

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 3590

STATE OF NEW JERSEY

DATED: MAY 6, 2021

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 3590.

This bill allows real estate salespersons or broker-salespersons, to form a limited liability company, or any other entity permitted by law, to receive commission income from the licensed real estate broker with whom the salesperson is contracted or employed to provide his or her services. The specific permission for a salesperson or broker-salesperson to operate through a limited liability company or other entity is intended to eliminate any confusion as to whether they may take advantage of the pass-through business income deduction made available under section 199A of the Federal Internal Revenue Code as part of the federal tax reforms of the 2017 “Tax Cut and Jobs Act.”

The bill provides that, notwithstanding the formation of limited liability company or other entity, a salesperson or broker-salesperson who is compensated wholly on a commission basis will not be considered an employee pursuant to the State unemployment compensation law, and certain other labor laws that determine eligibility based on that law.

The bill requires the New Jersey Real Estate Commission to create a registration process for limited liability companies and other entities to receive a commission or other valuable consideration. The bill also provides that, if a broker participates in a promotion or offering of free, discounted or other services or products which confers upon the recipient a monetary benefit of greater than \$1,000, the broker is required to provide written disclosure of the benefit to the recipient and any information concerning the promotion or benefit as may be required by the commission.