

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2279

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 7, 1996

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2279, with committee amendments.

Assembly Bill No. 2279 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 replaces them with one annual filing as part of the employer's own gross income tax return.

Currently, employers of household workers must make a quarterly report and payment of the gross income taxes they withhold from an employee's pay, a quarterly report to the Department of Labor on the wages paid to their employee, and a quarterly report and payment of the unemployment contributions they withhold from their employee's pay and the contributions the employer makes. In addition to these 12 quarterly reports and 8 quarterly payments, the employer must make an annual gross income tax reconciliation report for the employee's gross income tax. The typical employer also satisfies his or her own gross income tax obligations through wage withholding or by making quarterly estimated payments and filing an annual New Jersey gross income tax return.

This bill simplifies and streamlines the reporting and payment of taxes. The bill eliminates the separate 13 reports and 8 payments for employees, and instead requires individuals who employ only household workers to report the employee's wage taxes and withholdings once annually, on the employer's own New Jersey gross income tax return. The bill requires employers to satisfy the periodic payment of these tax obligations through additions to the employers' own regular estimated tax payments or wage withholding.

FISCAL IMPACT:

The Office of Legislative Services, based on a similar federal program, believes the fiscal effects of this legislation to be minimal. There will be a one-time revenue deferral of unemployment compensation and disability benefits contributions and employee gross income tax withholding during the first calendar year (crossing the first two fiscal years) after enactment. The bill will require initial redesign

and systems changes for gross income tax collection of unknown magnitude. Ultimately the change will reduce administrative and personnel costs with the reduced need to process paperwork and checks. The potential exists for the simplified system to encourage increased employer compliance, also with unknown potential to increase State revenue.