

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4721

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Assembly Budget Committee reports favorably Assembly Bill No. 4721.

This bill imposes the existing corporation business tax (CBT) surtax at a rate of 2.5 percent until December 31, 2023. However, if the federal corporate income tax rate is increased to its pre-Tax Cut and Jobs Act (35% of taxable income) level, the surtax will be suspended at the end of a taxpayer's current privilege period. Under current law, the CBT surtax rate was reduced to 1.5 percent on January 1, 2020, and is scheduled to be eliminated after December 31, 2021.

The bill also requires the Director of the Division of Taxation in the Department of the Treasury to waive all penalties that a taxpayer may incur because of the retroactive imposition of the surtax rate.

The CBT surtax is currently imposed on taxpayers that are not public utilities and that have allocated taxable net income in excess of \$1 million. Taxpayers are not allowed to apply tax credits against the surtax liability, except those credits for installment payments, estimated payments with a request for an extension of time for filing a return, or overpayments from prior privilege periods.

FISCAL IMPACT:

The OLS is projecting additional revenues of \$244.4 million from the increased surtax rate. As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the CBT surtax rate from 1.5% to 2.5% to yield \$210 million in additional revenue for FY 2021. Given the complexity of the CBT and the difficulty of forecasting both corporate financial performance and taxpayer decisions, which can affect tax liability in the short run, the OLS and the Executive's estimates should each be considered as within the range of the bill's likely impact.