FISCAL NOTE TO

[First Reprint]
SENATE, No. 988

STATE OF NEW JERSEY

DATED: DECEMBER 29, 1997

BILL SUMMARY

Senate Bill No.988 (1R) of 1996 provides a $3,000 deduction from the gross income of a New Jersey taxpayer who provides more than one-half of the support of a relative, at least 70 years of age and who lives in the taxpayer's home for at least six months of the taxable year. To qualify for the deduction, the gross income of a taxpayer filing an individual return may not exceed $35,000 and the gross income of a taxpayer filing a joint return may not exceed $50,000.

AGENCY COMMENTS

The Department of the Treasury and the Office of Management and Budget estimate a revenue loss due to this bill of $1.6 million in fiscal year 1997-98 and $3.1 million in fiscal year 1998-99. These estimates are based on the 1994 Office of Tax Analysis Gross Income Tax Sample. Within the income limitations of the bill, Treasury calculated that approximately 84,000 returns claimed an exemption for "other dependents" in 1994. However, these exemptions can be taken for both elderly and non-elderly dependents, and therefore represent an overestimate of the likely number of deductions claimed under this bill. Treasury's estimates are based on these sample data and projections of growth in the senior citizen population and New Jersey total personal income. The fiscal year 1997-98 amount is half of the full fiscal year amount because Treasury assumes an effective date of January 1, 1998, half way into the fiscal year.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

The Office of Legislative Services (OLS) generally concurs with the Treasury estimate of the cost of this bill. In 1996, the OLS estimated that the bill could cost the State approximately $4.2 million in reduced gross income tax collections annually. That estimate was based, in part, on 1990 Census data that suggested as many as 90,000 tax deductions may be claimed. At that time, the OLS assumed an average tax savings of about $47 per deduction, based on a $3,000 deduction at the two lowest marginal tax rates. Treasury's recent fiscal estimate is consistent with the previous OLS fiscal estimate.

However, the OLS notes that the fiscal year 1997-98 revenue loss could be less than Treasury's estimate of $1.6 million, since most taxpayers will benefit from this deduction for the first time when filing their final tax payments in April of 1999. Tax collections in the last six months of fiscal year 1997-98 may be only minimally affected. The major impact of this legislation would affect State tax revenues beginning in fiscal year 1998-99.

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