

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 4094
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 13, 2021

SUMMARY

Synopsis: Makes changes to film and digital media content production tax credit program.

Type of Impact: Potential decrease in State revenue associated with enhanced credit awards and cap limits.

Agencies Affected: New Jersey Economic Development Authority

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
State Revenue Loss	Up to \$20 million	Up to \$20 million	Up to \$20 million

- The Office of Legislative Services (OLS) notes that increasing the cumulative annual tax credit award limit on digital media content production tax credits from \$10 million to \$30 million could reduce revenues by as much as \$20 million annually. This revenue loss would occur throughout the lifetime of the film and digital media content production tax credit program, which is slated to conclude at the end of FY 2034.
- The bill also increases the percentage of qualified digital media content production expenses that may be claimed by a taxpayer for a tax credit award and allows for up to \$15 million in payments made to certain highly compensated individuals to be claimed as qualified film production expenses. These changes may result in more generous award amounts and further utilization of the program’s annual caps than otherwise would have occurred absent the bill’s additional incentive awards.

BILL DESCRIPTION

This bill makes various changes to the film and digital media content production tax credit program, including increasing the amount of the digital media content production tax credit, allowing certain compensation to be included within the computation of qualified film production expenses, and revising the definition of “New Jersey film-lease partner.”

Under the bill, the amount of the digital media content production portion of the tax credit program would be increased. Specifically, the bill increases the digital media content production tax credit to 35 percent of the qualified digital media content production expenses purchased through vendors located in certain counties in southern New Jersey, or 30 percent of all other qualified digital media content production expenses purchased within the State. In addition, the bill increases the cumulative annual limitation on digital media content production tax credits from \$10 million to \$30 million.

The bill also provides that when the New Jersey Economic Development Authority receives applications for more tax credits than are available in any given fiscal year, then the authority may approve applications for excess tax credits during the year in which such applications were submitted, provided that the amount of excess credits would be subtracted from the amounts otherwise available in the succeeding fiscal years. However, a taxpayer may not claim the excess tax credits or tax credit transfer certificates until the first day of the fiscal year from which the credits were made available.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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<i>Section:</i>	<i>Revenue, Finance and Appropriations</i>
<i>Analyst:</i>	<i>Jordan M. DiGiovanni</i> <i>Revenue Analyst</i>
<i>Approved:</i>	<i>Thomas Koenig</i> <i>Legislative Budget and Finance Officer</i>

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.).