million in FY2027.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS generally agrees with the Executive's revenue projection that the bill will increase State revenue collections by about \$120.0 million in FY2027 but estimates a moderately larger impact. Specifically, the OLS forecasts that the bill will raise State revenues by \$128.6 million in FY2027, \$132.4 million in FY2028, and \$136.4 million in FY2029.

The OLS bases its estimate on data provided by the Department of the Treasury, which indicate that the tax year 2024 State revenue loss from the Alternative Business Calculation Adjustment totaled \$192.6 million with 245,000 tax return filers using the adjustment. The data also show that had the bill been in effect in tax year 2024, nearly 55,000 tax return filers would have been negatively affected. Of that total, roughly half would have been excluded from the deduction altogether, while the other half would have qualified only for a reduced deduction percentage.

*Section:*        *Legislative Budget and Finance Office*  
*Analyst:*       *Oscar Mendez*  
                     *Revenue and Economic Policy Analyst*  
*Approved:*     *Thomas Koenig*  
                     *Legislative Budget and Finance Officer*

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