

FISCAL NOTE TO

[First Reprint] ASSEMBLY, No. 1172

STATE OF NEW JERSEY

DATED: AUGUST 6, 1996

Assembly Bill No. 1172 (1R) of 1996 provides for a tax deduction under the gross income tax for taxpayers who operate or maintain a licensed child care service for the children of their employees, or who have paid part of all of the cost of outside child care services for children of employees. The deduction would be equal to 25 percent of the expenses incurred. The bill allows for the expense deduction to be in cooperation with one or more unincorporated businesses. This provision is intended to act as an incentive for small businesses to form a consortium to provide child care services for employees.

The Division of Taxation in the Department of Treasury stated that figures were not available to estimate the loss of revenue to the State. If enacted, this deduction would effectively reduce after tax cost of child care expenses by, at most, 25 percent of 6.37 percent, the highest gross income tax rate. The division does not believe that this savings is large enough to alter behavior. The division also stated that there are probably not more than a handful of unincorporated businesses reimbursing employees for child care services, and if 1,000 children were covered at \$4,000 each per year for child care services, the deduction taken at the highest effective rate would amount to \$64,000 in lost revenue.

The Office of Legislative Services generally concurs with the division's statement that the bill would not result in a major loss in revenue. A 1990 wage and benefit survey by the New Jersey Department of Labor showed that less than 3/10ths of one percent of all employers in the State were providing for the cost of child care benefits to employees. That survey has not been updated according to the department. Without actual data or information on utilization trends, no firm revenue loss estimate can be made.

This fiscal note has been prepared pursuant to P.L.1980, c.67.