

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3305**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JANUARY 21, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3305, with committee amendments.

This bill allows corporation business tax and gross income tax credits for nonresidential building improvement expenses to reduce the spread of COVID-19. The credit will be allowed for expenditures made during calendar years 2020, 2021, and 2022.

The following expenditures will be includable in calculation of the credit: expenditures for (1) bi-polar ionization and ultraviolet lighting to disinfect indoor air and surfaces, including in elevators and work areas; (2) infrared thermometers for screening visitors in common areas; (3) transparent sneeze guards or shields; (4) touchless entryway and security; (5) ventilation; and (6) other materials, supplies, and equipment to reduce the spread of COVID-19 and necessary to create a safe environment for employers and employees to return to their work spaces.

The amount of credit allowed will be equal to: 75 percent of the taxpayer's expenditures for a work space of less than 30,000 square feet, but the credit for such expenditures cannot exceed \$100,000; and 50 percent of the taxpayer's expenditures for a work space of 30,000 square feet or more, but the credit for such expenditures cannot exceed \$250,000. A taxpayer that claims a credit pursuant to this bill will be required to add back into their calculation of income the amount of any expenditures that the taxpayer deducted. This requirement ensures that the taxpayer does not get the double benefit of being allowed to deduct expenses from income and get a credit against their tax liability to cover the cost of those expenses.

#### COMMITTEE AMENDMENTS:

The committee amended the bill to:

- add a provision allowing tax credits for corporation business taxpayers;
- allow the carryforward of unused credit for up to seven years;
- require a taxpayer to add back into their calculation of income the amount of any expenditures outlined in the bill that the taxpayer deducted; and

- allow any immediately issued regulations to be in effect for 18 months, instead of 360 days.

FISCAL IMPACT:

The Office of Legislative Services (OLS) projects that this bill will result in an indeterminate loss of revenue to the Property Tax Relief Fund and the General Fund. Any revenue loss will be: a) temporally limited because the tax credit applies to expenditures made during 2020, 2021, 2022 only; and b) spread out over several years, as the bill allows unused tax credits to be carried forward for up to seven tax years of privilege periods.

The OLS does not have data on how many taxpayers have more or less than 30,000 square feet for a work location. Additionally, the OLS cannot project how many taxpayers will utilize these gross income tax and corporation business tax credits and how much they will spend on nonresidential building improvements to prevent the spread of the COVID-19 virus.