

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4094

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 22, 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 additional 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	Indeterminate	Indeterminate	Indeterminate

- 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. Beginning in FY 2025, the bill allows an additional \$100 million in tax credits for New Jersey film-lease partners from funds otherwise set aside for New Jersey studio partners. These changes may result in more generous award amounts and further utilization of annual tax credit program caps than otherwise would have occurred absent the bill’s additional incentive awards and program extensions.
- The bill extends the diversity bonus tax credit program’s duration from FY 2028 to FY 2034, allows it to apply against gross income tax, and allows a bonus credit if the diversity plan outlines certain goals. These credits are not subject to the annual caps applicable to other credits, so the awarding of bonus credits may increase the revenue loss by as much as two percent of qualified production expenses.



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 changes the treatment of excess credit applications in a fiscal year and allows reallocation among the categories of New Jersey studio partners, New Jersey film-lease partners, or taxpayers other than New Jersey studio partners and New Jersey film-lease partners. Beginning in FY 2025, the bill also allows an additional \$100 million in tax credits for New Jersey film-lease partners from funds otherwise set aside for New Jersey studio partners.

The bill also extends the diversity bonus tax credit program’s duration from FY 2028 to FY 2034, allows it to apply against gross income tax, and allows a bonus credit if the diversity plan outlines goals that include hiring performers who are members of ethnic minority groups that are underrepresented in film or digital media productions, residents the municipality where filming occurs, and members of a labor union representing film and television performers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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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. Beginning in FY 2025, the bill allows an additional \$100 million in tax credits for New Jersey film-lease partners from funds otherwise set aside for New Jersey studio partners. These changes may result in more generous award amounts and further utilization of annual tax credit program caps than otherwise would have occurred absent the bill’s additional incentive awards and program extensions.

The bill extends the diversity bonus tax credit program’s duration from FY 2028 to FY 2034, allows it to apply against gross income tax, and allows a bonus credit if the diversity plan outlines

certain goals. These credits are not subject to the annual caps applicable to other credits, so the awarding of bonus credits may increase the revenue loss by as much as two percent of qualified production expenses.

Section: Revenue, Finance and Appropriations
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Approved: Thomas Koenig
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.).