LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]
ASSEMBLY, No. 2279

STATE OF NEW JERSEY

DATED: NOVEMBER 4, 1996

Assembly Bill No. 2279 (1R) of 1996 reduces the administrative burden on individuals who hire household workers by allowing those employers to eliminate 13 separate filings and 8 separate payments currently required for each calendar year and replace them with one annual filing as part of the employer's gross income tax return. This bill is limited to individuals who employ only household workers. Individuals who employ both household employees and non-household employees are unaffected by this bill

The Office of Legislative Services (OLS) is unable to provide a firm fiscal estimate of this bill due to insufficient data. However, based on a similar federal program, the OLS believes the fiscal effects of this legislation to be minimal.

The primary fiscal effect of this bill is to alter the schedule during which gross income tax (GIT) and unemployment contribution payments are made to the State by employers of household workers. By altering this schedule, employers who previously made quarterly payments will not be required to make any payments until the employer's GIT filing date following the completion of the calendar year of employment. As a result, quarterly payments that would have been received during the January-June period will be delayed into the following fiscal year. Payments previously made in the July-December period will also delayed until after the beginning of the new calendar year, however this delay will not result in a shift of revenues between fiscal years.

This revenue shift will result in a one-time revenue loss to the State during the first year following enactment of this bill. However, the OLS is unable to measure the extent of the loss because the number of individuals employing *only* household workers is unknown. Without such specific data, the OLS cannot reliably calculate the revenue collected from this segment of the New Jersey labor market, nor can it estimate the value of that revenue that will be foregone in the first fiscal year due to the shift from quarterly to annual payments.

This bill will also require the Department of the Treasury to redesign the gross income tax returns to accommodate the reporting of employees' wage taxes and withholding. The process of recoding the gross income tax return form to accommodate this addition will require an administrative expense, but the exact cost is also unknown.

Although this legislation will result in some one-time costs to the

State, the OLS estimates that it will, ultimately, save State revenues. By reducing the number of reporting requirements from 14 to one and payment requirements from 9 to one, this legislation should reduce administrative costs in the Department of the Treasury and the Department of Labor. Fewer employees will be needed to process reduced paperwork and checks than are currently required. As a result, this reduced work-load should produce savings for the State. However, the data to estimate these savings are unavailable.

This bill may also increase the number of employers who report income and pay taxes for domestic household workers to the State. Under the current law, some employers may have avoided the 14 report filings and 9 separate tax payment requirements due to the amount of paperwork required. A simpler system tied to the employer's gross income tax return may encourage greater compliance, potentially increasing State revenues. However, it is not possible to measure this effect.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.