

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2347

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 18, 2021

The Assembly Appropriations Committee reports favorably Senate Bill No. 2347, with committee amendments.

As amended by the committee, this bill establishes the Employment and Business-Related Tax Deferral Assistance Program, to be administered by the New Jersey Economic Development Authority (EDA), to provide financial relief to New Jersey small businesses suffering economic hardship due to the outbreak of the coronavirus disease 2019 (COVID-19).

The bill requires the EDA to review and approve applications of eligible small businesses seeking financial relief, make and enter into agreements that allow eligible small businesses to defer payment and remittance of certain employment and business-related taxes imposed and collected on behalf of the State, and monitor and evaluate the effectiveness of the program. Under the program, small businesses are to be allowed to defer payments and remittances including those regularly collected pursuant to the sales and use tax, the motor fuels tax, the petroleum products gross receipts tax, the gross income tax, workers' compensation contributions, unemployment compensation contributions, temporary disability leave benefits contributions, and family temporary disability leave contributions.

The EDA is required to enter into an agreement with each small business that it has approved for participation in the program. The agreement is required to include: a detailed description of the applicable taxes that the small business is permitted to defer, the period of deferral, and the repayment or remittance schedule; a requirement that small business owners agree to be personally liable for any applicable taxes and for any penalties and interest for failure to pay or remit the deferred tax; requirements related to the retention and rehiring of employees by the small business; and reporting, audit, and termination requirements. Under the bill, a small business is also required to file timely all returns, reports, and other statements or information. The bill requires the EDA to transmit a copy of each agreement to the Director of the Division of Taxation in the Department of the Treasury and the Director of the Division of Unemployment and Temporary Disability Insurance in the Department of Labor and Workforce Development.

The EDA is required to prepare and publish an annual report to monitor and evaluate the implementation of the program and submit the report to the Governor and the Legislature. The bill allows the EDA, the Director of the Division of Taxation in the Department of the Treasury, and the Director of the Division of Unemployment and Temporary Disability Insurance in the Department of Labor and Workforce Development to adopt rules and regulations immediately upon filing with the Office of Administrative Law.

As reported by the committee, Senate Bill No. 2347 (1R) is identical to Assembly Bill No. 4030 (1R), which also was reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments to the bill advance all specified dates in the bill by one year. Applications to participate in the program must be received by July 31, 2021; a tax deferment period must end before January 1, 2022; the first 50 percent of deferred taxes must be paid no later than July 31, 2022; and the remainder of deferred taxes must be paid no later than July 31, 2023.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that this bill will result in an indeterminate amount of revenue shifted from FY 2021 and FY 2022 to FY 2022 and FY 2023. The magnitude of the shift will be affected by factors such as the number of small employers that decide to participate in the program and the specific agreement the small employer enters into with the Economic Development Authority (EDA).

The OLS estimates this bill could potentially result in a shift of approximately \$89.4 million to \$208.5 million in revenue from the gross income tax and payroll taxes from FY 2021 and FY 2022 to FY 2022 and FY 2023. The OLS lacks sufficient information to provide an estimate for the sales and use tax, petroleum products gross receipts tax, or motor fuels tax, and therefore the overall cost estimate for the bill is indeterminate.