LEGISLATIVE FISCAL ESTIMATE TO

[Second Reprint]
ASSEMBLY, No. 1414

STATE OF NEW JERSEY

DATED: April 11, 1996

Assembly Bill No.1414 (2R) of 1996, establishes a Business Relocation Assistance Grant program within the Department of Commerce and Economic Development to encourage economic development and job creation in this State. To the extent that funding is available from the General Fund, and with certain other restrictions, the program will provide grants for up to fifty percent of the cost of relocation to businesses which relocate to the State and create a minimum of 25 new full-time jobs in the State. However, an individual grant may not exceed 80% of the projected new income tax revenues realized from the new jobs created by the grant applicant.

As amended, the grants under this bill will not be disbursed in any year until the new income tax revenues equal or exceed the amount of the grant, and grant amounts are further limited in consideration of grants received under other programs.

The Department of Commerce and Economic Development previously indicated when the predecessor to this bill was considered during the last legislative session, that the State will not incur a net increase in expenditures as a result of the bill, and that the bill is, therefore, revenue neutral. The department's projection assumes that the cost of the relocation grants will be offset entirely by the increase in State income tax revenues as a result of the newly created jobs.

The Office of Legislative Services (OLS) cannot estimate the bill's net impact on the General Fund, since the OLS cannot project the number of new jobs which will be created by the bill, the wage levels of those jobs, or the number of businesses which would have relocated to the State without grant assistance; however, the OLS notes that the establishment of a dedicated funding source for this program represents a loss of potential income to the State, since these revenues would otherwise flow to the General Fund. The OLS further notes that in order for the State to offset completely total allowable relocation costs "equal to 400 times the number of new full-time jobs created," as defined in the bill, the minimum taxable income associated with those jobs would have to be $25,000 per year or more, per employee, irrespective of the employee's filing status. That is, in order for the State to realize $400 in new gross income tax revenue from each new job, assuming the grant amount represents 80 percent of the projected new income tax revenue from the job, and given a State income tax rate of two percent, the annual salary for each new

employee would have to equal at least $25,000.

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