LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 429

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MAY 23, 2022

SUMMARY

Synopsis: Provides corporation business tax and gross income tax credits for purchase and installation of electric vehicle charging stations and for commercial zero emission vehicle fleet conversions.

Type of Impact: Annual State revenue loss over lifetime of tax credit program.

Agencies Affected: Department of Environmental Protection;
Department of the Treasury

Office of Legislative Services Estimate

Fiscal Impact	**FY 2023 and Each FY Thereafter**
Annual State Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill will result in indeterminate annual State revenue losses over the lifetime of the tax credit program.

- The OLS estimates that the cost of the tax credits for the electric vehicle charging stations component of the program could range from $500,000 to $1 million annually.

- The OLS cannot quantify the annual revenue loss of the tax credit for qualified commercial zero emission vehicles. However, the OLS notes that the tax credit awards for eligible commercial vehicle purchases are capped at $25,000, $50,000, and $100,000, depending on vehicle weigh. If 1,000 taxpayers claim the maximum credit amount of $100,000 per year, the annual cost of this component of the tax credit program would be $100 million.

BILL DESCRIPTION

This bill provides corporation business tax and gross income tax credits for the purchase and installation of electric vehicle charging stations and for the purchase of commercial zero emission vehicles.

The first component of the credit is based on the amount a taxpayer pays to purchase and install an electric vehicle charging station at a business, trade, or occupation, at the taxpayer's primary residence, or at a multi-family or mixed-use property for use by tenants or guests. The credit is capped at 50 percent of the amount paid towards the purchase and installation of the electric vehicle charging station during a privilege period or taxable year, or $1,000 per station, whichever amount is less.

The second component of the credit is based on the difference in the amount paid by a taxpayer for a qualified commercial zero emission vehicle compared to what the taxpayer would have paid for a comparable conventionally fueled vehicle. This credit is capped at 50 percent of the difference between the amount paid towards the purchase of a qualified commercial zero emission vehicle and the amount that would have been paid for a comparable conventionally fueled vehicle. The credit cannot exceed $25,000 if the qualified commercial zero emission vehicle weighs less than 14,000 pounds, $50,000 if the vehicle weighs 14,001 to 26,500 pounds, and $100,000 if the vehicle weighs more than 26,500 pounds.

These tax credits are non-refundable, but may be carried forward for seven years after the privilege period or taxable year during which the credit are initially earned. The credit would be available for a five-year period commencing on January 1 next following the effective date of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in indeterminate annual State revenue losses over the lifetime of the tax credit program.

Tax Credits for Electric Vehicle Charging Station Installations

The bill's tax credits for the purchase and installation of electric vehicle charging stations are limited to up to $1,000 per privilege period per taxpayer. Based on data published by the United States Department of Energy, roughly 20,000 public and private electric vehicle charging stations were installed across the United States in 2019.[1] The number of electric vehicle charging stations attributable to New Jersey would be about 540 based on population. The OLS notes that electric vehicle charging station installations are likely to continue to increase over time, as the adoption of electric vehicles becomes more prevalent. If the number of installations is roughly 500 – 1,000 annually, the tax credits could reduce State revenues by as much as $500,000 to $1 million for each year of the tax credit program.

Tax Credits for Qualified Commercial Zero Emission Vehicles

The bill's tax credits for the purchase of qualified zero emission vehicles are dependent upon the weight of the vehicle being purchased. The OLS does not have data on the number of qualified zero emission vehicles being purchased annually, but can provide context as to the magnitude of individual tax credits that may be awarded under this program. For this example, the OLS assumes

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[1]https://www.energy.gov/eere/vehicles/articles/fotw-1174-february-22-2021-over-20000-new-electric-vehicle-charging-outlets

an electric semi-truck costing $180,000 and weighing in excess of 26,500 pounds. A comparative diesel semi-truck would be roughly $120,000. The difference in cost would be $60,000, which yields a potential tax credit of $30,000 (50 percent of the difference).

The commercial electric vehicle industry is not as robust as the passenger electric vehicle industry at this time, so the OLS does not expect this tax credit program to yield significant tax credit awards during the initial years of the program. However, as the production and adoption of commercial electric vehicles ramps up, the tax credit program could increase substantially in cost. Based on the example provided previously, if 1,000 taxpayers each claimed $30,000 in tax credits from this program in a year, the cost of the program would be $30 million for that year. If those 1,000 taxpayers claimed the maximum tax credit award of $100,000 in a given year, the cost of the program would be $100 million for that year.

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.).