

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

ADVANCE COPY

ASSEMBLY BILL NO. 1678
(First Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 1678 (First Reprint) without my approval.

Under this legislation, the State would create a homebuyer tax credit program in New Jersey by providing \$100 million in tax credits to home purchasers over the next three years. The legislation dedicates \$75 million to the purchasers of newly constructed homes and \$25 million to the purchasers of previously occupied homes. These tax credits would be given to home purchasers in the amount of 5% of the home purchase price or \$15,000, whichever amount is less.

The State of New Jersey continues to confront an unprecedented economic crisis. In order to close an \$11 billion budget gap, my Administration was forced to cut many worthwhile programs from the fiscal year 2011 budget. This legislation will result in a tax revenue loss to the State of \$100 million over the next three years, including a loss of approximately \$33 million for this fiscal year.

The State must learn to live within its means. I cannot approve spending and revenue measures proposed by the Legislature that were not accounted for in our bi-partisan Budget agreement. The Fiscal Year 2011 Budget includes a surplus of just one percent, which even some of the legislative proponents of this measure have argued may not be sufficient. Now they propose to reduce that surplus even further. This unbudgeted legislation, together with other unbudgeted spending bills the legislature has sent to me, are not paid for and would seriously undermine our Fiscal Year 2011 Budget. I cannot

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approve legislation, no matter how meritorious, when the State simply cannot afford it.

The proponents of this legislation maintain that the State will realize substantial revenue from economic growth spurred by this bill. However, as the analyses from the Department of Treasury and the Office of Legislative Services conclude, the tax credits available under this bill would be completely utilized by homebuyers based on anticipated home sales that will occur this year regardless of this legislation. Given the limited number of available credits, most, if not all, of the credits will be utilized for the sale of already-existing unoccupied new homes, or homes that are already under construction. Consequently, any economic growth spurred by this legislation will be limited. This legislation will only briefly and artificially inflate home sales and consequently does not merit a \$100 million revenue loss to the general fund.

Accordingly, I herewith return Assembly Bill No. 1678 (First Reprint) without my approval.

Respectfully,
/s/ Chris Christie
Governor

[seal]

Attest:

/s/ Jeffrey S. Chiesa
Chief Counsel to the Governor