

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1958

STATE OF NEW JERSEY

DATED: MARCH 22, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1958.

This bill establishes a New Jobs for New Jersey tax credit program to be administered by the Commissioner of Labor and Workforce Development. The purpose of the program is to provide incentives to small private sector employers who increase their workforce by hiring unemployed workers.

The bill makes an employer of 100 or fewer full-time employees eligible for a refundable New Jobs for New Jersey tax credit against the corporation business tax or the gross income tax, whichever applies to the employer, for each eligible individual employed by the employer on a full-time basis during a tax year, if the following requirements are met:

1. The eligible individual is hired by the employer after April 1, 2021, is employed full-time during the tax year for which the tax credit is provided, was not previously employed by the employer, and did not have full-time employment for 30 or more days prior to being hired by the employer;
2. The employer employs an average total number of full-time employees during the tax year for which the tax credit is provided which exceeds the average total number of full-time employees employed by the employer during the 12-month period immediately prior to April 1, 2021; and
3. The employer submits an application for the tax credit in the manner required by the commissioner, the commissioner approves the application, and the employer provides, or makes available as requested by the commissioner, all information regarding the number, wages, and employer payroll taxes or any other information required by the commissioner.

The bill sets the amount of the refundable tax credit provided to the employer for each eligible individual employed during a tax year as the total amount of the employer payroll taxes paid during that tax year by the employer with respect to that individual, subject to the requirements of the bill. Employer payroll taxes include the portion paid by employers of State unemployment, temporary disability, and workforce development and basic skills assessments, and federal Social Security, Medicare, and unemployment taxes. The bill provides that the employer receive the tax credit for the number of eligible

individuals newly-hired during the tax year, but not exceeding the net increase in the number of full-time employees employed during the tax year compared with the average total number employed during the 12-month period immediately preceding April 1, 2021.

An employer may apply for and qualify for a tax credit under the bill with respect to tax years 2021, 2022, and 2023. If the employer's application is approved for any of those three years, the employer may continue to receive the tax credit for any of the four tax years following that tax year during which the employer meets the requirements of the bill.

Upon a finding by the commissioner of employer compliance with the bill's requirements, the commissioner is required to certify to the Director of the Division of Taxation that the employer is eligible for a tax credit under this bill, the amount of the tax credit, and provide a copy of the certification to the employer.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill may result in a significant but indeterminate decrease in revenue generated by the Corporation Business Tax (CBT) and the Gross Income Tax (GIT) allocated to the State General Fund and the Property Tax Relief Fund, respectively.

The OLS is unable to determinate the cost of the tax credit provided by the proposed New Jobs for New Jersey program due to uncertainty in the number of eligible individuals who may be hired and their wages and the tax liability of their employers. The OLS estimates that the hiring of each qualified employee under the program may result in an average tax credit for the employer of between \$3,042 and \$12,547 annually per qualified employee based on certain assumptions.

The OLS notes that if the employer's application is approved for any of the tax years 2021, 2022, or 2023, the employer may continue to receive the tax credit for any of the four tax years following that tax year during which the employer meets the requirements of the bill. The carryover provision of the tax credit and that it is refundable increases the likelihood that employers will take advantage of it and potentially increase the revenue loss to the State.