

SENATE, No. 1298

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 10, 2020

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

SYNOPSIS

Prohibits State administered pension fund investment in corporations shifting ownership or operations outside the U.S. for tax purposes.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** prohibiting the investment of State administered pension
2 funds in corporations shifting ownership or operations outside
3 the United States of America for tax purposes, supplementing
4 P.L.1950, c.270 (C.52:18A-79 et seq.).

5
6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
7 *of New Jersey:*

8
9 1. a. Notwithstanding the provision of any law or regulation to
10 the contrary, no asset of a pension, annuity, or other retirement fund
11 administered by the State shall be invested in a debt or equity
12 instrument of a corporation that lowers its annual worldwide
13 effective income tax rate by 1/5 or more within three years
14 predominately due to a shift in ownership or operations outside the
15 United States of America.

16 b. The State Investment Council and the Director of the
17 Division of Investment in the Department of the Treasury shall sell,
18 redeem, divest, or withdraw any investment held in violation of
19 subsection a. of this section within three years of the date of
20 enactment of this section.

21 c. (1) No later than sixty days after the date of enactment of
22 this section, the Director of the Division of Investment shall file
23 with the Legislature, pursuant to section 2 of P.L.1991,
24 c.164 (C.52:14-19.1), a report detailing all investments held as of
25 the date of enactment of this section that violate subsection a. of
26 this section.

27 (2) Until the date that all assets held in violation of subsection
28 a. of this section are no longer held pursuant to subsection b. of this
29 section, the Director of the Division of Investment shall file with
30 the Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-
31 19.1), an annual report detailing all investments held in violation of
32 subsection a. of this section. The annual report shall be due on the
33 State business day that most closely coincides with the anniversary
34 of the date of enactment of this section.

35 d. As used in this section:

36 “Annual worldwide effective income tax rate” means the total
37 amount of federal, state, local, and foreign income tax paid for a
38 corporation’s fiscal year divided by the total amount of worldwide
39 net income of the corporation for the fiscal year.

40 “Shift in operations” means increasing the percentage of a
41 corporation’s income sourced outside the United States of America
42 on account of increased foreign activity and decreased domestic
43 activity.

44 “Shift in ownership” means the acquisition of a foreign business
45 entity’s equity or assets by a domestic business entity or acquisition
46 of a domestic business entity’s equity or assets by a foreign
47 business entity.

1 2. This act shall take effect immediately.

2

3

4

STATEMENT

5

6 This bill prohibits State administered pension fund investment in
7 corporations shifting ownership or operations outside the U.S. for
8 tax purposes (i.e. corporate inversion tactics). The purpose of this
9 bill is to prevent the State's pension fund investment from
10 supporting the domestic income generation activities of
11 corporations willing to flee the U.S. to avoid tax liability.

12 The bill prohibits the investment of State administered pension
13 funds into a corporation shifting ownership or operations outside
14 the U.S. if that shift lowers the corporation's effective income tax
15 rate by 20% or more within a three-year-period. The bill requires
16 the State to dispose of all investments held in violation of this
17 prohibition within three years of the date of enactment. The bill also
18 includes two reporting requirements:

19 (i) an initial report detailing the current investments in
20 corporations using inversion tactics that is due within 60
21 days of the date of enactment; and

22 (ii) an annual report detailing the progress made in disposing of
23 investments in corporations using inversion tactics.

24 The annual reporting requirement expires upon the complete
25 disposal of investment in corporations using inversion tactics.