34:1B-115

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2007 **CHAPTER:** 310

NJSA: 34:1B-115 (Lowers the minimum full-time jobs requirement for business relocation and retention tax credits)

BILL NO: A1696 (Substituted for S80)

SPONSOR(S) Fisher and Others

DATE INTRODUCED: January 10, 2006

COMMITTEE: **ASSEMBLY:** Appropriations; Commerce and Economic Development

SENATE:

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** January 7, 2008

SENATE: January 7, 2008

DATE OF APPROVAL: January 13, 2008

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Original version of bill enacted)

A1696

SPONSOR'S STATEMENT: (Begins on page 3 of original bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: Yes Commerce 3-5-07
Appropriations 1-3-08

SENATE: No

(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

S80

SPONSOR'S STATEMENT: (Begins on page 3 of original bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY**: No

SENATE: Yes Economic Growth 12-3-07
Budget 1-3-08

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

RWH 6/4/08

P.L. 2007, CHAPTER 310, ***approved January 13, 2008***
Assembly, No. 1696

AN ACT lowering the jobs retention eligibility requirement for tax credits for business relocation and retention in New Jersey and amending P.L.1996, c.25.

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

1. Section 4 of P.L.1996, c.25 (C.34:1B-115) is amended to read as follows:

4. a. To qualify for a grant of tax credits, a business shall enter into an agreement to undertake a project to:

(1) relocate a minimum of **[**250**]** <u>50</u> retained full-time jobs from one or more locations within this State to a new business location or locations in this State; and

(2) maintain the retained full-time jobs pursuant to the project agreement for the commitment duration.

b. A project that consists solely of point-of-final-purchase retail facilities shall not be eligible for a grant of tax credits. If a project consists of both point-of-final-purchase retail facilities and non-retail facilities, only the portion of the project consisting of non-retail facilities shall be eligible for a grant of tax credits. If a warehouse facility is part of a point-of-final-purchase retail facility and supplies only that facility, the warehouse facility shall not be eligible for a grant of tax credits. For the purposes of this section, catalog distribution centers shall not be considered point-of-final-purchase retail facilities.

(cf: P.L.2004, c.65, s.4)

2. Section 7 of P.L.1996, c.25 (C.34:1B-115.3) is amended to read as follows:

7. a. The total value of the grants of tax credits issued pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall not exceed an aggregate annual limit of $20,000,000 for a fiscal year. A tax credit issued pursuant to P.L.1996, c.25 may be applied against liability arising in the tax period in which the tax credit is issued and the tax period next following, and shall expire thereafter.

b. Grants of tax credits shall be awarded and issued to qualifying businesses as follows, subject to the limitations of subsection c. of this section:

(1) for a project that covers a business relocating a minimum of 500 full-time employees, a grant of tax credits made pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall equal total allowable relocation costs plus any applicable bonus award determined pursuant to section 5 of P.L.2004, c.65 (C.34:1B-115.1) and shall be issued immediately upon the entry of the project agreement

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.

between the commissioner and the business with an approved project, up to the aggregate annual limit; and

(2) for a project that covers a business relocating between **[**250**]** <u>50</u> and 499 full-time employees, a grant of tax credits shall not be issued until the end of the fiscal year in which the application is approved.

c. If the sum of the amount of tax credits issued pursuant to paragraph (1) of subsection b. of this section in a fiscal year, plus the amount of tax credits approved pursuant to paragraph (2) of subsection b. of this section exceeds the $20,000,000 aggregate annual limit, the commissioner shall reduce, on a pro rata basis, the award to each business receiving a grant of tax credits pursuant to paragraph (2) of subsection b. as necessary to comply with the aggregate annual limit.

(cf: P.L.2004, c.65, s.7)

3. This act shall take effect immediately.

Lowers the minimum full-time jobs requirement for business relocation and retention tax credits.

ASSEMBLY, No. 1696

STATE OF NEW JERSEY

212th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2006 SESSION

Sponsored by:
Assemblyman DOUGLAS H. FISHER
District 3 (Salem, Cumberland and Gloucester)
Assemblyman JEFF VAN DREW
District 1 (Cape May, Atlantic and Cumberland)
Assemblyman JOHN J. BURZICHELLI
District 3 (Salem, Cumberland and Gloucester)
Assemblyman LOUIS M. MANZO
District 31 (Hudson)

Co-Sponsored by:
Assemblymen Diegnan, Chivukula, Cryan, Vas, Barnes, Assemblywomen Voss, Cruz-Perez, Assemblymen Conners, Hackett, Caraballo, Gusciora, Green, Gordon, Assemblywoman Oliver and Assemblyman Giblin

SYNOPSIS
Lowers the minimum full-time jobs requirement for business relocation and retention tax credits.

CURRENT VERSION OF TEXT
Introduced Pending Technical Review by Legislative Counsel

(Sponsorship Updated As Of: 3/6/2007)

AN ACT lowering the jobs retention eligibility requirement for tax credits for business relocation and retention in New Jersey and amending P.L.1996, c.25.

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

1. Section 4 of P.L.1996, c.25 (C.34:1B-115) is amended to read as follows:

4. a. To qualify for a grant of tax credits, a business shall enter into an agreement to undertake a project to:

(1) relocate a minimum of **[**250**]** 50 retained full-time jobs from one or more locations within this State to a new business location or locations in this State; and

(2) maintain the retained full-time jobs pursuant to the project agreement for the commitment duration.

b. A project that consists solely of point-of-final-purchase retail facilities shall not be eligible for a grant of tax credits. If a project consists of both point-of-final-purchase retail facilities and non-retail facilities, only the portion of the project consisting of non-retail facilities shall be eligible for a grant of tax credits. If a warehouse facility is part of a point-of-final-purchase retail facility and supplies only that facility, the warehouse facility shall not be eligible for a grant of tax credits. For the purposes of this section, catalog distribution centers shall not be considered point-of-final-purchase retail facilities.

(cf: P.L.2004, c.65, s.4)

2. Section 7 of P.L.1996, c.25 (C.34:1B-115.3) is amended to read as follows:

7. a. The total value of the grants of tax credits issued pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall not exceed an aggregate annual limit of $20,000,000 for a fiscal year. A tax credit issued pursuant to P.L.1996, c.25 may be applied against liability arising in the tax period in which the tax credit is issued and the tax period next following, and shall expire thereafter.

b. Grants of tax credits shall be awarded and issued to qualifying businesses as follows, subject to the limitations of subsection c. of this section:

(1) for a project that covers a business relocating a minimum of 500 full-time employees, a grant of tax credits made pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall equal total allowable relocation costs plus any applicable bonus award determined pursuant to section 5 of P.L.2004, c.65 (C.34:1B-115.1) and shall be issued immediately upon the entry of the project agreement

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.

between the commissioner and the business with an approved project, up to the aggregate annual limit; and

(2) for a project that covers a business relocating between [250] 50 and 499 full-time employees, a grant of tax credits shall not be issued until the end of the fiscal year in which the application is approved.

c. If the sum of the amount of tax credits issued pursuant to paragraph (1) of subsection b. of this section in a fiscal year, plus the amount of tax credits approved pursuant to paragraph (2) of subsection b. of this section exceeds the $20,000,000 aggregate annual limit, the commissioner shall reduce, on a pro rata basis, the award to each business receiving a grant of tax credits pursuant to paragraph (2) of subsection b. as necessary to comply with the aggregate annual limit.

(cf: P.L.2004, c.65, s.7)

3. This act shall take effect immediately.

STATEMENT

This bill amends the "Business Retention and Relocation Assistance Act" to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Many businesses in New Jersey are manufacturing firms with fewer than 100 employees. This bill would provide to small businesses the same tax credits currently available to large businesses.

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1696

STATE OF NEW JERSEY

DATED: MARCH 5, 2007

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 1696.

Assembly Bill No. 1696 amends the "Business Retention and Relocation Assistance Act" to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Many businesses in New Jersey are manufacturing firms with fewer than 100 employees. This bill would provide to small businesses the same tax credits currently available to large businesses.

This bill was pre-filed for introduction in the 2006-2007 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1696

STATE OF NEW JERSEY

DATED: JANUARY 3, 2008

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1696.

This bill amends the "Business Retention and Relocation Assistance Act" to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Tax credits can equal up to $1,500 per full-time job relocated and retained depending on the evaluation of economic factors and commitments provided in the tax credit grant application. This bill provides to small businesses the same tax credits currently available to large businesses.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the direct potential cost in State General Fund revenues per fiscal year under the bill is limited by the annual $20 million statutory cap on tax credits awarded under the Business Retention and Relocation Assistance Grant (BRRAG) program. Assuming that $4 million approximates the average annual future cost of tax credits to businesses that relocate and retain at least 250 full-time employees in New Jersey, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey.

The New Jersey Commerce, Economic Growth and Tourism Commission states that it approved $3.9 million in BRRAG tax credits in fiscal year 2007, the first full year in which the credit was available. If that amount is assumed to be the average annual future cost of tax credits for businesses involving at least 250 full-time employees, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey. As the OLS does not have any reliable information on the number of tax credits that would be granted under the bill, it is possible that the commission could issue less than the full additional $16 million in annual tax credits.

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 1696

STATE OF NEW JERSEY
212th LEGISLATURE

DATED: DECEMBER 28, 2007

SUMMARY

Synopsis:	Lowers the minimum full-time jobs requirement for business relocation and retention tax credits.
Type of Impact:	Annual Foregone General Fund Revenue and Indeterminate Annual State Revenue Gain.
Agencies Affected:	Department of the Treasury; New Jersey Commerce, Economic Growth and Tourism Commission.

Office of Legislative Services Estimate

Fiscal Impact	**Fiscal Year 2008**	**Fiscal Year 2009**	**Fiscal Year 2010**
Direct State Revenue Loss	Maximum of $16,000,000 per Fiscal Year		
Indirect State Revenue Gain	Indeterminate - See comments below		

- The Office of Legislative Services (OLS) notes that after debiting the $4 million in Business Retention and Relocation Assistance Grant (BRRAG) tax credits awarded in fiscal year 2007 to businesses that relocated and retained at least 250 employees in New Jersey against the annual $20 million cap on BRRAG tax credits, up to $16 million would be available annually for businesses relocating and retaining between 50 and 249 employees in New Jersey.

- The OLS cannot project the value of the positive economic and fiscal ripple effects that might result from this legislation. Regardless, the OLS notes that the bill would only generate an economic and fiscal benefit to the State with regards to full-time jobs relocated and retained in New Jersey that otherwise would have been moved to other jurisdictions.

BILL DESCRIPTION

Assembly Bill No. 1696 of 2006 lowers the eligibility threshold for the corporation business tax credit under the "Business Retention and Relocation Assistance Act", C.34:1B-112 et seq., from at least 250 full-time jobs relocated and retained within New Jersey to at least 50 full-time jobs relocated and retained. Tax credits equal up to $1,500 per full-time job relocated and retained.

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State House Annex
P.O. Box 068
Trenton, New Jersey 08625

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FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS projects the bill to reduce State General Fund revenues by a maximum of $16 million per fiscal year. This estimate assumes that the year for which a tax credit would be granted to a business would be the year in which the business would either apply the full credit amount against its tax liability or sell its credit to another taxpayer if it had no New Jersey tax liability.

For reasons explained below, the OLS cannot project the value of the offsetting positive economic and fiscal activity the spending of up to $16 million might generate.

Direct Fiscal Impact:

The OLS projects the legislation to decrease State General Fund revenues by at most $16 million per fiscal year. The bill does not alter the annual $20 million cap on tax credits awarded under the Business Retention and Relocation Assistance Grant (BRRAG) program. Hence, its maximal fiscal impact is the cap ($20 million) minus the tax credit amount awarded to businesses that relocate and retain at least 250 full-time employees in New Jersey under existing program guidelines.

The New Jersey Commerce, Economic Growth and Tourism Commission relates that it approved $3.9 million in BRRAG tax credits in fiscal year 2007, the first full year in which the credit was available. Assuming that $4 million approximates the average annual future cost of tax credits to businesses that relocate and retain at least 250 full-time employees in New Jersey, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey. Since the OLS does not have any reliable information on the number of tax credits that would be granted under the legislation, it is possible that the commission might actually issue less than $16 million in annual tax credits.

Indirect Fiscal Impact:

Evaluating a policy change's total fiscal impact requires information on the extent to which the policy change would modify behavior and on the economic ramifications of that modification. Such an assessment focuses on the policy's indirect and induced effects that provide a fiscal feedback to government as the *new* economic activity increases tax collections while it flows through the economy. Indirect effects reflect tax credit-induced input purchases by credit claimants from their suppliers and induced effects reflect tax credit-induced spending by employees of all impacted firms.

Two critical unknowns prevent the OLS from quantifying the magnitude of the indirect and induced effects of awarding up to $16 million in additional BRRAG tax credits.

First, only the indirect and induced effects caused by tax credit-induced spending shifts should enter the fiscal estimate, while those from creditable spending that would have occurred absent the tax credit must be excluded. A tax credit given for job relocations within New Jersey that would have been undertaken without the tax credit does at best yield a marginal additional benefit to the State depending on the recipient's use of the tax credit amount. The State, however, would not reap any benefit from subsidizing the relocation of jobs that the employer would have retained in New Jersey anyhow; instead, it would only incur the cost of the subsidy. The OLS, however, cannot determine the credit amounts that would fall into this category. It notes, however, that they may be relatively small, as the New Jersey Commerce, Economic Growth and Tourism Commission is statutorily required to grant BRRAG tax credits only to applicants demonstrating that the receipt of the credit would be a material factor in their decision not to relocate outside of New Jersey.

Second, the tax credits' total feedback effects do not equal their New Jersey feedback effects, for a portion of the tax credit-induced spending would benefit economies of other jurisdictions. A New York resident holding a job retained in New Jersey, for example, has a New Jersey income tax liability, but most of the New Yorker's private spending might not occur in this State. The size of the transfer of economic activity to other jurisdictions, however, is unknown.

Net Fiscal Impact:

Even if the OLS were able to estimate the bill's fiscal ripple effects, doing so would ignore that the decision to subsidize job relocations within New Jersey would divert resources from the policy alternative(s) to which they would have been applied absent the tax credit. The OLS, however, cannot gauge this opportunity cost.

The bill's opportunity cost would only be zero if the State's investment in BRRAG did not displace or forestall other spending (thereby setting the bill's fiscal feedback effects equal to its *net* fiscal feedback effects). In actuality, given the State's finite resources and its balanced budget requirement, the bill's *net* fiscal impact would be the bill's fiscal feedback effects minus its opportunity cost (or the total of the bill's direct, indirect, and induced effects *less* the equivalent effects of the alternative use(s) of the $16 million the legislation would preempt). For example, if, instead of this legislation, the State invested $16 million annually in road construction, the bill would produce a *net* fiscal effect equal to the difference between the total fiscal impact of the amount spent on New Jersey job relocations and that of the foregone road construction investment.

Section:	*Revenue, Finance and Appropriations*
Analyst:	*Thomas Koenig* *Associate 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-1 et seq.).

SENATE, No. 80

STATE OF NEW JERSEY

212th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2006 SESSION

Sponsored by:
Senator THOMAS H. KEAN, JR.
District 21 (Essex, Morris, Somerset and Union)
Senator ANTHONY R. BUCCO
District 25 (Morris)

SYNOPSIS

Lowers the minimum full-time jobs requirement for business relocation and retention tax credits.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel

(Sponsorship Updated As Of: 5/11/2007)

AN ACT lowering the jobs retention eligibility requirement for tax credits for business relocation and retention in New Jersey and amending P.L.1996, c.25.

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

1. Section 4 of P.L.1996, c.25 (C.34:1B-115) is amended to read as follows:

4. a. To qualify for a grant of tax credits, a business shall enter into an agreement to undertake a project to:

(1) relocate a minimum of **[**250**]** <u>50</u> retained full-time jobs from one or more locations within this State to a new business location or locations in this State; and

(2) maintain the retained full-time jobs pursuant to the project agreement for the commitment duration.

b. A project that consists solely of point-of-final-purchase retail facilities shall not be eligible for a grant of tax credits. If a project consists of both point-of-final-purchase retail facilities and non-retail facilities, only the portion of the project consisting of non-retail facilities shall be eligible for a grant of tax credits. If a warehouse facility is part of a point-of-final-purchase retail facility and supplies only that facility, the warehouse facility shall not be eligible for a grant of tax credits. For the purposes of this section, catalog distribution centers shall not be considered point-of-final-purchase retail facilities.

(cf: P.L.2004, c.65, s.4)

2. Section 7 of P.L.1996, c.25 (C.34:1B-115.3) is amended to read as follows:

7. a. The total value of the grants of tax credits issued pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall not exceed an aggregate annual limit of $20,000,000 for a fiscal year. A tax credit issued pursuant to P.L.1996, c.25 may be applied against liability arising in the tax period in which the tax credit is issued and the tax period next following, and shall expire thereafter.

b. Grants of tax credits shall be awarded and issued to qualifying businesses as follows, subject to the limitations of subsection c. of this section:

(1) for a project that covers a business relocating a minimum of 500 full-time employees, a grant of tax credits made pursuant to P.L.1996, c.25 (C.34:1B-112 et seq.) shall equal total allowable relocation costs plus any applicable bonus award determined pursuant to section 5 of P.L.2004, c.65 (C.34:1B-115.1) and shall be issued immediately upon the entry of the project agreement

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.

between the commissioner and the business with an approved project, up to the aggregate annual limit; and

(2) for a project that covers a business relocating between [250] <u>50</u> and 499 full-time employees, a grant of tax credits shall not be issued until the end of the fiscal year in which the application is approved.

c. If the sum of the amount of tax credits issued pursuant to paragraph (1) of subsection b. of this section in a fiscal year, plus the amount of tax credits approved pursuant to paragraph (2) of subsection b. of this section exceeds the $20,000,000 aggregate annual limit, the commissioner shall reduce, on a pro rata basis, the award to each business receiving a grant of tax credits pursuant to paragraph (2) of subsection b. as necessary to comply with the aggregate annual limit.

(cf: P.L.2004, c.65, s.7)

3. This act shall take effect immediately.

STATEMENT

This bill amends the "Business Retention and Relocation Assistance Act" to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Many businesses in New Jersey are manufacturing firms with fewer than 100 employees. This bill would provide to small businesses the same tax credits currently available to large businesses.

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE, No. 80

STATE OF NEW JERSEY

DATED: DECEMBER 3, 2007

The Senate Economic Growth Committee reports favorably Senate Bill, No. 80.

This bill amends the "Business Retention and Relocation Assistance Act," P.L.1996, c.25 (C.34:1B-112 et seq.), to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Many businesses in New Jersey are manufacturing firms with fewer than 100 employees. This bill would provide to small businesses the same tax credits currently available to large businesses.

This bill was pre-filed for introduction in the 2006-2007 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 80

STATE OF NEW JERSEY

DATED: JANUARY 3, 2008

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 80.

This bill amends the "Business Retention and Relocation Assistance Act," P.L.1996, c.25 (C.34:1B-112 et seq.), to extend eligibility for the granting of tax credits under the act to businesses relocating 50 or more employees within New Jersey. Current law requires that a firm relocate a minimum of 250 jobs to be eligible for the tax credits. Tax credits can equal up to $1,500 per full-time job relocated and retained depending on the evaluation of economic factors and commitments provided in the tax credit grant application. This bill would extend to small businesses the same tax credit opportunities currently available to large businesses.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the direct potential cost in State General Fund revenues per fiscal year under the bill is limited by the annual $20 million statutory cap on tax credits awarded under the Business Retention and Relocation Assistance Grant (BRRAG) program. Assuming that $4 million approximates the average annual future cost of tax credits to businesses that relocate and retain at least 250 full-time employees in New Jersey, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey.

The New Jersey Commerce, Economic Growth and Tourism Commission states that it approved $3.9 million in BRRAG tax credits in fiscal year 2007, the first full year in which the credit was available. If that amount is assumed to be the average annual future cost of tax credits for businesses involving at least 250 full-time employees, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey. Since the OLS does not have any reliable information on the number of tax credits that would be granted under the legislation, it is possible that the commission could issue less than $16 million in annual tax credits.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 80
STATE OF NEW JERSEY
212th LEGISLATURE

DATED: DECEMBER 28, 2007

SUMMARY

Synopsis:	Lowers the minimum full-time jobs requirement for business relocation and retention tax credits.
Type of Impact:	Annual Foregone General Fund Revenue and Indeterminate Annual State Revenue Gain.
Agencies Affected:	Department of the Treasury; New Jersey Commerce, Economic Growth and Tourism Commission.

Office of Legislative Services Estimate

Fiscal Impact	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Direct State Revenue Loss	Maximum of $16,000,000 per Fiscal Year		
Indirect State Revenue Gain	Indeterminate - See comments below		

- The Office of Legislative Services (OLS) notes that after debiting the $4 million in Business Retention and Relocation Assistance Grant (BRRAG) tax credits awarded in fiscal year 2007 to businesses that relocated and retained at least 250 employees in New Jersey against the annual $20 million cap on BRRAG tax credits, up to $16 million would be available annually for businesses relocating and retaining between 50 and 249 employees in New Jersey.

- The OLS cannot project the value of the positive economic and fiscal ripple effects that might result from this legislation. Regardless, the OLS notes that the bill would only generate an economic and fiscal benefit to the State with regards to full-time jobs relocated and retained in New Jersey that otherwise would have been moved to other jurisdictions.

BILL DESCRIPTION

Senate Bill No. 80 of 2006 lowers the eligibility threshold for the corporation business tax credit under the "Business Retention and Relocation Assistance Act", C.34:1B-112 et seq., from at least 250 full-time jobs relocated and retained within New Jersey to at least 50 full-time jobs relocated and retained. Tax credits equal up to $1,500 per full-time job relocated and retained.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS projects the bill to reduce State General Fund revenues by a maximum of $16 million per fiscal year. This estimate assumes that the year for which a tax credit would be granted to a business would be the year in which the business would either apply the full credit amount against its tax liability or sell its credit to another taxpayer if it had no New Jersey tax liability.

For reasons explained below, the OLS cannot project the value of the offsetting positive economic and fiscal activity the spending of up to $16 million might generate.

Direct Fiscal Impact:

The OLS projects the legislation to decrease State General Fund revenues by at most $16 million per fiscal year. The bill does not alter the annual $20 million cap on tax credits awarded under the Business Retention and Relocation Assistance Grant (BRRAG) program. Hence, its maximal fiscal impact is the cap ($20 million) minus the tax credit amount awarded to businesses that relocate and retain at least 250 full-time employees in New Jersey under existing program guidelines.

The New Jersey Commerce, Economic Growth and Tourism Commission relates that it approved $3.9 million in BRRAG tax credits in fiscal year 2007, the first full year in which the credit was available. Assuming that $4 million approximates the average annual future cost of tax credits to businesses that relocate and retain at least 250 full-time employees in New Jersey, up to $16 million would be available per year to businesses that relocate and retain between 50 and 249 full-time employees in New Jersey. Since the OLS does not have any reliable information on the number of tax credits that would be granted under the legislation, it is possible that the commission might actually issue less than $16 million in annual tax credits.

Indirect Fiscal Impact:

Evaluating a policy change's total fiscal impact requires information on the extent to which the policy change would modify behavior and on the economic ramifications of that modification. Such an assessment focuses on the policy's indirect and induced effects that provide a fiscal feedback to government as the *new* economic activity increases tax collections while it flows through the economy. Indirect effects reflect tax credit-induced input purchases by credit claimants from their suppliers and induced effects reflect tax credit-induced spending by employees of all impacted firms.

Two critical unknowns prevent the OLS from quantifying the magnitude of the indirect and induced effects of awarding up to $16 million in additional BRRAG tax credits.

First, only the indirect and induced effects caused by tax credit-induced spending shifts should enter the fiscal estimate, while those from creditable spending that would have occurred absent the tax credit must be excluded. A tax credit given for job relocations within New Jersey that would have been undertaken without the tax credit does at best yield a marginal additional benefit to the State depending on the recipient's use of the tax credit amount. The State, however, would not reap any benefit from subsidizing the relocation of jobs that the employer would have retained in New Jersey anyhow; instead, it would only incur the cost of the subsidy.

The OLS, however, cannot determine the credit amounts that would fall into this category. It notes, however, that they may be relatively small, as the New Jersey Commerce, Economic Growth and Tourism Commission is statutorily required to grant BRRAG tax credits only to applicants demonstrating that the receipt of the credit would be a material factor in their decision not to relocate outside of New Jersey.

Second, the tax credits' total feedback effects do not equal their New Jersey feedback effects, for a portion of the tax credit-induced spending would benefit economies of other jurisdictions. A New York resident holding a job retained in New Jersey, for example, has a New Jersey income tax liability, but most of the New Yorker's private spending might not occur in this State. The size of the transfer of economic activity to other jurisdictions, however, is unknown.

Net Fiscal Impact:

Even if the OLS were able to estimate the bill's fiscal ripple effects, doing so would ignore that the decision to subsidize job relocations within New Jersey would divert resources from the policy alternative(s) to which they would have been applied absent the tax credit. The OLS, however, cannot gauge this opportunity cost.

The bill's opportunity cost would only be zero if the State's investment in BRRAG did not displace or forestall other spending (thereby setting the bill's fiscal feedback effects equal to its *net* fiscal feedback effects). In actuality, given the State's finite resources and its balanced budget requirement, the bill's *net* fiscal impact would be the bill's fiscal feedback effects minus its opportunity cost (or the total of the bill's direct, indirect, and induced effects *less* the equivalent effects of the alternative use(s) of the $16 million the legislation would preempt). For example, if, instead of this legislation, the State invested $16 million annually in road construction, the bill would produce a *net* fiscal effect equal to the difference between the total fiscal impact of the amount spent on New Jersey job relocations and that of the foregone road construction investment.

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C. 52:13B-1 et seq.).