

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 3683 and ASSEMBLY, No. 2152**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 14, 2022

The Assembly Appropriations Committee reports favorably and with committee amendments an Assembly Committee Substitute for Assembly Nos. 3683 and 2152.

With the amendments proposed by the sponsor, this Assembly Committee Substitute reduces the burden to employers of increased unemployment insurance (UI) taxes by:

1. Providing corporation business tax and gross income tax credits to small businesses to help offset scheduled increases in UI taxes. The bill adopts the U.S. Small Business Administration's framework for defining a small business based on the numbers of employees, revenues, or both, in the industry of the business. Also included under the definition of small business eligible for the bill's tax credits are certain qualified hospitality businesses. The tax credits would be available for taxable years and privilege periods beginning in Calendar Years 2023 and 2024, and based on potential increases in employer UI taxes in FY 2023 and FY 2024. The tax credits are not refundable, but may be carried forward for seven years. Small business that use grants or other subsidies to offset increased UI taxes are not eligible for the bill's tax credits; and

2. Making, during fiscal years 2023 and 2024, whatever transfers from the General Fund to the unemployment compensation fund ("UI fund") needed to attain a positive balance of the unemployment compensation as needed to prevent any added charges to employers due to reductions tax credit for employers pursuant to 26 U.S.C. 3302(c)(2).

3. Beginning January 1, 2023, reducing employer contribution to the UI fund by 10% and requiring each employer to contribute to the State an amount equal to the amount of the reduction, with those contributions used exclusively for administrative costs and the repayment to the General Fund of any transfers made from the General Fund to the UI fund pursuant to the bill. The 10% decrease in employer contributions to the UI fund will remain in effect until December 31 of the year in which it is determined that sufficient funds have been collected in employer contributions to provide for the

complete reimbursement to the General Fund of all moneys transferred into the UI fund pursuant to the bill. All moneys remaining after the complete reimbursement to the General Fund would then be deposited into the UI fund.

4. Requiring not less than 30 days of advanced notice to each employer of any changes in the employer's UI taxes.

COMMITTEE AMENDMENTS:

The committee amendments:

- Delete the provisions establishing the Supplemental Unemployment Compensation Fund and appropriating \$375 million to that fund for the purpose of reimbursing federal loans made to the State UI fund;
- Add certain qualified hospitality businesses to the definition of small businesses eligible for the bill's tax credits; and
- Add the provisions regarding the transfers from the General Fund to the UI fund, the reduction of the employer UI tax by 10%, and adding on an equivalent employer contribution to the State until the amount transferred from the General Fund has been fully reimbursed.

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.