

ASSEMBLY BILL NO. 5218
(Second Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Assembly Bill No. 5218 (Second Reprint) without my approval.

The bill would allow the owner of a small restaurant, wedding venue, banquet hall, or an alcoholic beverage manufacturer to use a bonus depreciation allowance of up to \$150,000 for eligible property expenditures incurred within New Jersey to comply with the health and safety requirements of the Governor's executive orders regarding the Coronavirus disease 2019 ("COVID-19") pandemic. Bonus depreciation is a tax incentive that allows a business to immediately deduct the purchase price of eligible assets, such as machinery, rather than write them off over the "useful life" of that asset. Property expenditures eligible for a bonus depreciation allowance under the bill would include the purchase of heaters and overhangs, and upgrades to heating, ventilation, and air conditioning systems.

I commend the bill's sponsors for their efforts in advocating for small business relief during this extraordinarily challenging time. On a business level, the impacts of the COVID-19 pandemic have reached every industry in the world, but the pandemic's impacts on the restaurants, wedding venues, banquet halls, breweries, wineries, meaderies, and distilleries that drive the State's hospitality industry have been particularly acute. In recognition of this, my Administration, together with our partners in the Legislature, have provided hundreds of millions of dollars in grants, loans, guarantees of loans, and technical assistance to help these crucial businesses emerge from the COVID-19 pandemic stronger and more resilient.

While I am committed to finding innovative ways to assist New Jersey's small businesses during this critical time, I am concerned about revising tax policy midway through the Fiscal Year. According to the Legislative Fiscal Estimate accompanying this legislation, the

bill's State fiscal impact would be "indeterminate." In this regard, the Office of Legislative Services ("OLS") observes that it "does not have data on the total amount of tax obligations that may be reduced due to the application of the bonus depreciation allowance and the total value of eligible property expenditures for which a deduction may be claimed" to opine on the bill's likely costs. The OLS further indicates that the bill will result in a "higher revenue loss in the near-term."

Rather than attempting to make mid-year changes to our agreed upon budget structure, a more appropriate approach to dealing with funding choices such as those presented by this bill is through the overall annual budget negotiation process. An "indeterminate" cost that cannot be quantified, particularly one with a higher near-term impact, undermines our agreed-upon budget for the current Fiscal Year. I look forward to working collaboratively with legislative leadership on the budget for the upcoming State Fiscal Year to ensure that the State's overall tax and expenditure policy is established and maintained in a coordinated manner so that we can continue to meet our obligations to the State of New Jersey and its residents now and in the future.

Accordingly, I herewith return Assembly Bill No. 5218 (Second Reprint) without my approval.

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Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor