ASSEMBLY, No. 4163

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED JUNE 11, 2018

Sponsored by:
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SYNOPSIS
Allows municipality with population over 200,000 to impose employer payroll tax; requires employer payroll tax revenues to be paid to school district in certain circumstances.

CURRENT VERSION OF TEXT
As introduced.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 15 of P.L.1970, c.326 (C.40:48C-15) is amended to read as follows:

15. a. Any municipality may by ordinance impose and collect an employer payroll tax for general municipal purposes of the municipality, or for the purposes set forth in subsection d. of this section, at a rate of up to [1%] one percent of the employer's payroll.

b. A municipality may by ordinance adjust the rate of an employer payroll tax imposed and collected pursuant to subsection a. of this section, provided that the rate does not exceed one percent. Any reduction in [the] an employer payroll tax while the municipality is in receipt of [transitional] aid provided through the Transitional Aid to Localities program, or any other discretionary aid program for municipalities in fiscal distress, shall be subject to approval by the Department of Community Affairs.

c. An ordinance adopted pursuant to subsection a. of this section may provide that the employer payroll tax shall not apply to the remuneration paid by employers to employees who are residents of the municipality.

d. (1) If a municipality adopts an ordinance pursuant to subsection a. of this section and the municipality has a median household income of $55,000 or greater according to the most recent American Community Survey five-year estimate by the United States Census Bureau, all employer payroll tax revenues collected by the municipality pursuant to the ordinance shall be deposited into a trust fund to be used exclusively for school purposes.

(2) The governing body of the municipality shall monthly pay employer payroll tax revenues deposited in the trust fund over to the board secretary or treasurer of school moneys, as appropriate, of the school district coextensive with the municipality or of which the municipality comprises a part, in an amount equal to one-twelfth of the difference in State school aid provided to that school district, pursuant to P.L.2007, c.260 (C.18A:7F-43 et al.) and P.L. , c. (C. ) (pending before the Legislature as Senate Bill No. 2 of 2018-2019), between the current State fiscal year and State fiscal year 2018; for use in lieu of adjustment aid and all other categories of State school aid.

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.
(3) Any balance remaining in the trust fund shall be reserved for use toward making payments pursuant to paragraph (2) of this subsection in the event the employer payroll tax revenues collected in a year are insufficient to pay the full amount provided for under that paragraph.

(cf: P.L. 2017, c.35, s.1)


3. This act shall take effect upon the enactment into law of P.L. , c. (C. ) (pending before the Legislature as Senate Bill No. 2 of 2018-2019).

STATEMENT

This bill would allow any municipality having a population over 200,000 to impose and collect an employer payroll tax. Current law allows a municipality to impose and collect an employer payroll tax if it had collected the tax or adopted the tax during the two-year period prior to July 1, 1995. Newark was the only municipality to have done so, and is the only municipality currently authorized to impose and collect an employer payroll tax. This bill would allow all other municipalities with a population of at least 200,000, presently only Jersey City, to impose and collect an employer payroll tax.

This bill would require that employer payroll tax revenues be paid to the school district on a monthly basis if the municipality has a median household income of $55,000 or more. Presently, Jersey City is the only municipality under the bill that would be both eligible to impose an employer payroll tax and meet the median household income threshold which triggers the requirement to use employer payroll tax revenues for school purposes.

The amount of employer payroll taxes to be paid to the school district in a year would be equal to the difference between State school aid provided to the school district in that State fiscal year and State fiscal year 2018. Any revenue surpluses generated that are not paid over to the school district would be held in reserve to help cover any future shortfalls in the amount needed to cover that difference. The bill would help offset certain reductions in State school aid that may be in effect after State fiscal year 2018, as is currently being considered by the Legislature in the form of Senate Bill No. 2 of 2018-2019.

The bill would also allow any municipality that has adopted an employer payroll tax to create an exception for wages of employees who are residents of the municipality. In addition, the bill would explicitly allow a municipality to change the rate of an employer payroll tax so long as the rate does
not exceed one percent. Current law does not explicitly provide that a municipality may make that change.

This bill would only take effect upon the enactment of P.L., c. (pending before the Legislature as Senate Bill No. 2 of 2018-2019).