

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 1534

**STATE OF NEW JERSEY
219th LEGISLATURE**

DATED: JUNE 7, 2021

SUMMARY

- Synopsis:** “New Jersey Works Act”; Permits businesses to create pre-employment training programs in partnership with nonprofit organizations or educational institutions; provides tax credits to businesses that provide financial assistance to pre-employment training programs.
- Type of Impact:** Annual net State revenue decrease to General Fund and Property Tax Relief Fund.
- Agencies Affected:** Department of Labor and Workforce Development.
Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Direct State Revenue Loss	Up to \$12,000,000
Indirect State Revenue Gain	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will result in an annual net decrease in State revenues. Several factors, such as the amount of assistance provided to pre-employment and work readiness training programs and the number of participants that receive employment following program completion will impact the specific magnitude of the direct and indirect State revenue effects of the bill.
- The direct State revenue loss may be partially offset by the indirect State revenue effects catalyzed through new training and employment opportunities, such as additional State revenues from program participants hired by business entities that provide assistance to pre-employment and worker readiness training programs. In contrast, the fiscal effects generated by employment opportunities by credit-receiving businesses that will be created irrespective of the tax credit award cannot be attributed to the bill.

BILL DESCRIPTION

This bill provides a financial incentive for businesses to establish pre-employment and work readiness training programs in partnerships with institutions of higher education, comprehensive high schools, county vocational schools, and nonprofit organizations. Under the bill, a business entity may receive a credit against the corporation business tax or gross income tax for 100 percent of any financial assistance provided to support to a qualified pre-employment and work readiness training program approved by the State Employment and Training Commission. A maximum of \$12 million in tax credits per State fiscal year are allowed to be granted to taxpayers to granted to taxpayers for assistance provided to an institution of higher education, a comprehensive school, a vocational school, or a nonprofit organization for an approved pre-employment and work readiness training program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in an indeterminate annual net loss of State revenues to the General Fund and Property Tax Relief Fund beginning in FY 2022. Multiple factors will influence the magnitude of the direct and indirect revenue effects of the bill.

The bill permits the awarding of \$12 million in tax credits to business entities that provide financial assistance to an approved pre-employment and worker readiness program. The bill requires program participants to receive the State minimum wage for 12 weeks of paid training. Trainees may also receive employment at the business entity which provided assistance to support the program. If a program participant is subject to the gross income tax or spends the resultant income on goods and services that are subject to the sales and use tax, then a portion of the revenue loss will be offset by State revenue collections.

Actual annual revenue losses will be driven by the total amount contributed by business entities to approved pre-employment and worker readiness training programs. The OLS cannot predict how many business entities will support a pre-employment and worker readiness training program or the total amount of assistance that will be provided to these programs. The bill's limitation on the costs or expenses eligible for the tax credit may further dampen the bill's impact on State revenues.

Section: *Revenue, Finance and Appropriations*
Analyst: *Scott A. Brodsky*
 Principal Fiscal Analyst
Approved: *Thomas Koenig*
 Legislative Budget and Finance Officer

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 (C.52:13B-6 et seq.).