

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 3305 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JANUARY 29, 2021

### SUMMARY

- Synopsis:** Allows tax credits for nonresidential building improvement expenses to reduce spread of COVID-19.
- Type of Impact:** State revenue loss to the General Fund and Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury, Division of Taxation.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>FY 2021-FY 2030</u></b>
<b>State Revenue Loss</b>	Indeterminate

- The Office of Legislative Services (OLS) projects that this bill will result in an indeterminate loss of revenue to the Property Tax Relief Fund and General Fund. Additionally, taxpayers can carry the tax credits forward up to seven privilege periods or seven taxable years thereby increasing the timespan for which this bill can affect revenues.
- The OLS does not have data on how many taxpayers have more or less than 30,000 square feet for a work location and cannot project how many taxpayers will utilize the tax credit and how much they will spend on nonresidential building improvements to prevent the spread of the COVID-19 virus.
- The OLS notes that to the extent that these tax credits allow taxpayers to save on costs on building improvements to prevent the spread of the virus, and therefore allow more investment that can generate economic growth, this could result in additional revenue.
- Furthermore, to the extent that these tax credits allow taxpayers to keep their work places open in response to the virus and the government's subsequent response, this can also generate economic growth and result in additional revenue.

## **BILL DESCRIPTION**

This bill provides gross income tax and corporation business tax credits to taxpayers for nonresidential building improvement expenses in tax years 2020, 2021, and 2022 to prevent the spread of the COVID-19 virus. The eligible expenses include bi-polar ionization and ultraviolet lighting to disinfect indoor air and surfaces, including in elevators and work areas; infrared thermometers for screening visitors in common areas; transparent sneeze guards or shields; touchless entryway and security; ventilation; and other materials, supplies, and equipment to reduce the spread of COVID-19 and necessary to create a safe environment for employers and employees to return to their work spaces. The bill allows a taxpayer to carry forward any unused amount of the credit for up to seven privilege periods or seven taxable years after the taxable year or privilege period for which the credit was allowed.

The amount of credit allowed in this bill is equal to 75 percent of the taxpayer's expenditures for a work space of less than 30,000 square feet, but the credit for such expenditures cannot exceed \$100,000; and 50 percent of the taxpayer's expenditures for a work space of 30,000 square feet or more, but the credit for such expenditures cannot exceed \$250,000.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS projects that this bill will result in an indeterminate loss of revenue to the Property Tax Relief Fund and the General Fund. Any revenue loss will be: a) temporally limited because the tax credit applies to expenditures made during 2020, 2021, 2022 only; and b) spread out over several years, as the bill allows unused tax credits to be carried forward for up to seven tax years of privilege periods.

The OLS does not have data on how many taxpayers have more or less than 30,000 square feet for a work location. Additionally, the OLS cannot project how many taxpayers will utilize the tax credit and how much they will spend on nonresidential building improvements to prevent the spread of the COVID-19 virus. Because these credits apply to the gross income tax and the corporation business tax, the utilization by taxpayers will result in a loss of revenue to the Property Tax Relief Fund and the General Fund. The revenue loss will be temporally limited because the tax credit only applies to expenditures made during 2020, 2021, and 2022, and will be spread out over several years because the bill allows unused tax credits to be carried forward for up to seven tax years or privilege periods.

The OLS notes that to the extent that these tax credits allow taxpayers to save on costs on building improvements to prevent the spread of the virus, and therefore allow more investment that can generate economic growth, this could result in additional revenue. Furthermore, to the extent that these tax credits allow taxpayers to keep their work places open in response to the virus and the government's subsequent response, this can also generate economic growth and result in additional revenue.

*Section: Revenue, Finance and Appropriations*

*Analyst: Parag Shende*  
*Associate Fiscal Analyst*

*Approved: Thomas Koenig*  
*Assistant 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.).