

FISCAL NOTE TO  
**SENATE, No. 447**  
**STATE OF NEW JERSEY**

DATED: OCTOBER 15, 1996

Senate Bill No. 447 of 1996 extends the carryforward period for utilizing the net operating loss deduction allowance under the corporation business tax by certain companies with advanced technology research expenditures in New Jersey. These taxpayers contributing to advanced technology research in New Jersey will be able to carry forward their net operating loss deduction for up to 15 years instead of the seven years allowed for other corporate taxpayers.

The Division of Taxation in the Department of Treasury observes that any additional tax revenue loss would not begin to occur until eight years following enactment of S-447 (approximately FY 2005). This would be the first fiscal year following the end of the maximum seven-year net operating loss carryforward period allowed under existing law. According to the division, the revenue loss would slowly increase after this point and reach a plateau of \$12 million per year in FY 2012 and thereafter, depending on the future levels of net operating losses. As outlined below, the division estimates that 20% of the current annual \$300 million cost attributable to net operating loss deductions may be from corporations with research and development expenses in the six advanced technology fields defined in the bill.

Worksheet Summary for S-447			
	Estimated annual cost of current seven yr. net operating loss (NOL) carryforward deduction under the CBT		\$300 million
1	Share of NOL allocated to high-tech firms	20% (of \$300 million)	\$60 million
2	Portion of annual NJ high-tech NOL share that may carry forward against income after current 7 year period runs out	20% (of \$60 million)	\$12 million
3	Total annual NOLs through 15th year after enactment	15 x \$12 million	\$180 million
4	Divide 15 year total evenly over new 15 year period	\$180 million ÷ 15 years	\$12 million maximum loss in 15th year

As shown, the division calculates that approximately \$12 million

in unused operating loss deductions will be available each year to be carried forward from the eighth through the 15th year following the tax year in which the loss is actually incurred.

The Division of Taxation's estimate is based on a statistical sample of confidential corporate business tax returns, along with various assumptions about the types of companies that might qualify for the extended loss carryforward provisions of S-447. While there are numerous considerations that could cause the fiscal impact of the bill to vary from the estimate, the Office of Legislative Services finds no reason to disagree with the analysis performed with the division.

Co-prime sponsor Senator Robert W. Singer does not concur with the information contained herein.

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