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LEGISLATIVE FISCAL ESTIMATE TO

[Second Reprint]  
**ASSEMBLY, No. 1415**

**STATE OF NEW JERSEY**

DATED: APRIL 10, 1996

Assembly Bill No. 1415 (2R) of 1996 establishes the Business Employment Incentive Program to be administered by the New Jersey Economic Development Authority (EDA) to make direct payments in the form of grants to attract businesses creating new jobs in the State. The amount of an employment incentive grant will equal a percentage, between 10 percent and 80 percent, of the total amount of State income taxes withheld by the business during a calendar year for the new employees hired. The employment incentive can be authorized for a fixed number of years, not to exceed ten.

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

In addition, the bill grants a sales and use tax exemption for certain property purchased by a provider of cable/satellite television program services, whether the provider is licensed by the Federal Communications Commission or not.

The Department of Commerce and Economic Development previously indicated, when the predecessor 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 employment incentive 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; however, the OLS notes that the establishment of a dedicated funding source for this program represents a loss of potential income to the State, as does the extension of a sales and use tax exemption for certain property purchases, since these revenues would otherwise flow to the General Fund. Moreover, the OLS notes that although grants awarded pursuant to the program may equal up to 80 percent of the projected new income tax revenue from the new jobs created by a grant applicant, section 17 of the bill appropriates to the EDA in FY 1996 up to 100 percent of the new income tax revenues, at the same time it permits the EDA to charge application and service fees to cover the costs of implementing the program.

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