

LEGISLATIVE FISCAL ESTIMATE TO
SENATE, No. 435
STATE OF NEW JERSEY

DATED: DECEMBER 12, 1996

Senate Bill No. 435 of 1996 provides a credit against the corporation business tax (CBT) for corporations that hire new adult employees who have cystic fibrosis. Specifically, this legislation permits CBT taxpayers to receive a credit equal to 50 percent of the wages paid in the first year of employment up to \$5,000 and 20 percent of the wages paid in the second year of employment up to \$5,000. The total amount of the credit allowed may not exceed 90 percent of the employer's CBT liability or reduce the liability below the standard minimum tax. However, any credit which could not be used in the tax year in which it was earned may be carried forward for up to five years or carried back for up to three years.

This bill effectively offers an incentive to corporations in the State to hire new employees with cystic fibrosis by creating a two-year, declining credit for the employee's wages. A business that hires an employee with cystic fibrosis in the first year following enactment of this bill will receive a \$2,500 credit (assuming the employee's wages exceed \$5,000 annually). In the second year, that same employee will provide a \$1,000 credit, and in the third year there will be no credit.

The Office of Legislative Services (OLS) estimates that the revenue losses associated with this bill will be minimal. According to the University of Medicine and Dentistry of New Jersey's Department of Pediatrics, there are roughly 170 adult cystic fibrosis patients in New Jersey, of whom 70 are already employed. To be eligible for this credit, a corporation must hire a *new* employee who has cystic fibrosis. Therefore, the employers of the 70 patients who are currently employed will not be eligible for this credit. It is certainly possible that these 70 employed cystic fibrosis patients *and* the 100 in the State who are not currently employed will all find new employment in the first year following enactment of this bill. If this unlikely scenario occurred, the State could lose up to \$425,000 as a result of this bill. Instead, the OLS estimates that among those cystic fibrosis patients who are able to work, very few will become "new" employees in any given year, keeping the fiscal impact of this bill relatively insignificant.

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.