

SENATE, No. 1717

STATE OF NEW JERSEY

219th LEGISLATURE

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Sponsored by:
Senator JOSEPH A. LAGANA
District 38 (Bergen and Passaic)

SYNOPSIS

Modernizes the distribution of gross income tax refunds by making direct deposit the default distribution method.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT modernizing the distribution of gross income tax refunds,
2 supplementing Title 54A of the New Jersey Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. a. For gross income tax refunds due for taxable years
8 beginning on or after January 1, 2020, the Director of the Division
9 of Taxation shall establish the default system for distributing gross
10 income tax refunds as electronic fund transfer for direct deposit into
11 a recipient's account held by a financial institution, provided that:

12 the director establishes an alternative system for distributing
13 gross income tax refunds, which system, as shall be determined by
14 the director to be the most cost-effective alternative to the direct
15 deposit default, allows a gross income tax refund recipient the
16 opportunity to elect to receive the refund via conventional check or
17 allows a gross income tax refund recipient the opportunity to elect
18 to receive the refund via prepaid debit card; and

19 the director determines that the State will sustain no
20 disadvantage in establishing direct deposit by electronic fund
21 transfer as the default system for distributing gross income tax
22 refunds.

23 b. To the extent the Division of Taxation is capable of
24 implementation, gross income tax refunds that have yet to be issued
25 on or after the date of enactment of this section for taxable years
26 beginning before January 1, 2020 shall be issued in accordance with
27 this section.

28 c. As used in this section:

29 "Automated teller machine" means an electronic information
30 processing device which accepts or dispenses cash in connection
31 with credit or deposit accounts.

32 "Financial institution" means a State or federally chartered bank,
33 savings bank, savings and loan association, credit union, or other
34 entity approved by the director.

35 "Manual teller terminal" means a terminal or other station staffed
36 by a teller or other individual who accepts or dispenses cash in
37 connection with credit or deposit accounts.

38 "Prepaid debit card" means an open loop card, which may be
39 reloadable or nonreloadable, that enables the cardholder to: (i)
40 transfer funds assigned to the card to a merchant through a point-of-
41 sale terminal in exchange for products, services, or a combination
42 thereof; (ii) withdraw cash against the balance assigned to the card
43 via an automated teller machine or a manual teller terminal; and
44 (iii) complete, for each gross income tax refund distributed to a
45 gross income tax recipient, not fewer than two transactions
46 involving the domestic withdrawal of cash against the balance
47 assigned to the card via an automated teller machine or a manual
48 teller terminal that is operated by, or on behalf of, the entity

1 responsible for the issuance of the card prior to incurring a charge,
2 surcharge, or other convenience fee for the completion of the
3 transaction.

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5 2. This act shall take effect immediately.

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8 STATEMENT

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10 This bill makes direct deposit the default method for the
11 distribution of gross income tax refunds. The purpose of the bill is
12 to modernize gross income tax refund distribution for increased
13 efficiency.

14 Under the bill, the Director of the Division of Taxation is
15 required to establish direct deposit by electronic fund transfer as the
16 default method for the distribution of gross income tax refunds for
17 taxable years beginning in 2020 and thereafter. The bill provides
18 that the establishment of direct deposit as the default distribution
19 method is subject to the following conditions:

20 -- the director must allow refund recipients the opportunity to opt
21 out of the default direct deposit refund method in favor of an
22 alternative method; and

23 -- the director must determine that the State will sustain no
24 disadvantage in establishing direct deposit as the default refund
25 method.

26 The bill extends the direct deposit default method for refunds
27 from pre-2020 taxable years that have yet to be issued to the extent
28 the division is capable of extending the method to those taxable
29 years.

30 With regard to the alternative method, the bill authorizes the
31 director to choose between conventional checks and prepaid debit
32 cards in establishing an alternative system for distributing gross
33 income tax refunds to refund recipients. The bill requires the
34 choice to be made based upon the director's determination that
35 issuing refunds either by check or by prepaid debit card will be the
36 most cost-effective alternative to the direct deposit default system
37 established by the bill.

38 The bill requires prepaid debit cards, issued pursuant to the bill,
39 to have the following minimum characteristics:

40 --Open Loop: The prepaid debit card must be redeemable at a
41 variety of merchants and financial institutions as opposed to a
42 closed loop of related merchants.

43 --Redeemable for Products, Services or Cash: The prepaid debit
44 card must be redeemable: (i) for products or services with
45 merchants; and (ii) for cash at automated and manual teller
46 terminals.

47 --Minimum Number of Cash Withdrawals: The prepaid debit
48 card must enable the cardholder to complete a minimum number of

S1717 LAGANA

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1 domestic cash withdrawals (at least two for each gross income tax
2 refund) at certain automated teller machines and manual teller
3 terminals prior to incurring a charge for the completion of the
4 transaction.

5 Additionally, the bill defines “automated teller machine” and
6 “manual teller terminal,” and redefines a “financial institution” as a
7 State or federally chartered bank, savings bank, savings and loan
8 association, credit union, or other entity approved by the director.