

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 3015

# STATE OF NEW JERSEY

DATED: NOVEMBER 9, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3015.

This bill provides corporation business tax and gross income tax credits to taxpayers that make investments and create or retain jobs involved in the manufacturing of personal protective equipment in a qualified facility in the State. Under the bill, personal protective equipment includes coveralls, face shields, gloves, gowns, masks, respirators, and other equipment designed to protect the wearer from the spread of infection or illness. The credits will be allowed for privilege periods ending in 2020, 2021, and 2022 under the corporation business tax and taxable years 2020, 2021, and 2022 under the gross income tax.

The bill establishes the credit at \$10,000 for each full-time employee whose job is related to the manufacturing of personal protective equipment. Taxpayers are also eligible for additional tax credits \$1,000 per qualifying full-time employee per year at a qualified facility that is a building vacant for not less than seven years in need of rehabilitation with a minimum of 250,000 square feet, \$1,500 for each qualifying full-time employee through collaboration with a State college or university, and \$1,000 per qualifying full-time employee at a qualified facility in which the taxpayer has established an apprenticeship program or pre-apprenticeship program with a technical school or county college located within the State. The maximum credit for any individual taxpayer is \$500,000 and the overall cap on the value of all credits awarded is \$10,000,000 for each State fiscal year. Taxpayers are required to apply for the tax credit in a manner prescribed by the Division of Taxation, and the Director of the Division of Taxation is responsible for determining the order of priority for the application of the credits. The bill provides that if the amount of the credit exceeds the tax due, the amount in excess is to be treated as an overpayment and be refunded to the taxpayer.

To qualify for a tax credits under the bill, a taxpayer must make a minimum investment in a facility that is being rehabilitated for this purpose of \$10 per square foot of gross leasable area for a facility in Atlantic County, Burlington County, Cape May County, Cumberland County, Gloucester County, Ocean County, or Salem County; or \$20 per square foot of gross leasable area in other counties. The minimum capital investment for construction of a new facility in Atlantic

County, Burlington County, Cape May County, Cumberland County, Gloucester County, Ocean County, or Salem County is \$100 per square foot of gross leasable area. The minimum capital investment for construction of a new facility in any other county is \$120 per square foot of gross leasable area.

The bill also sets requirements on minimum new or retained full-time jobs to be eligible for this program. Taxpayers in Atlantic County, Burlington County, Cape May County, Cumberland County, Gloucester County, Ocean County, or Salem County must create five new jobs or retain 15 full-time jobs. Taxpayers in all other counties shall create ten new jobs or retain 25 full-time jobs.

To qualify under the bill, a job must be a full-time position in this State that requires employment of a person for at least 35 hours a week or other service that can be deemed full-employment, and who is paid at least \$15 per hour, and whose wages are subject to withholding per the “New Jersey Gross Income Tax Act.” Additionally, the qualifying new hire only includes positions for which the taxpayer provides the employee with certain minimum health insurance.

The bill defines a qualified facility to be a facility that satisfies one of the following conditions:

- (1) located in a redevelopment area or rehabilitation area;
- (2) located in a Smart Growth Area as identified by the Office of Planning Advocacy;
- (3) a facility in which the manufacturing of personal protective equipment is part of a research collaboration between the taxpayer and a college or university located within the State;
- (4) a facility in which the taxpayer has established an apprenticeship program or pre-apprenticeship program with a technical school or county college located within the State; or
- (5) a building vacant for not less than seven years in need of rehabilitation with a minimum of 250,000 square feet.

The bill authorizes the Director of the Division of Taxation to adopt rules and regulations immediately upon filing with the Office of Administrative Law to administer the bill, and requires the director to consult with the Commissioner of Health related to any specification requirements for what manufactured products are to qualify as personal protective equipment under the bill.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) anticipates that this bill will reduce State revenues by an indeterminate amount over a multi-year period. The OLS cannot quantify the magnitude of these reductions or their exact timing because the OLS has no way of knowing the number of taxpayers that will successfully apply for the bill’s tax credits in a given fiscal year or the value of each tax credit that will be approved.

The OLS notes that the bill does limit the combined value of tax credits that can be approved during a fiscal year to \$10 million, and that the tax credit amount allowed is based on taxpayer activity from taxable years and privilege periods ending in 2020, 2021, and 2022. Each individual tax credit approved is also capped at \$500,000.