

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 2493**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: JUNE 19, 2020

**SUMMARY**

- Synopsis:** Allows commercial property owner to claim tax credit against CBT or GIT for providing commercial tenant rent forgiveness during COVID-19 emergency.
- Type of Impact:** One-time revenue loss to State General Fund and Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>FY 2021 and FY 2022</b>
<b>One-Time State Revenue Loss</b>	Indeterminate

- The Office of Legislative Services (OLS) cannot quantify the exact magnitude of the bill's impact, but the State can expect a revenue loss to the State General Fund and the Property Tax Relief Fund. The one-time revenue loss could be in the tens or hundreds of millions of dollars, depending on the actions of commercial landlords.
- The OLS cannot reasonably ascertain the number of taxpayers that will claim this credit because it has no way of knowing the number of taxpayers providing rent forgiveness to commercial tenants and how much rent is being forgiven.

**BILL DESCRIPTION**

This bill allows commercial property owners to claim a tax credit against the taxpayer's Corporation Business Tax or Gross Income Tax liability, whichever is applicable, for rent forgiveness granted to commercial tenants because of the COVID-19 pandemic. The tax credit allowed under the bill is equal to up to 33.3 percent or \$15,000, whichever is less, of the amount of rent forgiveness provided by the taxpayer to each commercial tenant, over not more than three months. The tax credit is only available for forgiven rent on months occurring during the public health emergency declared by the Governor, but the tax credit will not be allowed for forgiven rent on any month after September 2020.

The bill stipulates that a taxpayer is not allowed to claim a tax credit for any rent forgiveness provided by the taxpayer to a business that is a part of the same controlled group or the same affiliated group as the taxpayer.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS cannot quantify the exact magnitude of the bill's revenue loss if enacted, but the State can expect a revenue loss to the State General Fund and the Property Tax Relief Fund. The OLS is unaware of a dataset that contains information concerning commercial leases in New Jersey. Further, the OLS cannot reasonably ascertain the number of taxpayers that will claim this credit because it has no way of knowing the number of taxpayers providing rent forgiveness to commercial tenants and how much rent is being forgiven. However, the one-time revenue loss could be in the tens or hundreds of millions of dollars, depending on the actions of commercial landlords.

According to the most recent U.S. Census Bureau data for New Jersey, there are 233,907 employer establishments in the State. In order to demonstrate the extent to which this bill could reduce corporation business tax and gross income tax revenues, the OLS assumes that five percent of those employer establishments (11,695) are leased to commercial tenants and would qualify for the bill's tax credit. If the assumed population of eligible taxpayers each claim a \$7,500 credit, half of the maximum allowed for in the bill, revenues in the aggregate could decline by roughly \$87.7 million. If the number or value of tax credits claimed is lower or higher, the total tax credits awarded would likely measure in the tens or hundreds of millions of dollars.

There are provisions in the bill that limit its impact on State revenues, such as limiting the rent forgiveness period to September 2020. The OLS notes that the tax credit is non-refundable and cannot be carried forward, so not every taxpayer will be able to redeem the full value of the tax credit. Most of the impact from this bill should occur in FY 2021 as taxpayers file their annual returns by April 2021. However, the impact could tail into FY 2022, since some taxpayers could have different accounting and privilege periods than the standard calendar year.

*Section: Revenue, Finance and Appropriations*  
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*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.).