

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4163

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 18, 2018

The Assembly Budget Committee reports favorably Assembly Bill No. 4163.

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. (C.) (pending before the Legislature as Senate Bill No. 2 of 2018-2019).

COMMITTEE AMENDMENTS:

The amendments require that employer payroll tax revenues are shared with charter schools.

FISCAL IMPACT:

This bill is not certified as requiring a fiscal note.