

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 4254

STATE OF NEW JERSEY

DATED: DECEMBER 16, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 4254.

This bill allows taxpayers who have no more than 50 employees to use a bonus depreciation allowance of up to \$150,000 for capital expenditures incurred to comply with the health and safety requirements of the Governor's executive orders regarding the COVID-19 pandemic.

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 owners on up to \$150,000 of expenditures incurred to comply with the Governor's COVID-19 executive orders.

FISCAL IMPACT

The Office of Legislative Services (OLS) estimates that this bill will result in an indeterminate revenue loss to the General Fund and the Property Tax Relief Fund. The inability to provide a detailed estimate of the fiscal impact is rooted in a lack of data concerning the section 168(k) expense deduction. The OLS does not have data on the total amount of tax obligations that may be reduced to the application of the bonus depreciation allowance and the total value of eligible property expenditures for which a deduction may be claimed.

The OLS anticipates that any State revenue loss will be temporally limited because taxpayers are permitted to take a bonus depreciation allowance only for eligible property placed in service before January 1, 2027. Additionally, the bonus depreciation allowance only applies for the first year the property is in service.

The fiscal impact of coupling the corporation business tax (CBT) and the gross income tax (GIT) to section 168(k) in the limited manner provided under the bill will be driven by individual taxpayer decisions regarding how and when to accelerate the depreciation of qualified property.