# 52:27D-492

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF**: 2013 **CHAPTER:** 61

**NJSA:** 52:27D-492 (Expands neighborhood revitalization State tax credit to include gross income taxpayers; increases annual total amount of tax credits allowable from $10,000,000 to $15,000,000)

**BILL NO**: A3026 (Substituted for S2245)

**SPONSOR(S)** Lampitt and others

**DATE INTRODUCED:** June 21, 2012

**COMMITTEE:** **ASSEMBLY:** Budget

**SENATE:** Community and Urban Affairs
Budget and Appropriations

**AMENDED DURING PASSAGE:** Yes

**DATE OF PASSAGE:** **ASSEMBLY:** March 21, 2013

**SENATE:** May 30, 2013

**DATE OF APPROVAL:** June 6, 2013

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

**FINAL TEXT OF BILL** (First reprint enacted)

**A3026**

| | | | |
|---|---|---|---|
| **SPONSOR'S STATEMENT**: (Begins on page 4 of original bill) | | Yes | |
| **COMMITTEE STATEMENT:** | **ASSEMBLY**: | Yes | |
| | **SENATE:** | Yes | Community<br>Budget |

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, ***may possibly*** be found at www.njleg.state.nj.us)

| | | | |
|---|---|---|---|
| **FLOOR AMENDMENT STATEMENT:** | | No | |
| **LEGISLATIVE FISCAL ESTIMATE:** | | Yes | 8-13-12<br>6-5-13 |

**S2245**

| | | | |
|---|---|---|---|
| **SPONSOR'S STATEMENT:** (Begins on page 4 of original bill) | | Yes | |
| **COMMITTEE STATEMENT:** | **ASSEMBLY**: | No | |
| | **SENATE:** | Yes | Community<br>Budget |
| **FLOOR AMENDMENT STATEMENT:** | | No | |
| **LEGISLATIVE FISCAL ESTIMATE:** | | Yes | |

(continued)

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

LAW/KR

P.L.2013, CHAPTER 61, ***approved June 6, 2013***
Assembly, No. 3206 ***(First Reprint)***

**AN ACT** expanding the neighborhood revitalization State tax credit to include gross income taxpayers [1]**[**and increasing the annual total amount of tax credits allowable from $10,000,000 to $15,000,000**]**[1], amending P.L.2001, c.415.

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

1. Section 3 of P.L.2001, c.415 (C.52:27D-492) is amended to read as follows:

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 100 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 al.), "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 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).

For a taxpayer applying credit to liability due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the credit allowed pursuant to this section shall only be applied to the amount of gross income tax liability for the taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's

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

**Matter underlined thus is new matter.**
**Matter enclosed in superscript numerals has been adopted as follows:**
**[1]Assembly amendments adopted in accordance with Governor's recommendations March 21, 2013.**

business entity through which the taxpayer provided the funding for the qualified project. For purposes of determining the amount of gross income tax liability to which a credit allowed pursuant to this section may be applied, gross income shall be calculated without the application of exclusions or deductions.

c. The credit allowed to a business entity under this section may not exceed for any taxable year $1,000,000 or the total amount of tax otherwise payable by the business entity for the taxable year 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] corporation business tax, New Jersey gross income 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] [1][$15,000,000] $10,000,000[1] .

(cf: P.L.2007, c.89, s.1)

[1][2. Section 6 of P.L.2001, c.415 (C.52:27D-495) is amended to read as follows:

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**]** <u>$15,000,000</u> 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 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.

(cf: P.L.2001, c.415, s.6)**]**[1]

[1]**[**3.**]** <u>2.</u>[1] This act shall take effect immediately and apply to tax years beginning on or after January 1, 2012.

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Expands neighborhood revitalization State tax credit to include gross income taxpayers.

# ASSEMBLY, No. 3206

# STATE OF NEW JERSEY

## 215th LEGISLATURE

INTRODUCED JUNE 21, 2012

**Sponsored by:**
**Assemblywoman PAMELA R. LAMPITT**
**District 6 (Burlington and Camden)**
**Assemblywoman BONNIE WATSON COLEMAN**
**District 15 (Hunterdon and Mercer)**
**Assemblyman BENJIE E. WIMBERLY**
**District 35 (Bergen and Passaic)**

**Co-Sponsored by:**
**Senators Stack, Turner, Ruiz and Assemblywoman Sumter**

**SYNOPSIS**

Expands neighborhood revitalization State tax credit to include gross income taxpayers; increases annual total amount of tax credits allowable from \$10,000,000 to \$15,000,000.

**CURRENT VERSION OF TEXT**

As introduced.

**(Sponsorship Updated As Of: 3/22/2013)**

**AN ACT** expanding the neighborhood revitalization State tax credit to include gross income taxpayers and increasing the annual total amount of tax credits allowable from $10,000,000 to $15,000,000, amending P.L.2001, c.415.

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

1. Section 3 of P.L.2001, c.415 (C.52:27D-492) is amended to read as follows:

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 100 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 al.), <u>“New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq.,</u> "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).

<u>For a taxpayer applying credit to liability due pursuant to the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., the credit allowed pursuant to this section shall only be applied to the amount of gross income tax liability for the taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer’s gross income that is attributable to the taxpayer’s business entity through which the taxpayer provided the funding for the qualified project. For purposes of determining the amount of gross income tax liability to which a credit allowed pursuant to this section may be applied, gross income shall be calculated without the application of exclusions or deductions.</u>

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

**Matter underlined <u>thus</u> is new matter.**

c. The credit allowed to a business entity under this section may not exceed for any taxable year $1,000,000 or the total amount of tax otherwise payable by the business entity for the taxable year 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⟧ <u>corporation</u> business tax, <u>New Jersey gross income tax,</u> 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⟧ <u>$15,000,000</u>.

(cf: P.L.2007, c.89, s.1)

2. Section 6 of P.L.2001, c.415 (C.52:27D-495) is amended to read as follows:

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] <u>$15,000,000</u> 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.

(cf: P.L.2001, c.415, s.6)

3. This act shall take effect immediately and apply to tax years beginning on or after January 1, 2012.

STATEMENT

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically not allowed against the gross income tax. This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

# ASSEMBLY, No. 3206

# STATE OF NEW JERSEY

DATED: JUNE 21, 2012

The Assembly Budget Committee reports favorably Assembly Bill No. 3206.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically *not* allowed against the gross income tax.

This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

FISCAL IMPACT:

While no data are available concerning the number of contributors or the amounts contributed, the flat annual predicted credit participation of $4.8 million annually reported in the Division of Taxation *Tax Expenditure Report* of February 22, 2011 suggests a small but reliable pool of contributors. Adding gross income tax payers to this pool of contributors, which may represent the smaller businesses which tend to be more involved with their local charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.

# LEGISLATIVE FISCAL ESTIMATE
# ASSEMBLY, No. 3206
# STATE OF NEW JERSEY
# 215th LEGISLATURE

DATED: AUGUST 13, 2012

## SUMMARY

| | |
|---|---|
| **Synopsis:** | Expands neighborhood revitalization State tax credit to include gross income taxpayers; increases annual total amount of tax credits allowable from $10,000,000 to $15,000,000. |
| **Type of Impact:** | Additional State revenue loss of up to $5 million per year. |
| **Agencies Affected:** | Department of Community Affairs |

**Office of Legislative Services Estimate**

| Fiscal Impact | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| **State Revenue** | Indeterminate Revenue Loss Not to Exceed $5,000,000 | | |

- The Office of Legislative Services (OLS) concludes that the enactment of Assembly Bill No. 3206 would result in State revenue losses of up to $5 million per year.

- These revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations.

- The OLS notes that the State has awarded the maximum amount of tax credits, $10 million, in each of the last three fiscal years.

## BILL DESCRIPTION

Assembly Bill No. 3206 of 2012 expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the total annual amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is not specifically allowed against the gross income tax. This bill expends the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the enactment of Assembly Bill No. 3206 would result in State revenue losses of up to $5 million per year. These revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations. The OLS notes that the State has awarded the maximum amount of tax credits, $10 million, in each of the last three fiscal years.

*Section:* *Local Government*

*Analyst:* *Scott A. Brodsky*
*Senior Fiscal Analyst*

*Approved:* *David J. Rosen*
*Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3206**

# STATE OF NEW JERSEY

DATED: NOVEMBER 15, 2012

The Senate Community and Urban Affairs Committee reports favorably Assembly Bill No. 3206.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically not allowed against the gross income tax. This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

This bill is identical to Senate Bill No. 2245, sponsored by Senator Stack, which is also before the committee at today's meeting.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

# ASSEMBLY, No. 3206

# STATE OF NEW JERSEY

DATED: DECEMBER 17, 2012

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 3206.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically *not* allowed against the gross income tax.

This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

As reported, this bill is identical to Senate Bill No. 2245, as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services concludes that the enactment of the bill would result in State revenue losses of up to $5 million per year. Those revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations. While there are data on the total number of contributions, there is no information available on either the amount of tax credits awarded each year or the amount of State taxes against which those credits are applied. The flat annual predicted credit participation of $4.8 million reported in the Division of Taxation Tax Expenditure Report of February 21, 2012 suggests a small but reliable pool of contributors. Adding gross income taxpayers to this group of contributors, which may represent smaller businesses which tend to be more involved with local charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.

According to the Neighborhood Revitalization State Tax Credit Program (NRSTCP) clearinghouse document compiled by the Department of Community Affairs (DCA), 24 business entities contributed approximately $48 million from Fiscal Year 2005 through Fiscal Year 2012 to participating nonprofit organizations that have approved neighborhood revitalization plans with the DCA. The clearing house document indicates that 24 nonprofit organizations have approved revitalization plans while 5 other nonprofit organizations are creating neighborhood revitalization plans. The data also show that 17 nonprofit organizations are currently coordinating 25 projects that received approximately $20.7 million through the NRSTCP.

**ASSEMBLY BILL NO. 3206**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 3206 with my recommendations for reconsideration.

This bill would revise the “Neighborhood Revitalization State Tax Credit Act” to expand the existing program in two ways. First, the bill would increase the annual total amount of credits allowable under the Neighborhood Revitalization State Tax Credit program from $10 million to $15 million. Second, the bill would expand the scope of the program to allow gross income taxpayers that have income attributable to a business to participate in the tax credit program. While I applaud the sponsors’ efforts to facilitate and promote private investment in distressed neighborhoods, I cannot approve the bill in its present form because of its adverse impact on existing budgetary obligations.

Without question, the Neighborhood Revitalization State Tax Credit program is a laudable program that effectively spurs investment in neighborhood revitalization and preservation projects across the State. Throughout the course of my Administration, I have supported the program and have provided for its continued operation. However, while I believe that the program is an important component of the State’s efforts to promote economic growth statewide, and I support the bill’s provisions that expand the program to include gross income taxpayers, an expansion of the overall tax credits provided in the bill from $10 million to $15 million is inadvisable.

While this bill would remove $5 million of revenue to the State's General Fund this year and each year thereafter, it does not identify any replacement funds or corresponding budget cuts to offset the revenue loss. As such, the provision of this bill increasing the annual total amount of the tax credit by $5 million runs counter to my continuing efforts to implement responsible budgetary practices that consider all spending and revenue-related initiatives within the context of the annual budget process.

As I have previously stated, I take my constitutional obligation to maintain a balanced budget very seriously and I take great pride in the strides my Administration has made to end the fiscal mismanagement that plagued the State in the years before I took Office. This tax credit bill, passed outside of the annual budget process and creating a $5 million negative impact on State revenues, represents a return to the ill-advised fiscal practices of the past.

Accordingly, I herewith return Assembly Bill No. 3206 and recommend that it be amended as follows:

| | |
|---|---|
| <u>Page 2, Title, Lines 2-4</u>: | Delete "and increasing the annual total amount of tax credits allowable from $10,000,000 to $15,000,000" |
| <u>Page 3, Section 1, Line 25</u>: | Delete "$15,000,000" and insert "$10,000,000." |
| <u>Page 3, Section 2, Lines 28-47</u>: | Delete in their entirety |
| <u>Page 4, Section 2, Lines 1-37</u>: | Delete in their entirety |

Page 4, Section 3, Line 39: Delete "3." And insert "2."

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Charles B. McKenna

Chief Counsel to the Governor

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

# ASSEMBLY, No. 3206

# STATE OF NEW JERSEY
# 215th LEGISLATURE

DATED: JUNE 5, 2013

## SUMMARY

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| **Synopsis:** | Expands neighborhood revitalization State tax credit to include gross income taxpayers. |
| **Type of Impact:** | Indeterminate potential State revenue loss. |
| **Agencies Affected:** | Departments of Community Affairs and the Treasury |

**Office of Legislative Services Estimate**

| **Fiscal Impact** | **Year 1** | **Year 2** | **Year 3** |
|---|---|---|---|
| **State Revenue** | Indeterminate Impact – See comments below | | |

- The Office of Legislative Services (OLS) concludes that the enactment of Assembly Bill No. 3206 (1R) would have an indeterminate impact on State revenues.

- Allowing business entities to apply the neighborhood revitalization State tax credit to their gross income tax liabilities may result in loss of State income tax revenues. These revenues may be offset by revenues collected from business entities for different tax liabilities.

- If the State continues to receive the maximum contribution amount of $10 million, then expanding the taxes against which the credit may be applied to include the gross income tax may result in tax credits being awarded to business not currently eligible to participate in the program.

## BILL DESCRIPTION

Assembly Bill No. 3206 (1R) of 2012 expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers. Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross

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income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1 million or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which it is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is not specifically allowed against the gross income tax. This bill expands the availability of the credit to include gross income taxpayers, effectively beginning with tax years starting on or after January 1, 2013. The bill limits the application of the tax credit for gross income taxpayers to the amount of the gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the enactment of Assembly Bill No. 3206 (1R) would result in an indeterminate impact on State revenues. Allowing business entities to apply the tax credit to their gross income tax liability may result in a loss of State income tax revenues, which may be offset by revenues collected from business entities for different tax liabilities. If the State continues to receive the maximum contribution amount of $10 million, then expanding the taxes against which the credit may be applied to include the gross income tax may result in tax credits being awarded to business not currently eligible to participate in the program.

While there are data on the total number of contributions, there is no information available on either the amount of tax credits awarded each year or the amount of State taxes against which those credits are applied. The flat annual predicted credit participation rate of $4.2 million reported in the Division of Taxation Tax Expenditure Report of February 22, 2013 suggests a small but reliable pool of contributors. Adding gross income taxpayers to this group of contributors, which may represent smaller businesses which tend to be more involved with charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.

According to the Neighborhood Revitalization State Tax Credit Program clearinghouse document compiled by the Department of Community Affairs, 24 business entities have contributed $48 million from Fiscal Year 2005 through Fiscal Year 2012 to participating nonprofit organizations that have approved neighborhood revitalization plans with the DCA. The clearinghouse document also indicates that 24 nonprofit organizations in 14 municipalities have approved revitalizations plans while 5 other nonprofit organizations are creating neighborhood revitalization plans. The data also show that 18 nonprofit organizations are currently coordinating 30 projects that received approximately $25.4 million through the Neighborhood Revitalization State Tax Credit Program.

The OLS notes that the State received the maximum contribution amount, $10 million, in Fiscal Years 2010, 2011, and 2012. The State accounting system indicates that Fiscal Year 2013 contributions to date total $7.655 million.

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| *Section:* | *Local Government* |
| *Analyst:* | *Scott A. Brodsky*<br>*Senior Fiscal Analyst* |
| *Approved:* | *David J. Rosen*<br>*Legislative Budget and Finance Officer* |

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

## SENATE, No. 2245

# STATE OF NEW JERSEY

DATED: NOVEMBER 15, 2012

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 2245.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically not allowed against the gross income tax. This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

This bill is identical to Assembly Bill No. 3206, sponsored by Assemblywomen Lampitt and Watson Coleman, which is also before the committee at today's meeting.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

**SENATE, No. 2245**

# STATE OF NEW JERSEY

DATED: DECEMBER 17, 2012

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2245.

This bill expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed $1,000,000 or the total amount of tax otherwise due. Additionally, the credit may not exceed statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically *not* allowed against the gross income tax.

This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided the funding for the qualified project.

As reported, this bill is identical to Assembly Bill No. 3206, as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services concludes that the enactment of the bill would result in State revenue losses of up to $5 million per year. Those revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations. While there are data on the total number of contributions, there is no information available on either the amount of tax credits awarded each year or the amount of State taxes against which those credits are applied. The flat annual predicted credit participation of $4.8 million reported in the Division of Taxation Tax Expenditure Report of February 21, 2012 suggests a small but reliable pool of contributors. Adding gross income taxpayers to this group of contributors, which may represent smaller businesses which tend to be more involved with local charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.

According to the Neighborhood Revitalization State Tax Credit Program (NRSTCP) clearinghouse document compiled by the Department of Community Affairs (DCA), 24 business entities contributed approximately $48 million from Fiscal Year 2005 through Fiscal Year 2012 to participating nonprofit organizations that have approved neighborhood revitalization plans with the DCA. The clearing house document indicates that 24 nonprofit organizations have approved revitalization plans while 5 other nonprofit organizations are creating neighborhood revitalization plans. The data also show that 17 nonprofit organizations are currently coordinating 25 projects that received approximately $20.7 million through the NRSTCP.

# LEGISLATIVE FISCAL ESTIMATE
# SENATE, No. 2245
# STATE OF NEW JERSEY
# 215th LEGISLATURE

DATED: JANUARY 14, 2013

## SUMMARY

**Synopsis:** Expands neighborhood revitalization State tax credit to include gross income taxpayers; increases annual total amount of tax credits allowable from $10,000,000 to $15,000,000

**Type of Impact:** Additional State revenue loss of up to $5 million per year.

**Agencies Affected:** Departments of Community Affairs and the Treasury

**Office of Legislative Services Estimate**

| Fiscal Impact | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| **State Revenue** | Indeterminate Revenue Loss Not to Exceed $5 million | | |

- The Office of Legislative Services concludes that the enactment of Senate Bill No. 2245 would result in State revenue losses of up to $5 million per year. Those revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations.

- Data released by the Department of the Treasury in the 2012 *Tax Expenditure Report* indicate that there is a consistent pool of contributors to the Neighborhood Revitalization State Tax Credit Program. The response of gross income taxpayers to the availability of additional tax credits cannot be predicted from the information available.

- According to the Neighborhood Revitalization State Tax Credit Program (NRSTCP) clearinghouse document compiled by the Department of Community Affairs (DCA), 24 business entities contributed approximately $48 million from Fiscal Year 2005 through Fiscal Year 2012.

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## BILL DESCRIPTION

Senate Bill No. 2245 of 2012 expands the availability of the neighborhood revitalization State tax credit to include gross income taxpayers and increases the annual total amount of tax credits allowable from $10,000,000 to $15,000,000.

Currently, the Neighborhood Revitalization State Tax Credit Program provides tax credits to businesses, other than gross income taxpayers, that invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations. A business entity that contributes financial assistance to a nonprofit sponsor may be granted a tax credit certificate that may be applied against tax liability on business income. The tax credits may be granted in an amount up to 100 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. Per taxable year, the credit allowed to a business entity may not exceed the total amount of tax otherwise due up to $1,000,000. Additionally, the credit may not exceed any statutory limits established under the particular tax for which the credit is claimed.

The business entity receiving the certificate may apply the credit to business income liability under various taxes, including but not limited to the corporation business tax and the insurance premiums tax. However, the tax credit is specifically not allowed against the gross income tax. This bill expands the availability of the credit to include gross income taxpayers, beginning with tax years starting on or after January 1, 2012. The bill limits the application of the tax credit for gross income taxpayers to the amount of gross income tax liability for a taxable year, which as a percentage of gross income tax liability, is equal to the percentage of the taxpayer's gross income that is attributable to the taxpayer's business entity through which the taxpayer provided funding for the qualified project.

## FISCAL ANALYSIS

***EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services concludes that the enactment of Senate Bill No. 2245 would result in State revenue losses of up to $5 million per year. Those revenues would be in the form of tax credits provided to businesses and gross income taxpayers that invest in neighborhood revitalization and preservation projects sponsored by nonprofit organizations. While there are data on the total number of contributions, there is no information available on either the amount of tax credits awarded each year or the amount of State taxes against which those credits are applied. The flat annual predicted credit participation of $4.8 million reported on the Division of Taxation *Tax Expenditure Report* of February 21, 2012 suggests a small but reliable pool of contributors. Adding gross income taxpayers to this group of contributors, which may represent smaller businesses which tend to be more involved with local charitable organizations, would be expected to increase contributions, but the response of these businesses cannot be predicted from the information available.

According to the Neighborhood Revitalization State Tax Credit Program (NRSTCP) clearinghouse document compiled by the Department of Community Affairs (DCA), 24 business entities contributed approximately $48 million from Fiscal Year 2005 through Fiscal Year 2012 to participating nonprofit organizations that have approved neighborhood revitalization plans with the DCA. The clearing house document indicates that 24 nonprofit organizations have approved revitalization plans while 5 other nonprofit organizations are creating neighborhood revitalization plans. The data also show that 17 nonprofit organizations are currently coordinating 25 projects that received approximately $20.7 million through the NRSTCP.

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