LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2240
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MARCH 6, 2025

SUMMARY

Synopsis: Provides temporary corporation business tax and gross income tax credits for certain employer-provided child care expenditures.

Type of Impact: Annual State revenue decrease.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	Year 1 – Year 3
Annual State Revenue Loss	$11.6 million

- The Office of Legislative Services (OLS) estimates that this bill will decrease annual State revenues by approximately $11.6 million for each of the three years following enactment, associated with the application of corporation business tax and gross income tax credits by employers that incur qualifying employer-provided child care expenditures.

- The OLS notes that the federal government offers a similar tax credit for employers that incur qualifying employer-provided child care expenditures. Based on information published by the Congressional Research Service, employer participation rates for the federal tax credit are relatively low, with less than one percent of all federal corporate tax returns claiming the credit.

- Assuming comparable participation rates for the tax credits authorized under the bill, the OLS projects that the bill would result in annual revenue reductions of approximately $9.4 million under the corporation business tax and approximately $2.2 million under the gross income tax.

BILL DESCRIPTION

This bill provides businesses with credits against the corporation business tax and the gross income tax for certain employer-provided child care expenditures. The bill allows the tax credits to be claimed for the privilege periods and taxable years beginning during the three calendar years after the enactment of the bill.

The bill permits businesses to receive a credit equal to 50 percent of up to $50,000 of costs incurred to acquire, construct, reconstruct, renovate, or improve property in New Jersey to be used as a qualified child care center primarily for the children of individuals employed by the taxpayer. The bill also provides a separate credit in an amount equal to: (1) 50 percent of up to $50,000 of costs incurred by the taxpayer to operate a qualified child care center that is used primarily by the children of the individuals employed by the taxpayer; (2) 50 percent of up to $50,000 of the amounts paid by the taxpayer to another entity for the operation of the qualified child care center of the taxpayer that is used primarily by the children of the individuals employed by the taxpayer; (3) 50 percent of up to $50,000 of the amounts paid by the taxpayer to another entity for the provision of child care services for the children of individuals employed by the taxpayer as a qualified child care center; or (4) 10 percent of up to $50,000 of costs incurred for providing or contracting for child care information and referral services to individuals employed by the taxpayer.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates this bill will result in an annual State revenue reduction of approximately $11.6 million for each of the three years following enactment, associated with the application of corporation business tax and gross income tax credits by certain employers that incur qualifying employer-provided child care expenditures.

The OLS notes that the federal government offers a similar tax credit for employers that incur qualifying employer-provided child care expenditures. Based on information published by the Congressional Research Service, employer participation rates for the federal tax credit are relatively low, with less than one percent of all federal corporate tax returns claiming the credit.

Assuming a comparable participation rate for the tax credit authorized by the bill, the OLS estimates that approximately 0.1 percent of corporation business tax returns, or 125 total tax returns, and 0.5 percent of gross income tax returns, or 5,823 total returns, are expected to claim a tax credit. Although the OLS is unable to predict the type and scope of the qualifying employer-provided child care expenditures that would be incurred by participating employers, the OLS assumes that participating employers would claim an average corporation business tax credit of $75,000, and the members of participating pass-through business entities would claim an average gross income tax credit of $375. Based on these assumptions, the OLS projects that the bill would result in annual revenue reductions of approximately $9.4 million under the corporation business tax and approximately $2.2 million under the gross income tax, totaling roughly $11.6 million per year.

The OLS notes that actual participation rates could vary significantly based on several factors including economic conditions, child care market dynamics, business investment appetite, changing workforce patterns including remote work adoption, construction costs, and employer demand for providing on-site child care facilities. Accordingly, the OLS notes that the anticipated impact of the bill on State revenue collections should be viewed as a general approximation.

Section:	*Revenue, Finance, and Appropriations*
Analyst:	*Patrick Walsh* *Associate 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.).