

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 4295**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: JUNE 24, 2022

**SUMMARY**

**Synopsis:** Adapts new federal partnership audit regime under gross income tax, ends COVID-related State tax extensions, and eliminates requirement to affirmatively elect New Jersey S Corporation status.

**Type of Impact:** Indeterminate State impact.

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2023 and Each FY Thereafter</u></b>
<b>State Impact</b>	Indeterminate

- The Executive has not published a formal fiscal note, but does anticipate this bill will be revenue neutral.
- The Office of Legislative Services (OLS) can neither confirm nor refute the Executive’s determination that this bill will likely be revenue neutral. The OLS notes that these provisions are largely meant to ease the administrative burden of the Division of Taxation while also simplifying certain processes for taxpayers. However, there could be underlying effects that reduce costs for the State or capture more revenue.

**BILL DESCRIPTION**

This bill makes various changes to the administration of the gross income tax (GIT) and the corporation business tax (CBT) by adapting new federal partnership auditing practices, ending COVID-related extensions concerning certain tax payments and refunds, and eliminating the requirement that a taxpayer which qualifies as a Subchapter S Corporation for federal tax purposes affirmatively elect New Jersey S Corporation status for purposes of the State’s CBT and GIT.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

The Executive has not published a formal fiscal note, but does anticipate this bill will be revenue neutral.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS can neither confirm nor refute the Executive's determination that this bill will likely be revenue neutral. The OLS notes that these provisions are largely meant to ease the administrative burden of the Division of Taxation while also simplifying certain processes for taxpayers. However, there could be underlying effects that reduce costs for the State or capture more revenue. For example, shifting to new auditing standards could yield additional tax revenues, which may have otherwise not been collected by the division, if the scope and powers granted to the division are broader. The ending of the COVID-related extension may shift the timing of certain payments and refunds. The automatic election of S-Corporation status for certain taxpayers could reduce the amount of time and resources expended by the division in dealing with these matters.

*Section: Revenue, Finance and Appropriations*  
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*Revenue Analyst*  
*Approved: Thomas Koenig*  
*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.).