

SENATE, No. 1113

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JANUARY 30, 2020

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

SYNOPSIS

Provides tax credit under corporation business tax and gross income tax for certain costs incurred in purchase of equipment used by private facilities to conduct motor vehicle safety inspections.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** affording a tax credit providing corporation business tax
2 credit and gross income tax credit for the purchase of equipment
3 used to conduct mechanical inspections of certain motor
4 vehicles, and supplementing P.L.1945, c.162 (C.54:10A-1 et
5 seq.) and Title 54A of the New Jersey Statutes.

6
7 **BE IT ENACTED** *by the Senate and General Assembly of the State*
8 *of New Jersey:*

9
10 1. a. A taxpayer who owns a private inspection facility
11 licensed by the Chief Administrator of the Motor Vehicle
12 Commission pursuant to section 5 of P.L.1995, c.112 (C.39:8-45)
13 shall be allowed a credit against the tax imposed pursuant to section
14 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 100% of
15 the fair market value of equipment used directly and exclusively by
16 the taxpayer to conduct mechanical inspections of passenger
17 automobiles registered in accordance with R.S.39:3-4 or R.S.39:3-
18 27 and noncommercial trucks registered in accordance with section
19 2 of P.L.1968, c.439 (C.39:3-8.1) or R.S.39:3-27.

20 b. (1) To qualify for the tax credit allowed pursuant to this
21 section, the taxpayer shall file an application for a certification from
22 the chief administrator that the equipment purchased and installed
23 by the taxpayer qualifies as equipment used to conduct mechanical
24 inspections as defined by subsection i. of this section of passenger
25 automobiles and noncommercial trucks, and is used directly and
26 exclusively by the taxpayer in that taxpayer's business, trade, or
27 occupation. The certification shall specifically indicate:

28 (a) the date of purchase;

29 (b) the date of installation;

30 (c) a description of the equipment;

31 (d) an estimate of the fair market value of the equipment on
32 August 1, 2010; and

33 (e) the amount paid for the purchase and installation of the
34 equipment.

35 (2) The chief administrator shall have 90 days from the date of
36 receipt of a complete application to make a determination as to the
37 issuance of a certification.

38 (3) Upon certification, the chief administrator shall submit a
39 copy thereof to the taxpayer and the director. In filing a tax return
40 that includes a claim for the credit allowed pursuant to this section,
41 the taxpayer shall include a copy of the certification.

42 c. The first privilege period in which a taxpayer may use a
43 credit allowed under this section is the privilege period in which the
44 taxpayer's filed application is granted by the chief administrator.

45 d. The amount of any unused credit may be carried forward, if
46 necessary, for use in each of the seven privilege periods following
47 the privilege period for which the credit is allowed.

1 e. The order of priority of the application of the credit allowed
2 pursuant to this section and any other credits allowed by law shall
3 be as prescribed by the director.

4 f. A credit shall not be allowed pursuant to this section for the
5 purchase and installation of equipment used to conduct mechanical
6 inspections of motor vehicles which is included in the calculation of
7 another credit allowed against the tax imposed pursuant to section 5
8 of P.L.1945, c.162 (C.54:10A-5) for the same or a prior privilege
9 period by the same or another taxpayer.

10 g. The chief administrator shall establish a tax credit pre-
11 certification process through which a taxpayer can determine if the
12 equipment used to conduct mechanical inspections of motor
13 vehicles would be eligible to qualify for a credit allowed pursuant
14 to this section. The tax credit pre-certification process established
15 by the chief administrator may require the submission of written
16 information describing the equipment and how it was used in the
17 taxpayer's private inspection facility; provided however, that
18 obtaining pre-certification from the commissioner shall not be
19 required to qualify for a credit allowed pursuant to this section.

20 h. The chief administrator, in consultation with the director,
21 shall adopt rules and regulations in accordance with the
22 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
23 seq.), establishing technical specifications and certification
24 requirements for the qualification of equipment used to conduct
25 mechanical inspections of motor vehicles pursuant to this section.
26 Such rules and regulations shall include examples of
27 environmentally responsible business equipment and the procedures
28 and forms to apply for a certification.

29 i. For the purposes of this act:

30 "fair market value" means the value of the equipment used to
31 conduct mechanical inspections on the date of August 1, 2010 as
32 estimated by the chief administrator; and

33 "mechanical inspections" means motor vehicle safety inspections
34 conducted prior to the effective date of section 1 of P.L.2010, c.29
35 by a private inspection facility licensed pursuant to section 5 of
36 P.L.1995, c.112 (C.39:8-45) that tested the mechanical functions of
37 the passenger motor vehicle or noncommercial motor vehicle and
38 were unrelated to the inspection of emissions and emission-related
39 items such as emission control equipment and on-board diagnostics.
40

41 2. a. A taxpayer who owns a private inspection facility
42 licensed by the Chief Administrator of the Motor Vehicle
43 Commission pursuant to section 5 of P.L.1995, c.112 (C.39:8-45)
44 shall be allowed a credit against the tax otherwise due for the
45 taxable year under the "New Jersey Gross Income Tax Act,"
46 N.J.S.54A:1-1 et seq., in an amount equal to 100% of the fair
47 market value of equipment used directly and exclusively by the
48 taxpayer to conduct mechanical inspections of passenger

1 automobiles registered in accordance with R.S.39:3-4 or R.S.39:3-
2 27 and noncommercial trucks registered in accordance with section
3 2 of P.L.1968, c.439 (C.39:3-8.1) or R.S.39:3-27.

4 b. (1) To qualify for the tax credit allowed pursuant to this
5 section, the taxpayer shall file an application for a certification from
6 the chief administrator that the equipment purchased and installed
7 by the taxpayer qualifies as equipment used to conduct mechanical
8 inspections as defined by subsection i. of this section of passenger
9 automobiles and noncommercial trucks, and is used directly and
10 exclusively by the taxpayer in that taxpayer's business, trade, or
11 occupation. The certification shall specifically indicate:

12 (a) the date of purchase;

13 (b) the date of installation;

14 (c) a description of the equipment;

15 (d) an estimate of the fair market value of the equipment on
16 August 1, 2010; and

17 (e) the amount paid for the purchase and installation of the
18 equipment.

19 (2) The chief administrator shall have 90 days from the date of
20 receipt of a complete application to make a determination as to the
21 issuance of a certification.

22 (3) Upon certification, the chief administrator shall submit a
23 copy thereof to the taxpayer and the director. In filing a tax return
24 that includes a claim for the credit allowed pursuant to this section,
25 the taxpayer shall include a copy of the certification.

26 c. The first privilege period in which a taxpayer may use a
27 credit allowed under this section is the privilege period in which the
28 taxpayer's filed application is granted by the chief administrator.

29 d. The amount of any unused credit may be carried forward, if
30 necessary, for use in each of the seven privilege periods following
31 the privilege period for which the credit is allowed.

32 e. The order of priority of the application of the credit allowed
33 pursuant to this section and any other credits allowed by law shall
34 be as prescribed by the director.

35 f. A credit shall not be allowed pursuant to this section for the
36 purchase and installation of equipment used to conduct mechanical
37 inspections of motor vehicles which is included in the calculation of
38 another credit allowed against the tax imposed pursuant to section 5
39 of P.L.1945, c.162 (C.54:10A-5) for the same or a prior privilege
40 period by the same or another taxpayer.

41 g. The chief administrator shall establish a tax credit pre-
42 certification process through which a taxpayer can determine if
43 equipment used to conduct mechanical inspections of motor
44 vehicles would be eligible to qualify for a credit allowed pursuant
45 to this section. The tax credit pre-certification process established
46 by the chief administrator may require the submission of written
47 information describing the equipment to be purchased and how it
48 was used in the taxpayer's private inspection facility; provided

1 however, that obtaining pre-certification from the commissioner
2 shall not be required to qualify for a credit allowed pursuant to this
3 section.

4 h. The chief administrator, in consultation with the director,
5 shall adopt rules and regulations in accordance with the
6 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
7 seq.), establishing technical specifications and certification
8 requirements for the qualification of equipment used to conduct
9 mechanical inspections of motor vehicles pursuant to this section.
10 Such rules and regulations shall include examples of
11 environmentally responsible business equipment and the procedures
12 and forms to apply for a certification.

13 i. For the purposes of this act:

14 “fair market value” means the value of the equipment used to
15 conduct mechanical inspections on the date of August 1, 2010 as
16 estimated by the chief administrator; and

17 “mechanical inspections” means motor vehicle safety inspections
18 conducted prior to the effective date of section 1 of P.L.2010, c.29
19 by a private inspection facility licensed pursuant to section 5 of
20 P.L.1995, c.112 (C.39:8-45) that tested the mechanical functions of
21 the passenger motor vehicle or noncommercial motor vehicle and
22 were unrelated to the inspection of emissions and emission-related
23 items such as emission control equipment and on-board diagnostics.
24

25 3. This act shall take effect immediately and apply to amounts
26 paid in privilege periods and taxable years beginning on or after the
27 date of enactment.
28
29

30 STATEMENT

31
32 This bill provides a tax credit under the corporation business tax
33 and the gross income tax to the owners of private motor vehicle
34 inspection facilities for the fair market value of equipment used by
35 private facilities to conduct certain motor vehicle safety inspections.
36 Prior to August 1, 2010, private inspection facilities conducted
37 mechanical safety inspections of passenger automobiles and
38 noncommercial truck inspections. An amendment to the law changed
39 safety inspection protocol by eliminating mechanical inspections and
40 limiting inspections to emissions and emission-related items such as
41 emission control equipment and on-board diagnostics. This bill
42 provides a tax credit to private inspection facilities for the estimated
43 fair market value of any equipment as of August 1, 2010 that was used
44 by these private facilities directly and exclusively to conduct
45 mechanical inspections.

46 Under the bill, a taxpayer is eligible to elect to claim a credit in
47 an amount equal to 100 percent of the fair market value of
48 equipment used directly and exclusively by the taxpayer prior to

1 August 1, 2010 to conduct mechanical inspections of passenger
2 automobiles and noncommercial trucks. The bill provides that a
3 taxpayer must first qualify for a credit in order to be eligible to
4 claim a credit. To qualify, a taxpayer must file an application with
5 the Chief Administrator of the Motor Vehicle Commission who is
6 responsible for issuing a certification denoting that the equipment
7 purchased and installed by the taxpayer qualifies as equipment used
8 to conduct mechanical inspections of passenger automobiles and
9 noncommercial trucks.

10 The bill provides that the chief administrator has 90 days after
11 the receipt of a complete application from a taxpayer to make a
12 determination as to the issuance of a certification. If the application
13 submitted by a taxpayer is certified, the director must submit the
14 certification to the Director of the Division of Taxation in the
15 Department of the Treasury and to the taxpayer. That certification
16 may then be used by the taxpayer in filing a tax return that includes
17 a claim for the credit.

18 The bill provides that the first privilege period or taxable year in
19 which a taxpayer may use the credit is the privilege period or
20 taxable year in which the certification is granted. The bill also
21 provides that the amount of any unused credit may be carried
22 forward, if necessary, to each of the seven privilege periods or
23 taxable years following the period or year in which the credit is first
24 allowed, but stipulates that a credit is not allowed if the
25 environmentally responsible business equipment is used to secure
26 another credit in the same or prior period or year by the same or
27 another taxpayer.

28 Additionally, the bill requires the chief administrator to establish
29 a pre-certification process through which a taxpayer can determine
30 if an expected purchase of equipment to be used to conduct
31 mechanical inspections would be eligible to qualify for a credit, and
32 to develop rules and regulations, in consultation with the Director
33 of the Division of Taxation in the Department of Treasury,
34 establishing technical specifications and certification requirements
35 for the qualification of such equipment. The bill specifies that the
36 pre-certification established by the commissioner may require the
37 submission of certain written information describing the equipment
38 to be purchased and how it is intended to be used or consumed, but
39 that obtaining pre-certification from the commissioner is not
40 required to qualify for a credit.