

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 5324

STATE OF NEW JERSEY
222nd LEGISLATURE

DATED: JULY 6, 2026

SUMMARY

Synopsis:	Establishes fee on certain employers that employ individuals who receive health benefits coverage through State Medicaid program.
Type of Impact:	Annual net State revenue increases. Annual State expenditure increases.
Agencies Affected:	Department of the Treasury; Department of Labor and Workforce Development; Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	FY 2027	FY 2028	FY 2029	FY 2030 and thereafter
Net State Revenue Gain	\$154.1 million	\$23.2 million	\$88.6 million	\$88.6 million
State Expenditure Increase	Indeterminate	Indeterminate	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) estimates that this bill will produce a net State revenue increase of \$154.1 million in FY 2027 due to the collection of fees from employers with at least 50 employees enrolled in the State Medicaid program.
- The OLS projects that the net State revenue increase will fall to \$23.2 million in FY 2028 due to exemptions of certain employees from these employer fees beginning in FY 2028 combined with credits provided to employers for fees previously paid for exempted employees. The net State revenue increase will rebound to \$88.6 million during FY 2029 and future years, due to the expiration of employer credits from fees previously paid for exempted employees.
- The projected net State revenue increases include partially offsetting revenue losses from business expense deductions under the Gross Income Tax and Corporation Business Tax.
- The OLS also finds that the administrative activities required to assess the fee will result in indeterminate increases in State expenditures, while the collections of employer-noncompliance penalties will have indeterminate impacts on State revenue.



BILL DESCRIPTION

The bill establishes a fee, commencing July 1, 2026, to be paid by an employer for each employee or dependent of an employee who receives health benefits coverage through the State Medicaid program, in the following amounts for each employee and dependent enrolled in Medicaid:

- \$325 for an employer with between 50 and 249 employees enrolled in Medicaid;
- \$525 for an employer with between 250 and 499 employees enrolled in Medicaid; and
- \$725 for an employer with 500 or more employees enrolled in Medicaid.

The bill provides that an employer is not liable for the fee for an employee, or dependent of the employee, who receives health benefits coverage through the State Medicaid program and has a developmental disability, intellectual disability, or a permanent physical disability.

Beginning on July 1, 2027, applicable employers would be exempted from paying fees for: employees whom they have employed for less than 90 days at the time that the fee is determined; employees who work part-time, on a per diem basis, or who are temporary employees; and seasonal employees. If, prior to July 1, 2027, an employer is charged any fees for employees who would be exempted beginning on July 1, 2027, the employer will be entitled to a credit against any liability for the provisions of the bill, or if there is no liability, a refund of those fees in the following year.

The bill imposes fines on employers that fail to pay the required fees and establishes an appeal process for employers to dispute assessments of the fees. The bill also prohibits employers' use of Medicaid enrollment information as a basis for employment decisions.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will produce the following net State revenue increases due to the collection of fees from private sector employers with at least 50 employees enrolled in the State Medicaid program: \$154.1 million in FY 2027, \$23.2 million in FY 2028, and \$88.6 million in FY 2029 and each fiscal year thereafter. These net State revenue increases combine two different effects from the employer fee collections and business expense deductions, as described below.

Employer Fee Collections: The OLS estimates that the bill will increase State revenue by \$174.1 million during FY 2027 due to the collection of fees from employers in the State that employ at least 50 individuals enrolled in the State Medicaid program, including exemptions for employees and employees' dependents who have a developmental disability, intellectual disability, or permanent physical disability. The OLS notes that the specific definitions and data used to operationalize these disability exemptions could result in broader or narrower exemptions than those assumed in these estimates, thereby affecting the actual State revenue impacts.

Beginning on July 1, 2027, the bill additionally exempts from the fee: individuals employed by employers for less than 90 days at the time of each fee determination; employees who work part-time, on a per diem basis, or are temporary employees; and seasonal employees. Under the bill, if an employer is charged a fee for these delayed exemptions between July 1, 2026 and June

30, 2027, the employer would be entitled to a credit in the following year. Thus, the OLS estimates a lower State revenue increase of \$26.2 million in FY 2028 due to fee collections being reduced by exempting the employees listed above and partially offset by the employer credits for fees collected on those exempted employees during FY 2027.

During FY 2029, and annually thereafter, with all exemptions active and any applicable employer credits expired, the OLS estimates State revenue increases of \$100.2 million.

Business Expense Deductions: The OLS assumes that all private sector employers required to pay the fee established under the bill are currently subject to either the Gross Income Tax or the Corporation Business Tax, including the Corporate Transit Fee. In determining their entire net income subject to income tax, businesses may deduct certain taxes and fees imposed by New Jersey as ordinary business expenses. To the extent that the new fee is interpreted in a manner consistent with the Division of Taxation's treatment of deductible business expenses for private sector employers, the bill would also result in concurrent State revenue losses of: \$20.0 million during FY 2027; \$3.0 million during FY 2028; and \$11.5 million each year from FY 2029 onward. The combined impacts of employer fee collections and business expense deductions are shown below:

OLS Fiscal Impacts of Establishing an Employer Healthcare Assistance Contribution Fee				
	FY 2027	FY 2028	FY 2029	FY 2030 and thereafter
<i>State Revenue Increase:</i>				
<i>Employer Fee Collections</i>	<i>\$174.1 million</i>	<i>\$26.2 million</i>	<i>\$100.2 million</i>	<i>\$100.2 million</i>
<i>State Revenue Loss:</i>				
<i>Business Expense Deductions</i>	<i>(\$20.0 million)</i>	<i>(\$3.0 million)</i>	<i>(\$11.5 million)</i>	<i>(\$11.5 million)</i>
Net State Revenue Gain	\$154.1 million	\$23.2 million	\$88.6 million	\$88.6 million

Further, the OLS finds that collections of employer-noncompliance penalties under the bill will have indeterminate impacts on State revenue, since the likelihood, frequency, and magnitude of such penalties cannot be estimated from available data. The OLS also cannot determine the additional State administrative costs that may be incurred by the Department of the Treasury, the Department of Labor and Workforce Development, and the Department of Human Services when assessing the fee and performing functions such as resolving employer appeals or managing additional data-sharing.

This analysis is largely based upon data provided in the Department of Human Services’ 2024 Annual Report on Access to Employer-Based Health Insurance. To the extent that the fee established under the bill applies to more or fewer employers, employees, or employee dependents than identified within this report and assumed within this analysis, these estimates would be adjusted accordingly. The OLS also notes that employers’ responses to the new fees, such as enhancing offers of employer-sponsored health coverage (potentially reducing Medicaid enrollment among employees subject to the fee) or shifting employees to part-time working arrangements that are exempted from the fee, could result in indeterminate downward adjustments to the anticipated State revenue increases.

Finally, the OLS notes that pending changes to Medicaid eligibility rules under the federal “One Big Beautiful Bill Act” will have indeterminate impacts on the number of Medicaid-enrolled employees and employee dependents subject to the employer fee under this bill due to the complex potential effects of new “community engagement” rules, more frequent eligibility reviews, and immigrant eligibility restrictions on the employees and dependents subject to the employer fee.

Section: Human Services

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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.).