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# ASSEMBLY, No. 2592

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED JUNE 8, 2000

**Sponsored by:**

**Assemblyman JACK COLLINS**

**District 3 (Salem, Cumberland and Gloucester)**

**Assemblyman TOM SMITH**

**District 11 (Monmouth)**

**Co-Sponsored by:**

**Assemblywoman Pou and Assemblyman Zisa**

**SYNOPSIS**

The "Neighborhood Revitalization State Tax Credit Act."

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/8/2000)**

1 AN ACT granting a tax credit to certain businesses that contribute to  
2 state-approved nonprofit organizations which engage in activities  
3 that foster the preservation and revitalization of low and moderate  
4 income neighborhoods and supplementing Title 52 of the Revised  
5 Statutes.

6

7 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
8 *of New Jersey:*

9

10 1. This act shall be known and may be cited as the "Neighborhood  
11 Revitalization State Tax Credit Act."

12

13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits" means  
21 the certificate in the form prescribed by the Treasurer and issued by  
22 the commissioner to a nonprofit organization that specifies the dollar  
23 amount of neighborhood preservation and revitalization State tax  
24 credits that each taxpayer may take as an annual credit against certain  
25 state taxes pursuant to P.L. , c. (C. )(now before the  
26 Legislature as this bill).

27 "Commissioner" means the Commissioner of the department of  
28 Community Affairs.

29 "Department" means the Department of Community Affairs.

30 "Eligible neighborhood" means a contiguous area located in a  
31 municipality that, at the time of the application to the Department for  
32 approval of a neighborhood preservation and revitalization plan, is  
33 either eligible to receive aid under the "Special Municipal Aid Act,"  
34 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
35 school district which qualified for designation as an "Abbott district"  
36 pursuant to the "Comprehensive Educational Improvement and  
37 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

38 "Housing and economic development activities" means those  
39 activities carried out in furtherance of a neighborhood preservation  
40 and revitalization plan in an eligible neighborhood approved pursuant  
41 to P.L. , c. (C. )(now before the Legislature as this bill), to  
42 improve the housing and economic conditions of the neighborhood;  
43 and shall include, without limitation, measures to foster the  
44 rehabilitation and construction of housing affordable to low and  
45 moderate income households within the neighborhood, including  
46 planning, design, rehabilitation, construction, and management of low

1 and moderate income housing, home buyer counseling, and related  
2 activities needed to effectuate the rehabilitation and construction of  
3 housing affordable to low and moderate income households; measures  
4 to increase business activity within the neighborhood, including the  
5 rehabilitation and construction of commercial facilities and the  
6 provision of assistance to small business entities; and measures to  
7 increase the income and labor force participation of neighborhood  
8 residents, including provision of education, training, child care and  
9 transportation assistance to enable low income neighborhood residents  
10 to obtain or retain employment.

11 "Low income household" means a household whose gross  
12 household income is less than 50 percent of the median gross  
13 household income for the region in which the neighborhood is located  
14 for households of similar size as determined by the Department of  
15 Community Affairs.

16 "Moderate income household means a household whose gross  
17 household income is greater than or equal to 50 percent but less than  
18 80 percent of the median gross household income of the region in  
19 which the neighborhood is located for households of similar size as  
20 determined by the Department of Community Affairs.

21 "Neighborhood preservation and revitalization activities" means  
22 housing and economic development activities and other neighborhood  
23 preservation and revitalization activities.

24 "Neighborhood Revitalization Plan" means a plan for the  
25 preservation or revitalization of an eligible neighborhood.

26 "Nonprofit organization" means a private nonprofit corporation that  
27 has been determined by the Internal Revenue Service of the United  
28 States Department of the Treasury to be exempt from income taxation  
29 under 26 U.S.C. §501(c)(3).

30 "Other Neighborhood Revitalization Activities" means those  
31 activities, other than housing and economic development activities,  
32 carried out in furtherance of a State-approved neighborhood  
33 preservation and revitalization plan in a qualified low and moderate  
34 income neighborhood, and may include, without limitation,  
35 improvements to infrastructure, street scape, public open space, and  
36 transportation systems; provision of social and community services,  
37 health care, crime prevention, recreation activities, community and  
38 environmental health services; and community outreach and organizing  
39 activities.

40 "Qualified nonprofit organization" means a nonprofit organization  
41 that has demonstrated a commitment to the neighborhood for which  
42 it is submitting a plan or project, as reflected in its past activities or  
43 proposed activities in a preservation and revitalization plan.

44 "Qualified project" means one or more housing and economic  
45 development activities to be carried out in accordance with a  
46 neighborhood revitalization plan with funds provided by a business

1 entity eligible to receive a certificate for neighborhood revitalization  
2 State tax credits.

3

4 3. A business entity shall be eligible for a certificate for  
5 neighborhood revitalization State tax credits if it has provided funding  
6 for a qualified project that has been approved in accordance with  
7 sections 4 and 5 of P.L. , c. (C. )(now before the Legislature  
8 as this bill).

9 a. Credits may be granted in an amount up to 50 percent of the  
10 approved assistance provided to a nonprofit organization to implement  
11 a qualified neighborhood preservation and revitalization project.

12 b. The credit may be applied by the business entity receiving the  
13 certificate as credit against tax imposed on business related income,  
14 other than tax imposed under the New Jersey Gross Income Tax,  
15 including, but not limited to, business income subject to the provisions  
16 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
17 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
18 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
19 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
20 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
21 the sewer and water utility excise tax imposed pursuant to section 6 of  
22 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
23 receipts tax imposed pursuant to section 3 of P.L.1990, c.42  
24 (C.54:15B-3).

25 c. The credit allowed to a business entity under this section may  
26 not exceed for any taxable year \$500,000 or the total amount of tax  
27 otherwise payable by the business entity for the taxable year,  
28 whichever is less.

29 d. Any excess credit that would be allowed but for the limitations  
30 of subsection c. of this section may be carried over and applied as  
31 credit for succeeding taxable years until:

32 (1) the full amount of the excess is used, or

33 (2) the expiration of the fifth taxable year after the taxable year in  
34 which the contribution is made, whichever occurs earlier.

35 e. Carryover credits shall be applied against the tax before the  
36 application of the credits earned in the current year and on a first-  
37 earned first-used basis.

38 f. Credit shall not be allowed for activities for which the business  
39 entity is receiving credit under any other provision against any tax on  
40 business related income other than the New Jersey Gross Income Tax,  
41 including, but not limited to, the corporate business tax, corporate  
42 income tax, insurance premiums tax, petroleum products gross receipts  
43 tax, public utilities franchise tax, public utilities gross receipts tax,  
44 public utility excise tax, railroad franchise tax, and the saving  
45 institution tax.

46 g. The tax credit shall be awarded only for assistance provided

1 within the same year in which the commissioner issued the certificate,  
2 or if the commissioner approved assistance for more than one year,  
3 within the year in which payment was scheduled and made. The  
4 provisions of this subsection may be waived for good cause shown.

5 h. The total tax credits certified for all qualified projects proposed  
6 in that tax year does not exceed \$10,000,000.

7  
8 4. In order for an entity to be eligible to receive a tax credit  
9 pursuant to P.L. , c. (C. )(now before the Legislature as this  
10 bill), the nonprofit organization which is the recipient of funding  
11 provided by the entity shall submit a neighborhood preservation and  
12 revitalization plan to the department for approval, and shall submit a  
13 proposed project which defines the elements of the plan to be  
14 implemented with the funds provided. Two or more nonprofit  
15 organizations may submit a plan to the department jointly. Any such  
16 plans shall designate one nonprofit organization as the lead  
17 organization with responsibility for the plan.

18  
19 5. a. The department shall determine whether a neighborhood  
20 preservation and revitalization plan should be approved. The  
21 department shall approve a neighborhood preservation and  
22 revitalization plan if it satisfies the following standards:

23 (1) the plan designates an eligible neighborhood; and

24 (2) The plan was developed through a process that

25 (a) gave written notice to the municipality in which the  
26 neighborhood is located of its intention to develop a plan and utilized  
27 reasonable means to inform residents, property owners, and businesses  
28 in the neighborhood of its intention to develop a plan and provided  
29 opportunities for them to participate in the development of the plan;

30 (b) gave written notice to the municipality in which the  
31 neighborhood is located of the proposed plan and provided an  
32 opportunity for it to comment upon it orally and in writing, and  
33 utilized reasonable means to inform residents, property owners, and  
34 businesses in the neighborhood of the proposed plan and provided an  
35 opportunity for them to comment upon it orally and in writing; and

36 (c) involved consultation with nonprofit organizations located  
37 within the neighborhood or providing services to residents of the  
38 neighborhood;

39 (3) The plan is not inconsistent with

40 (a) any redevelopment plan adopted pursuant to the Local  
41 Redevelopment and Housing Law, P.L.1992, c.79 (C.40A:12A-1 et  
42 seq.),and currently being implemented; or

43 (b) any neighborhood empowerment plan approved by the state  
44 pursuant to section 49 of P.L.1996, c.62 (C.55:19-64);

45 (4) The plan sets forth an overall concept of the future of the  
46 neighborhood; one or more strategies to foster preservation and

1 revitalization of the neighborhood in accordance with that concept;  
2 one or more activities, including housing and economic development  
3 activities and other preservation and revitalization activities proposed  
4 within the neighborhood to foster preservation and revitalization of the  
5 neighborhood in furtherance of those strategies, including a  
6 description of funding sources obtained or to be sought for the  
7 planned activities and a timetable for the conduct of those activities;  
8 and

9 (5) The plan covers a period of no less than two and no more than  
10 ten years.

11 b. A nonprofit organization may, in submitting a proposed plan  
12 pursuant to P.L. , c. (C. )(now before the Legislature as this  
13 bill), adopt a redevelopment plan adopted pursuant to the "Local  
14 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
15 seq.), and currently being implemented; or a state-approved  
16 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
17 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
18 plan or a neighborhood preservation and revitalization plan previously  
19 approved by the department. The department shall approve such a  
20 plan.

21 c. A nonprofit organization that has submitted a neighborhood  
22 preservation and revitalization plan to the department may seek to  
23 amend it a any time. The department shall approve amendments if  
24 they comply with the standards set forth in subsection b of this section.

25

26 6. a. The department shall determine in accordance with law and  
27 regulation whether a project proposed by a nonprofit organization is  
28 qualified for assistance for which a tax credit certificate will be granted  
29 pursuant to P.L. , c. (C. )(now before the Legislature as this  
30 bill).

31 b. The department shall determine that a project proposed by a  
32 nonprofit organization or jointly by two or more nonprofit  
33 organizations is qualified for assistance if it meets all the following  
34 standards:

35 (1) The project consists of neighborhood preservation and  
36 revitalization activities within an eligible low and moderate income  
37 neighborhood. If two or more nonprofits propose a project jointly, all  
38 the proposed activities are within the same eligible low and moderate  
39 income neighborhood. The department may establish standards for  
40 waiver of compliance with this paragraph for activities located outside  
41 an eligible neighborhood but which particularly benefit residents of  
42 that neighborhood or for activities that benefit more than one eligible  
43 neighborhood.

44 (2) The project is reasonably designed to accomplish its intended  
45 purpose and it would further the purposes of a neighborhood  
46 preservation and revitalization plan approved in accordance with



1 section 5 of this act.

2 (3) The nonprofit organization demonstrates that it has the  
3 capacity to carry out the activities.

4 (4) The nonprofit organization provides adequate assurances that  
5 the assistance will be expended exclusively for the proposed activities.

6 (5) "Housing and economic development activities" make up at  
7 least 60 percent of the total cost of the neighborhood preservation and  
8 revitalization activities in the proposed project. If two or more  
9 nonprofit organizations jointly propose a project, the total cost shall  
10 include the aggregate cost of all the activities included in the joint  
11 proposal.

12 c. The department shall establish by regulation the standards and  
13 procedures for determining which projects shall be determined to be  
14 qualified if the total tax credits certified under P.L. , c. (C. )(now  
15 before the Legislature as this bill) will exceed, or appears likely to  
16 exceed, \$10,000,000 for the year, so as to remain within that annual  
17 limit. Such standards shall establish criteria for rating projects which  
18 shall take into account, among other things, the following factors:

19 (1) The extent to which the project is addressing urban distress, as  
20 measured by existing levels of poverty and unemployment within the  
21 neighborhood;

22 (2) The extent to which the project is likely to attract private or  
23 public investment to the subject project or other projects in the  
24 neighborhood; and

25 (3) The extent to which the nonprofit organization has  
26 demonstrated the capacity to carry out the project.

27 Such standards shall focus exclusively on the relative merits of the  
28 project (including the capacity of the nonprofit to carry out the  
29 project) and shall not include any consideration of whether the project  
30 has, or does not yet have, a proposed source of assistance by a  
31 business entity.

32

33 7. a. The Department of Community Affairs shall determine, in  
34 accordance with law and regulation, whether to issue a certificate  
35 based upon proposed assistance by a business entity to a nonprofit  
36 organization to implement a qualified project.

37 b. The department shall issue a certificate to the nonprofit  
38 organization if the proposed assistance satisfies the following  
39 standards:

40 (1) The assistance is for a qualified neighborhood preservation  
41 and revitalization project;

42 (2) The assistance is not less than \$25,000 in each tax year for  
43 which credit is sought. Assistance may be approved for the current  
44 tax year and up to four additional years in the future. If assistance is  
45 approved for years other than the current tax year, the approval shall  
46 include a schedule showing the amount of assistance to be provided in

1 each year.

2 (3) Neither the business entity nor any wholly owned subsidiary  
3 has previously failed to provide assistance to a nonprofit organization  
4 for which approval was granted. This requirement may be waived by  
5 the Department upon a showing of good cause.

6 (4) The total of all assistance approved on behalf of a nonprofit  
7 organization per project does not exceed \$500,000.

8

9 8. a. The commissioner shall monitor the carrying out by nonprofit  
10 organizations of projects for which assistance has been received and  
11 tax credits awarded pursuant to P.L. , c. (C. )(now before the  
12 Legislature as this bill) to ascertain whether the assistance is being  
13 used for the activities for which it was approved. The commissioner  
14 may require the submission of reports, audit financial records, the  
15 conduct of investigations, the posting of bonds or security and the  
16 inspection of activities whether carried out on the premises of the  
17 nonprofit organization or elsewhere. In furtherance of this function,  
18 the commissioner, or his or her designee, may issue subpoenas, hold  
19 evidentiary hearings, and administer oaths.

20 b. If, after notice and hearing, the commissioner determines that  
21 assistance is not being used for the activities for which it was  
22 approved, the commissioner may impose sanctions, including but not  
23 limited to:

24 (1) Requiring corrective actions by the nonprofit organization;

25 (2) Requiring that assistance or its cash value be paid back to the  
26 department. The department shall account for such funds to the  
27 Treasurer and may expend them in any manner that lawfully furthers  
28 the purposes of this act;

29 (3) Revoking the department's determination that the project was  
30 qualified; or

31 (4) Barring the nonprofit for a period of time from approval of  
32 future projects.

33 c. No sanction imposed by the commissioner against the nonprofit  
34 organization shall affect the validity of the credits for assistance  
35 already contributed allowed to a business entity that was not on notice  
36 of the wrongful actions of the nonprofit at the time it made the  
37 contribution.

38 d. In the event a project proposed by a nonprofit cannot be  
39 completed, the department may take whatever action necessary to  
40 ensure that the funds earmarked for the failed project are reallocated  
41 to a project which is proceeding.

42

43 9. a. In order to administer the neighborhood preservation and  
44 revitalization tax credit program, the department shall establish the  
45 necessary forms, procedures and manuals to effectuate this act, in  
46 accordance with the "Administrative Procedure Act," P.L. 1968, c.

1 410 (C.52:14B-1 et seq.). The department shall seek to foster use of  
2 the tax credit and to make the tax credit simple to apply for and simple  
3 to use.

4 b. The department shall act a clearinghouse. It shall maintain lists  
5 of qualified projects and of business entities that have expressed a  
6 desire to provide assistance to qualified projects.

7 c. The department shall give priority in processing to applications  
8 that demonstrate a multi-year commitment by the business entity to  
9 implementation of the neighborhood preservation and revitalization  
10 plan.

11 d. The department shall submit to the Governor and Legislature an  
12 annual report which shall include at least:

13 (1) the purpose and effectiveness of the credit;

14 (2) the benefits of the credit to the state;

15 (3) any recommendations by the department as to changes in  
16 legislation needed to better carry out the purposes of P.L. , c. (C. )  
17 (now before the Legislature as this bill).

18 e. For each application by, or behalf of, a business entity to  
19 approve assistance for a project, the department may charge a fee of  
20 up to 0.5 percent of the amount of assistance proposed, or approved,  
21 whichever is less, to pay for the administration of this program.

22

23 10. a. If a partnership, an S corporation, or a limited liability  
24 company qualifies for the credit, it shall provide a copy of the  
25 certificate to the taxpayers of the entity.

26 b. A taxpayer shall attach a copy of the certificate to any return  
27 upon which a credit is claimed under this section.

28 c. Any credit taken in this section may be subject to audit by the  
29 department or the State Treasurer.

30

31 11. This act shall take effect on the first day of the next state fiscal  
32 year after its enactment.

33

34

35

#### STATEMENT

36

37 This act establishes the "Neighborhood Revitalization State Tax  
38 Credit Act," which provides an incentive to businesses to invest in  
39 neighborhood revitalization and preservation projects sponsored by  
40 nonprofit corporations through the granting of a tax credit. Under the  
41 bill, a business entity which contributes financial assistance to a  
42 nonprofit sponsor may be granted a certificate authorizing tax credits  
43 which may be utilized to offset taxes on certain business income. The  
44 credit may be applied by the business entity receiving the certificate as  
45 credit against tax imposed on business related income, other than tax  
46 imposed under the New Jersey Gross Income Tax, including, but not

1 limited to, business income subject to the provisions of the  
2 Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1  
3 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31  
4 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies  
5 pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally,  
6 pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and  
7 water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5  
8 (C.54:30A-54) and the petroleum products gross receipts tax imposed  
9 pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

10 The tax credits may be granted in an amount up to 50 percent of the  
11 approved assistance provided to a nonprofit organization to implement  
12 a qualified project that is part of an approved neighborhood  
13 preservation and revitalization plan. The credit allowed to a business  
14 entity under the bill may not exceed for any taxable year \$500,000 or  
15 the total amount of tax otherwise payable by the business entity for the  
16 taxable year, whichever is less. No more than \$10 million in tax  
17 credits may be authorized under the bill in any one year.

18 A neighborhood preservation and revitalization plan, in order to be  
19 approved under the bill, must seek to improve the housing and  
20 economic conditions of the neighborhood; and shall include, without  
21 limitation, measures to foster the rehabilitation and construction of  
22 housing affordable to low and moderate income households within the  
23 neighborhood, including planning, design, rehabilitation, construction,  
24 and management of low and moderate income housing, homebuyer  
25 counseling, and related activities needed to effectuate the rehabilitation  
26 and construction of housing affordable to low and moderate income  
27 households; measures to increase business activity within the  
28 neighborhood, including the rehabilitation and construction of  
29 commercial facilities and the provision of assistance to small business  
30 entities; and measures to increase the income and labor force  
31 participation of neighborhood residents, including provision of  
32 education, training, child care and transportation assistance to enable  
33 low income neighborhood residents to obtain or retain employment.

# ASSEMBLY, No. 2452

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED MAY 22, 2000

**Sponsored by:**

**Assemblywoman LORETTA WEINBERG**

**District 37 (Bergen)**

**Assemblywoman NIA H. GILL**

**District 27 (Essex)**

**Co-Sponsored by:**

**Assemblymen Zisa, Jones, Barnes, Caraballo, Charles, Conaway, Conners,  
Assemblywoman Cruz-Perez, Assemblymen Doria, Guear, Gusciora,  
Green, Payne, Assemblywomen Previte, Quigley, Assemblymen Roberts,  
Sires, Steele, Assemblywoman Watson Coleman, Assemblymen Zecker,  
Wisniewski and Felice**

**SYNOPSIS**

"Business Incentive for Neighborhood Revitalization State Tax Credit Act."

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/8/2000)**

1 AN ACT granting a tax credit to certain businesses that contribute to  
2 state-approved nonprofit organizations which engage in activities  
3 that foster the preservation and revitalization of low and moderate  
4 income neighborhoods and supplementing Title 52 of the Revised  
5 Statutes.

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:

9

10 1. This act shall be known and may be cited as the "Business  
11 Incentive for Neighborhood Revitalization State Tax Credit Act."

12

13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits" or  
21 "certificate" means the certificate in the form prescribed by the  
22 Treasurer and issued by the commissioner to a nonprofit organization  
23 that specifies the dollar amount of neighborhood preservation and  
24 revitalization State tax credits that each taxpayer may take as an  
25 annual credit against certain State taxes pursuant to  
26 P.L. , c. (C. )(now before the Legislature as this bill).

27 "Commissioner" means the Commissioner of the Department of  
28 Community Affairs.

29 "Department" means the Department of Community Affairs.

30 "Eligible neighborhood" means a contiguous area located in a  
31 municipality that, at the time of the application to the department for  
32 approval of a neighborhood preservation and revitalization plan, is  
33 either eligible to receive aid under the "Special Municipal Aid Act,"  
34 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
35 school district which qualified for designation as an "Abbott district"  
36 pursuant to the "Comprehensive Educational Improvement and  
37 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

38 "Housing and economic development activities" means those  
39 activities carried out in furtherance of a neighborhood revitalization  
40 plan in an eligible neighborhood approved pursuant to  
41 P.L. , c. (C. )(now before the Legislature as this bill), to  
42 improve the housing and economic conditions of the neighborhood;  
43 and shall include, without limitation, measures to foster the  
44 rehabilitation and construction of housing affordable to low and  
45 moderate income households within the neighborhood, including  
46 planning, design, rehabilitation, construction, and management of low

1 and moderate income housing, home buyer counseling, and related  
2 activities needed to effectuate the rehabilitation and construction of  
3 housing affordable to low and moderate income households; measures  
4 to increase business activity within the neighborhood, including the  
5 rehabilitation and construction of commercial facilities and the  
6 provision of assistance to small business entities; and measures to  
7 increase the income and labor force participation of neighborhood  
8 residents, including provision of education, training, child care and  
9 transportation assistance to enable low and moderate income  
10 neighborhood residents to obtain or retain employment.

11 "Low income household" means a household whose gross  
12 household income is less than 50 percent of the median gross  
13 household income for the region in which the neighborhood is located  
14 for households of similar size as determined by the Department of  
15 Community Affairs.

16 "Moderate income household" means a household whose gross  
17 household income is greater than or equal to 50 percent but less than  
18 80 percent of the median gross household income of the region in  
19 which the neighborhood is located for households of similar size as  
20 determined by the Department of Community Affairs.

21 "Neighborhood preservation and revitalization activities" means  
22 housing and economic development activities and other neighborhood  
23 preservation and revitalization activities.

24 "Neighborhood Revitalization Plan" means a plan for the  
25 preservation or revitalization of an eligible neighborhood.

26 "Nonprofit organization" means a private nonprofit corporation that  
27 has been determined by the Internal Revenue Service of the United  
28 States Department of the Treasury to be exempt from income taxation  
29 under 26 U.S.C. §501(c)(3).

30 "Other neighborhood revitalization activities" means those  
31 activities, other than housing and economic development activities,  
32 carried out in furtherance of a State-approved neighborhood  
33 preservation and revitalization plan in a qualified low and moderate  
34 income neighborhood, and may include, without limitation,  
35 improvements to infrastructure, street scape, public open space, and  
36 transportation systems; provision of social and community services,  
37 health care, crime prevention, recreation activities, community and  
38 environmental health services; and community outreach and organizing  
39 activities.

40 "Qualified nonprofit organization" means a nonprofit organization  
41 that has demonstrated a commitment to the neighborhood for which  
42 it is submitting a plan or project, as reflected in its past activities or  
43 proposed activities in a preservation and revitalization plan.

44 "Qualified project" means one or more housing and economic  
45 development activities to be carried out in accordance with a  
46 neighborhood revitalization plan with funds provided by a business

1 entity eligible to receive a certificate for neighborhood revitalization  
2 State tax credits.

3

4 3. For the purpose of providing an incentive to businesses located  
5 in New Jersey to invest in the revitalization of neighborhoods, a  
6 business entity shall be eligible for a certificate for neighborhood  
7 revitalization State tax credits if it has provided funding for a qualified  
8 project that has been approved in accordance with sections 4 and 5 of  
9 P.L. , c. (C. )(now before the Legislature as this bill).

10 a. Credits may be granted in an amount up to 50 percent of the  
11 approved assistance provided to a nonprofit organization to implement  
12 a qualified neighborhood preservation and revitalization project.

13 b. The credit may be applied by the business entity receiving the  
14 certificate as credit against tax imposed on business related income,  
15 other than tax imposed under the New Jersey Gross Income Tax,  
16 including, but not limited to, business income subject to the provisions  
17 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
18 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
19 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
20 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
21 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
22 the sewer and water utility excise tax imposed pursuant to section 6 of  
23 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
24 receipts tax imposed pursuant to section 3 of P.L.1990, c. 42  
25 (C.54:15B-3).

26 c. The credit allowed to a business entity under this section may  
27 not exceed for any taxable year \$500,000 or the total amount of tax  
28 otherwise payable by the business entity for the taxable year,  
29 whichever is less.

30 d. Any excess credit that would be allowed but for the limitations  
31 of subsection c. of this section may be carried over and applied as  
32 credit for succeeding taxable years until:

33 (1) the full amount of the excess is used, or

34 (2) the expiration of the fifth taxable year after the taxable year in  
35 which the contribution is made, whichever occurs earlier.

36 e. Carryover credits shall be applied against the tax before the  
37 application of the credits earned in the current year and on a first-  
38 earned first-used basis.

39 f. Credit shall not be allowed for activities for which the business  
40 entity is receiving credit under any other provision against any tax on  
41 business related income other than the New Jersey Gross Income Tax,  
42 including, but not limited to, the corporate business tax, corporate  
43 income tax, insurance premiums tax, petroleum products gross receipts  
44 tax, public utilities franchise tax, public utilities gross receipts tax,  
45 public utility excise tax, railroad franchise tax, and the saving  
46 institution tax.



1 g. The tax credit shall be awarded only for assistance provided  
2 within the same year in which the commissioner issued the certificate,  
3 or if the commissioner approved assistance for more than one year,  
4 within the year in which payment was scheduled and made. The  
5 provisions of this subsection may be waived for good cause shown.

6 h. The total tax credits certified for all qualified projects proposed  
7 in that tax year shall not exceed \$10,000,000.

8  
9 4. In order for an entity to be eligible to receive a tax credit  
10 pursuant to P.L. , c. (C. )(now before the Legislature as this  
11 bill), the nonprofit organization which is the recipient of funding  
12 provided by the entity shall submit a neighborhood preservation and  
13 revitalization plan to the department for approval, and shall submit a  
14 proposed project which defines the elements of the plan to be  
15 implemented with the funds provided. Two or more nonprofit  
16 organizations may submit a plan to the department jointly. Any such  
17 plans shall designate one nonprofit organization as the lead  
18 organization with responsibility for the plan.

19  
20 5. a. The department shall determine whether a neighborhood  
21 preservation and revitalization plan should be approved. The  
22 department shall approve a neighborhood preservation and  
23 revitalization plan if it satisfies the following standards:

24 (1) the plan designates an eligible neighborhood; and

25 (2) The plan was developed through a process that

26 (a) gave written notice to the municipality in which the  
27 neighborhood is located of its intention to develop a plan and utilized  
28 reasonable means to inform residents, property owners, and businesses  
29 in the neighborhood of its intention to develop a plan and provided  
30 opportunities for them to participate in the development of the plan;

31 (b) gave written notice to the municipality in which the  
32 neighborhood is located of the proposed plan and provided an  
33 opportunity for it to comment upon it orally and in writing, and  
34 utilized reasonable means to inform residents, property owners, and  
35 businesses in the neighborhood of the proposed plan and provided an  
36 opportunity for them to comment upon it orally and in writing; and

37 (c) involved consultation with nonprofit organizations located  
38 within the neighborhood or providing services to residents of the  
39 neighborhood; and

40 (3) The plan is not inconsistent with

41 (a) any redevelopment plan adopted pursuant to the "Local  
42 Redevelopment and Housing Law", P.L.1992, c.79, (C.40A:12A-1 et  
43 seq.) and currently being implemented; or

44 (b) any neighborhood empowerment plan approved by the state  
45 pursuant to section 49 of P.L.1996, c.62 (C.55:19-64); and

46 (4) The plan sets forth an overall concept of the future of the

1 neighborhood; one or more strategies to foster preservation and  
2 revitalization of the neighborhood in accordance with that concept;  
3 one or more activities, including housing and economic development  
4 activities and other preservation and revitalization activities proposed  
5 within the neighborhood to foster preservation and revitalization of the  
6 neighborhood in furtherance of those strategies, including a  
7 description of funding sources obtained or to be sought for the  
8 planned activities and a timetable for the conduct of those activities;  
9 and

10 (5) The plan covers a period of no less than two and no more than  
11 ten years.

12 b. A nonprofit organization may, in submitting a proposed plan  
13 pursuant to P.L. , c. (C. )(now before the Legislature as this  
14 bill), adopt a redevelopment plan adopted pursuant to the "Local  
15 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
16 seq.), and currently being implemented; or a state-approved  
17 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
18 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
19 plan or a neighborhood preservation and revitalization plan previously  
20 approved by the department. The department shall approve such a  
21 plan.

22 c. A nonprofit organization that has submitted a neighborhood  
23 preservation and revitalization plan to the department may seek to  
24 amend it a any time. The department shall approve amendments if  
25 they comply with the standards set forth in subsection b. of this  
26 section.

27

28 6. a. The department shall determine in accordance with law and  
29 regulation whether a project proposed by a nonprofit organization is  
30 qualified for assistance for which a tax credit certificate will be granted  
31 pursuant to P.L. , c. (C. )(now before the Legislature as this  
32 bill).

33 b. The department shall determine that a project proposed by a  
34 nonprofit organization or jointly by two or more nonprofit  
35 organizations is qualified for assistance if it meets all the following  
36 standards:

37 (1) The project consists of neighborhood preservation and  
38 revitalization activities within an eligible low and moderate income  
39 neighborhood. If two or more nonprofit organizations propose a  
40 project jointly, all the proposed activities shall be within the same  
41 eligible low and moderate income neighborhood. The department may  
42 establish standards for waiver of compliance with this paragraph for  
43 activities located outside an eligible neighborhood but which  
44 particularly benefit residents of that neighborhood or for activities that  
45 benefit more than one eligible neighborhood.

46 (2) The project is reasonably designed to accomplish its intended

1 purpose and it would further the standards of a neighborhood  
2 preservation and revitalization plan approved in accordance with  
3 section 5 of this act.

4 (3) The nonprofit organization demonstrates that it has the  
5 capacity to carry out the activities.

6 (4) The nonprofit organization provides adequate assurances that  
7 the assistance will be expended exclusively for the proposed activities.

8 (5) Housing and economic development activities make up at least  
9 60 percent of the total cost of the neighborhood preservation and  
10 revitalization activities in the proposed project. If two or more  
11 nonprofit organizations jointly propose a project, the total cost shall  
12 include the aggregate cost of all the activities included in the joint  
13 proposal.

14 c. The department shall establish by regulation the standards and  
15 procedures for determining which projects shall be determined to be  
16 qualified if the total tax credits certified under P.L. , c. (C. )(now  
17 before the Legislature as this bill) will exceed, or appear likely to  
18 exceed, \$10,000,000 for the year, so as to remain within that annual  
19 limit. Such standards shall establish criteria for rating projects which  
20 shall take into account, among other things, the following factors:

21 (1) The extent to which the project is addressing urban distress, as  
22 measured by existing levels of poverty and unemployment within the  
23 neighborhood;

24 (2) The extent to which the project is likely to attract private or  
25 public investment to the subject project or other projects in the  
26 neighborhood; and

27 (3) The extent to which the nonprofit organization has  
28 demonstrated the capacity to carry out the project.

29 Such standards shall focus exclusively on the relative merits of the  
30 project (including the capacity of the nonprofit organization to carry  
31 out the project) and shall not include any consideration of whether the  
32 project has, or does not yet have, a proposed source of assistance by  
33 a business entity.  
34

35 7. a. The department shall determine, in accordance with law and  
36 regulation, whether to issue a certificate based upon proposed  
37 assistance by a business entity to a nonprofit organization to  
38 implement a qualified project.

39 b. The department shall issue a certificate to the nonprofit  
40 organization if the proposed assistance satisfies the following  
41 standards:

42 (1) The assistance is for a qualified project;

43 (2) The assistance is not less than \$25,000 in each tax year for  
44 which credit is sought. Assistance may be approved for the current  
45 tax year and up to four additional years in the future. If assistance is  
46 approved for years other than the current tax year, the approval shall

1 include a schedule showing the amount of assistance to be provided in  
2 each year.

3 (3) Neither the business entity nor any wholly owned subsidiary has  
4 previously failed to provide assistance to a nonprofit organization for  
5 which approval was granted. This requirement may be waived by the  
6 department upon a showing of good cause.

7 (4) The total of all assistance approved on behalf of a nonprofit  
8 organization per project does not exceed \$500,000.

9

10 8. a. The commissioner shall monitor the carrying out by nonprofit  
11 organizations of projects for which assistance has been received and  
12 tax credits awarded pursuant to P.L. , c. (C. )(now before the  
13 Legislature as this bill) to ascertain whether the assistance is being  
14 used for the activities for which it was approved. The commissioner  
15 may require the submission of reports, audit financial records, the  
16 conduct of investigations, the posting of bonds or security and the  
17 inspection of activities whether carried out on the premises of the  
18 nonprofit organization or elsewhere. In furtherance of this function,  
19 the commissioner, or the commissioner's designee, may issue  
20 subpoenas, hold evidentiary hearings, and administer oaths.

21 b. If, after notice and hearing, the commissioner determines that  
22 assistance is not being used for the activities for which it was  
23 approved, the commissioner may impose sanctions, including but not  
24 limited to:

25 (1) Requiring corrective actions by the nonprofit organization;

26 (2) Requiring that assistance or its cash value be paid back to the  
27 department. The department shall account for such funds to the  
28 Treasurer and may expend them in any manner that lawfully furthers  
29 the purposes of this act;

30 (3) Revoking the department's determination that the project was  
31 qualified; or

32 (4) Barring the nonprofit for a period of time from approval of  
33 future projects.

34 c. No sanction imposed by the commissioner against the nonprofit  
35 organization shall affect the validity of the credits for assistance  
36 already contributed allowed to a business entity that was not on notice  
37 of the wrongful actions of the nonprofit at the time it made the  
38 contribution.

39 d. In the event a project proposed by a nonprofit cannot be  
40 completed, the department may take whatever action necessary to  
41 ensure that the funds earmarked for the failed project are reallocated  
42 to a project which is proceeding.

43

44 9. a. In order to administer the neighborhood preservation and  
45 revitalization tax credit program, the department shall establish the  
46 necessary forms, procedures and manuals to effectuate this act, in

1 accordance with the "Administrative Procedure Act," P.L.1968, c.410  
2 (C.52:14B-1 et seq.). The department shall seek to foster use of the  
3 tax credit and to make the tax credit simple to apply for and simple to  
4 use.

5 b. The department shall act a clearinghouse. It shall maintain lists  
6 of qualified projects and of business entities that have expressed a  
7 desire to provide assistance to qualified projects.

8 c. The department shall give priority in processing to applications  
9 that demonstrate a multi-year commitment by the business entity to  
10 implementation of the neighborhood preservation and revitalization  
11 plan.

12 d. The department shall submit to the Governor and Legislature an  
13 annual report which shall include at least:

14 (1) the purpose and effectiveness of the credit;

15 (2) the benefits of the credit to the state;

16 (3) any recommendations by the department as to changes in  
17 legislation needed to better carry out the purposes of P.L. , c. (C. )  
18 (now before the Legislature as this bill).

19 e. For each application by, or on behalf of, a business entity to  
20 approve assistance for a project, the department may charge a fee of  
21 up to 0.5 percent of the amount of assistance proposed, or approved,  
22 whichever is less, to pay for the administration of this program.

23

24 10. a. If a partnership, an S corporation, or a limited liability  
25 company qualifies for the credit, it shall provide a copy of the  
26 certificate to the taxpayers of the entity.

27 b. A taxpayer shall attach a copy of the certificate to any return  
28 upon which a credit is claimed under this section.

29 c. Any credit taken in this section may be subject to audit by the  
30 department or the State Treasurer.

31

32 11. This act shall take effect on the first day of the next State fiscal  
33 year after its enactment.

34

35

36

#### STATEMENT

37

38 This act establishes the "Business Incentive for Neighborhood  
39 Revitalization State Tax Credit Act," which provides an incentive to  
40 businesses to invest in neighborhood revitalization and preservation  
41 projects sponsored by nonprofit corporations through the granting of  
42 a tax credit. Under the bill, a business entity which contributes  
43 financial assistance to a nonprofit sponsor may be granted a certificate  
44 authorizing tax credits which may be utilized to offset taxes on certain  
45 business income. The credits could be used to offset tax imposed on  
46 business related income, other than tax imposed under the New Jersey

1 Gross Income Tax, including, but not limited to, business income  
2 subject to the provisions of the Corporation Business Tax Act (1945),  
3 P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax  
4 Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine  
5 insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed  
6 on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et  
7 seq.), the sewer and water utility excise tax imposed pursuant to  
8 Section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products  
9 gross receipts tax imposed pursuant to section 3 of P.L. 1990, c. 42  
10 (C.54:15B-3).

11 The tax credits may be granted in an amount up to 50 percent of the  
12 approved assistance provided to a nonprofit organization to implement  
13 a qualified project that is part of an approved neighborhood  
14 preservation and revitalization plan. The credit allowed to a business  
15 entity under the bill may not exceed for any taxable year \$500,000 or  
16 the total amount of tax otherwise payable by the business entity for the  
17 taxable year, whichever is less. No more than \$10 million in tax  
18 credits may be authorized under the bill in any one year.

19 A neighborhood preservation and revitalization plan, in order to be  
20 approved under the bill, must seek to improve the housing and  
21 economic conditions of the neighborhood. It shall include, without  
22 limitation, measures to foster the rehabilitation and construction of  
23 housing affordable to low and moderate income households within the  
24 neighborhood, including planning, design, rehabilitation, construction,  
25 and management of low and moderate income housing, homebuyer  
26 counseling, and related activities needed to effectuate the rehabilitation  
27 and construction of housing affordable to low and moderate income  
28 households; measures to increase business activity within the  
29 neighborhood, including the rehabilitation and construction of  
30 commercial facilities and the provision of assistance to small business  
31 entities; and measures to increase the income and labor force  
32 participation of neighborhood residents, including provision of  
33 education, training, child care and transportation assistance to enable  
34 low income neighborhood residents to obtain or retain employment.

**FISCAL NOTE**  
**ASSEMBLY, No. 2452**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JULY 26, 2000

**SUMMARY**

**Synopsis:** Business Incentive for Neighborhood Revitalization State Tax Credit Act.

**Type of Impact:** State General Fund revenue loss.

**Agencies Affected:** Department of Treasury, Division Of Taxation; Department of Community Affairs.

**Executive Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Revenue</b>	(\$10.0 million)	(\$10.0 million)	(\$10.0 million)

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! Bill provides that the total credits certified for all qualified projects proposed in a tax year shall not exceed \$10 million.
- ! Any additional administrative costs will be absorbed into the current State operating budget.

**BILL DESCRIPTION**

Assembly Bill No. 2452 of 2000 grants a tax credit to certain businesses that contribute to State approved nonprofit organizations which engage in activities that foster the preservation and revitalization of low and moderate income neighborhoods. "Nonprofit organization" is defined in the bill to mean a 501 (c) (3) private nonprofit corporation that has been determined by the Internal Revenue Service of the United States Department of the Treasury to be exempt from income taxation.

Under the bill, a business entity which contributes financial assistance to a nonprofit sponsor may be granted a certificate authorizing tax credits which may be utilized to offset taxes on certain business income. The credits could be used to offset tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945); The Savings Institution Tax Act; the tax imposed on marine insurance companies; the

tax imposed on insurers generally; the sewer and water utility excise tax; and the petroleum products gross receipts tax.

The tax credits may be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. The credit allowed to a business entity under the bill may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less. No more than \$10 million in tax credits may be authorized under the bill in any one year.

A neighborhood preservation and revitalization plan, in order to be approved under the bill, must seek to: improve the housing and economic conditions of the neighborhood; increase business activity within the neighborhood; increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low income neighborhood residents to obtain or retain employment.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Office of Management and Budget (OMB) states that data is not available with which to estimate the loss of revenue to the State; however, the bill provides that the total credits certified for all qualified projects proposed in a tax year shall not exceed \$10 million. The loss of State revenue to the General Fund will be a continuing one. Any additional administrative costs will be absorbed into the current State operating budget.

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

The Office of Legislative Services (OLS) concurs with the Office of Management and Budget (OMB).

Section: *Local Government*

Analyst: *Gerald M. Dowgin*  
*Lead Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.



ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, Nos. 2592 and 2452**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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ADOPTED FEBRUARY 15, 2001

**Sponsored by:**

**Assemblyman JACK COLLINS**

**District 3 (Salem, Cumberland and Gloucester)**

**Assemblyman TOM SMITH**

**District 11 (Monmouth)**

**Assemblywoman LORETTA WEINBERG**

**District 37 (Bergen)**

**Assemblywoman NIA H. GILL**

**District 27 (Essex)**

**Co-Sponsored by:**

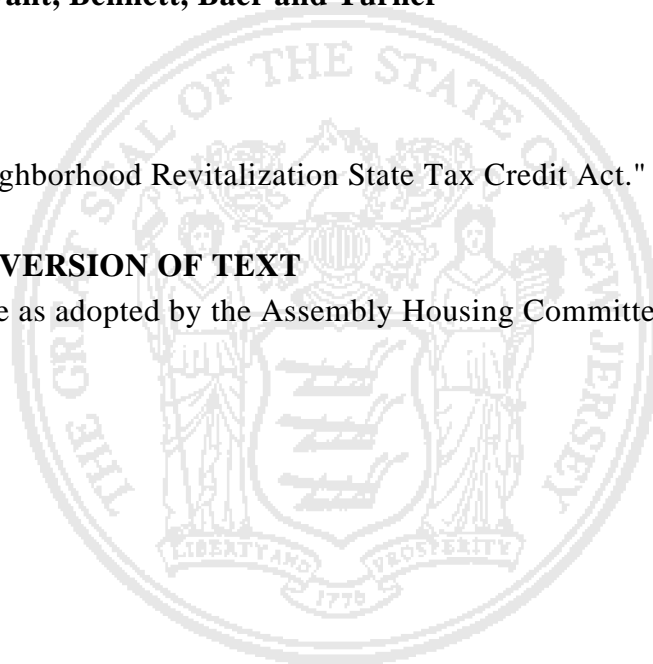
**Assemblywoman Pou, Assemblymen Zisa, Jones, Barnes, Caraballo, Charles, Conaway, Connors, Assemblywoman Cruz-Perez, Assemblymen Doria, Guear, Gusciora, Green, Payne, Assemblywomen Previte, Quigley, Assemblymen Roberts, Sires, Steele, Assemblywoman Watson Coleman, Assemblymen Zecker, Wisniewski, Felice, Bateman, Assemblywoman Buono, Assemblyman Gibson, Assemblywoman Greenstein, Senators Kyrillos, Kenny, Palaia, Singer, Allen, James, Lesniak, Rice, Schluter, Inverso, Bryant, Bennett, Baer and Turner**

**SYNOPSIS**

The "Neighborhood Revitalization State Tax Credit Act."

**CURRENT VERSION OF TEXT**

Substitute as adopted by the Assembly Housing Committee.



**(Sponsorship Updated As Of: 1/8/2002)**

1 AN ACT granting a tax credit to certain businesses that contribute to  
2 State-approved nonprofit organizations which engage in activities  
3 that foster the preservation and revitalization of low and moderate  
4 income neighborhoods and supplementing Title 52 of the Revised  
5 Statutes.

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:

9

10 1. This act shall be known and may be cited as the "Neighborhood  
11 Revitalization State Tax Credit Act."

12

13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits"  
21 means the certificate in the form prescribed by the Treasurer and  
22 issued by the commissioner to a business entity that specifies the dollar  
23 amount of neighborhood preservation and revitalization State tax  
24 credits that that business entity may take as an annual credit against  
25 certain state taxes pursuant to P.L. , c. (C. )(now before the  
26 Legislature as this bill).

27 "Commissioner" means the Commissioner of Community Affairs.

28 "Department" means the Department of Community Affairs.

29 "Eligible neighborhood" means a contiguous area located in a  
30 municipality that, at the time of the application to the department for  
31 approval of a neighborhood preservation and revitalization plan, is  
32 either eligible to receive aid under the "Special Municipal Aid Act,"  
33 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
34 school district which qualified for designation as an "Abbott district"  
35 pursuant to the "Comprehensive Educational Improvement and  
36 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

37 "Housing and economic development activities" means those  
38 activities carried out in furtherance of a neighborhood preservation  
39 and revitalization plan in an eligible neighborhood approved pursuant  
40 to P.L. , c. (C. )(now before the Legislature as this bill), to  
41 improve the housing and economic conditions of the neighborhood;  
42 and shall include, without limitation, measures to foster the  
43 rehabilitation and construction of housing affordable to low and  
44 moderate income households within the neighborhood, including  
45 planning, design, rehabilitation, construction, and management of low  
46 and moderate income housing, home buyer counseling, and related

1 activities needed to effectuate the rehabilitation and construction of  
2 housing affordable to low and moderate income households; measures  
3 to increase business activity within the neighborhood, including the  
4 rehabilitation and construction of commercial facilities and the  
5 provision of assistance to small business entities; and measures to  
6 increase the income and labor force participation of neighborhood  
7 residents, including provision of education, training, child care and  
8 transportation assistance to enable low income neighborhood residents  
9 to obtain or retain employment.

10 "Low income household" means a household whose gross  
11 household income is less than 50 percent of the median gross  
12 household income for the region in which the neighborhood is located  
13 for households of similar size as determined by the department.

14 "Moderate income household means a household whose gross  
15 household income is greater than or equal to 50 percent but less than  
16 80 percent of the median gross household income of the region in  
17 which the neighborhood is located for households of similar size as  
18 determined by the department.

19 "Neighborhood preservation and revitalization activities" means  
20 housing and economic development activities and other neighborhood  
21 preservation and revitalization activities.

22 "Neighborhood Revitalization Plan" means a plan for the  
23 preservation or revitalization of an eligible neighborhood.

24 "Nonprofit organization" means a private nonprofit corporation  
25 that has been determined by the Internal Revenue Service of the  
26 United States Department of the Treasury to be exempt from income  
27 taxation under 26 U.S.C. §501(c)(3).

28 "Other Neighborhood Revitalization Activities" means those  
29 activities, other than housing and economic development activities,  
30 carried out in furtherance of a State-approved neighborhood  
31 preservation and revitalization plan in a qualified low and moderate  
32 income neighborhood, and may include, without limitation,  
33 improvements to infrastructure, street scape, public open space, and  
34 transportation systems; provision of social and community services,  
35 health care, crime prevention, recreation activities, community and  
36 environmental health services; and community outreach and organizing  
37 activities.

38 "Qualified nonprofit organization" means a nonprofit organization  
39 that has demonstrated a commitment to the neighborhood for which  
40 it is submitting a plan or project, as reflected in its past activities or  
41 proposed activities in a preservation and revitalization plan.

42 "Qualified project" means one or more housing and economic  
43 development activities to be carried out in accordance with a  
44 neighborhood revitalization plan as approved by the commissioner  
45 with funds provided by a business entity eligible to receive a certificate  
46 for neighborhood revitalization State tax credits.

1       3. A business entity shall be eligible for a certificate for  
2 neighborhood revitalization State tax credits if it has provided funding  
3 for a qualified project that has been approved in accordance with  
4 sections 4 and 5 of P.L.     , c.     (C.     )(now before the Legislature  
5 as this committee substitute).

6       a. Credits may be granted in an amount up to 50 percent of the  
7 approved assistance provided to a nonprofit organization to implement  
8 a qualified neighborhood preservation and revitalization project.

9       b. The credit may be applied by the business entity receiving the  
10 certificate as credit against tax imposed on business related income,  
11 other than tax imposed under the New Jersey Gross Income Tax,  
12 including, but not limited to, business income subject to the provisions  
13 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
14 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
15 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
16 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
17 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
18 the sewer and water utility excise tax imposed pursuant to section 6 of  
19 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
20 receipts tax imposed pursuant to section 3 of P.L.1990, c.42  
21 (C.54:15B-3).

22       c. The credit allowed to a business entity under this section may  
23 not exceed for any taxable year \$500,000 or the total amount of tax  
24 otherwise payable by the business entity for the taxable year,  
25 whichever is less, and, in addition, shall not exceed limitations placed  
26 on the amounts of credits or carryforward credits allowed, if any,  
27 under the relevant statute as enumerated in subsection b. of this  
28 section concerning the tax for which a credit is being claimed.

29       d. Credit shall not be allowed for activities for which the business  
30 entity is receiving credit under any other provision against any tax on  
31 business related income other than the New Jersey Gross Income Tax,  
32 including, but not limited to, the corporate business tax, corporate  
33 income tax, insurance premiums tax, petroleum products gross receipts  
34 tax, public utilities franchise tax, public utilities gross receipts tax,  
35 public utility excise tax, railroad franchise tax, and the saving  
36 institution tax.

37       e. The tax credit shall be awarded only for assistance provided  
38 within the same year in which the commissioner issued the certificate,  
39 or if the commissioner approved assistance for more than one year,  
40 within the year in which payment was scheduled and made. The  
41 provisions of this subsection may be waived for good cause shown.

42       f. The total tax credits certified for all qualified projects proposed  
43 in a fiscal year shall not exceed \$10,000,000.

44  
45       4. In order for an entity to be eligible to receive a tax credit  
46 pursuant to P.L.     , c.     (C.     )(now before the Legislature as this

1 bill), the nonprofit organization which is the recipient of funding  
2 provided by the entity shall submit a neighborhood preservation and  
3 revitalization plan to the department for approval, and shall submit a  
4 proposed project which defines the elements of the plan to be  
5 implemented with the funds provided. Two or more nonprofit  
6 organizations may submit a plan to the department jointly. Any such  
7 plans shall designate one nonprofit organization as the lead  
8 organization with responsibility for the plan.

9  
10 5. a. The department shall determine whether a neighborhood  
11 preservation and revitalization plan should be approved. The  
12 department shall approve a neighborhood preservation and  
13 revitalization plan if it satisfies the following standards:

14 (1) the plan designates an eligible neighborhood; and

15 (2) The plan was developed through a process that

16 (a) gave written notice to the municipality in which the  
17 neighborhood is located of its intention to develop a plan and utilized  
18 reasonable means to inform residents, property owners, and businesses  
19 in the neighborhood of its intention to develop a plan and provided  
20 opportunities for them to participate in the development of the plan;

21 (b) gave written notice to the municipality in which the  
22 neighborhood is located of the proposed plan and provided an  
23 opportunity for it to comment upon it orally and in writing, complied  
24 with all of the requirements of the "Municipal Land Use Law,"  
25 P.L.1975, c. 291 (C. 40:55D-1 et seq.) concerning the plan, utilized  
26 reasonable means to inform residents, property owners, and businesses  
27 in the neighborhood of the proposed plan and provided an opportunity  
28 for them to comment upon it orally and in writing; and

29 (c) involved consultation with nonprofit organizations located  
30 within the neighborhood or providing services to residents of the  
31 neighborhood;

32 (3) The plan is not inconsistent with

33 (a) any redevelopment plan adopted pursuant to the "Local  
34 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
35 seq.),and currently being implemented; or

36 (b) any neighborhood empowerment plan approved by the State  
37 pursuant to section 49 of P.L.1996, c.62 (C.55:19-64);

38 (4) The plan sets forth an overall concept of the future of the  
39 neighborhood; one or more strategies to foster preservation and  
40 revitalization of the neighborhood in accordance with that concept;  
41 one or more activities, including housing and economic development  
42 activities and other preservation and revitalization activities proposed  
43 within the neighborhood to foster preservation and revitalization of the  
44 neighborhood in furtherance of those strategies, including a  
45 description of funding sources obtained or to be sought for the  
46 planned activities and a timetable for the conduct of those activities;

1 and

2 (5) The plan covers a period of no less than two and no more than  
3 ten years.

4 b. A nonprofit organization may, in submitting a proposed plan  
5 pursuant to P.L. , c. (C. )(now before the Legislature as this  
6 bill), adopt a redevelopment plan adopted pursuant to the "Local  
7 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
8 seq.), and currently being implemented; or a state-approved  
9 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
10 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
11 plan or a neighborhood preservation and revitalization plan previously  
12 approved by the department. The department shall approve such a  
13 plan.

14 c. A nonprofit organization that has submitted a neighborhood  
15 preservation and revitalization plan to the department may seek to  
16 amend it a any time. The department shall approve amendments if  
17 they comply with the standards set forth in subsection b of this section.

18

19 6. a. The department shall determine in accordance with law and  
20 regulation whether a project proposed by a nonprofit organization is  
21 qualified for assistance for which a tax credit certificate will be granted  
22 pursuant to P.L. , c. (C. )(now before the Legislature as this  
23 bill).

24 b. The department shall determine that a project proposed by a  
25 nonprofit organization or jointly by two or more nonprofit  
26 organizations is qualified for assistance if it meets all the following  
27 standards:

28 (1) The project consists of neighborhood preservation and  
29 revitalization activities within an eligible low and moderate income  
30 neighborhood. If two or more nonprofits propose a project jointly, all  
31 the proposed activities are within the same eligible low and moderate  
32 income neighborhood. The department may establish standards for  
33 waiver of compliance with this paragraph for activities located outside  
34 an eligible neighborhood but which particularly benefit residents of  
35 that neighborhood or for activities that benefit more than one eligible  
36 neighborhood.

37 (2) The project is reasonably designed to accomplish its intended  
38 purpose and it would further the purposes of a neighborhood  
39 preservation and revitalization plan approved in accordance with  
40 section 5 of this act.

41 (3) The nonprofit organization demonstrates that it has the  
42 capacity to carry out the activities.

43 (4) The nonprofit organization provides adequate assurances that  
44 the assistance will be expended exclusively for the proposed activities.

45 (5) "Housing and economic development activities" make up at  
46 least 60 percent of the total cost of the neighborhood preservation and

1 revitalization activities in the proposed project. If two or more  
2 nonprofit organizations jointly propose a project, the total cost shall  
3 include the aggregate cost of all the activities included in the joint  
4 proposal.

5 c. The department shall establish by regulation the standards and  
6 procedures for determining which projects shall be determined to be  
7 qualified if the total tax credits certified under P.L. , c. (C. )(now  
8 before the Legislature as this bill) will exceed, or appears likely to  
9 exceed, \$10,000,000 for the year, so as to remain within that annual  
10 limit. Such standards shall establish criteria for rating projects which  
11 shall take into account, among other things, the following factors:

12 (1) The extent to which the project is addressing urban distress,  
13 as measured by existing levels of poverty and unemployment within the  
14 neighborhood;

15 (2) The extent to which the project is likely to attract private or  
16 public investment to the subject project or other projects in the  
17 neighborhood; and

18 (3) The extent to which the nonprofit organization has  
19 demonstrated the capacity to carry out the project.

20 Such standards shall focus exclusively on the relative merits of the  
21 project (including the capacity of the nonprofit to carry out the  
22 project) and shall not include any consideration of whether the project  
23 has, or does not yet have, a proposed source of assistance by a  
24 business entity.

25

26 7. a. The commissioner shall determine, in accordance with law  
27 and regulation, whether to issue a certificate based upon proposed  
28 assistance by a business entity to a nonprofit organization to  
29 implement a qualified project.

30 b. The commissioner shall issue a certificate if the proposed  
31 assistance satisfies the following standards:

32 (1) The assistance is for a qualified neighborhood preservation and  
33 revitalization project;

34 (2) The assistance is not less than \$25,000 in each tax year for  
35 which credit is sought. Assistance may be approved for the current  
36 tax year and up to four additional years in the future. If assistance is  
37 approved for years other than the current tax year, the approval shall  
38 include a schedule showing the amount of assistance to be provided in  
39 each year;

40 (3) Neither the business entity nor any wholly owned subsidiary  
41 has previously failed to provide assistance to a nonprofit organization  
42 for which approval was granted. This requirement may be waived by  
43 the department upon a showing of good cause;

44 (4) The total of all assistance approved on behalf of a nonprofit  
45 organization per project does not exceed \$500,000; and

46 (5) The amount of assistance as proposed in a letter of intent from

1 the business entity has been paid to the State Treasurer and deposited  
2 in a special trust account for the use of a qualified nonprofit  
3 organization in carrying out a qualified project, and the State  
4 Treasurer has sent authorization for issuance of a certificate to the  
5 commissioner. The qualified nonprofit shall have full access to the  
6 funds in the special trust account, subject to the provisions of section  
7 8 of P.L. , c. (C. )(now before the Legislature as this bill).

8  
9 8. a. The commissioner shall monitor the carrying out by  
10 nonprofit organizations of projects for which assistance has been  
11 received and tax credits awarded pursuant to P.L. , c.  
12 (C. )(now before the Legislature as this bill) to ascertain whether  
13 the assistance is being used for the activities for which it was  
14 approved. The commissioner may require the submission of reports,  
15 the audit of financial records, the conduct of investigations, the  
16 posting of bonds or security and the inspection of activities whether  
17 carried out on the premises of the nonprofit organization or elsewhere.  
18 In furtherance of this function, the commissioner, or his or her  
19 designee, may issue subpoenas, hold evidentiary hearings, and  
20 administer oaths.

21 b. If, after notice and hearing, the commissioner determines that  
22 assistance is not being used for the activities for which it was  
23 approved, the commissioner may impose sanctions, including but not  
24 limited to:

25 (1) Requiring corrective actions by the nonprofit organization;  
26 (2) Requiring that assistance or its cash value be paid back to the  
27 department. The department shall account for such funds to the  
28 Treasurer and may expend them in any manner that lawfully furthers  
29 the purposes of P.L. , c. (C. ) (now before the Legislature as this  
30 bill).

31 (3) Revoking the department's determination that the project was  
32 qualified; or

33 (4) Barring the nonprofit for a period of time from approval of  
34 future projects.

35 c. No sanction imposed by the commissioner against the nonprofit  
36 organization shall affect the validity of the credits for assistance  
37 already contributed allowed to a business entity that was not on notice  
38 of the wrongful actions of the nonprofit at the time it made the  
39 contribution.

40 d. In the event a project proposed by a nonprofit cannot be  
41 completed, the department may take whatever action necessary to  
42 ensure that the funds earmarked for the failed project are reallocated  
43 to a project which is proceeding.

44  
45 9. a. In order to administer the neighborhood preservation and  
46 revitalization tax credit program, the department shall establish any



1 necessary forms, procedures or rules to effectuate this act, in  
2 accordance with the "Administrative Procedure Act," P.L.1968, c.410  
3 (C.52:14B-1 et seq.). The department shall seek to foster use of the  
4 tax credit and to make the tax credit simple to apply for and simple to  
5 use.

6 b. The department shall act a clearinghouse. It shall maintain lists  
7 of qualified projects and of business entities that have expressed a  
8 desire to provide assistance to qualified projects.

9 c. The department shall give priority in processing to applications  
10 that demonstrate a multi-year commitment by the business entity to  
11 implementation of the neighborhood preservation and revitalization  
12 plan.

13 d. The department shall submit to the Governor and Legislature  
14 an annual report which shall include at least:

15 (1) the purpose and effectiveness of the credit;

16 (2) the benefits of the credit to the state;

17 (3) any recommendations by the department as to changes in  
18 legislation needed to better carry out the purposes of P.L. , c.  
19 (C. ) (now before the Legislature as this bill).

20 e. For each application by, or behalf of, a business entity to  
21 approve assistance for a project, the department may charge a fee of  
22 up to 0.5 percent of the amount of assistance proposed, or approved,  
23 whichever is less, to pay for the administration of this program.

24

25 10. a. If a partnership, an S corporation, or a limited liability  
26 company qualifies for the credit, it shall provide a copy of the  
27 certificate to the taxpayers of the entity.

28 b. A taxpayer shall attach a copy of the certificate to any return  
29 upon which a credit is claimed under this section.

30 c. Any credit taken in this section may be subject to audit by the  
31 department or the State Treasurer.

32

33 11. This act shall take effect on the first day of the next State  
34 fiscal year after its enactment.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 2592 and 2452**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 13, 2001

The Assembly Appropriations Committee reports favorably Assembly Bill Nos. 2592 and 2452(ACS).

Assembly Bill Nos. 2592 and 2452(ACS) establishes the "Neighborhood Revitalization State Tax Credit Act," which provides an incentive to businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit.

Under the bill, a business entity that contributes financial assistance to a nonprofit sponsor may be granted a certificate authorizing tax credits which may be used to offset taxes on certain business income. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

The tax credits may be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. The credit allowed to a business entity under the bill may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less, and in addition, may not exceed statutory limits on the particular tax for which a credit or carry forward credit is being claimed. No more than \$10 million in tax credits may be authorized under the bill in any one year.

A neighborhood preservation and revitalization plan, in order to be approved under the bill, must seek to improve the housing and economic conditions of the neighborhood; and shall include, without limitation, measures to foster the rehabilitation and construction of

housing affordable to low and moderate income households within the neighborhood, including planning, design, rehabilitation, construction, and management of low and moderate income housing, homebuyer counseling, and related activities needed to effectuate the rehabilitation and construction of housing affordable to low and moderate income households; measures to increase business activity within the neighborhood, including the rehabilitation and construction of commercial facilities and the provision of assistance to small business entities; and measures to increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low income neighborhood residents to obtain or retain employment.

Under the bill, the Commissioner of Community Affairs shall grant a certificate of tax credit if:

(1) The assistance is for a qualified neighborhood preservation and revitalization project;

(2) The assistance is not less than \$25,000 in each tax year for which credit is sought. Assistance may be approved for the current tax year and up to four additional years in the future. If assistance is approved for years other than the current tax year, the approval shall include a schedule showing the amount of assistance to be provided in each year;

(3) Neither the business entity nor any wholly owned subsidiary has previously failed to provide assistance to a nonprofit organization for which approval was granted. This requirement may be waived by the Department upon a showing of good cause;

(4) The total of all assistance approved on behalf of a nonprofit organization per project does not exceed \$500,000; and

(5) The amount of assistance as proposed in a letter of intent from the business entity has been paid to the State Treasurer and deposited in a special trust account for the use of a qualified nonprofit organization in carrying out a qualified project, and the State Treasurer has sent authorization for issuance of a certificate to the commissioner. The qualified nonprofit shall have full access to the funds in the special trust account to carry out the approved project.

**FISCAL IMPACT:**

The Office of Management and Budget has noted that data is not available with which to estimate the loss of revenue to the State; however, the bill provides that the total credits certified for all qualified projects proposed in a tax year shall not exceed \$10 million. The loss of State revenue to the General Fund will be a continuing one.

For each application by, or behalf of, a business entity to approve assistance for a project, the Department of Community Affairs may charge a fee of up to 0.5 percent of the amount of assistance proposed, or approved, whichever is less, to pay for the administration of the program.

# ASSEMBLY HOUSING COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 2592 and 2452**

# **STATE OF NEW JERSEY**

DATED: FEBRUARY 15, 2001

The Assembly Housing Committee reports favorably an Assembly Committee Substitute for Assembly Bill Nos. 2592 and 2452.

This substitute establishes the "Neighborhood Revitalization State Tax Credit Act," which provides an incentive to businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit. Under the bill, a business entity which contributes financial assistance to a nonprofit sponsor may be granted a certificate authorizing tax credits which may be utilized to offset taxes on certain business income. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

The tax credits may be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. The credit allowed to a business entity under the bill may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less, and in addition, may not exceed statutory limits on the particular tax for which a credit or carry forward credit is being claimed. No more than \$10 million in tax credits may be authorized under the bill in any one year.

A neighborhood preservation and revitalization plan, in order to be approved under the bill, must seek to improve the housing and economic conditions of the neighborhood; and shall include, without limitation, measures to foster the rehabilitation and construction of

housing affordable to low and moderate income households within the neighborhood, including planning, design, rehabilitation, construction, and management of low and moderate income housing, homebuyer counseling, and related activities needed to effectuate the rehabilitation and construction of housing affordable to low and moderate income households; measures to increase business activity within the neighborhood, including the rehabilitation and construction of commercial facilities and the provision of assistance to small business entities; and measures to increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low income neighborhood residents to obtain or retain employment.

Under the substitute, the Commissioner of Community Affairs shall grant a certificate of tax credit if:

(1) The assistance is for a qualified neighborhood preservation and revitalization project;

(2) The assistance is not less than \$25,000 in each tax year for which credit is sought. Assistance may be approved for the current tax year and up to four additional years in the future. If assistance is approved for years other than the current tax year, the approval shall include a schedule showing the amount of assistance to be provided in each year;

(3) Neither the business entity nor any wholly owned subsidiary has previously failed to provide assistance to a nonprofit organization for which approval was granted. This requirement may be waived by the Department upon a showing of good cause;

(4) The total of all assistance approved on behalf of a nonprofit organization per project does not exceed \$500,000; and

(5) The amount of assistance as proposed in a letter of intent from the business entity has been paid to the State Treasurer and deposited in a special trust account for the use of a qualified nonprofit organization in carrying out a qualified project, and the State Treasurer has sent authorization for issuance of a certificate to the commissioner. The qualified nonprofit shall have full access to the funds in the special trust account to carry out the approved project.

**FISCAL NOTE**  
**ASSEMBLY COMMITTEE SUBSTITUTE FOR**  
**ASSEMBLY, Nos. 2592 and 2452**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JANUARY 22, 2002

**SUMMARY**

**Synopsis:** The "Neighborhood Revitalization State Tax Credit Act."  
**Type of Impact:** Continuing revenue loss from General Fund.  
**Agencies Affected:** Department of the Treasury

**Executive Estimate**

<b>Fiscal Impact</b>	<u><b>Year 1</b></u>	<u><b>Year 2</b></u>	<u><b>Year 3</b></u>
<b>State Cost</b>	Indeterminate Amount Not To Exceed \$10 Million		

- ! The Office of Legislative Services (OLS) **concurs** with the Executive estimate.
- ! The bill limits the **total amount** of tax credits that can be **authorized in each year to \$10 million**, and the **total amount** of credit that can be **allowed to each business entity** in any tax year to **\$500,000**.

**BILL DESCRIPTION**

Assembly Committee Substitute for Assembly Bill Nos. 2592 and 2452 of 2001 establishes the "Neighborhood Revitalization State Tax Credit Act," which provides an incentive to businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit. Under the bill, a business entity which contributes financial assistance to a nonprofit sponsor may be granted a certificate authorizing tax credits that may be utilized to offset taxes on certain business income. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

The tax credits may be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. The credit allowed to a business entity under the bill may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less, and in addition, may not exceed statutory limits on the particular tax for which a credit or carry forward credit is being claimed. No more than \$10 million in tax credits may be authorized under the bill in any one year.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Division of Taxation in the Department of the Treasury has advised the Office of Legislative Services (OLS) that the loss of State revenue to the General Fund resulting from the enactment of this bill will be a continuing one. The division notes that data is not available to estimate the loss of revenue to the State, but the bill provides that the total credits certified for all qualified projects proposed in any year cannot exceed \$10 million.

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

The Office of Legislative Services (OLS) concurs with the Executive estimate. The OLS notes that the bill provides an incentive, in the form of State tax credits, to attract business investment in neighborhood revitalization and preservation projects sponsored by nonprofit organizations. The OLS also notes that the credit allowed to a business entity under the bill may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less, and in addition, may not exceed statutory limits on the particular tax for which a credit or carry forward credit is being claimed.

Section: *Local Government*

Analyst: *Cindy Lombardi Hesper*  
*Senior research Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.

# SENATE, No. 1138

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED MARCH 20, 2000

**Sponsored by:**

**Senator JOSEPH M. KYRILLOS, JR.**  
**District 13 (Middlesex and Monmouth)**  
**Senator BERNARD F. KENNY, JR.**  
**District 33 (Hudson)**

**Co-Sponsored by:**

**Senators Palaia and Baer**

**SYNOPSIS**

"Business Incentive for Neighborhood Revitalization State Tax Credit Act."

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 10/24/2000)



1 AN ACT granting a tax credit to certain businesses that contribute to  
2 state-approved nonprofit organizations which engage in activities  
3 that foster the preservation and revitalization of low and moderate  
4 income neighborhoods and supplementing Title 52 of the Revised  
5 Statutes.

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:

9

10 1. This act shall be known and may be cited as the "Business  
11 Incentive for Neighborhood Revitalization State Tax Credit Act."

12

13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits" or  
21 "certificate" means the certificate in the form prescribed by the  
22 Treasurer and issued by the commissioner to a nonprofit organization  
23 that specifies the dollar amount of neighborhood preservation and  
24 revitalization State tax credits that each taxpayer may take as an  
25 annual credit against certain State taxes pursuant to P.L. , c.  
26 (C. )(now before the Legislature as this bill).

27 "Commissioner" means the Commissioner of the Department of  
28 Community Affairs.

29 "Department" means the Department of Community Affairs.

30 "Eligible neighborhood" means a contiguous area located in a  
31 municipality that, at the time of the application to the department for  
32 approval of a neighborhood preservation and revitalization plan, is  
33 either eligible to receive aid under the "Special Municipal Aid Act,"  
34 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
35 school district which qualified for designation as an "Abbott district"  
36 pursuant to the "Comprehensive Educational Improvement and  
37 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

38 "Housing and economic development activities" means those  
39 activities carried out in furtherance of a neighborhood revitalization  
40 plan in an eligible neighborhood approved pursuant to P.L. , c.  
41 (C. )(now before the Legislature as this bill), to improve the  
42 housing and economic conditions of the neighborhood; and shall  
43 include, without limitation, measures to foster the rehabilitation and  
44 construction of housing affordable to low and moderate income  
45 households within the neighborhood, including planning, design,  
46 rehabilitation, construction, and management of low and moderate

1 income housing, home buyer counseling, and related activities needed  
2 to effectuate the rehabilitation and construction of housing affordable  
3 to low and moderate income households; measures to increase  
4 business activity within the neighborhood, including the rehabilitation  
5 and construction of commercial facilities and the provision of  
6 assistance to small business entities; and measures to increase the  
7 income and labor force participation of neighborhood residents,  
8 including provision of education, training, child care and  
9 transportation assistance to enable low and moderate income  
10 neighborhood residents to obtain or retain employment.

11 "Low income household" means a household whose gross  
12 household income is less than 50 percent of the median gross  
13 household income for the region in which the neighborhood is located  
14 for households of similar size as determined by the Department of  
15 Community Affairs.

16 "Moderate income household" means a household whose gross  
17 household income is greater than or equal to 50 percent but less than  
18 80 percent of the median gross household income of the region in  
19 which the neighborhood is located for households of similar size as  
20 determined by the Department of Community Affairs.

21 "Neighborhood preservation and revitalization activities" means  
22 housing and economic development activities and other neighborhood  
23 preservation and revitalization activities.

24 "Neighborhood Revitalization Plan" means a plan for the  
25 preservation or revitalization of an eligible neighborhood.

26 "Nonprofit organization" means a private nonprofit corporation that  
27 has been determined by the Internal Revenue Service of the United  
28 States Department of the Treasury to be exempt from income taxation  
29 under 26 U.S.C.§501(c)(3).

30 "Other neighborhood revitalization activities" means those  
31 activities, other than housing and economic development activities,  
32 carried out in furtherance of a State-approved neighborhood  
33 preservation and revitalization plan in a qualified low and moderate  
34 income neighborhood, and may include, without limitation,  
35 improvements to infrastructure, street scape, public open space, and  
36 transportation systems; provision of social and community services,  
37 health care, crime prevention, recreation activities, community and  
38 environmental health services; and community outreach and organizing  
39 activities.

40 "Qualified nonprofit organization" means a nonprofit organization  
41 that has demonstrated a commitment to the neighborhood for which  
42 it is submitting a plan or project, as reflected in its past activities or  
43 proposed activities in a preservation and revitalization plan.

44 "Qualified project" means one or more housing and economic  
45 development activities to be carried out in accordance with a  
46 neighborhood revitalization plan with funds provided by a business

1 entity eligible to receive a certificate for neighborhood revitalization  
2 State tax credits.

3

4 3. For the purpose of providing an incentive to businesses located  
5 in New Jersey to invest in the revitalization of neighborhoods, a  
6 business entity shall be eligible for a certificate for neighborhood  
7 revitalization State tax credits if it has provided funding for a qualified  
8 project that has been approved in accordance with sections 4 and 5 of  
9 P.L. , c. (C. )(now before the Legislature as this bill).

10 a. Credits may be granted in an amount up to 50 percent of the  
11 approved assistance provided to a nonprofit organization to implement  
12 a qualified neighborhood preservation and revitalization project.

13 b. The credit may be applied by the business entity receiving the  
14 certificate as credit against tax imposed on business related income,  
15 other than tax imposed under the New Jersey Gross Income Tax,  
16 including, but not limited to, business income subject to the provisions  
17 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
18 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
19 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
20 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
21 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
22 the sewer and water utility excise tax imposed pursuant to section 6 of  
23 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
24 receipts tax imposed pursuant to section 3 of P.L. 1990, c. 42 (C.  
25 54:15B-3).

26 c. The credit allowed to a business entity under this section may  
27 not exceed for any taxable year \$500,000 or the total amount of tax  
28 otherwise payable by the business entity for the taxable year,  
29 whichever is less.

30 d. Any excess credit that would be allowed but for the limitations  
31 of subsection c. of this section may be carried over and applied as  
32 credit for succeeding taxable years until:

33 (1) the full amount of the excess is used, or

34 (2) the expiration of the fifth taxable year after the taxable year in  
35 which the contribution is made, whichever occurs earlier.

36 e. Carryover credits shall be applied against the tax before the  
37 application of the credits earned in the current year and on a first-  
38 earned first-used basis.

39 f. Credit shall not be allowed for activities for which the business  
40 entity is receiving credit under any other provision against any tax on  
41 business related income other than the New Jersey Gross Income Tax,  
42 including, but not limited to, the corporate business tax, corporate  
43 income tax, insurance premiums tax, petroleum products gross receipts  
44 tax, public utilities franchise tax, public utilities gross receipts tax,  
45 public utility excise tax, railroad franchise tax, and the saving  
46 institution tax.

1 g. The tax credit shall be awarded only for assistance provided  
2 within the same year in which the commissioner issued the certificate,  
3 or if the commissioner approved assistance for more than one year,  
4 within the year in which payment was scheduled and made. The  
5 provisions of this subsection may be waived for good cause shown.

6 h. The total tax credits certified for all qualified projects proposed  
7 in that tax year shall not exceed \$10,000,000.

8  
9 4. In order for an entity to be eligible to receive a tax credit  
10 pursuant to P.L. , c. (C. )(now before the Legislature as this  
11 bill), the nonprofit organization which is the recipient of funding  
12 provided by the entity shall submit a neighborhood preservation and  
13 revitalization plan to the department for approval, and shall submit a  
14 proposed project which defines the elements of the plan to be  
15 implemented with the funds provided. Two or more nonprofit  
16 organizations may submit a plan to the department jointly. Any such  
17 plans shall designate one nonprofit organization as the lead  
18 organization with responsibility for the plan.

19  
20 5. a. The department shall determine whether a neighborhood  
21 preservation and revitalization plan should be approved. The  
22 department shall approve a neighborhood preservation and  
23 revitalization plan if it satisfies the following standards:

24 (1) the plan designates an eligible neighborhood; and

25 (2) The plan was developed through a process that

26 (a) gave written notice to the municipality in which the  
27 neighborhood is located of its intention to develop a plan and utilized  
28 reasonable means to inform residents, property owners, and businesses  
29 in the neighborhood of its intention to develop a plan and provided  
30 opportunities for them to participate in the development of the plan;

31 (b) gave written notice to the municipality in which the  
32 neighborhood is located of the proposed plan and provided an  
33 opportunity for it to comment upon it orally and in writing, and  
34 utilized reasonable means to inform residents, property owners, and  
35 businesses in the neighborhood of the proposed plan and provided an  
36 opportunity for them to comment upon it orally and in writing; and

37 (c) involved consultation with nonprofit organizations located  
38 within the neighborhood or providing services to residents of the  
39 neighborhood; and

40 (3) The plan is not inconsistent with

41 (a) any redevelopment plan adopted pursuant to the "Local  
42 Redevelopment and Housing Law", P.L.1992, c.79, (C.40A:12A-1 et  
43 seq.) and currently being implemented; or

44 (b) any neighborhood empowerment plan approved by the state  
45 pursuant to section 49 of P.L.1996, c.62 (C.55:19-64); and

46 (4) The plan sets forth an overall concept of the future of the

1 neighborhood; one or more strategies to foster preservation and  
2 revitalization of the neighborhood in accordance with that concept;  
3 one or more activities, including housing and economic development  
4 activities and other preservation and revitalization activities proposed  
5 within the neighborhood to foster preservation and revitalization of the  
6 neighborhood in furtherance of those strategies, including a  
7 description of funding sources obtained or to be sought for the  
8 planned activities and a timetable for the conduct of those activities;  
9 and

10 (5) The plan covers a period of no less than two and no more than  
11 ten years.

12 b. A nonprofit organization may, in submitting a proposed plan  
13 pursuant to P.L. , c. (C. )(now before the Legislature as this  
14 bill), adopt a redevelopment plan adopted pursuant to the "Local  
15 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
16 seq.), and currently being implemented; or a state-approved  
17 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
18 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
19 plan or a neighborhood preservation and revitalization plan previously  
20 approved by the department. The department shall approve such a  
21 plan.

22 c. A nonprofit organization that has submitted a neighborhood  
23 preservation and revitalization plan to the department may seek to  
24 amend it a any time. The department shall approve amendments if  
25 they comply with the standards set forth in subsection b. of this  
26 section.  
27

28 6. a. The department shall determine in accordance with law and  
29 regulation whether a project proposed by a nonprofit organization is  
30 qualified for assistance for which a tax credit certificate will be granted  
31 pursuant to P.L. , c. (C. )(now before the Legislature as this  
32 bill).

33 b. The department shall determine that a project proposed by a  
34 nonprofit organization or jointly by two or more nonprofit  
35 organizations is qualified for assistance if it meets all the following  
36 standards:

37 (1) The project consists of neighborhood preservation and  
38 revitalization activities within an eligible low and moderate income  
39 neighborhood. If two or more nonprofit organizations propose a  
40 project jointly, all the proposed activities shall be within the same  
41 eligible low and moderate income neighborhood. The department may  
42 establish standards for waiver of compliance with this paragraph for  
43 activities located outside an eligible neighborhood but which  
44 particularly benefit residents of that neighborhood or for activities that  
45 benefit more than one eligible neighborhood.

46 (2) The project is reasonably designed to accomplish its intended

1 purpose and it would further the standards of a neighborhood  
2 preservation and revitalization plan approved in accordance with  
3 section 5 of this act.

4 (3) The nonprofit organization demonstrates that it has the  
5 capacity to carry out the activities.

6 (4) The nonprofit organization provides adequate assurances that  
7 the assistance will be expended exclusively for the proposed activities.

8 (5) Housing and economic development activities make up at least  
9 60 percent of the total cost of the neighborhood preservation and  
10 revitalization activities in the proposed project. If two or more  
11 nonprofit organizations jointly propose a project, the total cost shall  
12 include the aggregate cost of all the activities included in the joint  
13 proposal.

14 c. The department shall establish by regulation the standards and  
15 procedures for determining which projects shall be determined to be  
16 qualified if the total tax credits certified under P.L. , c. (C. )(now  
17 before the Legislature as this bill) will exceed, or appear likely to  
18 exceed, \$10,000,000 for the year, so as to remain within that annual  
19 limit. Such standards shall establish criteria for rating projects which  
20 shall take into account, among other things, the following factors:

21 (1) The extent to which the project is addressing urban distress, as  
22 measured by existing levels of poverty and unemployment within the  
23 neighborhood;

24 (2) The extent to which the project is likely to attract private or  
25 public investment to the subject project or other projects in the  
26 neighborhood; and

27 (3) The extent to which the nonprofit organization has  
28 demonstrated the capacity to carry out the project.

29 Such standards shall focus exclusively on the relative merits of the  
30 project (including the capacity of the nonprofit organization to carry  
31 out the project) and shall not include any consideration of whether the  
32 project has, or does not yet have, a proposed source of assistance by  
33 a business entity.  
34

35 7. a. The department shall determine, in accordance with law and  
36 regulation, whether to issue a certificate based upon proposed  
37 assistance by a business entity to a nonprofit organization to  
38 implement a qualified project.

39 b. The department shall issue a certificate to the nonprofit  
40 organization if the proposed assistance satisfies the following  
41 standards:

42 (1) The assistance is for a qualified project;

43 (2) The assistance is not less than \$25,000 in each tax year for  
44 which credit is sought. Assistance may be approved for the current  
45 tax year and up to four additional years in the future. If assistance is  
46 approved for years other than the current tax year, the approval shall

1 include a schedule showing the amount of assistance to be provided in  
2 each year.

3 (3) Neither the business entity nor any wholly owned subsidiary has  
4 previously failed to provide assistance to a nonprofit organization for  
5 which approval was granted. This requirement may be waived by the  
6 department upon a showing of good cause.

7 (4) The total of all assistance approved on behalf of a nonprofit  
8 organization per project does not exceed \$500,000.

9

10 8. a. The commissioner shall monitor the carrying out by nonprofit  
11 organizations of projects for which assistance has been received and  
12 tax credits awarded pursuant to P.L. , c. (C. )(now before the  
13 Legislature as this bill) to ascertain whether the assistance is being  
14 used for the activities for which it was approved. The commissioner  
15 may require the submission of reports, audit financial records, the  
16 conduct of investigations, the posting of bonds or security and the  
17 inspection of activities whether carried out on the premises of the  
18 nonprofit organization or elsewhere. In furtherance of this function,  
19 the commissioner, or the commissioner's designee, may issue  
20 subpoenas, hold evidentiary hearings, and administer oaths.

21 b. If, after notice and hearing, the commissioner determines that  
22 assistance is not being used for the activities for which it was  
23 approved, the commissioner may impose sanctions, including but not  
24 limited to:

25 (1) Requiring corrective actions by the nonprofit organization;

26 (2) Requiring that assistance or its cash value be paid back to the  
27 department. The department shall account for such funds to the  
28 Treasurer and may expend them in any manner that lawfully furthers  
29 the purposes of this act;

30 (3) Revoking the department's determination that the project was  
31 qualified; or

32 (4) Barring the nonprofit for a period of time from approval of  
33 future projects.

34 c. No sanction imposed by the commissioner against the nonprofit  
35 organization shall affect the validity of the credits for assistance  
36 already contributed allowed to a business entity that was not on notice  
37 of the wrongful actions of the nonprofit at the time it made the  
38 contribution.

39 d. In the event a project proposed by a nonprofit cannot be  
40 completed, the department may take whatever action necessary to  
41 ensure that the funds earmarked for the failed project are reallocated  
42 to a project which is proceeding.

43

44 9. a. In order to administer the neighborhood preservation and  
45 revitalization tax credit program, the department shall establish the  
46 necessary forms, procedures and manuals to effectuate this act, in

1 accordance with the "Administrative Procedure Act," P.L.1968, c.410  
2 (C.52:14B-1 et seq.). The department shall seek to foster use of the  
3 tax credit and to make the tax credit simple to apply for and simple to  
4 use.

5 b. The department shall act a clearinghouse. It shall maintain lists  
6 of qualified projects and of business entities that have expressed a  
7 desire to provide assistance to qualified projects.

8 c. The department shall give priority in processing to applications  
9 that demonstrate a multi-year commitment by the business entity to  
10 implementation of the neighborhood preservation and revitalization  
11 plan.

12 d. The department shall submit to the Governor and Legislature an  
13 annual report which shall include at least:

14 (1) the purpose and effectiveness of the credit;

15 (2) the benefits of the credit to the state;

16 (3) any recommendations by the department as to changes in  
17 legislation needed to better carry out the purposes of P.L. , c. (C. )  
18 (now before the Legislature as this bill).

19 e. For each application by, or on behalf of, a business entity to  
20 approve assistance for a project, the department may charge a fee of  
21 up to 0.5 percent of the amount of assistance proposed, or approved,  
22 whichever is less, to pay for the administration of this program.

23

24 10. a. If a partnership, an S corporation, or a limited liability  
25 company qualifies for the credit, it shall provide a copy of the  
26 certificate to the taxpayers of the entity.

27 b. A taxpayer shall attach a copy of the certificate to any return  
28 upon which a credit is claimed under this section.

29 c. Any credit taken in this section may be subject to audit by the  
30 department or the State Treasurer.

31

32 11. This act shall take effect on the first day of the next State fiscal  
33 year after its enactment.

34

35

36

#### STATEMENT

37

38 This act establishes the "Neighborhood Revitalization State Tax  
39 Credit Act," which provides an incentive to businesses to invest in  
40 neighborhood revitalization and preservation projects sponsored by  
41 nonprofit corporations through the granting of a tax credit. Under the  
42 bill, a business entity which contributes financial assistance to a  
43 nonprofit sponsor may be granted a certificate authorizing tax credits  
44 which may be utilized to offset taxes on certain business income. The  
45 credits could be used to offset tax imposed on business related income,  
46 other than tax imposed under the New Jersey Gross Income Tax,



1 including, but not limited to, business income subject to the provisions  
2 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
3 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
4 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
5 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
6 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
7 the sewer and water utility excise tax imposed pursuant to Section 6  
8 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
9 receipts tax imposed pursuant to section 3 of P.L. 1990, c. 42  
10 (C.54:15B-3).

11 The tax credits may be granted in an amount up to 50 percent of the  
12 approved assistance provided to a nonprofit organization to implement  
13 a qualified project that is part of an approved neighborhood  
14 preservation and revitalization plan. The credit allowed to a business  
15 entity under the bill may not exceed for any taxable year \$500,000 or  
16 the total amount of tax otherwise payable by the business entity for the  
17 taxable year, whichever is less. No more than \$10 million in tax  
18 credits may be authorized under the bill in any one year.

19 A neighborhood preservation and revitalization plan, in order to be  
20 approved under the bill, must seek to improve the housing and  
21 economic conditions of the neighborhood. It shall include, without  
22 limitation, measures to foster the rehabilitation and construction of  
23 housing affordable to low and moderate income households within the  
24 neighborhood, including planning, design, rehabilitation, construction,  
25 and management of low and moderate income housing, homebuyer  
26 counseling, and related activities needed to effectuate the rehabilitation  
27 and construction of housing affordable to low and moderate income  
28 households; measures to increase business activity within the  
29 neighborhood, including the rehabilitation and construction of  
30 commercial facilities and the provision of assistance to small business  
31 entities; and measures to increase the income and labor force  
32 participation of neighborhood residents, including provision of  
33 education, training, child care and transportation assistance to enable  
34 low income neighborhood residents to obtain or retain employment.

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

### SENATE, No. 1138

# STATE OF NEW JERSEY

DATED: MAY 22, 2000

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 1138.

This bill would establish the "Business Incentive for Neighborhood Revitalization State Tax Credit Act," which would authorize the provision of tax credits as an incentive to businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit. Under the bill, a business entity which contributes financial assistance to a nonprofit sponsor could be granted a certificate authorizing tax credits to offset taxes on certain business income. The credits could be used to offset tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to Section 6 of P.L.1940, c.5 (C.4:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L. 1990, c. 42 (C.54:15B-3).

The tax credits could be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified project that is part of an approved neighborhood preservation and revitalization plan. The credit allowed to a business entity under the bill could not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less. No more than \$10 million in tax credits could be authorized under the bill in any one year.

A neighborhood preservation and revitalization plan, in order to be approved under the bill, must seek to improve the housing and economic conditions of the neighborhood. It could include, without limitation, measures to foster the rehabilitation and construction of housing affordable to low and moderate income households within the neighborhood, including planning, design, rehabilitation, construction, and management of low and moderate income housing, home buyer counseling, and related activities needed to effectuate the rehabilitation

and construction of housing affordable to low and moderate income households; measures to increase business activity within the neighborhood, including the rehabilitation and construction of commercial facilities and the provision of assistance to small business entities; and measures to increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low income neighborhood residents to obtain or retain employment.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 1138

# STATE OF NEW JERSEY

DATED: JUNE 8, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1138.

This bill, the "Business Incentive for Neighborhood Revitalization State Tax Credit Act," provides for the allowance of tax credits as an incentive to businesses to invest in qualified neighborhood revitalization and preservation projects ("qualified projects") sponsored by nonprofit corporations.

**Designation of "qualified projects."** The bill provides for the designation of qualified projects through a two-step process:

*First*, a nonprofit organization exempt from federal income tax under section 501(c)(3) of the federal Internal Revenue Code would file with the Department of Community Affairs (DCA) for its approval a neighborhood preservation and revitalization plan. To receive such approval, the plan would have to (a) designate an "eligible neighborhood", i.e., a contiguous area located within a municipality that either qualifies for special municipal aid or is coextensive with an "Abbott district" under the school financing law (CEIFA); (b) have been developed through a process in which the municipality, neighborhood residents and other interested parties had an opportunity to be involved; (c) be consistent with any redevelopment plan under the "Local Redevelopment and Housing Law" or any State-approved neighborhood empowerment plan; (d) set forth a concept of the future of the neighborhood, specify preservation and revitalization strategies in accordance with the concept, and specify activities that would further those strategies; and (e) cover a period of from two to ten years.

*Second*, in addition to the preservation and revitalization plan, the nonprofit organization would submit to DCA a proposed project that defines the elements of the plan that are to be implemented with the funding sought to be obtained through allowance of the tax credit incentive. The DCA would then determine whether the proposed project is qualified for such funding, subject to the following requirements: (1) the project consists of housing and economic development and other neighborhood preservation and revitalization activities within an eligible low and moderate income neighborhood; (b) the project would further the approved preservation and revitalization plan; (c) the organization has the capacity to carry out

the activities; (d) the organization provides assurance that the funding will be spent only for the activities; and (e) housing and economic development activities constitute at least 60%, on a cost basis, of the project. The bill defines housing and economic development activities as including

measures to foster the rehabilitation and construction of housing affordable to low and moderate income households within the neighborhood . . . ; measures to increase business activity within the neighborhood, including the rehabilitation and construction of commercial facilities and the provision of assistance to small business entities; and measures to increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low and moderate income neighborhood residents to obtain or retain employment.

**Certification and applicability of the credit.** Under the bill, if a business entity provides funding for a qualified project, then the entity could receive from the Department of Community Affairs a certificate authorizing tax credits to offset taxes on most types of business income. Issuance of the certificate would be subject to certain requirements, namely, that the amount of the funding is at least \$25,000 in each tax year for which credit is sought, and that neither the entity nor any wholly owned subsidiary thereof has previously failed to provide funding for which credit was granted. Tax credits could be granted in an amount up to 50 percent of the assistance provided to a nonprofit organization to implement the project. The credit allowed to a business entity under the bill could not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less. No more than \$10 million in tax credits could be authorized under the bill in any one year.

The credits could be used to offset tax, other than the New Jersey gross income tax, imposed on business related income, including, but not limited to, business income subject to the corporation business tax, the savings institution tax, the tax imposed on marine insurance companies under R.S.54:16-1 et seq., the tax imposed on insurers generally under P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54), and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

#### FISCAL IMPACT

The tax credits for which this bill provides would reduce State revenue collections from the taxes against which the credit was applied. The bill places a ceiling of \$10,000,000 on the total amount of tax credits that could be certified in a particular tax year. However, it is possible that credits allowed for a given year could not be used in

that year, so that certification in that year of the maximum amount of credits might not result in an equivalent reduction in revenue for that year. On the other hand, the bill's allowance of a carryforward of credits could result in a revenue reduction for a particular year that exceeded the \$10,000,000 cap on the annual certification of credit.

It is expected that most of the credits allowed under the legislation will be claimed against the corporation business tax.

STATEMENT TO  
**SENATE, No. 1138**

with Senate Floor Amendments  
(Proposed By Senator KYRILLOS)

ADOPTED: DECEMBER 17, 2001

These floor amendments make the bill identical to ACS for A2592/2452. The salient change in the bill is the addition of a mechanism for assuring the funds contributed by a business entity are deposited with the State Treasurer in a special trust account for use in carrying out the approved project by the nonprofit sponsor.

[First Reprint]

**SENATE, No. 1138**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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INTRODUCED MARCH 20, 2000

**Sponsored by:**

**Senator JOSEPH M. KYRILLOS, JR.**

**District 13 (Middlesex and Monmouth)**

**Senator BERNARD F. KENNY, JR.**

**District 33 (Hudson)**

**Co-Sponsored by:**

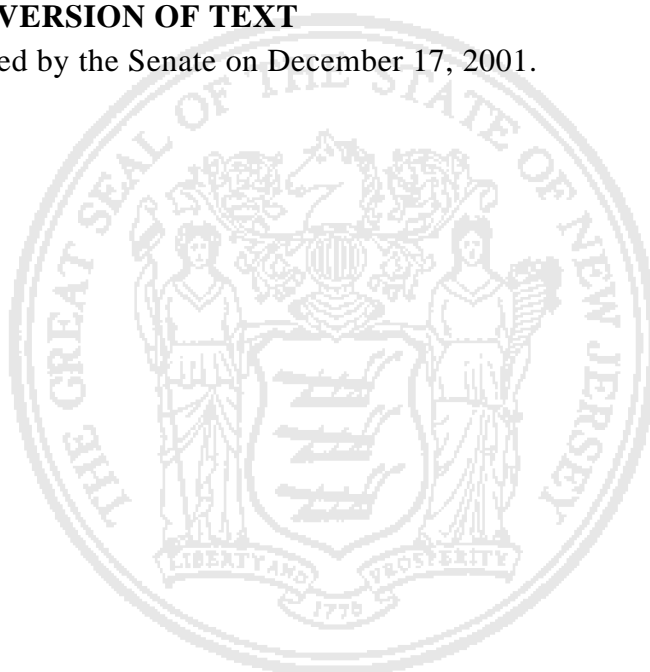
**Senators Palaia, Singer, Allen, James, Lesniak, Rice, Schluter, Inverso,  
Bryant, Bennett, Baer and Turner**

**SYNOPSIS**

The "Neighborhood Revitalization State Tax Credit Act."

**CURRENT VERSION OF TEXT**

As amended by the Senate on December 17, 2001.



**(Sponsorship Updated As Of: 1/8/2002)**



1 AN ACT granting a tax credit to certain businesses that contribute to  
2 <sup>1</sup>[state-approved] State-approved<sup>1</sup> nonprofit organizations which  
3 engage in activities that foster the preservation and revitalization of  
4 low and moderate income neighborhoods and supplementing Title  
5 52 of the Revised Statutes.

6

7 **BE IT ENACTED** by the Senate and General Assembly of the State  
8 of New Jersey:

9

10 1. This act shall be known and may be cited as the " <sup>1</sup>[Business  
11 Incentive for]<sup>1</sup> Neighborhood Revitalization State Tax Credit Act."

12

13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits" <sup>1</sup>[or  
21 "certificate"]<sup>1</sup> means the certificate in the form prescribed by the  
22 Treasurer and issued by the commissioner to a <sup>1</sup>[nonprofit  
23 organization]business entity<sup>1</sup> that specifies the dollar amount of  
24 neighborhood preservation and revitalization State tax credits that  
25 <sup>1</sup>[each taxpayer]that business entity<sup>1</sup> may take as an annual credit  
26 against certain State taxes pursuant to P.L. , c. (C. )(now  
27 before the Legislature as this bill).

28 "Commissioner" means the Commissioner of the Department of  
29 Community Affairs.

30 "Department" means the Department of Community Affairs.

31 "Eligible neighborhood" means a contiguous area located in a  
32 municipality that, at the time of the application to the department for  
33 approval of a neighborhood preservation and revitalization plan, is  
34 either eligible to receive aid under the "Special Municipal Aid Act,"  
35 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
36 school district which qualified for designation as an "Abbott district"  
37 pursuant to the "Comprehensive Educational Improvement and  
38 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

39 "Housing and economic development activities" means those  
40 activities carried out in furtherance of a neighborhood <sup>1</sup>preservation  
41 and<sup>1</sup> revitalization plan in an eligible neighborhood approved pursuant

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate floor amendments adopted December 17, 2001.

1 to P.L. , c. (C. )(now before the Legislature as this bill), to  
2 improve the housing and economic conditions of the neighborhood;  
3 and shall include, without limitation, measures to foster the  
4 rehabilitation and construction of housing affordable to low and  
5 moderate income households within the neighborhood, including  
6 planning, design, rehabilitation, construction, and management of low  
7 and moderate income housing, home buyer counseling, and related  
8 activities needed to effectuate the rehabilitation and construction of  
9 housing affordable to low and moderate income households; measures  
10 to increase business activity within the neighborhood, including the  
11 rehabilitation and construction of commercial facilities and the  
12 provision of assistance to small business entities; and measures to  
13 increase the income and labor force participation of neighborhood  
14 residents, including provision of education, training, child care and  
15 transportation assistance to enable low <sup>1</sup>[and moderate]<sup>1</sup> income  
16 neighborhood residents to obtain or retain employment.

17 "Low income household" means a household whose gross  
18 household income is less than 50 percent of the median gross  
19 household income for the region in which the neighborhood is located  
20 for households of similar size as determined by the <sup>1</sup>[Department of  
21 Community Affairs] department<sup>1</sup>.

22 "Moderate income household" means a household whose gross  
23 household income is greater than or equal to 50 percent but less than  
24 80 percent of the median gross household income of the region in  
25 which the neighborhood is located for households of similar size as  
26 determined by the <sup>1</sup>[Department of Community Affairs] department<sup>1</sup>.

27 "Neighborhood preservation and revitalization activities" means  
28 housing and economic development activities and other neighborhood  
29 preservation and revitalization activities.

30 "Neighborhood Revitalization Plan" means a plan for the  
31 preservation or revitalization of an eligible neighborhood.

32 "Nonprofit organization" means a private nonprofit corporation that  
33 has been determined by the Internal Revenue Service of the United  
34 States Department of the Treasury to be exempt from income taxation  
35 under 26 U.S.C.§501(c)(3).

36 "Other neighborhood revitalization activities" means those  
37 activities, other than housing and economic development activities,  
38 carried out in furtherance of a State-approved neighborhood  
39 preservation and revitalization plan in a qualified low and moderate  
40 income neighborhood, and may include, without limitation,  
41 improvements to infrastructure, street scape, public open space, and  
42 transportation systems; provision of social and community services,  
43 health care, crime prevention, recreation activities, community and  
44 environmental health services; and community outreach and organizing  
45 activities.

46 "Qualified nonprofit organization" means a nonprofit organization

1 that has demonstrated a commitment to the neighborhood for which  
2 it is submitting a plan or project, as reflected in its past activities or  
3 proposed activities in a preservation and revitalization plan.

4 "Qualified project" means one or more housing and economic  
5 development activities to be carried out in accordance with a  
6 neighborhood revitalization plan <sup>1</sup>as approved by the commissioner<sup>1</sup>  
7 with funds provided by a business entity eligible to receive a certificate  
8 for neighborhood revitalization State tax credits.

9  
10 3. <sup>1</sup>[For the purpose of providing an incentive to businesses  
11 located in New Jersey to invest in the revitalization of neighborhoods,  
12 a] A<sup>1</sup> business entity shall be eligible for a certificate for neighborhood  
13 revitalization State tax credits if it has provided funding for a qualified  
14 project that has been approved in accordance with sections 4 and 5 of  
15 P.L. , c. (C. )(now before the Legislature as this bill).

16 a. Credits may be granted in an amount up to 50 percent of the  
17 approved assistance provided to a nonprofit organization to implement  
18 a qualified neighborhood preservation and revitalization project.

19 b. The credit may be applied by the business entity receiving the  
20 certificate as credit against tax imposed on business related income,  
21 other than tax imposed under the New Jersey Gross Income Tax,  
22 including, but not limited to, business income subject to the provisions  
23 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
24 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
25 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
26 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
27 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
28 the sewer and water utility excise tax imposed pursuant to section 6 of  
29 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
30 receipts tax imposed pursuant to section 3 of P.L. 1990, c. 42 (C.  
31 54:15B-3).

32 c. The credit allowed to a business entity under this section may  
33 not exceed for any taxable year \$500,000 or the total amount of tax  
34 otherwise payable by the business entity for the taxable year,  
35 whichever is less <sup>1</sup>and, in addition, shall not exceed limitations placed  
36 on the amounts of credits or carry forward credits allowed, if any,  
37 under the relevant statute as enumerated in subsection b. of this  
38 section concerning the tax for which a credit is being claimed<sup>1</sup>.

39 d. <sup>1</sup>[Any excess credit that would be allowed but for the  
40 limitations of subsection c. of this section may be carried over and  
41 applied as credit for succeeding taxable years until:

42 (1) the full amount of the excess is used, or

43 (2) the expiration of the fifth taxable year after the taxable year in  
44 which the contribution is made, whichever occurs earlier.

45 e. Carryover credits shall be applied against the tax before the  
46 application of the credits earned in the current year and on a first-

1 earned first-used basis.

2 f.]<sup>1</sup> Credit shall not be allowed for activities for which the business  
3 entity is receiving credit under any other provision against any tax on  
4 business related income other than the New Jersey Gross Income Tax,  
5 including, but not limited to, the corporate business tax, corporate  
6 income tax, insurance premiums tax, petroleum products gross receipts  
7 tax, public utilities franchise tax, public utilities gross receipts tax,  
8 public utility excise tax, railroad franchise tax, and the saving  
9 institution tax.

10 <sup>1</sup>[g.] e.<sup>1</sup> The tax credit shall be awarded only for assistance  
11 provided within the same year in which the commissioner issued the  
12 certificate, or if the commissioner approved assistance for more than  
13 one year, within the year in which payment was scheduled and made.  
14 The provisions of this subsection may be waived for good cause  
15 shown.

16 <sup>1</sup>[h.] f.<sup>1</sup> The total tax credits certified for all qualified projects  
17 proposed in that tax year shall not exceed \$10,000,000.

18

19 4. In order for an entity to be eligible to receive a tax credit  
20 pursuant to P.L. , c. (C. )(now before the Legislature as this  
21 bill), the nonprofit organization which is the recipient of funding  
22 provided by the entity shall submit a neighborhood preservation and  
23 revitalization plan to the department for approval, and shall submit a  
24 proposed project which defines the elements of the plan to be  
25 implemented with the funds provided. Two or more nonprofit  
26 organizations may submit a plan to the department jointly. Any such  
27 plans shall designate one nonprofit organization as the lead  
28 organization with responsibility for the plan.

29

30 5. a. The department shall determine whether a neighborhood  
31 preservation and revitalization plan should be approved. The  
32 department shall approve a neighborhood preservation and  
33 revitalization plan if it satisfies the following standards:

34 (1) the plan designates an eligible neighborhood; and

35 (2) The plan was developed through a process that

36 (a) gave written notice to the municipality in which the  
37 neighborhood is located of its intention to develop a plan and utilized  
38 reasonable means to inform residents, property owners, and businesses  
39 in the neighborhood of its intention to develop a plan and provided  
40 opportunities for them to participate in the development of the plan;

41 (b) gave written notice to the municipality in which the  
42 neighborhood is located of the proposed plan and provided an  
43 opportunity for it to comment upon it orally and in writing, <sup>1</sup>[and]

44 complied with all of the requirements of the "Municipal Land Use  
45 Law," P.L.1975, c. 291 (C.40:55D-1 et seq.) concerning the plan,<sup>1</sup>

46 utilized reasonable means to inform residents, property owners, and

1 businesses in the neighborhood of the proposed plan and provided an  
2 opportunity for them to comment upon it orally and in writing; and

3 (c) involved consultation with nonprofit organizations located  
4 within the neighborhood or providing services to residents of the  
5 neighborhood; and

6 (3) The plan is not inconsistent with

7 (a) any redevelopment plan adopted pursuant to the "Local  
8 Redevelopment and Housing Law", P.L.1992, c.79, (C.40A:12A-1 et  
9 seq.) and currently being implemented; or

10 (b) any neighborhood empowerment plan approved by the <sup>1</sup>[state]  
11 State<sup>1</sup> pursuant to section 49 of P.L.1996, c.62 (C.55:19-64); and

12 (4) The plan sets forth an overall concept of the future of the  
13 neighborhood; one or more strategies to foster preservation and  
14 revitalization of the neighborhood in accordance with that concept;  
15 one or more activities, including housing and economic development  
16 activities and other preservation and revitalization activities proposed  
17 within the neighborhood to foster preservation and revitalization of the  
18 neighborhood in furtherance of those strategies, including a  
19 description of funding sources obtained or to be sought for the  
20 planned activities and a timetable for the conduct of those activities;  
21 and

22 (5) The plan covers a period of no less than two and no more than  
23 ten years.

24 b. A nonprofit organization may, in submitting a proposed plan  
25 pursuant to P.L. , c. (C. )(now before the Legislature as this  
26 bill), adopt a redevelopment plan adopted pursuant to the "Local  
27 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
28 seq.), and currently being implemented; or a state-approved  
29 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
30 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
31 plan or a neighborhood preservation and revitalization plan previously  
32 approved by the department. The department shall approve such a  
33 plan.

34 c. A nonprofit organization that has submitted a neighborhood  
35 preservation and revitalization plan to the department may seek to  
36 amend it a any time. The department shall approve amendments if  
37 they comply with the standards set forth in subsection b. of this  
38 section.

39

40 6. a. The department shall determine in accordance with law and  
41 regulation whether a project proposed by a nonprofit organization is  
42 qualified for assistance for which a tax credit certificate will be granted  
43 pursuant to P.L. , c. (C. )(now before the Legislature as this  
44 bill).

45 b. The department shall determine that a project proposed by a  
46 nonprofit organization or jointly by two or more nonprofit

1 organizations is qualified for assistance if it meets all the following  
2 standards:

3 (1) The project consists of neighborhood preservation and  
4 revitalization activities within an eligible low and moderate income  
5 neighborhood. If two or more nonprofit organizations propose a  
6 project jointly, all the proposed activities <sup>1</sup>[shall be] are<sup>1</sup> within the  
7 same eligible low and moderate income neighborhood. The  
8 department may establish standards for waiver of compliance with this  
9 paragraph for activities located outside an eligible neighborhood but  
10 which particularly benefit residents of that neighborhood or for  
11 activities that benefit more than one eligible neighborhood.

12 (2) The project is reasonably designed to accomplish its intended  
13 purpose and it would further the standards of a neighborhood  
14 preservation and revitalization plan approved in accordance with  
15 section 5 of this act.

16 (3) The nonprofit organization demonstrates that it has the  
17 capacity to carry out the activities.

18 (4) The nonprofit organization provides adequate assurances that  
19 the assistance will be expended exclusively for the proposed activities.

20 (5) <sup>1</sup> "Housing and economic development activities <sup>1</sup>" make up  
21 at least 60 percent of the total cost of the neighborhood preservation  
22 and revitalization activities in the proposed project. If two or more  
23 nonprofit organizations jointly propose a project, the total cost shall  
24 include the aggregate cost of all the activities included in the joint  
25 proposal.

26 c. The department shall establish by regulation the standards and  
27 procedures for determining which projects shall be determined to be  
28 qualified if the total tax credits certified under P.L. , c. (C. )(now  
29 before the Legislature as this bill) will exceed, or appear likely to  
30 exceed, \$10,000,000 for the year, so as to remain within that annual  
31 limit. Such standards shall establish criteria for rating projects which  
32 shall take into account, among other things, the following factors:

33 (1) The extent to which the project is addressing urban distress, as  
34 measured by existing levels of poverty and unemployment within the  
35 neighborhood;

36 (2) The extent to which the project is likely to attract private or  
37 public investment to the subject project or other projects in the  
38 neighborhood; and

39 (3) The extent to which the nonprofit organization has  
40 demonstrated the capacity to carry out the project.

41 Such standards shall focus exclusively on the relative merits of the  
42 project (including the capacity of the nonprofit organization to carry  
43 out the project) and shall not include any consideration of whether the  
44 project has, or does not yet have, a proposed source of assistance by  
45 a business entity.

1       7. a. The <sup>1</sup>[department] commissioner<sup>1</sup> shall determine, in  
2 accordance with law and regulation, whether to issue a certificate  
3 based upon proposed assistance by a business entity to a nonprofit  
4 organization to implement a qualified project.

5       b. The <sup>1</sup>[department] commissioner<sup>1</sup> shall issue a certificate <sup>1</sup>[to  
6 the nonprofit organization]<sup>1</sup> if the proposed assistance satisfies the  
7 following standards:

8       (1) The assistance is for a qualified <sup>1</sup>neighborhood preservation  
9 and revitalization<sup>1</sup> project;

10       (2) The assistance is not less than \$25,000 in each tax year for  
11 which credit is sought. Assistance may be approved for the current  
12 tax year and up to four additional years in the future. If assistance is  
13 approved for years other than the current tax year, the approval shall  
14 include a schedule showing the amount of assistance to be provided in  
15 each year.

16       (3) Neither the business entity nor any wholly owned subsidiary has  
17 previously failed to provide assistance to a nonprofit organization for  
18 which approval was granted. This requirement may be waived by the  
19 department upon a showing of good cause.

20       (4) The total of all assistance approved on behalf of a nonprofit  
21 organization per project does not exceed \$500,000 <sup>1</sup>; and

22       (5) The amount of assistance as proposed in a letter of intent from  
23 the business entity has been paid to the State Treasurer and deposited  
24 in a special trust account for the use of a qualified nonprofit  
25 organization in carrying out a qualified project, and the State  
26 Treasurer has sent authorization for issuance of a certificate to the  
27 commissioner. The qualified nonprofit shall have full access to the  
28 funds in the special trust account, subject to the provisions of section  
29 8 of P.L. , c. (C. )(now before the Legislature as this bill)<sup>1</sup> .  
30

31       8. a. The commissioner shall monitor the carrying out by nonprofit  
32 organizations of projects for which assistance has been received and  
33 tax credits awarded pursuant to P.L. , c. (C. )(now before the  
34 Legislature as this bill) to ascertain whether the assistance is being  
35 used for the activities for which it was approved. The commissioner  
36 may require the submission of reports, <sup>1</sup> the<sup>1</sup> audit of<sup>1</sup> financial  
37 records, the conduct of investigations, the posting of bonds or security  
38 and the inspection of activities whether carried out on the premises of  
39 the nonprofit organization or elsewhere. In furtherance of this  
40 function, the commissioner, or <sup>1</sup>[the commissioner's]his or her<sup>1</sup>  
41 designee, may issue subpoenas, hold evidentiary hearings, and  
42 administer oaths.

43       b. If, after notice and hearing, the commissioner determines that  
44 assistance is not being used for the activities for which it was  
45 approved, the commissioner may impose sanctions, including but not  
46 limited to:

- 1 (1) Requiring corrective actions by the nonprofit organization;
- 2 (2) Requiring that assistance or its cash value be paid back to the  
3 department. The department shall account for such funds to the  
4 Treasurer and may expend them in any manner that lawfully furthers  
5 the purposes of <sup>1</sup>[this act] P.L. , c. (C. )(now before the  
6 Legislature as this bill)<sup>1</sup> ;
- 7 (3) Revoking the department's determination that the project was  
8 qualified; or
- 9 (4) Barring the nonprofit for a period of time from approval of  
10 future projects.
- 11 c. No sanction imposed by the commissioner against the nonprofit  
12 organization shall affect the validity of the credits for assistance  
13 already contributed allowed to a business entity that was not on notice  
14 of the wrongful actions of the nonprofit at the time it made the  
15 contribution.
- 16 d. In the event a project proposed by a nonprofit cannot be  
17 completed, the department may take whatever action necessary to  
18 ensure that the funds earmarked for the failed project are reallocated  
19 to a project which is proceeding.
- 20
- 21 9. a. In order to administer the neighborhood preservation and  
22 revitalization tax credit program, the department shall establish the  
23 necessary forms, procedures <sup>1</sup>[and manuals] or rules<sup>1</sup> to effectuate  
24 this act, in accordance with the "Administrative Procedure Act,"  
25 P.L.1968, c.410 (C.52:14B-1 et seq.). The department shall seek to  
26 foster use of the tax credit and to make the tax credit simple to apply  
27 for and simple to use.
- 28 b. The department shall act <sup>1</sup>as<sup>1</sup> a clearinghouse. It shall maintain  
29 lists of qualified projects and of business entities that have expressed  
30 a desire to provide assistance to qualified projects.
- 31 c. The department shall give priority in processing to applications  
32 that demonstrate a multi-year commitment by the business entity to  
33 implementation of the neighborhood preservation and revitalization  
34 plan.
- 35 d. The department shall submit to the Governor and Legislature an  
36 annual report which shall include at least:
- 37 (1) the purpose and effectiveness of the credit;
- 38 (2) the benefits of the credit to the state;
- 39 (3) any recommendations by the department as to changes in  
40 legislation needed to better carry out the purposed of P.L. ,c. (C. )  
41 (now before the Legislature as this bill).
- 42 e. For each application by, or on behalf of, a business entity to  
43 approve assistance for a project, the department may charge a fee of  
44 up to 0.5 percent of the amount of assistance proposed, or approved,  
45 whichever is less, to pay for the administration of this program.



1       10. a. If a partnership, an S corporation, or a limited liability  
2 company qualifies for the credit, it shall provide a copy of the  
3 certificate to the taxpayers of the entity.

4       b. A taxpayer shall attach a copy of the certificate to any return  
5 upon which a credit is claimed under this section.

6       c. Any credit taken in this section may be subject to audit by the  
7 department or the State Treasurer.

8

9       11. This act shall take effect on the first day of the next State fiscal  
10 year after its enactment.

(CORRECTED COPY)  
P.L. 2001, CHAPTER 415, *approved January 8, 2002*  
Assembly Committee Substitute for  
Assembly, Nos. 2592 and 2452

1 **AN ACT** granting a tax credit to certain businesses that contribute to  
2 State-approved nonprofit organizations which engage in activities  
3 that foster the preservation and revitalization of low and moderate  
4 income neighborhoods and supplementing Title 52 of the Revised  
5 Statutes.

6  
7 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
8 *of New Jersey:*

9  
10 1. This act shall be known and may be cited as the "Neighborhood  
11 Revitalization State Tax Credit Act."

12  
13 2. As used in this act:

14 "Assistance" means the contribution of moneys to aid in the  
15 provision of neighborhood preservation and revitalization services or  
16 community services.

17 "Business entity" means any business firm or individual which is  
18 authorized to conduct or operate a trade or business in the State and  
19 is subject to taxes on business related income.

20 "Certificate for neighborhood revitalization State tax credits"  
21 means the certificate in the form prescribed by the Treasurer and  
22 issued by the commissioner to a business entity that specifies the dollar  
23 amount of neighborhood preservation and revitalization State tax  
24 credits that that business entity may take as an annual credit against  
25 certain state taxes pursuant to P.L. , c. (C. )(now before the  
26 Legislature as this bill).

27 "Commissioner" means the Commissioner of Community Affairs.

28 "Department" means the Department of Community Affairs.

29 "Eligible neighborhood" means a contiguous area located in a  
30 municipality that, at the time of the application to the department for  
31 approval of a neighborhood preservation and revitalization plan, is  
32 either eligible to receive aid under the "Special Municipal Aid Act,"  
33 P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a  
34 school district which qualified for designation as an "Abbott district"  
35 pursuant to the "Comprehensive Educational Improvement and  
36 Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.)

37 "Housing and economic development activities" means those  
38 activities carried out in furtherance of a neighborhood preservation  
39 and revitalization plan in an eligible neighborhood approved pursuant  
40 to P.L. , c. (C. )(now before the Legislature as this bill), to  
41 improve the housing and economic conditions of the neighborhood;

1 and shall include, without limitation, measures to foster the  
2 rehabilitation and construction of housing affordable to low and  
3 moderate income households within the neighborhood, including  
4 planning, design, rehabilitation, construction, and management of low  
5 and moderate income housing, home buyer counseling, and related  
6 activities needed to effectuate the rehabilitation and construction of  
7 housing affordable to low and moderate income households; measures  
8 to increase business activity within the neighborhood, including the  
9 rehabilitation and construction of commercial facilities and the  
10 provision of assistance to small business entities; and measures to  
11 increase the income and labor force participation of neighborhood  
12 residents, including provision of education, training, child care and  
13 transportation assistance to enable low income neighborhood residents  
14 to obtain or retain employment.

15 "Low income household" means a household whose gross  
16 household income is less than 50 percent of the median gross  
17 household income for the region in which the neighborhood is located  
18 for households of similar size as determined by the department.

19 "Moderate income household means a household whose gross  
20 household income is greater than or equal to 50 percent but less than  
21 80 percent of the median gross household income of the region in  
22 which the neighborhood is located for households of similar size as  
23 determined by the department.

24 "Neighborhood preservation and revitalization activities" means  
25 housing and economic development activities and other neighborhood  
26 preservation and revitalization activities.

27 "Neighborhood Revitalization Plan" means a plan for the  
28 preservation or revitalization of an eligible neighborhood.

29 "Nonprofit organization" means a private nonprofit corporation  
30 that has been determined by the Internal Revenue Service of the  
31 United States Department of the Treasury to be exempt from income  
32 taxation under 26 U.S.C. §501(c)(3).

33 "Other Neighborhood Revitalization Activities" means those  
34 activities, other than housing and economic development activities,  
35 carried out in furtherance of a State-approved neighborhood  
36 preservation and revitalization plan in a qualified low and moderate  
37 income neighborhood, and may include, without limitation,  
38 improvements to infrastructure, street scape, public open space, and  
39 transportation systems; provision of social and community services,  
40 health care, crime prevention, recreation activities, community and  
41 environmental health services; and community outreach and organizing  
42 activities.

43 "Qualified nonprofit organization" means a nonprofit organization  
44 that has demonstrated a commitment to the neighborhood for which  
45 it is submitting a plan or project, as reflected in its past activities or  
46 proposed activities in a preservation and revitalization plan.

1 "Qualified project" means one or more housing and economic  
2 development activities to be carried out in accordance with a  
3 neighborhood revitalization plan as approved by the commissioner  
4 with funds provided by a business entity eligible to receive a certificate  
5 for neighborhood revitalization State tax credits.

6  
7 3. A business entity shall be eligible for a certificate for  
8 neighborhood revitalization State tax credits if it has provided funding  
9 for a qualified project that has been approved in accordance with  
10 sections 4 and 5 of P.L. , c. (C. )(now before the Legislature  
11 as this committee substitute).

12 a. Credits may be granted in an amount up to 50 percent of the  
13 approved assistance provided to a nonprofit organization to implement  
14 a qualified neighborhood preservation and revitalization project.

15 b. The credit may be applied by the business entity receiving the  
16 certificate as credit against tax imposed on business related income,  
17 other than tax imposed under the New Jersey Gross Income Tax,  
18 including, but not limited to, business income subject to the provisions  
19 of the Corporation Business Tax Act (1945), P.L.1945, c.162  
20 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973,  
21 c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance  
22 companies pursuant to R.S.54:16-1 et seq., the tax imposed on  
23 insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.),  
24 the sewer and water utility excise tax imposed pursuant to section 6 of  
25 P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross  
26 receipts tax imposed pursuant to section 3 of P.L.1990, c.42  
27 (C.54:15B-3).

28 c. The credit allowed to a business entity under this section may  
29 not exceed for any taxable year \$500,000 or the total amount of tax  
30 otherwise payable by the business entity for the taxable year,  
31 whichever is less, and, in addition, shall not exceed limitations placed  
32 on the amounts of credits or carryforward credits allowed, if any,  
33 under the relevant statute as enumerated in subsection b. of this  
34 section concerning the tax for which a credit is being claimed.

35 d. Credit shall not be allowed for activities for which the business  
36 entity is receiving credit under any other provision against any tax on  
37 business related income other than the New Jersey Gross Income Tax,  
38 including, but not limited to, the corporate business tax, corporate  
39 income tax, insurance premiums tax, petroleum products gross receipts  
40 tax, public utilities franchise tax, public utilities gross receipts tax,  
41 public utility excise tax, railroad franchise tax, and the saving  
42 institution tax.

43 e. The tax credit shall be awarded only for assistance provided  
44 within the same year in which the commissioner issued the certificate,  
45 or if the commissioner approved assistance for more than one year,  
46 within the year in which payment was scheduled and made. The

1 provisions of this subsection may be waived for good cause shown.

2 f. The total tax credits certified for all qualified projects proposed  
3 in a fiscal year shall not exceed \$10,000,000.

4

5 4. In order for an entity to be eligible to receive a tax credit  
6 pursuant to P.L. , c. (C. )(now before the Legislature as this  
7 bill), the nonprofit organization which is the recipient of funding  
8 provided by the entity shall submit a neighborhood preservation and  
9 revitalization plan to the department for approval, and shall submit a  
10 proposed project which defines the elements of the plan to be  
11 implemented with the funds provided. Two or more nonprofit  
12 organizations may submit a plan to the department jointly. Any such  
13 plans shall designate one nonprofit organization as the lead  
14 organization with responsibility for the plan.

15

16 5. a. The department shall determine whether a neighborhood  
17 preservation and revitalization plan should be approved. The  
18 department shall approve a neighborhood preservation and  
19 revitalization plan if it satisfies the following standards:

20 (1) the plan designates an eligible neighborhood; and

21 (2) The plan was developed through a process that

22 (a) gave written notice to the municipality in which the  
23 neighborhood is located of its intention to develop a plan and utilized  
24 reasonable means to inform residents, property owners, and businesses  
25 in the neighborhood of its intention to develop a plan and provided  
26 opportunities for them to participate in the development of the plan;

27 (b) gave written notice to the municipality in which the  
28 neighborhood is located of the proposed plan and provided an  
29 opportunity for it to comment upon it orally and in writing, complied  
30 with all of the requirements of the "Municipal Land Use Law,"  
31 P.L.1975, c. 291 (C. 40:55D-1 et seq.) concerning the plan, utilized  
32 reasonable means to inform residents, property owners, and businesses  
33 in the neighborhood of the proposed plan and provided an opportunity  
34 for them to comment upon it orally and in writing; and

35 (c) involved consultation with nonprofit organizations located  
36 within the neighborhood or providing services to residents of the  
37 neighborhood;

38 (3) The plan is not inconsistent with

39 (a) any redevelopment plan adopted pursuant to the "Local  
40 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
41 seq.),and currently being implemented; or

42 (b) any neighborhood empowerment plan approved by the State  
43 pursuant to section 49 of P.L.1996, c.62 (C.55:19-64);

44 (4) The plan sets forth an overall concept of the future of the  
45 neighborhood; one or more strategies to foster preservation and  
46 revitalization of the neighborhood in accordance with that concept;

1 one or more activities, including housing and economic development  
2 activities and other preservation and revitalization activities proposed  
3 within the neighborhood to foster preservation and revitalization of the  
4 neighborhood in furtherance of those strategies, including a  
5 description of funding sources obtained or to be sought for the  
6 planned activities and a timetable for the conduct of those activities;  
7 and

8 (5) The plan covers a period of no less than two and no more than  
9 ten years.

10 b. A nonprofit organization may, in submitting a proposed plan  
11 pursuant to P.L. , c. (C. )(now before the Legislature as this  
12 bill), adopt a redevelopment plan adopted pursuant to the "Local  
13 Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et  
14 seq.), and currently being implemented; or a state-approved  
15 neighborhood empowerment plan pursuant to section 49 of P.L.1996,  
16 c.62 (C.55:19-64) as its neighborhood preservation and revitalization  
17 plan or a neighborhood preservation and revitalization plan previously  
18 approved by the department. The department shall approve such a  
19 plan.

20 c. A nonprofit organization that has submitted a neighborhood  
21 preservation and revitalization plan to the department may seek to  
22 amend it a any time. The department shall approve amendments if  
23 they comply with the standards set forth in subsection b of this section.  
24

25 6. a. The department shall determine in accordance with law and  
26 regulation whether a project proposed by a nonprofit organization is  
27 qualified for assistance for which a tax credit certificate will be granted  
28 pursuant to P.L. , c. (C. )(now before the Legislature as this  
29 bill).

30 b. The department shall determine that a project proposed by a  
31 nonprofit organization or jointly by two or more nonprofit  
32 organizations is qualified for assistance if it meets all the following  
33 standards:

34 (1) The project consists of neighborhood preservation and  
35 revitalization activities within an eligible low and moderate income  
36 neighborhood. If two or more nonprofits propose a project jointly, all  
37 the proposed activities are within the same eligible low and moderate  
38 income neighborhood. The department may establish standards for  
39 waiver of compliance with this paragraph for activities located outside  
40 an eligible neighborhood but which particularly benefit residents of  
41 that neighborhood or for activities that benefit more than one eligible  
42 neighborhood.

43 (2) The project is reasonably designed to accomplish its intended  
44 purpose and it would further the purposes of a neighborhood  
45 preservation and revitalization plan approved in accordance with  
46 section 5 of this act.

1 (3) The nonprofit organization demonstrates that it has the  
2 capacity to carry out the activities.

3 (4) The nonprofit organization provides adequate assurances that  
4 the assistance will be expended exclusively for the proposed activities.

5 (5) "Housing and economic development activities" make up at  
6 least 60 percent of the total cost of the neighborhood preservation and  
7 revitalization activities in the proposed project. If two or more  
8 nonprofit organizations jointly propose a project, the total cost shall  
9 include the aggregate cost of all the activities included in the joint  
10 proposal.

11 c. The department shall establish by regulation the standards and  
12 procedures for determining which projects shall be determined to be  
13 qualified if the total tax credits certified under P.L. , c. (C. )(now  
14 before the Legislature as this bill) will exceed, or appears likely to  
15 exceed, \$10,000,000 for the year, so as to remain within that annual  
16 limit. Such standards shall establish criteria for rating projects which  
17 shall take into account, among other things, the following factors:

18 (1) The extent to which the project is addressing urban distress,  
19 as measured by existing levels of poverty and unemployment within the  
20 neighborhood;

21 (2) The extent to which the project is likely to attract private or  
22 public investment to the subject project or other projects in the  
23 neighborhood; and

24 (3) The extent to which the nonprofit organization has  
25 demonstrated the capacity to carry out the project.

26 Such standards shall focus exclusively on the relative merits of the  
27 project (including the capacity of the nonprofit to carry out the  
28 project) and shall not include any consideration of whether the project  
29 has, or does not yet have, a proposed source of assistance by a  
30 business entity.

31

32 7. a. The commissioner shall determine, in accordance with law  
33 and regulation, whether to issue a certificate based upon proposed  
34 assistance by a business entity to a nonprofit organization to  
35 implement a qualified project.

36 b. The commissioner shall issue a certificate if the proposed  
37 assistance satisfies the following standards:

38 (1) The assistance is for a qualified neighborhood preservation and  
39 revitalization project;

40 (2) The assistance is not less than \$25,000 in each tax year for  
41 which credit is sought. Assistance may be approved for the current  
42 tax year and up to four additional years in the future. If assistance is  
43 approved for years other than the current tax year, the approval shall  
44 include a schedule showing the amount of assistance to be provided in  
45 each year;

46 (3) Neither the business entity nor any wholly owned subsidiary

1 has previously failed to provide assistance to a nonprofit organization  
2 for which approval was granted. This requirement may be waived by  
3 the department upon a showing of good cause;

4 (4) The total of all assistance approved on behalf of a nonprofit  
5 organization per project does not exceed \$500,000; and

6 (5) The amount of assistance as proposed in a letter of intent from  
7 the business entity has been paid to the State Treasurer and deposited  
8 in a special trust account for the use of a qualified nonprofit  
9 organization in carrying out a qualified project, and the State  
10 Treasurer has sent authorization for issuance of a certificate to the  
11 commissioner. The qualified nonprofit shall have full access to the  
12 funds in the special trust account, subject to the provisions of section  
13 8 of P.L. , c. (C. )(now before the Legislature as this bill).

14  
15 8. a. The commissioner shall monitor the carrying out by  
16 nonprofit organizations of projects for which assistance has been  
17 received and tax credits awarded pursuant to P.L. , c.  
18 (C. )(now before the Legislature as this bill) to ascertain whether  
19 the assistance is being used for the activities for which it was  
20 approved. The commissioner may require the submission of reports,  
21 the audit of financial records, the conduct of investigations, the  
22 posting of bonds or security and the inspection of activities whether  
23 carried out on the premises of the nonprofit organization or elsewhere.  
24 In furtherance of this function, the commissioner, or his or her  
25 designee, may issue subpoenas, hold evidentiary hearings, and  
26 administer oaths.

27 b. If, after notice and hearing, the commissioner determines that  
28 assistance is not being used for the activities for which it was  
29 approved, the commissioner may impose sanctions, including but not  
30 limited to:

31 (1) Requiring corrective actions by the nonprofit organization;

32 (2) Requiring that assistance or its cash value be paid back to the  
33 department. The department shall account for such funds to the  
34 Treasurer and may expend them in any manner that lawfully furthers  
35 the purposes of P.L. , c. (C. )(now before the Legislature as this  
36 bill).

37 (3) Revoking the department's determination that the project was  
38 qualified; or

39 (4) Barring the nonprofit for a period of time from approval of  
40 future projects.

41 c. No sanction imposed by the commissioner against the nonprofit  
42 organization shall affect the validity of the credits for assistance  
43 already contributed allowed to a business entity that was not on notice  
44 of the wrongful actions of the nonprofit at the time it made the  
45 contribution.

46 d. In the event a project proposed by a nonprofit cannot be



1 completed, the department may take whatever action necessary to  
2 ensure that the funds earmarked for the failed project are reallocated  
3 to a project which is proceeding.

4  
5 9. a. In order to administer the neighborhood preservation and  
6 revitalization tax credit program, the department shall establish any  
7 necessary forms, procedures or rules to effectuate this act, in  
8 accordance with the "Administrative Procedure Act," P.L.1968, c.410  
9 (C.52:14B-1 et seq.). The department shall seek to foster use of the  
10 tax credit and to make the tax credit simple to apply for and simple to  
11 use.

12 b. The department shall act a clearinghouse. It shall maintain lists  
13 of qualified projects and of business entities that have expressed a  
14 desire to provide assistance to qualified projects.

15 c. The department shall give priority in processing to applications  
16 that demonstrate a multi-year commitment by the business entity to  
17 implementation of the neighborhood preservation and revitalization  
18 plan.

19 d. The department shall submit to the Governor and Legislature  
20 an annual report which shall include at least:

21 (1) the purpose and effectiveness of the credit;

22 (2) the benefits of the credit to the state;

23 (3) any recommendations by the department as to changes in  
24 legislation needed to better carry out the purposes of P.L. , c.  
25 (C. ) (now before the Legislature as this bill).

26 e. For each application by, or behalf of, a business entity to  
27 approve assistance for a project, the department may charge a fee of  
28 up to 0.5 percent of the amount of assistance proposed, or approved,  
29 whichever is less, to pay for the administration of this program.

30  
31 10. a. If a partnership, an S corporation, or a limited liability  
32 company qualifies for the credit, it shall provide a copy of the  
33 certificate to the taxpayers of the entity.

34 b. A taxpayer shall attach a copy of the certificate to any return  
35 upon which a credit is claimed under this section.

36 c. Any credit taken in this section may be subject to audit by the  
37 department or the State Treasurer.

38  
39 11. This act shall take effect on the first day of the next State  
40 fiscal year after its enactment.

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44  
45 The "Neighborhood Revitalization State Tax Credit Act."

## CHAPTER 415

**AN ACT** granting a tax credit to certain businesses that contribute to State-approved nonprofit organizations which engage in activities that foster the preservation and revitalization of low and moderate income neighborhoods and supplementing Title 52 of the Revised Statutes.

**BE IT ENACTED** by the Senate and General Assembly of the State of New Jersey:

C.52:27D-490 Short title.

1. This act shall be known and may be cited as the "Neighborhood Revitalization State Tax Credit Act."

C.52:27D-491 Definitions relative to the "Neighborhood Revitalization State Tax Credit Act."

2. As used in this act:

"Assistance" means the contribution of moneys to aid in the provision of neighborhood preservation and revitalization services or community services.

"Business entity" means any business firm or individual which is authorized to conduct or operate a trade or business in the State and is subject to taxes on business related income.

"Certificate for neighborhood revitalization State tax credits" means the certificate in the form prescribed by the Treasurer and issued by the commissioner to a business entity that specifies the dollar amount of neighborhood preservation and revitalization State tax credits that that business entity may take as an annual credit against certain state taxes pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.).

"Commissioner" means the Commissioner of Community Affairs.

"Department" means the Department of Community Affairs.

"Eligible neighborhood" means a contiguous area located in a municipality that, at the time of the application to the department for approval of a neighborhood preservation and revitalization plan, is either eligible to receive aid under the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) or coextensive with a school district which qualified for designation as an "Abbott district" pursuant to the "Comprehensive Educational Improvement and Financing Act of 1996," P.L.1996, c.138 (C.18A:7F-1 et seq.).

"Housing and economic development activities" means those activities carried out in furtherance of a neighborhood preservation and revitalization plan in an eligible neighborhood approved pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.), to improve the housing and economic conditions of the neighborhood; and shall include, without limitation, measures to foster the rehabilitation and construction of housing affordable to low and moderate income households within the neighborhood, including planning, design, rehabilitation, construction, and management of low and moderate income housing, home buyer counseling, and related activities needed to effectuate the rehabilitation and construction of housing affordable to low and moderate income households; measures to increase business activity within the neighborhood, including the rehabilitation and construction of commercial facilities and the provision of assistance to small business entities; and measures to increase the income and labor force participation of neighborhood residents, including provision of education, training, child care and transportation assistance to enable low income neighborhood residents to obtain or retain employment.

"Low income household" means a household whose gross household income is less than 50 percent of the median gross household income for the region in which the neighborhood is located for households of similar size as determined by the department.

"Moderate income household" means a household whose gross household income is greater than or equal to 50 percent but less than 80 percent of the median gross household income of the region in which the neighborhood is located for households of similar size as determined by the department.

"Neighborhood preservation and revitalization activities" means housing and economic development activities and other neighborhood preservation and revitalization activities.

"Neighborhood Revitalization Plan" means a plan for the preservation or revitalization of an eligible neighborhood.

"Nonprofit organization" means a private nonprofit corporation that has been determined by the Internal Revenue Service of the United States Department of the Treasury to be exempt from income taxation under 26 U.S.C.s.501(c)(3).

"Other Neighborhood Revitalization Activities" means those activities, other than housing and economic development activities, carried out in furtherance of a State-approved neighborhood preservation and revitalization plan in a qualified low and moderate income neighborhood, and may include, without limitation, improvements to infrastructure, street scape, public open space, and transportation systems; provision of social and community services, health care, crime prevention, recreation activities, community and environmental health services; and community outreach and organizing activities.

"Qualified nonprofit organization" means a nonprofit organization that has demonstrated a commitment to the neighborhood for which it is submitting a plan or project, as reflected in its past activities or proposed activities in a preservation and revitalization plan.

"Qualified project" means one or more housing and economic development activities to be carried out in accordance with a neighborhood revitalization plan as approved by the commissioner with funds provided by a business entity eligible to receive a certificate for neighborhood revitalization State tax credits.

C.52:27D-492 Eligibility of business entity for certificate for neighborhood revitalization state tax credits.

3. A business entity shall be eligible for a certificate for neighborhood revitalization State tax credits if it has provided funding for a qualified project that has been approved in accordance with sections 4 and 5 of P.L.2001, c.415 (C.52:27D-493 and C.52:27D-494).

a. Credits may be granted in an amount up to 50 percent of the approved assistance provided to a nonprofit organization to implement a qualified neighborhood preservation and revitalization project.

b. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1 et seq.), "The Savings Institution Tax Act," P.L.1973, c.31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, c.132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, c.5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, c.42 (C.54:15B-3).

c. The credit allowed to a business entity under this section may not exceed for any taxable year \$500,000 or the total amount of tax otherwise payable by the business entity for the taxable year, whichever is less, and, in addition, shall not exceed limitations placed on the amounts of credits or carryforward credits allowed, if any, under the relevant statute as enumerated in subsection b. of this section concerning the tax for which a credit is being claimed.

d. Credit shall not be allowed for activities for which the business entity is receiving credit under any other provision against any tax on business related income other than the New Jersey Gross Income Tax, including, but not limited to, the corporate business tax, corporate income tax, insurance premiums tax, petroleum products gross receipts tax, public utilities franchise tax, public utilities gross receipts tax, public utility excise tax, railroad franchise tax, and the saving institution tax.

e. The tax credit shall be awarded only for assistance provided within the same year in which the commissioner issued the certificate, or if the commissioner approved assistance for more than one year, within the year in which payment was scheduled and made. The provisions of this subsection may be waived for good cause shown.

f. The total tax credits certified for all qualified projects proposed in a fiscal year shall not exceed \$10,000,000.

C.52:27D-493 Neighborhood preservation and revitalization plan required for eligibility.

4. In order for an entity to be eligible to receive a tax credit pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.), the nonprofit organization which is the recipient of funding provided by the entity shall submit a neighborhood preservation and revitalization plan to the department for approval, and shall submit a proposed project which defines the elements of the plan to be

implemented with the funds provided. Two or more nonprofit organizations may submit a plan to the department jointly. Any such plans shall designate one nonprofit organization as the lead organization with responsibility for the plan.

C.52:27D-494 Approval of plan by department; standards.

5. a. The department shall determine whether a neighborhood preservation and revitalization plan should be approved. The department shall approve a neighborhood preservation and revitalization plan if it satisfies the following standards:

(1) the plan designates an eligible neighborhood; and

(2) The plan was developed through a process that

(a) gave written notice to the municipality in which the neighborhood is located of its intention to develop a plan and utilized reasonable means to inform residents, property owners, and businesses in the neighborhood of its intention to develop a plan and provided opportunities for them to participate in the development of the plan;

(b) gave written notice to the municipality in which the neighborhood is located of the proposed plan and provided an opportunity for it to comment upon it orally and in writing, complied with all of the requirements of the "Municipal Land Use Law," P.L.1975, c. 291 (C. 40:55D-1 et seq.) concerning the plan, utilized reasonable means to inform residents, property owners, and businesses in the neighborhood of the proposed plan and provided an opportunity for them to comment upon it orally and in writing; and

(c) involved consultation with nonprofit organizations located within the neighborhood or providing services to residents of the neighborhood;

(3) The plan is not inconsistent with

(a) any redevelopment plan adopted pursuant to the "Local Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et seq.), and currently being implemented; or

(b) any neighborhood empowerment plan approved by the State pursuant to section 49 of P.L.1996, c.62 (C.55:19-64);

(4) The plan sets forth an overall concept of the future of the neighborhood; one or more strategies to foster preservation and revitalization of the neighborhood in accordance with that concept; one or more activities, including housing and economic development activities and other preservation and revitalization activities proposed within the neighborhood to foster preservation and revitalization of the neighborhood in furtherance of those strategies, including a description of funding sources obtained or to be sought for the planned activities and a timetable for the conduct of those activities; and

(5) The plan covers a period of no less than two and no more than ten years.

b. A nonprofit organization may, in submitting a proposed plan pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.), adopt a redevelopment plan adopted pursuant to the "Local Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et seq.), and currently being implemented; or a State-approved neighborhood empowerment plan pursuant to section 49 of P.L.1996, c.62 (C.55:19-64) as its neighborhood preservation and revitalization plan or a neighborhood preservation and revitalization plan previously approved by the department. The department shall approve such a plan.

c. A nonprofit organization that has submitted a neighborhood preservation and revitalization plan to the department may seek to amend it at any time. The department shall approve amendments if they comply with the standards set forth in subsection b. of this section.

C.52:27D-495 Project proposed by nonprofit organization, determination as to qualification.

6. a. The department shall determine in accordance with law and regulation whether a project proposed by a nonprofit organization is qualified for assistance for which a tax credit certificate will be granted pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.).

b. The department shall determine that a project proposed by a nonprofit organization or jointly by two or more nonprofit organizations is qualified for assistance if it meets all the following standards:

(1) The project consists of neighborhood preservation and revitalization activities within an eligible low and moderate income neighborhood. If two or more nonprofits propose

a project jointly, all the proposed activities are within the same eligible low and moderate income neighborhood. The department may establish standards for waiver of compliance with this paragraph for activities located outside an eligible neighborhood but which particularly benefit residents of that neighborhood or for activities that benefit more than one eligible neighborhood.

(2) The project is reasonably designed to accomplish its intended purpose and it would further the purposes of a neighborhood preservation and revitalization plan approved in accordance with section 5 of this act.

(3) The nonprofit organization demonstrates that it has the capacity to carry out the activities.

(4) The nonprofit organization provides adequate assurances that the assistance will be expended exclusively for the proposed activities.

(5) "Housing and economic development activities" make up at least 60 percent of the total cost of the neighborhood preservation and revitalization activities in the proposed project. If two or more nonprofit organizations jointly propose a project, the total cost shall include the aggregate cost of all the activities included in the joint proposal.

c. The department shall establish by regulation the standards and procedures for determining which projects shall be determined to be qualified if the total tax credits certified under P.L.2001, c.415 (C.52:27D-490 et seq.) will exceed, or appears likely to exceed, \$10,000,000 for the year, so as to remain within that annual limit. Such standards shall establish criteria for rating projects which shall take into account, among other things, the following factors:

(1) The extent to which the project is addressing urban distress, as measured by existing levels of poverty and unemployment within the neighborhood;

(2) The extent to which the project is likely to attract private or public investment to the subject project or other projects in the neighborhood; and

(3) The extent to which the nonprofit organization has demonstrated the capacity to carry out the project.

Such standards shall focus exclusively on the relative merits of the project (including the capacity of the nonprofit to carry out the project) and shall not include any consideration of whether the project has, or does not yet have, a proposed source of assistance by a business entity.

C.52:27D-496 Issuance of certificate.

7. a. The commissioner shall determine, in accordance with law and regulation, whether to issue a certificate based upon proposed assistance by a business entity to a nonprofit organization to implement a qualified project.

b. The commissioner shall issue a certificate if the proposed assistance satisfies the following standards:

(1) The assistance is for a qualified neighborhood preservation and revitalization project;

(2) The assistance is not less than \$25,000 in each tax year for which credit is sought. Assistance may be approved for the current tax year and up to four additional years in the future. If assistance is approved for years other than the current tax year, the approval shall include a schedule showing the amount of assistance to be provided in each year;

(3) Neither the business entity nor any wholly owned subsidiary has previously failed to provide assistance to a nonprofit organization for which approval was granted. This requirement may be waived by the department upon a showing of good cause;

(4) The total of all assistance approved on behalf of a nonprofit organization per project does not exceed \$500,000; and

(5) The amount of assistance as proposed in a letter of intent from the business entity has been paid to the State Treasurer and deposited in a special trust account for the use of a qualified nonprofit organization in carrying out a qualified project, and the State Treasurer has sent authorization for issuance of a certificate to the commissioner. The qualified nonprofit shall have full access to the funds in the special trust account, subject to the provisions of section 8 of P.L.2001, c.415 (C.52:27D-497).

C.52:27D-497 Monitoring of projects carried out by nonprofit organizations.

8. a. The commissioner shall monitor the carrying out by nonprofit organizations of projects for which assistance has been received and tax credits awarded pursuant to P.L.2001, c.415 (C.52:27D-490 et seq.) to ascertain whether the assistance is being used for the activities for which it was approved. The commissioner may require the submission of reports, the audit of financial records, the conduct of investigations, the posting of bonds or security and the inspection of activities whether carried out on the premises of the nonprofit organization or elsewhere. In furtherance of this function, the commissioner, or his or her designee, may issue subpoenas, hold evidentiary hearings, and administer oaths.

b. If, after notice and hearing, the commissioner determines that assistance is not being used for the activities for which it was approved, the commissioner may impose sanctions, including but not limited to:

(1) Requiring corrective actions by the nonprofit organization;

(2) Requiring that assistance or its cash value be paid back to the department. The department shall account for such funds to the Treasurer and may expend them in any manner that lawfully furthers the purposes of P.L.2001, c.415 (C.52:27D-490 et seq.).

(3) Revoking the department's determination that the project was qualified; or

(4) Barring the nonprofit for a period of time from approval of future projects.

c. No sanction imposed by the commissioner against the nonprofit organization shall affect the validity of the credits for assistance already contributed allowed to a business entity that was not on notice of the wrongful actions of the nonprofit at the time it made the contribution.

d. In the event a project proposed by a nonprofit cannot be completed, the department may take whatever action necessary to ensure that the funds earmarked for the failed project are reallocated to a project which is proceeding.

C.52:27D-498 Establishment for forms, procedures, rules; annual report to Governor, Legislature.

9. a. In order to administer the neighborhood preservation and revitalization tax credit program, the department shall establish any necessary forms, procedures or rules to effectuate this act, in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.). The department shall seek to foster use of the tax credit and to make the tax credit simple to apply for and simple to use.

b. The department shall act as a clearinghouse. It shall maintain lists of qualified projects and of business entities that have expressed a desire to provide assistance to qualified projects.

c. The department shall give priority in processing to applications that demonstrate a multi-year commitment by the business entity to implementation of the neighborhood preservation and revitalization plan.

d. The department shall submit to the Governor and Legislature an annual report which shall include at least:

(1) the purpose and effectiveness of the credit;

(2) the benefits of the credit to the state;

(3) any recommendations by the department as to changes in legislation needed to better carry out the purposes of P.L.2001, c.415 (C.52:27D-490 et seq.).

e. For each application by, or behalf of, a business entity to approve assistance for a project, the department may charge a fee of up to 0.5 percent of the amount of assistance proposed, or approved, whichever is less, to pay for the administration of this program.

C.52:27D-499 Copy of certificate to taxpayers of the century.

10. a. If a partnership, an S corporation, or a limited liability company qualifies for the credit, it shall provide a copy of the certificate to the taxpayers of the entity.

b. A taxpayer shall attach a copy of the certificate to any return upon which a credit is claimed under this section.

c. Any credit taken in this section may be subject to audit by the department or the State Treasurer.

11. This act shall take effect on the first day of the next State fiscal year after its enactment.

Approved January 8, 2002.