# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

# SENATE, No. 5030

# STATE OF NEW JERSEY
# 221st LEGISLATURE

DATED: JANUARY 15, 2026

## SUMMARY

**Synopsis:** Modifies certain requirements of film and digital media content production tax credit program; modifies criteria for purchase of certain tax credit transfer certificates by Division of Taxation.

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

**Agencies Affected:** New Jersey Economic Development Authority; Department of the Treasury.

**Office of Legislative Services Estimate**

| Fiscal Impact | FY 2026 & Thereafter |
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| **Annual State Revenue Reduction** | Indeterminate |

- The Office of Legislative Services (OLS) concludes that the bill will result in indeterminate annual State revenue reductions, subject to maximum tax credit award caps across all program categories.

- The OLS notes that the actual annual fiscal impact will vary significantly, based on application volume, project eligibility determinations, and the Economic Development Authority's discretion in awarding tax credits.

- Economic activity and job creation within New Jersey's film and digital media industries could generate offsetting State revenue through increased business, employment and related tax collections.

## BILL DESCRIPTION

This bill modifies certain provisions of the film and digital media content production tax credit program administered by the New Jersey Economic Development Authority.

Under current law, the qualified film production expenses of a New Jersey studio partner or a New Jersey film-lease production company that enters into a lease to occupy a New Jersey film-lease partner facility for at least three years, may include certain expenses, including out-of-State producer fees and script costs, in proportion to the percentage of principal photography in the State. The bill amends current law to clarify that these out-of-State producer fees would not include producer fees received for services performed in the State that already qualify as qualified film production expenses. The bill also provides that out-of-State producer fees incurred outside the State and script costs written outside the State would qualify as qualified film production expenses even if New Jersey gross income tax were not withheld from wages, salaries, or other compensation paid or incurred for such services.

The bill amends current law to provide that cumulative expenses for production insurance premiums, rights fees, and out-of-State producer fees, excluding producer fees received for services performed in the State that already qualify as qualified film production expenses, cannot exceed 7.5 percent of qualified film production expenses for any New Jersey studio partner or New Jersey film-lease production company. The bill further clarifies the types, and amounts of expenses, that may be including withing qualified film production expenses by a New Jersey studio partner that incurs $125 million or more in qualified film production expenses in the State. The bill removes the limitation of this benefit to the production of feature films.

The bill amends current to allow a taxpayer that is designated as a New Jersey studio partner to include, as part of its initial application for a tax credit, expenses that would constitute qualified film production expenses that would not constitute qualified film production expenses absent such designation. The bill requires the authority to approve the inclusion of these expenses in the tax credit award, so long as the New Jersey studio partner's application complies with current law.

The bill also limits the ability of the Economic Development Authority to recapture certain tax credits from a taxpayer that is designated as a New Jersey film-lease production company, New Jersey film-lease post-production company or a New Jersey studio company if the taxpayer does not occupy a production facility during the commitment period and the failure to occupy is due to any reason outside the control of a New Jersey studio parter, New Jersey film-lease production company, or New Jersey film-lease post-production company.

The bill amends current law to permit the authority to revoke a New Jersey film-lease partner facility designation, and recapture a portion of the tax credits available to a New Jersey film-lease production company or New Jersey film-lease post-production company due to its designation as a New Jerey film-lease partner facility, if a New Jersey film-lease partner facility fails to satisfy the conditions for designation as a New Jersey film-lease partner facility for: (1) a period of at least five years following the year in which the production facility is designated as a New Jersey film-lease partner facility; or (2) the duration of any lease of the New Jerey film-lease partner facility by a New Jersey film-lease production company or New Jersey film-lease post-production company, which lease has a term of at least three years of occupancy and includes at least 36,000 square feet of gross rentable space.

The bill also modifies provisions of current law allowing taxpayers to receive additional tax credits: (1) if they submitted a diversity plan with their application that outlined specific goals for hiring minority persons and women; and (2) if the application for a tax credit is accompanied by a plan outlining specific goals, which may include advertising and recruitment actions, for hiring residents of an economically disadvantaged area in the State, a distressed municipality, or land owned by the federal government on or before December 31, 2005 ("eligible areas").

# FISCAL ANALYSIS

## *EXECUTIVE BRANCH*

None received.

## *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the bill will result in indeterminate annual State revenue reductions, subject to maximum tax credit award caps across all program categories.

The provisions of the bill modifying the types of costs that may qualify as qualified film production expenses will result in State revenue losses to the extent that taxpayers qualify for larger tax credit awards than permitted under current law. The provisions of the bill limiting or eliminating the Economic Development Authority's ability to recapture certain tax credits will also result in State revenue losses because taxpayers would be able to retain tax credits that would be forfeited otherwise. The provisions of the bill allowing certain taxpayers to qualify for tax credits for the submittal of a diversity plan or the submittal of a plan outlining specific goals to promote or invest in New Jersey will also result in State revenue losses to the extent that taxpayers qualify for additional tax credits than permitted under current law.

The bill maintains the existing maximum potential fiscal exposure for New Jersey studio partners at up to $550 million annually. The maximum annual tax credit caps for other categories remain unchanged: up to $400 million for New Jersey film-lease production companies, consisting of $150 million in base tax credits plus $250 million in discretionary tax credits; up to $100 million in tax credits for other taxpayers; and up to $130 million in tax credits for digital media content production consisting of $30 million in base tax credits plus $100 million in discretionary tax credits.

The OLS notes that the actual annual fiscal impact will vary significantly, based on application volume, project eligibility determinations, and the Economic Development Authority's discretion in awarding tax credits.

The OLS notes that while the bill may result in State revenue reductions through tax credit awards, the program can stimulate economic activity and job creation within New Jersey's film and digital media industries, which could generate increased State revenue through increased business, employment and related tax collections. The net fiscal impact remains indeterminate due to the difficulty in quantifying the economic effects of the incentivized production activities.

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| *Section:* | *Revenue, Finance and Appropriations* |
| *Analyst:* | *Scott A. Brodsky*<br>*Staff Fiscal and Budget Analyst* |
| *Approved:* | *Thomas Koenig*<br>*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.).