

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3404**

with committee amendments

# STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3404, with committee amendments.

This bill, as amended, would allow the owner of a small restaurant, wedding venue, banquet hall, or alcoholic beverage manufacturer to use a bonus depreciation allowance of up to \$150,000 for capital expenditures incurred within New Jersey to comply with the health and safety requirements of the Governor's executive orders regarding the COVID-19 pandemic. These capital expenditures would include but are not limited to the purchase of heaters and overhangs and upgrades to heating, ventilation, and air conditioning systems. This benefit would be available to a restaurant owner if the restaurant has no more than 100 employees, and if the restaurant is not a chain restaurant.

Bonus depreciation allows a business to immediately deduct a large percentage of the purchase price of certain property. New Jersey decoupled from the federal rules regarding bonus depreciation in 2002. This bill re-couples to the federal rules for small business restaurant owners on up to \$150,000 of expenditures incurred to comply with the Governor's COVID-19 executive orders.

As amended and reported by the committee, Senate Bill No. 3404 (1R) is identical to Assembly Bill No. 5218 (2R), as also reported by the committee on this date.

#### COMMITTEE AMENDMENTS:

The committee amendments:

(1) expand eligibility for the depreciation deduction to owners of wedding venues, banquet halls, and alcoholic beverage manufacturers;

(2) include upgrades to the heating, ventilation, and air conditioning system under eligible capital expenditures;

(3) clarify the definition of "small business restaurant" by providing that a small business restaurant does not include a restaurant if its owner also owns more than two restaurants that are operated under the same name as the small business restaurant at locations outside the State; and

(4) revise the effective date of the bill to make the bill retroactive to March 9, 2020.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) estimates that this bill will lead to an indeterminate loss of revenue because the OLS does not have data on the tax obligations of small business restaurants, wedding venues, banquet halls, or alcoholic beverage manufacturers that could be reduced or how many of these businesses will take advantage of this accelerated depreciation deduction.