

**FISCAL NOTE**  
**ASSEMBLY, No. 4704**  
**STATE OF NEW JERSEY**  
**221st LEGISLATURE**

DATED: JULY 3, 2024

**SUMMARY**

**Synopsis:** Imposes 2.5 percent corporate transit fee on taxpayers with allocated taxable net income in excess of \$10 million under CBT.

**Type of Impact:** Increase in State revenue collections from FY 2025 through FY 2029

**Agency Affected:** Department of the Treasury

**Executive Estimate**

Fiscal Impact	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<b>State Revenue Gain</b>	\$1.023 Billion	\$859 Million	NA

**Office of Legislative Services Estimate**

Fiscal Impact	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
<b>State Revenue Gain</b>	\$1.024 Billion	\$815 Million	\$851 Million

- The Office of Legislative Services (OLS) largely **agrees** with the Executive assessment of the revenue gain associated with the enactment of the five-year corporate transit fee. The two estimates differ slightly, however, reflecting general forecasting uncertainty.

**BILL DESCRIPTION**

This bill imposes a 2.5 percent surtax, to be called the “Corporate Transit Fee,” on corporation business taxpayers that have New Jersey allocated taxable net incomes in excess of \$10 million for tax years 2024 through 2028. The additional revenue is intended to support general State purposes in FY 2025 and New Jersey Transit Corporation operating expenses from FY 2026 through FY 2029.

Taxpayers are not allowed to claim credits against the corporate transit fee, except for credits for installment payments, estimated payments made with a request for an extension of time for filing a return, or overpayments from prior tax years.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

The Executive has not submitted a formal, written fiscal note on this bill. However, the Executive indicated in the FY 2025 Budget in Brief that the corporate transit fee would increase State revenue collections by \$1.023 billion in FY 2025 and \$859 million in FY 2026. The Executive did not revise its FY 2025 corporate transit fee estimate in its May 2024 revenue update.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS largely agrees with the Executive assessment of the revenue gain associated with the enactment of the five-year corporate transit fee. The two estimates differ slightly on account of general forecasting uncertainty.

Specifically, the OLS projects that the five-year corporate transit fee will increase State revenue collections from corporation business taxpayers with allocated taxable net incomes in excess of \$10.0 million by \$1.024 billion in FY 2025, \$815 million in FY 2026, \$851 million in FY 2027, \$887 million in FY 2028, and \$537 million in FY 2029. The projections assume an annual rate of growth of four percent.

In estimating the impact of the bill, the OLS adjusts its FY 2025 projection upward to include a one-time catch-up payment equal to the first two quarters of estimated payments in tax year 2024, given the retroactivity of the bill to January 1, 2024. The OLS estimates the catch-up payment at \$242 million.

Similarly, the office's FY 2029 projection is reduced by the estimated amount of two quarters of estimated payments that will not be due in FY 2029 because of the expiration of the corporate transit fee on January 1, 2029.

According to information received from the Department of the Treasury, over 600 corporate taxpayers will be subject to the corporate transit fee.

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This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).