

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1837

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JUNE 2, 2026

SUMMARY

Synopsis: Establishes child care contribution tax credit to employers subject to CBT or GIT for certain child care expenses for children of employees.

Type of Impact: Annual State revenue decrease.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Revenue Loss	Up to \$10.0 million

- The Office of Legislative Services (OLS) estimates that this bill will decrease annual State revenues by up to \$10.0 million, reflecting the statutory cap on the total value of tax credits that may be awarded in any tax year under the bill.
- The OLS notes that the federal government offers a similar tax credit for employers that incur qualifying employer-provided child care expenditures. Based on information published by the Congressional Research Service, employer participation rates for the federal tax credit are relatively low, with less than one percent of all federal corporate tax returns claiming the credit.
- Assuming comparable participation rates for the tax credits authorized under the bill, the OLS anticipates that total annual revenue losses would approach the statutory \$10.0 million cap, with the majority of the impact occurring under the corporation business tax and a smaller portion under the gross income tax.

BILL DESCRIPTION

This bill provides businesses with credits against the corporation business tax and the gross income tax for certain employer-provided child care expenditures. The bill allows the tax credits to be claimed for privilege periods and taxable years beginning on or after the date of enactment, subject to an annual aggregate cap on total credits awarded.

The bill permits businesses to receive a credit equal to 50 percent of qualifying child care expenditures incurred by the taxpayer, up to a maximum of \$100,000 per taxpayer per year. Qualifying expenditures include costs incurred to acquire, construct, reconstruct, renovate, or otherwise improve real property in New Jersey to be used as a qualified child care center primarily for the children of individuals employed by the taxpayer.

The bill also provides that the credit may be claimed for: (1) expenses related to the maintenance and operation of an on-site qualified child care center; (2) amounts paid by the taxpayer to another entity to provide child care services to employees' children at a qualified child care center; or (3) payments made to employees to subsidize child care expenses incurred for services provided at a qualified child care center.

The total value of all credits approved under the bill is limited to \$10 million per tax year.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will likely result in an annual State revenue reduction of up to \$10.0 million due to the application of corporation business tax and gross income tax credits by employers that incur qualifying employer-provided child care expenditures.

The OLS notes that the federal government offers a similar tax credit for employers that incur qualifying employer-provided child care expenditures. Based on information published by the Congressional Research Service, employer participation rates for the federal tax credit are relatively low, with less than one percent of all federal corporate tax returns claiming the credit.

Assuming a comparable participation rate for the tax credit authorized by this bill, the OLS estimates that qualifying employer-provided child care expenditures would exceed \$10.0 million. However, the bill caps the total amount of tax credits awarded to qualifying taxpayers at \$10.0 million per year, and the annual State revenue loss cannot exceed this statutory limit. Accordingly, the OLS estimates the maximum annual State revenue loss to be \$10.0 million.

The OLS notes that actual participation rates and credit utilization could vary significantly based on several factors, including economic conditions, child care market dynamics, business investment appetite, construction and operating costs, and employer demand for providing or subsidizing child care services. Accordingly, the OLS notes that the anticipated impact of the bill on State revenue collections should be viewed as a general approximation.

Section: Revenue, Finance, and 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.).