

LEGISLATIVE FISCAL ESTIMATE
[First Reprint]
SENATE, No. 2200
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: AUGUST 15, 2024

SUMMARY

- Synopsis:** Creates pilot program to provide corporation business tax and gross income tax credits for value of certain fruit and vegetable donations made by commercial farm operators.
- Type of Impact:** Multi-year State revenue decrease to the General Fund and Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Eight-Year Period After Enactment</u>
Aggregate State Revenue Decrease	\$300,000

- The Office of Legislative Services (OLS) concludes that this bill will result in a \$300,000 reduction in State revenues over a period of up to eight years associated with the provision of tax credits to commercial farm operators who donate certain fruits and vegetables. This pilot program would run for three years, beginning on January 1 of the year following the bill's enactment, and unused tax credits could be carried forward for up to five taxable periods.

BILL DESCRIPTION

This bill creates a pilot program that provides a credit against the corporation business tax and the gross income tax for the value of certain donations of fruits and vegetables that are made to charitable organizations by commercial farm operators over a three-year period beginning January 1 of the year following the bill’s enactment.

Under the bill, commercial farm operators who make donations of fruits or vegetables fit for human consumption to a charitable organization located in this State would be allowed to claim a credit that can be used to reduce the commercial farm operator's tax liability. The credit would be equal to 50 percent of the wholesale value for the fruits or vegetables donated to the charitable organization during the tax period of the donation, but not to exceed \$5,000, as determined using a quantity-weighted average of comparable wholesale sales of similar fruits or vegetables made

by the commercial farm operator during the month of the donation or, if no comparable sales are made, the overall average price paid for similar fruits or vegetables at the nearest regional market during the month of the donation. The bill would require commercial farm operators claiming the credit to obtain a written statement from the charitable organization to verify each donation of fruits or vegetables. The aggregate value of tax credit amounts awarded under the pilot program would be capped at \$100,000 in any fiscal year.

The Division of Taxation in the Department of the Treasury would be required to prepare an annual report on the utilization of the credits provided by the bill for each year of the three-year pilot program period. The final annual report would include recommendations on whether the credit program should be continued and if the credit percentage should be increased.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that tax credits awarded under the bill will reach the cap, resulting in a \$300,000 reduction in State revenues over a period of up to eight years.

The OLS assumes a range of producer costs, noting that producer behavior can vary widely and that there does not appear to be publicly available information regarding the exact value of fruits and vegetables produced and donated in New Jersey. For purposes of estimating potential revenue losses to the State resulting from the provisions of the bill, the OLS makes certain assumptions concerning the behavior of market participants. With respect to the percentage of fruits and vegetables produced in New Jersey that will be donated and utilize the tax credit program, the OLS assumes that the behavior of market participants will be similar to when California enacted a similar law.

Based on those assumptions and the ensuing calculations, the OLS estimates that the issuance of tax credits would be limited by the annual aggregate cap of \$100,000 during each fiscal year in which the pilot program is operated. Also, the OLS notes that tax credits under the bill may be carried forward up to five years following the final year during which the tax credits are awarded (i.e., the third privilege period or taxable year, as applicable, beginning after the enactment of the bill). Consequently, the OLS anticipates that the bill will result in a \$300,000 reduction in State revenues over a period of up to eight years in which these tax credits could be claimed.

Section: *Revenue, Finance, and Appropriations*
Analyst: *Patrick Walsh*
 Assistant Fiscal Analyst
Approved: *Thomas Koenig*
 Legislative Budget and Finance Officer

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.).