LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

ASSEMBLY, No. 2076

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: DECEMBER 26, 2024

SUMMARY

Synopsis:	Revises various provisions concerning New Jersey Aspire Program and surrender of tax credits issued under New Jersey Economic Recovery Act of 2020.
Type of Impact:	Multi-year loss of State revenues and multi-year increase in State expenditures.
Agencies Affected:	New Jersey Economic Development Authority; Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	**Multi-Year Lifespan of Tax Credit Awards**
State Revenue Loss	Indeterminate
State Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that the changes to the New Jersey Aspire Program will result in indeterminate multi-year State revenue losses, possibly through FY 2036. The additional State revenue losses will be attributable to extending the tax credit program to new redevelopment projects and other program modifications that increase tax credit awards.

- In addition, the bill's tax credit purchase provision could result in annual increases in State expenditures and revenues associated with the increase in the minimum purchase price by the State of unused tax credits under the Aspire Program and extending the authority to purchase unused tax credits to the Cultural Arts Incentive Program.

- Projects that absent this bill will not be undertaken will generate indeterminate indirect fiscal benefits to the State.

- The OLS is unable to project the fiscal impacts of this bill due to imperfect information on the number and attributes of projects that will receive new or enhanced tax credits as a result of the bill's enactment.

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BILL DESCRIPTION

The bill makes various changes to the New Jersey Aspire Program, under which the New Jersey Economic Development Authority awards tax credits to the developers of certain redevelopment projects. There is a $6.6 billion cap on tax credit awards through the Aspire Program and the Emerge Program combined through FY 2029 with no tax credits authorized beyond FY 2029. A developer may carry forward unused tax credits for seven years from when they are first authorized for use. As of November 2024, about $3.38 billion in tax credits remain available for awards.

Specifically, the bill would make the following changes to the New Jersey Aspire Program.

Reduce Tax Credit Eligibility Period: The bill reduces from 15 years to 10 years the maximum eligibility period for developers of mixed use and commercial redevelopment projects to use a tax credit following credit approval by the authority.

Expand Tax Credit Eligibility to Trenton-Mercer Airport: The bill expands tax credit eligibility to the Trenton-Mercer Airport and the area within a one-mile radius of the outermost boundary of the airport's terminal.

Expand List of Municipalities Where Special Rules Apply to Redevelopment Projects: The bill expands the definition of government-restricted municipalities, which currently applies to Atlantic City, Paterson City, and Trenton City to Camden City, East Orange City, and New Brunswick City. This designation makes redevelopment projects eligible for less stringent eligibility requirements than under the general program. The bill also increases from 80 percent to 85 percent the total tax credit award for projects located in municipalities that qualified as a government-restricted municipality before the enactment of the bill. The tax credit will be 80 percent for any project located in a municipality that newly qualifies as a government-restricted municipality.

Extend Eligibility to Special Mission Non-Profit Projects: The bill makes certain non-profit affordable housing projects newly eligible for New Jersey Aspire Program tax credits. These projects are undertaken by a non-profit and include the development of no more than 100 units of 100 percent supportive housing for tenants requiring special needs or social services and commercial space for the provision of on-site social service programs, subject to certain conditions.

Eliminate Tax Credit Award Reduction as a Result of Project Finance True Up: The bill removes the requirement that the authority reduce the tax credit award to a redevelopment project if the authority determines at the time of tax credit award finalization that certain financial elements of the project are more favorable to the developer than projected at the time of the initial tax credit award.

Extend Period for Claiming Finalized Tax Credit Awards: The bill extends the period for developers to claim tax credits on their tax returns following approval by the authority of the final tax credit award.

Increase Minimum Price of Tax Credits Purchased by the State: The bill increases from 75 percent of the face value of the tax credit to 85 percent the minimum price of tax credits purchased by the Department of the Treasury from developers wishing to sell unused portions of their tax credit awards. The bill also authorizes the Department of the Treasury to purchase unused tax credits awarded under the existing Cultural Arts Incentives Program at 85 percent of face value.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will reduce State revenues annually by an indeterminate amount until the end of the New Jersey Aspire Program authorization in FY 2029 to the extent that enactment of this bill will increase the use of tax credits by developers. The overall revenue loss continues to be capped at $1.1 billion per year through FY 2026 under both the Aspire Program and the Emerge Program combined although tax credits that are not awarded under these programs by the end of FY 2026 may be awarded through FY 2029. A developer may carry forward unused tax credits for seven years from when they are first authorized for use, so the State revenue loss may continue through FY 2036. As of November 2024, about $3.38 billion in tax credits remain available for awards.

The revenue loss would result from all of the provisions listed in the bill description section above with the exception of the provision increasing the minimum purchase price of tax credits purchased by the State. The OLS lacks the informational basis for determining the projects that will newly qualify for tax credits or be eligible for higher tax credit amounts under the bill.

The tax credit purchase provision could result in annual increases in State expenditures and revenues associated with the increase in the minimum purchase price by the State from 75 percent to 85 percent of face value of unused tax credits under the Aspire Program and extending the authority to purchase unused tax credits under the existing Cultural Arts Incentive Program at 85 percent of face value. To date, the Department of the Treasury has not used its authority to purchase tax credits under the Aspire Program. The OLS cannot anticipate how the department will use this authority in the future.

For purposes of illustration, if the department were to purchase an unused $1 million tax credit at 85 percent of face value, the department would expend $850,000 and would avoid the $1 million tax revenue loss that would have occurred if the tax credit had been redeemed at the full amount.

Section:	*Revenue, Finance, and Appropriations*
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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.).