

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3438

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 18, 2018

The Assembly Budget Committee reports favorable Assembly Bill No. 3438, with committee amendments.

As amended, this bill requires the Director of the Division of Taxation to establish a six-month State tax amnesty period, to end no later than December 31, 2018. The amnesty shall apply only to State tax liabilities for tax returns due on and after January 1, 2012 (the day following termination of the most recent amnesty period) and before January 1, 2018. During the amnesty period, a taxpayer who has failed to pay a State tax can pay the tax and one-half of the balance of interest that is due as of May 1, 2018, without the imposition of the remaining one-half of the balance of interest that is due as of May 1, 2018, recovery fees, civil penalties, and criminal penalties arising out of the late payment. The amnesty is not available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails during the amnesty period to pay taxes owed, the bill subjects that taxpayer to a five percent penalty, which the director may not waive or abate. The five percent penalty is in addition to all other penalties, interest, or collection costs otherwise authorized by law.

The bill also appropriates a sum not to exceed \$10 million of the proceeds collected through the amnesty period for the costs incurred to carry out and administer the program.

COMMITTEE AMENDMENTS:

The amendments change the duration of the State tax amnesty period from 45 days to six months to end no later than December 31, 2018. The amendments also provide that the tax amnesty period will apply to State tax liabilities for tax returns due on or after January 1, 2012, but before January 1, 2018. Previously, the tax amnesty period applied to State tax liabilities for tax returns due on or after February 1, 2009, but before January 1, 2018.

FISCAL IMPACT:

The Office of Legislative Services (OLS) is unable to estimate a precise amount of revenue that a new tax amnesty program may

collect. The OLS does not have independent data on how much outstanding individual or corporate taxpayer liabilities remain delinquent, or how much taxpayers would pay to the State during an amnesty period. As with any tax amnesty program, the net revenue impact will be determined by the balance between new tax revenues that are attracted through the amnesty offer and the revenue losses resulting from the forgiveness of interest and penalties owed by taxpayers who would otherwise have made full payment through the State's current tax compliance efforts, either during the amnesty payment period or at a later date. In addition, an amnesty may generate new recurring revenues to the extent that the State adds certain taxpayers to the taxpayer rolls.

The OLS notes that the most recent tax amnesty program was administered at the end of calendar year 2014. Thus, given the short time span between the most recent tax amnesty program and now, the amount of revenue that will be generated from a new tax amnesty program could be noticeably lower than past programs. The OLS further notes that the Executive has implemented certain tax enforcement initiatives and efficiencies throughout the current fiscal year, which have netted additional revenues in excess of \$200 million across the State's major revenues thereby possibly further reducing the outstanding tax liability which might otherwise be captured by a new tax amnesty program.