

LEGISLATIVE FISCAL ESTIMATE TO  
**ASSEMBLY, No. 2549**  
**STATE OF NEW JERSEY**

DATED: JANUARY 15, 1997

Assembly Bill No. 2549 of 1996 authorizes the State Treasurer to sell State tax indebtedness and merit rating surcharge indebtedness.

The bill authorizes the State Treasurer to sell debt that has been reduced to a lien under a certificate of debt filed with the clerk of the Superior Court, a filing that has the same legal effect as the entry of a court judgement of indebtedness. Taxpayers and those assessed surcharges may still appeal the underlying indebtedness, but must establish their lack of liability by presentation of clear and convincing evidence.

The bill allows the Treasurer to determine the appropriate terms and conditions for all sales of debt, based on what will be most advantageous to the State, a present value analysis of the probability and time lapse involved in collecting the debt, and other relevant factors. The Director of the Division of Taxation, in the case of tax indebtedness, and the Director of the Division of Motor Vehicles, in the case of surcharge indebtedness, must notify the court and the debtor of the purchaser of debt when debt is sold. The purchaser of debt is entitled to all of the remedies, and may take all of the proceedings for collecting the indebtedness, that are available under State law to a judgement creditor. The "indebtedness" includes interest at statutory rates and the provision for certain collection costs.

To protect debtors, purchasers of debt must file promptly any warrant of satisfaction of the debt. Purchasers of tax indebtedness and their employees are subject to the confidentiality provisions of the State Tax Uniform Procedure Law, and are subject to criminal penalties and fine if purchasers or their employees use tax information for purposes other than the collection of the debt. Purchasers of merit rating surcharge indebtedness will be provided with information necessary to collect the debt if disclosure of the information does not violate State or federal law.

The bill requires that, if the underlying tax must be deposited to a dedicated fund, the proceeds of the sale of the indebtedness relating to the tax must be deposited to the same dedicated fund. The bill requires that all proceeds from the sale surcharges be used only to provide for the redemption or retirement of any existing Market Transition Facility bonds in accordance with, and to the extent permitted by, the terms and conditions of those bonds and thereafter as otherwise directed by statute.

The Office of the Treasurer has provided an estimate that the sale

of current debt will raise approximately \$20 million in revenue. This estimate is based on outstanding merit rating surcharge indebtedness of about \$600 million and outstanding tax liabilities of over \$2 billion. No estimate was provided of how much of the sales revenue would be deposited to dedicated accounts, such as the Property Tax Relief Fund, how much to retiring Market Transition Facility bonds, or how much to the State general fund. The Office of Legislative Services has no information available to it concerning the taxes under which the \$2 billion estimated tax debt arose, the face value of debts, the age of debts or the expected collectibility of debt that would lead it to disagree with the estimate provided by the Office of the Treasurer.

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.