LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 209
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: FEBRUARY 20, 2024

SUMMARY

Synopsis: Provides CBT tax credit for retrofit of existing warehouses with solar-ready zone once solar panels are installed.

Type of Impact: Multi-Year State revenue loss of $25 million; multi-year State cost increase.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Duration of Program
State Revenue Loss	Maximum of $25 million
Annual State Cost Increase	$58,000 to $160,000

- The Office of Legislative Services (OLS) concludes that the bill will result in a maximum State revenue loss of $25 million, which will likely occur over a multi-year period, to provide the corporation business tax credit.

- The OLS estimates that the Department of the Treasury will have to dedicate employee resources of between 0.5 and 1.0 full-time equivalent employees over the duration of the tax credit program at a cost of between $58,000 and $160,000 annually to administer the program.

BILL DESCRIPTION

The bill provides a corporation business tax credit for the costs incurred as a result of retrofitting an existing warehouse with a solar-ready zone. The bill limits the cumulative total amount of tax credits that may be awarded to $25 million.

The amount of the tax credit shall not exceed the lesser of (1) 50 percent of the cost incurred to retrofit an existing warehouse with a solar-ready zone, or (2) $250,000. A taxpayer may claim the credit for up to eight existing warehouses owned or operated by the same taxpayer in a single privilege period.

A taxpayer that retrofits an existing warehouse with a solar-ready zone would be eligible to receive the tax credit if: (1) the warehouse meets the required size criteria; (2) the warehouse has been retrofitted with a solar-ready zone; and (3) solar panels have been installed on the

warehouse's solar-ready zone. The bill requires a taxpayer to demonstrate to the Department of the Treasury that solar panels have been installed on the warehouse prior to receiving a tax credit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the provision of credits against the corporation business tax for costs incurred due to the retrofitting of an existing warehouse with a solar-ready zone will result in a multi-year loss of State revenues not to exceed $25 million. Because the bill does not limit the time period during which tax credits may be awarded and permits unused tax credits to be carried forward for up to seven privilege periods, the State may experience revenue losses over multiple fiscal years until the $25 million tax credit cap is reached. The OLS estimates that the Department of the Treasury will have to dedicate employee resources of between 0.5 and 1.0 full-time equivalent employees over the duration of the tax credit program at a salary and benefit cost of between $58,000 and $160,000 annually to administer the program.

The cost of installing a solar-ready zone and solar panels on a commercial property, such as a warehouse, will vary depending on several factors, including its size, component options, configuration, labor and local permitting costs, and the property's energy needs. In September 2022, the National Research Energy Laboratory, a component of the U.S. Department of Energy, estimated that the cost of installing a 200-kilowatt rooftop commercial photovoltaic system was about $1.84 per watt, or a total cost of $368,000. This benchmark accounts for the cost of the system's components, installation, labor, and other costs, such as the transmission line, sales tax, and administrative overhead.

To be eligible for a tax credit, a taxpayer is required to retrofit an existing warehouse with a solar-ready zone and install solar panels on the warehouse. The bill defines a warehouse to include any building, room, structure, or facility of at least 100,000 square feet used primarily for the storage of goods intended for sale. The OLS has identified approximately 2,800 parcels of at least 100,000 square feet that are classified as warehouse property. However, the OLS cannot determine how many of these properties have a rooftop or building overhang that may be suitable for retrofitting with a solar-ready zone and the installation of solar panels.

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.).