

SENATE, No. 1861

STATE OF NEW JERSEY

INTRODUCED MARCH 3, 1997

By Senator CARDINALE

1 AN ACT concerning the use of electronic funds transfer for certain tax  
2 payments made by certain taxpayers, amending P.L.1992, c.140.

3

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

6

7 1. Section 1 of P.L.1992, c.140 (C.54:48-4.1) is amended to read  
8 as follows:

9 1. a. All tax payments described in subsection b. of this section,  
10 other than those payments enumerated in subsection c. of this section,  
11 shall be made by electronic funds transfer to such depositories as the  
12 State Treasurer shall designate pursuant to section 1 of P.L.1956,  
13 c.174 (C.52:18-16.1). A payment by electronic funds transfer shall be  
14 deemed to be made on the date the payment is received by the  
15 designated depository. The acceptable method of transfer; the method,  
16 form and content of the electronic funds transfer message, giving due  
17 regard to developing uniform standards for formats among the several  
18 states; the circumstances under which an electronic funds transfer shall  
19 serve as a substitute for the filing of another form of return; and the  
20 means, if any, by which taxpayers will be provided with  
21 acknowledgments of payments shall be as prescribed by the Director  
22 of the Division of Taxation in the Department of the Treasury.  
23 Notwithstanding any other law to the contrary, persons required to  
24 make payments by electronic funds transfer pursuant to subsection b.  
25 of this section shall make payments by electronic funds transfer no  
26 more frequently than once per week. The director may, by regulation,  
27 provide for less frequent payments if the director deems such action in  
28 the best interest of the State.

29 b. Payments subject to the electronic funds transfer requirement of  
30 subsection a. of this section are:

31 (1) those payments due in the first twelve calendar months for  
32 which this section is operative made by a taxpayer that had a prior year  
33 liability of \$200,000 or more;

34 (2) those payments due in the thirteenth through twenty-fourth

**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 calendar months for which this section is operative made by a taxpayer  
2 that had a prior year liability of \$100,000 or more;

3 (3) those payments due in the twenty-fifth through the thirty-sixth  
4 calendar months for which this section is operative made by a taxpayer  
5 that had a prior year liability of \$50,000 or more; and

6 (4) those payments due in the thirty-seventh calendar month for  
7 which this section is operative and thereafter made by a taxpayer that  
8 had a prior year liability of [~~\$20,000~~] \$55,000 or more.

9 c. Subsection a. of this section shall not apply to a payment of  
10 estimated tax made pursuant to N.J.S.54A:8-5 or a payment of final  
11 taxpayer liability pursuant to the "New Jersey Gross Income Tax Act,"  
12 N.J.S.54A:1-1 et seq.; provided however, that the restriction of this  
13 subsection shall not apply to payment over to the director of taxes  
14 withheld pursuant to N.J.S.54A:7-1 or section 1 of P.L.1989, c.328  
15 (C.54A:7-1.1). Subsection a. of this section shall not apply to a  
16 payment of the transfer inheritance tax imposed pursuant to  
17 R.S.54:33-1 et seq. or to a payment of the estate tax imposed pursuant  
18 to R.S.54:38-1 et seq.

19 d. If the availability of funds in payment of tax required to be made  
20 through electronic funds transfer is delayed, and the delay of  
21 availability is explained to the satisfaction of the director to be due to  
22 reasons beyond the control of the taxpayer, the director shall,  
23 notwithstanding any provision of R.S.54:49-11 to the contrary, abate  
24 up to the entire amount of penalty or interest that would otherwise be  
25 assessed.

26 e. As used in this section:

27 "Electronic funds transfer" means any transfer of funds, other than  
28 a transaction originated by check, draft, or similar paper instrument,  
29 that is initiated through an electronic terminal, telephone, or computer  
30 or magnetic tape for the purpose of ordering, instructing or  
31 authorizing a financial institution to debit or credit an account.

32 "Prior year liability" means the total liability for any tax imposed on,  
33 collected by or withheld by the taxpayer in the calendar year or the  
34 fiscal or calendar privilege period, as determined under the specific law  
35 regarding that tax, ending before the calendar year or fiscal or calendar  
36 privilege period for which an electronic funds transfer payment is to  
37 be determined to be required pursuant to subsection b. of this section.  
38 (cf: P.L.1995, c.160, s.2)

39

40 2. This act shall take immediately but section 2 shall remain  
41 inoperative until the first day of the fourth month after enactment and  
42 shall apply to payments due on or after its operative date.

## STATEMENT

1

2

3 Under current law, the threshold for the Division of Taxation's  
4 Electronic Funds Transfer program is \$20,000; that is, taxpayers with  
5 a prior year tax liability of \$20,000 or more are required to make all  
6 State tax payments by electronic funds transfer. Electronic funds  
7 transfer is the process by which the taxpayer's depository can make  
8 instantaneous transfer of credit to the interest generating depositories  
9 of the State.

10 This bill increases that threshold to \$55,000. It was thought at the  
11 time the electronic funds transfer requirement was enacted that it  
12 would reduce taxpayers' processing costs. This has not been the case  
13 for all taxpayers; in fact, some small businesses have experienced an  
14 increase in compliance costs. By raising the threshold, small  
15 businesses with annual tax liabilities below that threshold will be able  
16 to choose the method for the payment of taxes that best meets their  
17 needs and is most cost effective for them.

18

19

20

21

---

22 Exempts certain taxpayers from requirement to use electronic funds  
23 transfer for tax payments.