

ASSEMBLY, No. 325

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen PASCHELL and ROBERTS

1 AN ACT eliminating the State retention of the municipal share of gross
2 receipts and franchise taxes, amending P.L.1993, c.155, and
3 P.L.1991, c.184.

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

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8 1. Section 27 of P.L.1991, c.184 (C.54:30A-24.4) is amended to
9 read as follows:

10 27. Commencing with State fiscal year [1993] 1994, amounts
11 which annually are not apportioned or distributed for payment to
12 municipalities and which are retained for State government use from
13 the taxes paid pursuant to the provisions of subsection (a) of section
14 3 of P.L.1940, c.4 (C.54:30A-18), subsections a. and b. of section 2
15 of P.L.1991, c.184 (C.54:30A-18.6), section 9 of P.L.1940, c.4
16 (C.54:30A-24), subsections (a) and (b) of section 6 of P.L.1940, c.5
17 (C.54:30A-54), and taxes paid by gas and electric light, heat and
18 power corporations pursuant to the provisions of subsection a. of
19 section 10 of P.L.1991, c.184 (C.54:30A-54.6), subsections a. and b.
20 of section 12 of P.L.1991, c.184 (C.54:30A-54.8), and section 14 of
21 P.L.1940, c.5 (C.54:30A-62), shall not exceed [the amount remaining
22 unapportioned or undistributed and retained for State government use
23 from those revenues in State fiscal year 1992, net of any increase in
24 amounts paid and retained for State use pursuant to subsections a. and
25 b. of section 2 of P.L.1991, c.184 (C.54:30A-18.6) and section 9 of
26 P.L.1940, c.4 (C.54:30A-24) and paid and retained for State use from
27 gas and electric light, heat and power corporations pursuant to
28 subsections a. and b. of section 12 of P.L.1991, c.184
29 (C.54:30A-54.8) and section 14 of P.L.1940, c.5 (C.54:30A-62)]
30 \$245,000,000; provided however, that for State fiscal year 1995 that
31 amount shall be reduced by \$24,500,000, and for each of the nine
32 years thereafter that amount shall be reduced by a further

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

Matter underlined thus is new matter.

1 \$24,500,000, and provided further that for State fiscal year 2004 and
2 fiscal years thereafter there shall be no amounts which annually are not
3 apportioned or distributed for payment to municipalities and which are
4 retained for State government use from such taxes paid. This section
5 shall not apply to taxes paid or prepaid pursuant to provisions of
6 general law identifying such taxes for State use, except for taxes
7 prepaid in 1995 and each year thereafter pursuant to subsection b. of
8 section 2 of P.L.1991, c.184 (C.54:30A-18.6) and subsection b. of
9 section 12 of P.L.1991, c.184 (C.54:30A-54.8).

10 (cf: P.L.1991, c.184, s.27)

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12 2. Section 28 of P.L.1991, c.184 (C.54:30A-61.4) is amended to
13 read as follows:

14 28. Commencing with State fiscal year [1993] 1994, amounts
15 which annually are not apportioned or distributed for payment to
16 municipalities and which are retained for State government use from
17 the taxes paid pursuant to the provisions of subsection (a) of section
18 3 of P.L.1940, c.4 (C.54:30A-18), subsections a. and b. of section 2
19 of P.L.1991, c.184 (C.54:30A-18.6), section 9 of P.L.1940, c.4
20 (C.54:30A-24), subsections (a) and (b) of section 6 of P.L.1940, c.5
21 (C.54:30A-54), and taxes paid by gas and electric light, heat and
22 power corporations pursuant to the provisions of subsection a. of
23 section 10 of P.L.1991, c.184 (C.54:30A-54.6), subsections a. and b.
24 of section 12 of P.L.1991, c.184 (C.54:30A-54.8), and section 14 of
25 P.L.1940, c.5 (C.54:30A-62), shall not exceed [the amount remaining
26 unapportioned or undistributed and retained for State government use
27 from those revenues in State fiscal year 1992, net of any increase in
28 amounts paid and retained for State use pursuant to subsections a. and
29 b. of section 2 of P.L.1991, c.184 (C.54:30A-18.6) and section 9 of
30 P.L.1940, c.4 (C.54:30A-24) and paid and retained for State use from
31 gas and electric light, heat and power corporations pursuant to
32 subsections a. and b. of section 12 of P.L.1991, c.184
33 (C.54:30A-54.8) and section 14 of P.L.1940, c.5 (C.54:30A-62)]
34 \$245,000,000; provided however, that for State fiscal year 1995 that
35 amount shall be reduced by \$24,500,000, and for each of the nine
36 years thereafter that amount shall be reduced by a further
37 \$24,500,000, and provided further that for State fiscal year 2004 and
38 fiscal years thereafter there shall be no amounts which annually are not
39 apportioned or distributed for payment to municipalities and which are
40 retained for State government use from such taxes paid. This section
41 shall not apply to taxes paid or prepaid pursuant to provisions of
42 general law identifying such taxes for State use, except for taxes
43 prepaid in 1995 and each year thereafter pursuant to subsection b. of
44 section 2 of P.L.1991, c.184 (C.54:30A-18.6) and subsection b. of
45 section 12 of P.L.1991, c.184 (C.54:30A-54.8).

46 (cf: P.L.1991, c.184, s.28)

1 3. This act shall take effect immediately.

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STATEMENT

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6 This bill reduces the maximum allowed State retention of the
7 municipal share of gross receipts and franchise taxes to eliminate any
8 State retention of that revenue collected for municipal use pursuant to
9 general and permanent statutory law. The public utility gross receipts
10 and franchise taxes were enacted in 1940 to provide for a uniform
11 assessment system for the property of public utilities, to substitute for
12 locally assessed property taxes; taxes were billed by and paid to the
13 municipalities. In 1980 amendments were made to provide for the
14 State to bill and collect the taxes, and since 1980 there has been
15 controversy concerning the distribution to municipalities of the
16 revenues collected by the State.

17 In 1991 the taxes imposed on gas and electric light, heat and power
18 utilities were revised to shift the tax from a gross receipts tax to a unit
19 tax, and to cap the amount of municipal gross receipts and franchise
20 taxes that the State could retain for the General Fund. The stated
21 purpose of capping the retention was for all municipalities to receive
22 the benefits of the future growth in tax payments that could result
23 from an increase in the units of energy being sold. The State annual
24 retention was capped at the fiscal year 1992 retention amount. That
25 legislation also changed the method of payment of the taxes to a
26 prepayment system. Technical language was required to distinguish
27 the cash flow due to the payment schedule changes from the payment
28 of the current year liabilities.

29 This bill replaces the technical language defining the maximum
30 State retention of the municipal share of gross receipts and franchise
31 taxes with an amount specified to be \$245,000,000, to eliminate any
32 ambiguity as to the permitted maximum State annual retention.
33 Beginning with State fiscal year 1995, and in each nine years thereafter
34 until the \$245,000,000 is reduced to zero, the maximum State
35 retention is reduced by \$24,500,000, or 10%. For State fiscal year
36 2004 and thereafter, there shall be no State retention of municipal
37 share gross receipts and franchise tax revenues.

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42 Phases out and then eliminates the State retention of municipal share
43 of public utilities gross receipts and franchise taxes.