

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3016

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 3016.

The bill reduces, beginning for New Jersey gross income tax year 2010 and thereafter, the benefit amount provided under the New Jersey earned income credit (EIC) program as a percentage of the federal earned income tax credit (EITC).

Currently, the State EIC program provides a refundable earned income tax credit equal to 25 percent of the federal EITC. This bill would reduce that amount to 20 percent of the federal benefit to save \$45 million during FY 2011, as proposed in the Governor's Budget Recommendation. Twenty percent is the State credit amount previously in effect during FY 2008 (tax year 2007).

FISCAL IMPACT:

The Executive's Budget-in-Brief for FY 2011 indicated that the reduction of EITC benefits, subsequently incorporated in this bill, would reduce taxpayer benefits, and increase State gross income tax revenues deposited into the Property Tax Relief Fund, by \$45,064,000 in FY 2011.

The Office of Legislative Services concurs in the estimated \$45,064,000 revenue increase in the Property Tax Relief Fund. Approximately 485,000 taxpayers receive benefits under the EITC program, worth approximately \$225.3 million annually. The 20% reduction in benefits would result in an estimated increase in the Property Tax Relief Fund equal to the Executive's estimate. Subsequent years would see additional revenue increases to the extent that benefits would have increased along with annual inflation adjustments.