

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1996

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 4, 1998

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1996 with committee amendments.

Assembly Bill No. 1996, as amended, authorizes the State Treasurer to sell State tax indebtedness. The bill authorizes the State Treasurer to sell tax debt that has been reduced to a lien under a certificate of debt filed with the clerk of the Superior Court, a filing that has the same legal effect as the entry of a court judgement of indebtedness. Taxpayers may still appeal the underlying indebtedness, but must establish their lack of liability by presentation of clear and convincing evidence.

The bill allows the Treasurer to sell tax debt to the highest bidder, after advertisement, under invitations to bid that are consistent with what will be most advantageous to the State, a present value analysis of the probability and time lapse involved in collecting the debt, and other relevant factors. The Treasurer may reject any bids if the Treasurer determines it is in the public interest to do so. The Director of the Division of Taxation must notify the court and the debtor of the purchaser of debt when debt is sold. The purchaser of debt is entitled to all of the remedies, and may take all of the proceedings for collecting the indebtedness, that are available under State law to a judgement creditor. The "indebtedness" includes interest at statutory rates and the provision for certain collection costs.

The bill requires purchasers of debt to promptly file any warrant of satisfaction of the debt. Purchasers of tax indebtedness and their employees are subject to the confidentiality provisions of the State Tax Uniform Procedure Law, and are subject to criminal penalties and fines if purchasers or their employees use tax information for purposes other than the collection of the debt.

The bill requires that, if the underlying tax must be deposited to a dedicated fund, then the proceeds of the sale of the indebtedness relating to the tax must also be deposited to the same dedicated fund.

FISCAL IMPACT:

The Office of the Treasurer has provided an estimate that the sale of debt may raise approximately \$10 million in revenue. The Office of the Treasurer states that this estimate is based on outstanding tax liabilities of over \$2 billion.

COMMITTEE AMENDMENTS:

The amendments delete provisions, parallel to the tax debt provisions, that would have applied to merit rating surcharge indebtedness, and add the requirement that sales of tax indebtedness be to the highest bidder after public notice for bids.