

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5607
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JUNE 27, 2019

SUMMARY

Synopsis: Provides limited period for dissolution or reinstatement of revoked or inactive business charters using expedited process, allows for payment of reduced administrative fee, and revises certain business filing fees.

Type of Impact: Indeterminate increase in State revenues.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Revenue	Indeterminate Increase		

- The Office of Legislative Services (OLS) estimates that the bill will result in an indeterminate increase in State commercial recording fee revenues. The Governor’s Budget Message anticipates that the bill will generate approximately \$25 million in Fiscal Year 2020. The OLS neither agrees nor disagrees with the Executive’s projection.
- Additional State revenue collections will be higher in Fiscal Year 2020 because the State will receive fee payments from business entities that participate in the 180-day expedited business dissolution or reinstatement initiative.
- The increase in annual report filing fees authorized by the bill will also catalyze additional State revenue collections in Fiscal Year 2020 and beyond, but they will be offset by a loss of business entity reinstatement fee revenues, as they are eliminated by the bill.

BILL DESCRIPTION

This bill establishes a temporary scheme to help business entities that are presently in an inactive or revoked status to achieve reinstatement, or execute a streamlined termination to end their operations, without risk of exposure to additional tax compliance issues by filing a single application and supporting documentation with the Division of Revenue and Enterprise Services (DORES) in the Department of the Treasury. Under the temporary program, business would be required to pay an administrative fee of \$500 and attest that they have satisfied any known tax

obligations but would waive the requirement to obtain a tax clearance certificate. The bill authorizes the expedited reinstatement and termination program to run for a period not to exceed 180 days which shall end no later than June 15, 2020.

The bill also makes structural improvements to the business registration program by: eliminating the reinstatement fee for late filing and establishing a grace period for waiver of the tax clearance requirement for recently revoked entities. Finally, the bill adjusts and realigns the current annual report fee structure. The annual report fee for for-profit entities increases by \$25 (from \$50 to \$75) and the annual report fee for non-profit entities increases by \$5 (from \$25 to \$30). These fee amounts have not been increased since 2002.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Executive Branch did not submit a fiscal note for the bill. However, information provided during the Fiscal Year 2020 budget process indicates that the Executive anticipates that the bill will result in net increase in commercial recording revenues of \$25.175 million as follows: (1) \$18.5 million through the expedited business dissolution or reinstatement initiative; (2) \$12.675 million will be generated by the increased annual reporting fees; and (3) a loss of \$6.0 million due to the elimination of the reinstatement penalties. According to the Executive, there are 370,000 business entities with charters that are presently in an inactive or revoked status.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will result in an indeterminate net increase in State commercial recording fee revenues collected by DORES. The bill authorizes the business dissolution or reinstatement initiative to run for a period not to exceed 180 days ending no later than June 15, 2020. Consequently, any additional revenues from this initiative will be realized in Fiscal Year 2020. Although the increase in annual report filing fees authorized by the bill will also catalyze additional State revenue collections in Fiscal Year 2020 and beyond, they will be offset by a loss of business entity reinstatement fee revenues in years after Fiscal Year 2020, as they are eliminated by the bill.

The OLS does not have data that it may use to provide a definitive estimate of the fiscal impact of this legislation. While OLS concurs with the Executive that the bill will result in increased State revenues, it can neither agree nor disagree with the Executive's projections due to the unique nature of this initiative and the degree of uncertainty regarding the number of businesses that will participate in the program.

Section: Revenue, Finance, and Appropriations

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).