

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 4011

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 27, 2023

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 4011.

As amended and reported by the committee, this bill modifies certain provisions of State law concerning the New Jersey Community-Anchored Development Program. Under the New Jersey Community-Anchored Development Program, the Economic Development Authority (EDA) awards State tax credits to anchor institutions for investment in community-anchored projects. To be eligible for an investment under current law, a community-anchored project is required to result in a capital investment of at least \$10 million. The bill lowers the amount of the minimum-required investment to \$2 million.

Current law allows a taxpayer to apply a tax credit or tax credit transfer certificate awarded under the program to the taxpayer's corporation business tax liability or, in the case of a taxpayer that is an insurance company, to the taxpayer's insurance premiums tax liability.

The bill provides that for projects involving the development or rehabilitation of a cultural arts institution facility, the EDA's contribution to the projects is to be in the form of a tax credit. The bill defines "cultural arts institution" as an entity within this State that engages in the cultural, educational, or artistic enrichment of the people of this State.

For a project the maximum tax credit award is to be an amount equal to 100 percent of eligible project costs or \$75 million, whichever is less. To be eligible for a tax credit, an applicant is required to satisfy certain requirements provided by the bill.

The bill requires the EDA to award tax credits under the program through a competitive application process consisting of up to two award rounds each year. The bill requires the EDA to develop a scoring system to assess applications, and requires certain criteria to be included in the scoring system.

In support of the tax credits for cultural arts institution facilities under the bill, the bill allows the award of the following tax credits: \$100 million in tax credits in the fiscal year ending June 30, 2024; \$100 million in tax credits in the fiscal year ending June 30, 2025; \$50 million in tax credits in the fiscal year ending June 30, 2026; and \$50

million in tax credits in the fiscal year ending June 30, 2027. The amended bill requires the \$300 million in tax credits auctioned over this period to be derived from the tax credits authorized for the New Jersey Community-Anchored Development Program that were unused in the fiscal years ending June 30, 2021, June 30, 2022, and June 30, 2023.

The bill modifies certain terms and definitions under the New Jersey "Community-Anchored Development Act." First, the bill removes the definitions for "comprehensive health care system," "major cultural institution," "New Jersey State opportunity zone," and "partner anchor institution," and removes other references to these terms from the bill. The bill, as amended, modifies the definitions for "anchor institution," "community-anchored project," and "eligibility period." The bill creates definitions for "cultural arts institution," "cultural arts institution facility," and "incentive area."

The bill directs the chief executive officer of the EDA, in consultation with the agency, to adopt, immediately, upon filing with the Office of Administrative Law, such rules and regulations as the chief executive officer deems necessary to implement the provisions of the "New Jersey Community-Anchored Development Act," which rules and regulations are to be effective for a period not to exceed 365 days after the date of the filing. The bill requires the chief executive officer, before the expiration of the rules and regulations, to amend, adopt, or readopt the rules and regulations in accordance with the requirements of the "Administrative Procedure Act."

COMMITTEE AMENDMENTS:

The committee amended the bill to:

(1) provide for the award of tax credits, rather than grants, for cultural arts institution facilities, as provided for in the bill, and make conforming changes, including removing the definition of "grant agreement" under the "New Jersey Community-Anchored Development Act";

(2) provide that tax credit awarded under the New Jersey Community-Anchored Development Program may be utilized by the applicant for the same project in conjunction with a tax credit award made pursuant to the "New Jersey Aspire Program Act"; provided, however, that any tax credit awarded under the program shall not be considered to be developer contributed capital for the purposes of calculating the project financing gap for an incentive award under the "New Jersey Aspire Program Act";

(3) lower, from \$400 million to \$300 million, the amount of tax credits that may awarded for purposes of funding the cultural arts institution facility portion of the New Jersey Community-Anchored Development Program;

(4) allow the EDA to award, in support of the cultural arts institution facility portion of the New Jersey Community-Anchored

Development Program, \$100 million in tax credits in the 2024 fiscal year, \$100 million in tax credits in the 2025 fiscal year, \$50 million in tax credits in the 2026 fiscal year, and \$50 million in tax credits in the 2027 fiscal year;

(5) provide the authority may, for the cultural arts institution facility portion and in its discretion, utilize tax credits of the program up to a total of \$200,000,000 in a single year;

(6) require an anchor institution, at the time of application for a tax credit under the New Jersey Community-Anchored Development Program, to demonstrate to the EDA that the timing of the grant will allow for the successful completion and operation of the community-anchored project;

(7) require inclusion of certain recapture provisions in program agreements; and

(8) remove a provision that would have allowed a taxpayer to, alternatively, apply a tax credit or tax credit transfer certificate awarded under the program to the taxpayer's gross income tax liability;

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.