

FISCAL NOTE
SENATE, No. 3940
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 23, 2023

SUMMARY

Synopsis: Increases child tax credit under gross income tax.

Type of Impact: Annual State revenue loss to Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Executive Estimate

Fiscal Impact	<u>FY 2024 and Each FY Thereafter</u>
Additional Annual State Revenue Loss	\$123.2 million

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024 and Each FY Thereafter</u>
Additional Annual State Revenue Loss	\$123.2 million to \$141.1 million

- The Office of Legislative Services (OLS) concurs with the Executive’s estimate. The OLS estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$123.2 million to \$141.1 million annually beginning in FY 2024. The Executive’s estimate falls within this range.
- The OLS projects that taxpayers will claim the child tax credit for about 311,000 to 372,000 dependent children under the age of six for calendar year 2023 in FY 2024. Taxpayers are estimated to claim the bill’s maximum credit of \$1,000 per child for about 180,000 dependent children. The rest of eligible taxpayers will claim credits between \$200 and \$800 per child.
- The tax credit is refundable, so taxpayers will be able to claim and utilize the full amount of their tax credit.

BILL DESCRIPTION

This bill doubles the amount of the child tax credit currently provided to certain taxpayers. The bill allows a gross income tax credit for each child of the taxpayer under the age of six years starting in tax year 2023. The credit is refundable, meaning that any excess credit beyond the taxpayer’s tax liability will be paid to the taxpayer as a tax refund.

The credit is available to taxpayers who have a New Jersey taxable income of \$80,000 or less in accordance with the following schedule:

If the taxable income is:	The credit is:
Not over \$30,000	\$1,000
over \$30,000 but not over \$40,000	\$800
over \$40,000 but not over \$50,000	\$600
over \$50,000 but not over \$60,000	\$400
over \$60,000 but not over \$80,000	\$200.

FISCAL ANALYSIS

EXECUTIVE BRANCH

According to information from the Executive, the gross income tax revenue forecast includes a tax cut related to the expansion of the State’s Child Tax Credit, which is estimated at \$123.2 million. The Executive estimated the number of dependents under the age of six in previous tax years and made projections for future tax years. The estimated cost of the proposal is determined by multiplying the number of dependents under the age of six by various incomes to their corresponding tax credit per child.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive. The OLS estimates that taxpayers will claim the tax credit for 311,000 to 372,000 children for calendar year 2023. Taxpayers will be able to claim the bill’s maximum credit of \$1,000 per child for about 180,000 dependent children under the age of six. The rest of the affected taxpayers will claim a tax credit between \$200 and \$800. The OLS estimates that the bill may reduce annual revenues earmarked for the Property Tax Relief Fund by a low end estimate of \$123.2 million and a high end estimate of \$141.1 million. The OLS notes that the tax credit is refundable, so taxpayers will be able to claim and utilize the full amount of their tax credit.

Section: Revenue, Finance, and Appropriations

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