LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1154

STATE OF NEW JERSEY

217th LEGISLATURE

DATED: DECEMBER 18, 2017

SUMMARY

Synopsis:	Requires Attorney General to establish Statewide gun buyback program.
Type of Impact:	Recurring revenue loss, State General Fund and Property Tax Relief Fund. Potential recurring expenditure impact, State forfeiture funds.
Agencies Affected:	Office of the Attorney General in the Department of Law and Public Safety; Division of Taxation in the Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
Annual State Revenue Decrease		Up to $2,000,000	
Potential Annual State Cost Impact		Indeterminate – See comments below	

- The Office of Legislative Services (OLS) projects that the legislation may produce an annual State revenue loss of up to $2.0 million from newly establishing a gross income tax and corporation business tax credit program for donations to the existing Office of the Attorney General (OAG) gun buyback program.

- In addition, the bill may alter by an indeterminate amount the OAG's annual gun buyback expenditures. Any impact will be the difference between program expenditures under the bill and current law. The OLS, however, cannot determine the difference because of a lack of information on significant parameters of implementation under the two scenarios, such as the number of gun buyback events, cumulative gun buyback payments, and the availability of program funding.

BILL DESCRIPTION

Senate Bill No. 1154 (1R) of 2016 requires the OAG to operate a Statewide gun buyback program and establishes a tax credit program for donations to the program.

The required gun buyback program allows citizens to surrender firearms and weapons in their possession in exchange for a monetary reward to be determined by the OAG. At least nine

gun buyback events must be held per year throughout the State in cooperation, to the greatest extent practicable, with local law enforcement agencies and community organizations. The gun buyback program is funded by: forfeiture funds received by the OAG as instrumentalities of crime; private donations from businesses and individuals; and any other monies that may become available. The bill's gun buyback program provisions become effective on the first day of the seventh month next following the bill's date of enactment.

The bill also newly allows corporation business tax and gross income tax credits for private donations to the gun buyback program, equal to 25 percent of the fair market value of a taxpayer's qualified contribution. The cumulative tax credit amount may not exceed $2 million in any calendar year. The tax credit program is co-administered by the OAG and the Division of Taxation in the Department of the Treasury. Tax credits are first available in privilege periods and taxable years beginning on or after January 1 next following the date of enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS projects that the legislation may produce an annual State revenue loss of up to $2.0 million to the General Fund and Property Tax Relief Fund from newly establishing a gross income tax and corporation business tax credit program for donations to the OAG gun buyback program. The OLS cannot determine the magnitude of future donations and tax credit awards, but notes that the bill caps total tax credit awards at $2 million per year.

In addition, the bill may alter by an indeterminate amount the OAG's annual gun buyback expenditures. Any impact will be the difference between program expenditures under the bill and current law. The OLS, however, cannot determine the difference because of a lack of information on significant parameters of implementation under the two scenarios, such as the number of gun buyback events, cumulative OAG gun buyback payments, and the availability of program funding. In general, the bill grants the OAG substantial discretion with respect to program parameters, except that the OAG must hold nine gun buyback events per year.

The OAG has already been conducting gun buyback events periodically. In response to an FY 2015 OLS Discussion Point, the OAG reported that it had purchased nearly 16,000 firearms, including more than 7,300 handguns and nearly 1,900 illegal firearms, at ten gun buyback events held since December 2012. The OAG noted further that, on average, it had paid $135 per firearm and that $2.27 million in OAG forfeiture funds and a $50,000 private donation financed the buybacks. The average gun buyback event thus cost $232,000. According to a September 4, 2013 OAG press release, citizens could turn in up to three firearms "no questions asked" and receive a cash payment of up to $250 per weapon, depending on the type of gun and its condition.

The bill assigns two specific funding sources to the gun buyback program, balances in "Forfeiture Program" accounts and private donations. Forfeiture funds accrue from the seizure and forfeiture of assets that represent the proceeds of, or were used to facilitate, crimes. The Governor's FY 2018 Budget indicates that the OAG collected $5.46 million in "Forfeiture Program" funds in FY 2016 but collections tend to fluctuate year-over-year. Forfeiture account

balances support several purposes, including gun buybacks, witness relocation, vehicle purchases, law enforcement training, and equipment purchases.

As to donations, the OLS cannot determine the amount that will be donated to gun buyback programs under the bill. Any donation received, however, could supplement or supplant the amount the OAG would otherwise allocate to the program out of forfeiture funds.

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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.).