

ASSEMBLY HUMAN SERVICES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3682

STATE OF NEW JERSEY

DATED: JUNE 9, 2022

The Assembly Human Services Committee reports favorably Assembly Bill No. 3682.

This bill establishes the “Recovery Tax Credit Program” (program) to incentivize the hiring and continued employment of certain individuals in recovery from a substance use disorder. Under the bill, the Division of Mental Health and Addiction Services in the Department of Human Services is required to administer the program to provide tax incentives to certified employers for hiring and employing eligible individuals in recovery from a substance use disorder in part-time or full-time employment in the State. For an employer to be certified under the bill, the employer is required to provide employer sponsored insurance coverage that meets certain minimum essential coverage requirements, and meet certain other requirements. The bill authorizes the Director of the Division of Mental Health and Addiction Services in the Department of Human Services (director) to allocate up to \$2,000,000 of tax credits for the program for each calendar year beginning on January 1, 2021, to be credited against the Corporation Business Tax or the Gross Income Tax.

To participate in the program, an employer is required to apply annually to the Division of Mental Health and Addiction Services (division) to claim credit based on the number of hours worked by eligible individuals employed during the preceding calendar year. The director is required to issue a tax credit certificate to employers by March 31 each year.

The bill specifies that a certified employer is generally entitled to a tax credit equal to the product of \$1 multiplied by the number of hours worked by each eligible individual hired and employed by the certified employer during that eligible individual's period of employment, provided that a credit is not to be allowed unless an eligible individual has worked in the State for a minimum of 500 hours for the employer and that the credit per eligible individual is prohibited from exceeding \$2,000. The bill further specifies, however, that in determining the amount of credit that any employer may claim, the director is required to review all claims submitted for credit by employers and, to the extent that the total amount claimed by employers exceeds the amount allocated for the program in that calendar year, is required to issue credits on a pro rata basis

corresponding to each employer's share of the total claimed amount.

Under the bill, a certified employer is permitted to claim a credit for the period starting on the day the employee is hired and ending on December 31 of the immediately succeeding calendar year or the last day of the employee's employment by the certified employer, whichever comes first. If, however, an eligible individual has worked in excess of 500 hours between the date of hiring and December 31 of that year, an employer may elect to compute and claim a credit for such employee for that year based on the hours worked by December 31, or may elect to include the hours worked by the eligible individual in the computation of the credit in the year immediately succeeding the year in which the eligible individual was hired.

Under the bill certified employers are prohibited from claiming a tax credit for hours worked by an eligible individual in excess of 2,000 hours, from claiming credit more than once with respect to any eligible individual, and from aggregating hours worked by two or more employees to reach the minimum number of hours.

The bill requires the director to annually provide to the Director of the Division of Taxation in the Department of the Treasury certain program information. The director is also required, in consultation with Director of the Division of Taxation in the Department of the Treasury, to adopt rules and regulations to effectuate the purposes of the program.

Under the bill, the amount of the credits allowed against the taxes imposed are prohibited from exceeding 50 percent of the taxpayer's liability for tax, and may be carried over, if necessary to the seven privilege periods or taxable years. The bill also provides for the allocation of tax credits under the program to certain certified employers.