



REFORMING THE BUSINESS RETENTION AND RELOCATION ASSISTANCE GRANT TAX CREDIT PROGRAM

DESCRIPTION

Amend the Business Retention and Relocation Assistance Grant (BRRAG) tax credit program to encourage greater utilization by: a) expanding eligibility to businesses in danger of leaving the State due to uncompetitive business costs or lease expirations (not just relocating companies); and b) expanding the sales tax exemption for property fit-up (equipment, furniture, fixtures) costs in new facilities to all BRRAG recipients.

BACKGROUND

Enacted in 2004, the BRRAG tax credit program allocates \$20 million in corporate business and insurance tax credits each year to businesses relocating within the State and retaining at least 50 full-time jobs in New Jersey. Eligible businesses can qualify for a tax credit of up to \$1,500 per job retained, depending on the number of applicants receiving assistance in any one year. In addition, BRRAG recipients relocating to a new facility within a State Plan designated “development area” and retaining at least 500 jobs (or 250 manufacturing jobs) qualify for a sales tax exemption on equipment, furniture and fixture costs at the site.

The amount of the tax credit is dependent on eight factors, including the number and quality of jobs, capital investments made at the new location, whether the business is in a targeted growth industry, smart growth compliance and indications of the business’ long-term commitment to the State.

Applicants must show at least 10 years of New Jersey operating history, evidence of out-of-state relocation opportunity and a jobs retention commitment of two years for 95 percent of the assisted jobs and the negotiated contractual duration for 90 percent of the jobs.

Even though \$20 million of corporate tax credits are available annually, through September 2007 only \$4 million of BRRAG tax credits have been utilized, with an estimated \$5 million more in tax credits expected to be used in the future.

NJBIA POSITION

NJBIA supports BRRAG changes as an important economic development tool to spur job retention.

ARGUMENTS IN SUPPORT OF EXPANDING BOTH THE BRRAG AND THE SALES TAX EXEMPTION PROGRAM ELIGIBILITY

The BRRAG tax credit program was enacted in 2004 as an economic development companion to the successful Business Employment Incentive Program (BEIP). While BEIP is designed to incent job creation and expansion, BRRAG was created to encourage job retention by benefitting New Jersey businesses which choose to relocate operations to another facility within New Jersey. The goal of BRRAG is to prevent in-State businesses from relocating outside of the State and thereby retain current employees.

The existing BRRAG program only rewards businesses that have already chosen to relocate in-State. By the time a business has made the decision to relocate outside the State, it is usually too late to influence the relocation decision, making BRRAG a poor tool for general job retention.

Because BRRAG previously focused its tax credit benefits solely on in-State relocations of 250 employees or more, BRRAG has been tremendously underutilized. Even though \$20 million of corporate tax credits are available annually, through September 2007 only \$4 million of BRRAG tax credits have been utilized, with an estimated \$5 million more expected to be used in the future.

Maximizing BRRAG's benefits requires expanding assistance eligibility to smaller businesses (a minimum of 50 employees) in danger of relocating outside the State that choose to remain in their current location. In addition, allowing BRRAG recipients to apply for the sales tax exemption program, regardless of the number of jobs retained or their relocation status will incent more job retention.

COST

No new tax credit cost as the expansion will utilize tax credits from the existing \$20 million annual program cap. The impact of the sales tax exemption on fit-up costs is unknown.

LEGISLATIVE HISTORY

The BRRAG tax credit program was enacted in 2004. Legislation enacted earlier this year expanded the program's eligibility to businesses relocating and retaining at least 50 employees, instead of the original 250 employees.

CONTACT

Art Maurice, First Vice President, Economic Development & Taxation – amaurice@njbja.org or 609-393-7707, ext. 247.