

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 2678**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MARCH 9, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2678, with committee amendments.

The bill, as amended, requires the Director of the Division of Taxation to establish a 45-day State tax amnesty period, to end no later than June 15, 2009. The amnesty shall apply only to State tax liabilities for tax returns due on and after January 1, 2002 (the day following termination of the most recent amnesty period) and before February 1, 2009. During the amnesty period, a taxpayer who has failed to pay a State tax can pay the tax and one-half of the balance of interest that is due as of May 1, 2009, without the imposition of the remaining one-half of the balance of interest that is due as of May 1, 2009, recovery fees, civil penalties and criminal penalties arising out of the late payment. The amnesty is not available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails during the amnesty period to pay taxes owed, that taxpayer shall be subject to a five percent penalty which may not be waived or abated. The five percent penalty shall be in addition to all other penalties, interest, or collection costs otherwise authorized by law.

The bill also appropriates a sum not to exceed \$10.0 million of the proceeds collected through the amnesty period for the costs incurred to carry out and administer the program.

As amended and reported by the committee, this bill is identical to Assembly Bill No. 3819 Aca.

#### COMMITTEE AMENDMENTS:

The committee amendments expand the amnesty period's waiver provisions to include forgiveness for one-half of the balance of interest that is due as of May 1, 2009.

FISCAL IMPACT:

The State Treasurer estimates that the tax amnesty program will raise \$100.0 million in FY 2009. Past experiences with amnesty programs have yielded a wide range of revenue collections. New Jersey's 1987 tax amnesty generated \$187.0 million in gross revenue, yielding \$68.0 million in additional net revenues that would otherwise not have been collected. The 1996 amnesty program which was originally estimated to bring in \$70.0 million, actually generated \$359 million in gross revenue, or a net State increase of \$244.0 million, after accounting for about \$115.0 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. The 2002 amnesty program was initially estimated to bring in \$150.0 million, but generated a gross increase in State revenues of \$277.0 million, although no estimate of the net impact was made.

The bill appropriates up to \$10.0 million of amnesty proceeds to carry out and administer the program. The 1996 amnesty legislation also appropriated up to \$10.0 million for these purposes, and a reported \$7.8 million was expended. The 2002 program appropriated up to \$7.0 million, but the OLS has no information on actual expenditures.