

SENATE, No. 1728

STATE OF NEW JERSEY

INTRODUCED DECEMBER 16, 1996

By Senator BENNETT

1 AN ACT eliminating a restriction on gross receipts and franchise tax  
2 distributions to municipalities with low municipal purpose tax rates,  
3 amending P.L.1980, c.10 and P.L.1980, c.11.

4  
5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:

7  
8 1. Section 2 of P.L.1980, c.10 (C.54:30A-24.1) is amended to  
9 read as follows:

10 2. The director shall annually apportion to each municipality the  
11 amount to be apportioned to it pursuant to section 9 of P.L.1940, c.4  
12 (C.54:30A-24), sections 12 and 13 of P.L.1940, c.5 (C.54:30A-60 and  
13 54:30A-61), and section 19 of P.L.1991, c.184 (C.54:30A-61.2),  
14 except that[: a. no municipality which in the three next preceding tax  
15 years had a municipal purposes tax rate of \$0.10 or less shall receive  
16 a total amount pursuant to those sections greater than it received in  
17 1979, plus 50% of the difference between the amount it received  
18 pursuant to those sections in that year and the greater amount it would  
19 have received pursuant to those sections in the year for which the  
20 apportionment and payment is made; and, b.] in no year shall any  
21 municipality receive an amount pursuant to those sections greater than  
22 an amount equal to \$700 per capita. [Any contiguous municipalities  
23 wherein there are located electric generating stations included in the  
24 scheduled property of a public utility, both or all of which  
25 municipalities would be affected by a. above but would not be limited  
26 by b. above, shall not be affected by the apportionment limitations of  
27 this section. Any municipality which has had a municipal purposes tax  
28 rate of \$0.10 or less for any three tax years affecting its apportionment  
29 pursuant to this section shall be required to have a municipal purposes  
30 tax rate in excess of \$0.10 for three consecutive tax years before its  
31 apportionment shall cease to be affected pursuant to this section.]

32 If in 1980 or any year thereafter, the application of the \$700.00 per  
33 capita limitation under this section would reduce the amount received  
34 any municipality pursuant to those sections to less than 50% of the

**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 amount received pursuant to those sections in 1979, then, not  
2 withstanding that limitation, the municipality shall receive in 1980 an  
3 amount equal to 50% of the amount received in 1979, and in any year  
4 thereafter an amount equal to 75% of the amount received in 1979; but  
5 in 1981 and each year thereafter such municipality shall annually  
6 appropriate and pay to the county in which it is located an amount  
7 equal to 35% of the amount received in that year, to be used for  
8 county purposes.

9 For the purposes of this section in determining per capita amounts  
10 the most recent population estimates published by the New Jersey  
11 Department of Labor shall be utilized.

12 Amounts apportioned in each year to each municipality shall be  
13 annually paid to them by the State Treasurer, 25% thereof on July 5  
14 next following the date of certification of the apportionment by the  
15 direct 40% thereof on or before September 1, and 35% thereof on or  
16 before December 1 next thereafter. Any portion of the balance set  
17 forth in section 9 of P.L.1940, c.4 (C.54:30A-24), sections 12 and 13  
18 of P.L.1940 c.5 (C.54:30A-60 and 54:30A-61), and section 19 of  
19 P.L.1991, c.184 (C.54:30A-61.2) remaining after the apportionments  
20 and payments are determined pursuant to this section shall be  
21 deposited in the "Municipal Purposes Tax Assistance Fund,"  
22 established pursuant to P.L.1980, c.12 (C.54:1-46 et seq.), to be used  
23 exclusively for the purpose of that fund.

24 Notwithstanding the provisions of the "Local Budget Law"  
25 (N.J.S.40A:4-1 et seq.), any county, or municipality affected by the  
26 \$700.00 limitation set forth in this section, to which a payment is made  
27 pursuant to this section may anticipate the amount of such payment in  
28 its annual budget for the year in which such payment is made, and any  
29 municipality which is required to make an annual appropriation  
30 pursuant to this section shall make such appropriation in its annual  
31 budget for the year in which it shall receive the payment a portion of  
32 which it is required to appropriate. The Director of Local Government  
33 Services shall establish rules or regulations necessary to effectuate the  
34 purposes and provisions of this section.  
35 (cf: P.L.1991, c.184, s.21)

36  
37 2. Section 4 of P.L.1980, c.11 (C.54:30A-61.1) is amended to read  
38 as follows:

39 4. The director shall annually apportion to each municipality the  
40 amount to be apportioned to it pursuant to sections 12 and 13 of  
41 P.L.1940, c.5 (C.54:30A-60 and 54:30A-61), section 9 of P.L.1940,  
42 c.4 (C.54:30A-24) and section 19 of P.L.1991, c.184  
43 (C.54:30A-61.2), except that[: a. no municipality which in the three  
44 next preceding tax years had a municipal purposes tax rate of \$0.10 or  
45 less shall receive a total amount pursuant to those sections greater  
46 than it received in 1979, plus 50% of the difference between the

1 amount it received pursuant to those sections in that year and the  
2 greater amount it would have received pursuant to those sections in  
3 the year for which the apportionment and payment is made; and, b.] in  
4 no year shall any municipality receive an amount pursuant to those  
5 sections greater than an amount equal to \$700.00 per capita. [Any  
6 contiguous municipalities wherein there are located electric generating  
7 stations included in the scheduled property of a public utility, both or  
8 all of which municipalities would be affected by a. above but would  
9 not be limited by b. above, shall not be affected by the apportionment  
10 limitations of this section. Any municipality which has had a municipal  
11 purposes tax rate of \$0.10 or less for any three tax years affecting its  
12 apportionment pursuant to this section shall be required to have a  
13 municipal purposes tax rate in excess of \$0.10 for three consecutive  
14 tax years before its apportionment shall cease to be affected pursuant  
15 to this section.]

16 If in 1980 or any year thereafter the application of the \$700.00 per  
17 capita limitation under this section would reduce the amount received  
18 by any municipality pursuant to those sections to less than 50% of the  
19 amount received pursuant to those sections in 1979, then,  
20 notwithstanding that limitation, the municipality shall receive in 1980  
21 an amount equal to 50% of the amount received in 1979, and in any  
22 year thereafter such municipality shall annually appropriate and pay to  
23 the county in which it is located an amount equal to 35% of the  
24 amount received in that year, to be used for county purposes.

25 For the purposes of this section in determining per capita amounts,  
26 the most recent population estimates published by the New Jersey  
27 Department of Labor shall be utilized.

28 Amounts apportioned in each year to each municipality shall be  
29 annually paid to them by the State Treasurer, 25% thereof on July 5  
30 next following the date of certification of the apportionment by the  
31 director; 40% thereof on or before September 1, and 35% thereof on  
32 or before December 1 next thereafter. Any portion of the balance set  
33 forth in sections 12 and 13 of P.L.1940, c.5 (C.54:30A-60 and  
34 54:30A-61), section 9 of P.L.1940, c.4 (C.54:30A-24) and section 19  
35 of P.L.1991, c.184 (C.54:30A-61.2) remaining after the  
36 apportionments and payments are determined pursuant to this section  
37 shall be deposited in the "Municipal Purposes Tax Assistance Fund,"  
38 established pursuant to P.L.1980, c.12 (C.54:1-46 et seq.), to be used  
39 exclusively for the purposes of that fund.

40 Notwithstanding the provisions of the "Local Budget Law"  
41 (N.J.S.40A:4-1 et seq.), any county, or municipality affected by the  
42 \$700.00 limitation set forth in this section, to which a payment is made  
43 pursuant to this section may anticipate the amount of such payment in  
44 its annual budget for the year in which such payment is made, and any  
45 municipality which is required to make an annual appropriation  
46 pursuant to this section shall make such appropriation in its annual

1 budget for the year in which it shall receive the payment a portion of  
2 which it is required to appropriate. The Director of Local Government  
3 Services shall establish rules or regulations necessary to effectuate the  
4 purposes and provisions of this section.

5 (cf: P.L.1991, c.184, s.20)

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7 3. This act shall take effect immediately.

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10 STATEMENT

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12 This legislation repeals the restriction on gross receipts and  
13 franchise tax distributions to municipalities with low municipal  
14 purpose tax rates. Under current law, this restriction requires that  
15 municipalities with a municipal purposes tax rate of \$0.1 or less  
16 receive a reduced level of gross receipts and franchise tax aid than they  
17 would have received had their municipal purpose tax rates exceeded  
18 \$0.1. This restriction punishes municipalities that practice fiscal  
19 restraint and may tempt them to artificially inflate their tax rates to  
20 avoid the restriction.

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25 Eliminates restriction on gross receipts and franchise tax distribution  
26 to municipalities with low municipal purpose tax rates.