

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 1059

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: AUGUST 27, 2026

SUMMARY

Synopsis: Allows corporation business tax and gross income tax credits to businesses paying a salary differential to National Guard members or reservists on active duty.

Type of Impact: Annual State revenue loss to the General Fund and Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) expects the bill will result in an annual State revenue loss from corporation business tax and gross income tax credits claimed by businesses that pay a salary differential to employees who are members of the National Guard or a reserve component of the Armed Forces of the United States and are called to active duty.
- The OLS cannot quantify the magnitude of the annual State revenue loss because several key variables are unknown, including the number of eligible employees called to active duty in a given year, the number of employers that would elect to pay a salary differential, each employee’s military pay grade or rank, the amount of military pay received by each employee while on active duty, and the length of each employee’s active-duty service.

BILL DESCRIPTION

This bill allows a taxpayer to claim a credit against the corporation business tax or the gross income tax for salary and wages paid to a qualified employee while the employee is on active duty. A qualified employee is an employee who is also a member of the National Guard or of a reserve component of the Armed Forces of the United States and who receives orders for mobilization to active duty service.

The amount of the credit equals the salary and wages paid by the taxpayer to the qualified employee for the period while the employee is on active duty, except that the credit may not exceed

the amount which, when added to the salary paid by the United States government for the period of active duty service, equals the employee's regular salary or wages.

For corporation business tax purposes, the credit, together with any other credits allowed against the tax, may not exceed 50 percent of the taxpayer's tax liability otherwise due and may not reduce the taxpayer's liability below the statutory minimum tax. Any unused credit may be carried forward for up to seven privilege periods.

For gross income tax purposes, the credit is limited based on the proportion of the taxpayer's liability attributable to the taxpayer's New Jersey-sourced gross income from the business or professional activity in which the qualified employee is employed. Any unused credit may be carried forward for up to seven taxable years. Partnerships are not allowed the credit directly, but partners may claim their distributive share of the credit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the bill to result in an indeterminate annual State revenue loss from corporation business tax and gross income tax credits claimed by businesses that pay a salary differential to employees who are members of the National Guard or a reserve component of the Armed Forces of the United States and are called to active duty.

The OLS is unable to determine the number of businesses that would claim the credit or the total amount of credits that would be claimed in any fiscal year. Although there are approximately 8,400 National Guard service members, the OLS does not have sufficient information to determine how many will be called to active duty each year, how long those employees will remain on active duty, or how many employers will choose to pay a salary differential during that period.

The amount of the credit would also vary significantly by employee. Under the bill, the credit is limited to the salary and wages paid by the employer to the qualified employee while on active duty, but only up to the amount necessary so that the employee's military pay and employer-paid salary or wages together equal the employee's regular civilian salary or wages. As a result, the value of the credit depends on each employee's civilian compensation, the employee's military pay grade and rank, whether the employee is enlisted or commissioned, the length of active-duty service, and the extent to which the employer chooses to pay a salary differential.

Accordingly, the OLS concludes that the bill will result in an indeterminate annual State revenue loss.

Section: *Revenue, Finance, and Appropriations*
Analyst: *Patrick Walsh*
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 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.).