

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## ASSEMBLY, No. 5218

with committee amendments

# STATE OF NEW JERSEY

DATED: MAY 18, 2021

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 5218 (1R).

This bill, as amended, would allow the owner of a small restaurant, wedding venue, banquet hall or of an alcoholic beverage manufacturer to use a bonus depreciation allowance of up to \$150,000 for capital expenditures incurred within New Jersey to comply with the health and safety requirements of the Governor's executive orders regarding the COVID-19 pandemic. These capital expenditures would include but are not limited to the purchase of heaters and overhangs and upgrades to the heating, ventilation, and air conditioning system. This benefit would be available to a restaurant owner if the restaurant has no more than 100 employees, and if the restaurant is not a chain restaurant.

Bonus depreciation allows a business to immediately deduct a large percentage of the purchase price of certain property. New Jersey decoupled from the federal rules regarding bonus depreciation in 2002. This bill re-couples to the federal rules for small business restaurant owners on up to \$150,000 of expenditures incurred to comply with the Governor's COVID-19 executive orders.

### COMMITTEE AMENDMENTS

The committee amendments:

- (1) expand eligibility for the depreciation deduction to wedding venues and banquet halls; and
- (2) include upgrades to the heating, ventilation, and air conditioning system under eligible capital expenditures.

### FISCAL IMPACT:

The Office of Legislative Services estimates that this bill will lead to an indeterminate loss of revenue because the OLS does not have data on the tax obligations of small business restaurants, wedding venues, banquet halls, or alcoholic beverage manufacturers that could be reduced or how many of these businesses will take advantage of this accelerated depreciation deduction.

The bill does not alter the total amount of capital expenditures that businesses may deduct, only the timing of that deduction. Businesses may achieve overall tax savings over a multi-year period by shifting deductions to years in which their taxable income is greater, which will in turn reduce State revenue.

The bill's impact is likely to decline over time and eventually reach zero, as eligible capital expenditures must be incurred to comply with the Governor's executive orders concerning the COVID-19 pandemic.