

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 531
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 12, 2020

SUMMARY

Synopsis: Provides corporation business tax credits and gross income tax credits to farm employers for providing lodging or transportation benefits.

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

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 and Thereafter</u>
State Revenue Loss	Up to \$20 million annually

- The Office of Legislative Services (OLS) estimates that this bill could decrease State revenues by up to \$20 million annually based on New Jersey data provided in the 2017 Census of Agriculture conducted by the U.S. Department of Agriculture, National Agricultural Statistics Service. The actual State revenue loss will vary each fiscal year as the number of farm employees fluctuates and the number of taxpayers claiming the tax credit changes over time.
- The OLS notes that farm employers are highly unlikely to claim the maximum benefit or qualify for lodging and transportation benefits for each of the 25,256 workers reported in the census. The OLS expects the actual loss of State revenues to fall short of its projected maximum of \$20 million.

BILL DESCRIPTION

This bill provides corporation business tax (CBT) credits and gross income tax (GIT) credits to farm employers for providing lodging or transportation benefits.

The bill provides farm employers with tax credits in an amount equal to \$250 for each employee that the farm employer provides lodging to and up to \$500 for each employee that the farm employer provides transportation benefits to during the taxable year. The lodging provided to an employee is required to be: (a) furnished on the premises of the farm employer’s business; (b) furnished for the convenience of the farm employer; (c) required as a condition of employment;

and (d) for a continuous period of at least six weeks during the taxable year. The transportation benefit provided by the farm employer is to assist with an employee's cost to commute or travel to or from work by reimbursing the employee for related and substantiated expenses.

Any amount of the tax credit that cannot be applied against a farm employer's CBT liability for a privilege period can be carried forward to the four privilege periods following the privilege period for which a portion of the tax credit was allowed. If the GIT credit exceeds a farm employer's liability, the farm employer can receive a refund for the excess amount.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill could decrease State revenues by up to \$20 million annually based on New Jersey data provided in the 2017 Census of Agriculture conducted by the U.S. Department of Agriculture, National Agricultural Statistics Service. The actual State revenue loss will vary each fiscal year as the number of farm employees fluctuates and the number of taxpayers claiming the tax credit changes over time.

According to the census report, there were 9,883 farms¹ in the State in 2017. Of the 9,883 farms reported, 2,601 farms reported hiring farm labor and hired 25,256 workers in total. In order to calculate the bill's maximum possible impact on State revenues, the OLS multiplied the total number of workers reported in the census (25,256) by the lodging benefit of \$250, yielding \$6.3 million in credits annually, and the transportation benefit of \$500, yielding \$12.6 million in credits annually. Allowing for some growth in the population of farmworkers, this may suggest a maximum total State revenue loss of approximately \$20 million. The OLS notes that farm employers are highly unlikely to claim the maximum benefit or qualify for both lodging and transportation benefits for each of the 25,256 workers reported in the census. The OLS expects the actual loss of State revenues to fall short of its projected maximum of \$20 million.

For example, in order to receive the lodging benefit, a worker is required to be in a continuous period of employment for at least six weeks (42 days). The census report states that 15,298 workers worked for less than 150 days. If farm employers employed half of those workers for less than 42 continuous days during the taxable year or privilege period, the aggregate revenue loss of the bill would be reduced by \$1.9 million to a maximum of \$18.1 million.

Section: Revenue, Finance and Appropriations
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Revenue Analyst
Approved: Frank W. Haines III
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.).

¹ Based on the North American Industry Classification System.