STATEMENT TO

[First Reprint]
ASSEMBLY, No. 12

with Senate Floor Amendments
(Proposed by Senators SARLO and OROHO)

ADOPTED: OCTOBER 5, 2016

These Senate amendments reduce the *sales and use tax* rate from 7 percent to 6.875 percent on January 1, 2017 and reduce the rate from 6.875 percent to 6.625 percent on January 1, 2018. The amendments revise the special transition provisions for taxing sales transactions that extend across the tax rate change dates.

The amendments phase out the *estate tax* over two rather than four years, by first replacing the current $675,000 threshold with a "true" exclusion amount established at $2.0 million for decedents dying on or after January 1, 2017, and then eliminating the estate tax for decedents dying on and after January 1, 2018. The amendments also eliminate provisions of the bill that provided for the imposition of the estate tax on the New Jersey property of nonresident decedents.

The amendments eliminate provisions of the bill that allowed an annual *gross income tax* deduction for State fuel taxes paid by taxpayers on purchases of motor fuel for the operation for personal use of the taxpayer's motor vehicles and not otherwise reimbursed.

The amendments cap the proposed increase in the *gross income tax* pension and retirement income exclusions to $100,000 for joint filers, $75,000 for individuals, and $50,000 for married but filing separately upon the full, four-year phase-in, by January 1, 2020, of the enhanced exclusion. Under the amendments, the phase in of the increase is as follows:

Filer Type	Present	2017	2018	2019	2020
Joint	$20,000	$40,000	$60,000	$80,000	$100,000
Individual	$15,000	$30,000	$45,000	$60,000	$75,000
Separate	$10,000	$20,000	$30,000	$40,000	$50,000

The amendments also eliminate the provision, for taxable years beginning on or after January 1, 2021, that allowed a taxpayer with income of more than $100,000 but not over $125,000 to exclude 50 percent of the amount of pension and retirement income otherwise allowed and a taxpayer with more than $125,000 but not more than $150,000 of gross income to exclude 25 percent of the amount otherwise allowed.

The amendments provide for an increase in the New Jersey Earned Income Tax Credit (NJ EITC) under the *gross income tax* to 35 percent, rather than 40 percent, of the federal benefit amount beginning in Tax Year 2016. The current statutory benefit amount under the NJ EITC is equal to 30 percent of the federal benefit amount.

The amendments change the "2016 implementation date" for the new *petroleum products gross receipts tax* rates for most highway fuels to the later of November 1, 2016, or the 15th day after the date of enactment of the bill. The bill previously had anticipated a 2016 implementation date of September 1, 2016 or the 15th day after the date of enactment.

The amendments make certain other technical corrections as to punctuation, grammar, and internal cross references contained in the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates this bill, as amended, will significantly reduce sales and use tax, estate tax, and gross income tax revenues, while also significantly increasing certain fuels tax revenues. The net impact to total State revenues from these changes is estimated at a gain of $544,440,000 in FY 2017, and a gain of between $555,200,000 and $585,200,000 in FY 2018. In FY 2019, a smaller net gain of between $124,500,000 and $159,500,000 is estimated. Thereafter, the OLS estimates that the bill will result in an annual net revenue decline of between $23,200,000 and $63,200,000 in FY 2020, rising to an estimated loss of between $168,050,000 to $214,400,000 by FY 2022. The revenue decreases will be phased in over time, starting with an estimated $170,400,000 loss in FY 2017 and rising to an estimated range of revenue losses between $1,398,350,000 to $1,444,700,000 in FY 2022. The revenue increases begin in FY 2017 with an estimated gain of $714,840,000 stabilizing to an estimated gain of $1,230,300,000 for FY 2018 and thereafter from the various fuels tax increases.

Office of Legislative Services Estimate

Fiscal Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
State Revenue Loss:						
General Fund Sales & Use Tax	($92,400,000)	($382,200,000)	($592,800,000)	($613,900,000)	($633,800,000)	($655,400,000)
Estate Tax	($16,000,000)	($116,400,000)	($320,000,000)	($470,100,000)	($521,900,000)	($561,900,000)
PTRF Pensions	$0	($60,000,000) to ($90,000,000)	($70,000,000) to ($105,000,000)	($80,000,000) to ($120,000,000)	($85,000,000) to ($130,000,000)	($87,550,000) to ($133,900,000)
Veterans' Exclusion	$0	($23,000,000)	($23,000,000)	($23,000,000)	($23,000,000)	($23,000,000)
EITC	($62,000,000)	($63,500,000)	($65,000,000)	($66,500,000)	($68,500,000)	($70,500,000)
Total Loss in GF and PTRF	**($170,400,000)**	**($645,100,000) to ($675,100,000)**	**($1,070,800,000) to ($1,105,800,000)**	**($1,253,500,000) to ($1,293,500,000)**	**($1,332,200,000) to ($1,377,200,000)**	**($1,398,350,000) to ($1,444,700,000)**
State Revenue Gain:						
12.5% PPGR	$694,120,000	$1,159,600,000	$1,159,600,000	$1,159,600,000	$1,159,600,000	$1,159,600,000
7% Non-Motor	$20,720,000	$31,100,000	$31,100,000	$31,100,000	$31,100,000	$31,100,000
4 cent/gal Diesel	$0	$39,600,000	$39,600,000	$39,600,000	$39,600,000	$39,600,000
Total Gain, Fuels Taxes	**$714,840,000**	**$1,230,300,000**	**$1,230,300,000**	**$1,230,300,000**	**$1,230,300,000**	**$1,230,300,000**
Net Total State Revenue All Funds	**$544,440,000**	**$585,200,000 to $555,200,000**	**$159,500,000 to $124,500,000**	**($23,200,000) to ($63,200,000)**	**($101,900,000) to ($146,900,000)**	**($168,050,000) to ($214,400,000)**

Note: GIT is gross income tax. PTRF is Property Tax Relief Fund. GF is General Fund. EITC is Earned Income Tax Credit. PPRG is Petroleum Products Gross Receipts tax.