

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3428
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: JUNE 21, 2021

SUMMARY

Synopsis: Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age or older to qualify for modified benefit.

Type of Impact: Annual decrease in State revenue deposited into Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2022</u>	<u>FY 2023 and Thereafter</u>
Annual State Revenue Loss	\$6.3 million	\$15.2 million

- The Office of Legislative Services (OLS) estimates that this bill will reduce gross income tax revenue by \$6.3 million in FY 2022 and \$15.2 million in FY 2023 and each fiscal year thereafter.
- Following the enactment of the American Rescue Plan Act of 2021 (ARPA), this bill will only affect workers without qualifying children who are 18 years of age in FY 2022 (TY 2021). This bill will not affect those workers who are ages 19 or 20 or 65 and older until FY 2023 (TY 2022).

BILL DESCRIPTION

This bill expands eligibility for certain resident individuals under the New Jersey Earned Income Tax Credit program. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The State program was changed by P.L.2020, c.98 to allow those who are least 21 years old to claim the credit based on a modified calculation. This bill would further alter the program to allow those who are at least 18 years of age or older to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise

been eligible for absent the age restriction. The intent of this bill is to set the minimum age requirement to 18 years old and remove the maximum age restriction of 65 years old.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will reduce gross income tax revenue by \$6.3 million in FY 2022 and \$15.2 million in FY 2023 and each fiscal year thereafter. Due to the enactment of ARPA, this bill will only affect workers without qualifying children who are 18 years of age in FY 2022 (TY 2021). This bill will not affect those workers who are ages 19 or 20 or 65 and older until FY 2023 (TY 2022).

Federal Changes Impacting FY 2022 (TY 2021):

The federal earned income tax credit program provides a credit to childless workers who are at least 25 years of age, but no older than 65 years of age, if they meet certain income requirements. The federal ARPA, which was enacted on March 11, 2021, includes a temporary expansion of the credit for TY 2021, including modifications to the qualifying age range as well as enhanced benefit amounts. ARPA temporarily lowers the minimum age of eligibility to 19 and temporarily eliminates the upper age limit for workers aged 65 and older.

FY 2022:

For FY 2022, the OLS assumes this bill will affect approximately 10,500 returns. The State earned income tax credit for those affected by the bill will be calculated by taking the maximum federal amount for a worker with no qualifying children, \$1,502 for TY 2021 (ARPA enhanced), and multiplying it by 40 percent to yield a credit of \$600.80 for each claimant. With the assumed population of eligible returns being the 10,500, the OLS calculates the State revenue loss to be \$6.3 million in FY 2022.

FY 2023 and Thereafter:

For FY 2023 and each fiscal year thereafter, the OLS assumes this bill will affect approximately 70,200 returns. The State earned income tax credit for those affected by the bill will be calculated by taking the maximum federal amount for a worker with no qualifying children, \$543 for TY 2021 (pre-ARPA), and multiplying it by 40 percent to yield a credit of \$217.20 for each claimant. With the assumed population of eligible returns being 70,200, the OLS calculates the State revenue loss to be \$15.2 million annually. This revenue loss will fluctuate over time with inflationary adjustments to federal benefit amounts.

Section: Revenue, Finance and Appropriations

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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.).