

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 675**

STATE OF NEW JERSEY

DATED: FEBRUARY 15, 1996

The Senate Budget and Appropriations Committee reports favorably the Senate Committee Substitute for Senate Bill No. 675 of 1996.

This Senate Committee Substitute for Senate Bill No. 675 requires the Director of the Division of Taxation to offer a tax amnesty program for a period of up to 90 days. The program must be offered within the 12 months after the enactment of this substitute. The substitute also authorizes the director to establish a system for the payment of State taxes by credit card, debit card or electronic funds transfer.

During the period of amnesty, a taxpayer who has failed to pay any State tax may pay the tax without any interest that may otherwise be due, without any costs of collection that may otherwise be due, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. This amnesty program will apply only to State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996. The amnesty provisions do not extend to any taxpayer under criminal investigation or charge for any State tax matter.

If a taxpayer eligible to pay taxes during the amnesty program fails to pay during the period, a 5% penalty will be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law, on the unpaid liability.

The State Treasurer has stated publicly that a taxpayer will be allowed "partial" amnesty, that is, a taxpayer may pay a portion of an outstanding eligible liability and will be granted amnesty for the amount paid. However, the taxpayer will be subject to the bill's penalties for taxes not paid. The Treasurer has also stated that the bill's penalties will not be applied to deficiencies assessed due to a question of law or fact uncovered through routine audits of taxpayers otherwise in compliance with filing and payment requirements of State taxes.

The State last offered a tax amnesty program in 1987. During that 90-day amnesty, the State collected \$68 million in additional revenue which would not have been collected but for the amnesty program,

according to the State Treasurer.

At the request of this committee, the State Treasurer has agreed to provide within 60 days following the last day of the tax amnesty program a written report to the Joint Budget and Oversight Committee detailing the results of the program. The report will contain: (a) the total amount of tax revenue collected during the period; (b) the amount of tax revenue collected during the period as compared to the amount that would have otherwise been collected by the State through compliance and enforcement efforts during the same period; (c) the amount of interest and penalties forgone by the State due to payment of tax liabilities during the period assuming all interest and penalties would have been collected and not abated by the State, on these liabilities; and (d) the total amount of tax revenue collected in a category in which the range of individual payments was \$5,000 or less; over \$5,000 but \$10,000 or less; over \$10,000 but \$25,000 or less; over \$25,000 but \$50,000 or less; over \$50,000 but \$100,000 or less; over \$100,000 but \$250,000 or less; and over \$250,000.

As reported, this committee substitute is identical to the Assembly Committee Substitute for Assembly Bill 1420 (1R) of 1996 (Kavanaugh/Lance).

FISCAL IMPACT

The State Treasurer has estimated that a 90-day tax amnesty program may result in net tax revenue collections for the General Fund of \$70 million. The State Treasurer anticipates that this program will result in the collection of approximately \$35 million in sales and use taxes, \$18 million in corporate business taxes, and \$17 million in gross income taxes. The taxes collected during this amnesty program will be accounted for as Fiscal Year 1996 revenues.

The substitute appropriates \$10 million to the Division of Taxation for the costs of advertising, implementing and administering the tax amnesty program.