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# ASSEMBLY, No. 4163

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED JUNE 11, 2018

**Sponsored by:**

**Assemblyman NICHOLAS CHIARAVALLOTI**

**District 31 (Hudson)**

**Assemblyman RAJ MUKHERJI**

**District 33 (Hudson)**

**Assemblywoman ANGELA V. MCKNIGHT**

**District 31 (Hudson)**

**SYNOPSIS**

Allows municipality with population over 200,000 to impose employer payroll tax; requires employer payroll tax revenues to be paid to school district in certain circumstances.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/15/2018)

1 AN ACT concerning the local employer payroll tax, amending  
2 P.L.1970, c.326, and repealing section 19 of P.L.1970, c.326.

3

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

6

7 1. Section 15 of P.L.1970, c.326 (C.40:48C-15) is amended to  
8 read as follows:

9 15. a. Any municipality may by ordinance impose and collect  
10 an employer payroll tax for general municipal purposes of the  
11 municipality, or for the purposes set forth in subsection d. of this  
12 section, at a rate of up to **[1%]** one percent of the employer's  
13 payroll.

14 b. A municipality may by ordinance adjust the rate of an  
15 employer payroll tax imposed and collected pursuant to subsection  
16 a. of this section, provided that the rate does not exceed one  
17 percent. Any reduction in **[the]** an employer payroll tax while the  
18 municipality is in receipt of **[transitional]** aid provided through the  
19 Transitional Aid to Localities program, or any other discretionary  
20 aid program for municipalities in fiscal distress, shall be subject to  
21 approval by the Department of Community Affairs.

22 c. An ordinance adopted pursuant to subsection a. of this  
23 section may provide that the employer payroll tax shall not apply to  
24 the remuneration paid by employers to employees who are residents  
25 of the municipality.

26 d. (1) If a municipality adopts an ordinance pursuant to  
27 subsection a. of this section and the municipality has a median  
28 household income of \$55,000 or greater according to the most  
29 recent American Community Survey five-year estimate by the  
30 United States Census Bureau, all employer payroll tax revenues  
31 collected by the municipality pursuant to the ordinance shall be  
32 deposited into a trust fund to be used exclusively for school  
33 purposes.

34 (2) The governing body of the municipality shall monthly pay  
35 employer payroll tax revenues deposited in the trust fund over to  
36 the board secretary or treasurer of school moneys, as appropriate, of  
37 the school district coextensive with the municipality or of which the  
38 municipality comprises a part, in an amount equal to one-twelfth of  
39 the difference in State school aid provided to that school district,  
40 pursuant to P.L.2007, c.260 (C.18A:7F-43 et al.) and P.L. , c.  
41 (C. ) (pending before the Legislature as Senate Bill No. 2 of  
42 2018-2019), between the current State fiscal year and State fiscal  
43 year 2018, for use in lieu of adjustment aid and all other categories  
44 of State school aid.

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.



**A4163 CHIARAVALLOTI, MUKHERJI**

4

1 not exceed one percent. Current law does not explicitly provide  
2 that a municipality may make that change.

3 This bill would only take effect upon the enactment of P.L. , c.  
4 (C. ) (pending before the Legislature as Senate Bill No. 2 of  
5 2018-2019).

# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 4163**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 18, 2018

The Assembly Budget Committee reports favorably Assembly Bill No. 4163.

This bill would allow any municipality having a population over 200,000 to impose and collect an employer payroll tax. Current law allows a municipality to impose and collect an employer payroll tax if it had collected the tax or adopted the tax during the two-year period prior to July 1, 1995. Newark was the only municipality to have done so, and is the only municipality currently authorized to impose and collect an employer payroll tax. This bill would allow all other municipalities with a population of at least 200,000, presently only Jersey City, to impose and collect an employer payroll tax.

This bill would require that employer payroll tax revenues be paid to the school district on a monthly basis if the municipality has a median household income of \$55,000 or more. Presently, Jersey City is the only municipality under the bill that would be both eligible to impose an employer payroll tax and meet the median household income threshold which triggers the requirement to use employer payroll tax revenues for school purposes.

The amount of employer payroll taxes to be paid to the school district in a year would be equal to the difference between State school aid provided to the school district in that State fiscal year and State fiscal year 2018. Any revenue surpluses generated that are not paid over to the school district would be held in reserve to help cover any future shortfalls in the amount needed to cover that difference. The bill would help offset certain reductions in State school aid that may be in effect after State fiscal year 2018, as is currently being considered by the Legislature in the form of Senate Bill No. 2 of 2018-2019.

The bill would also allow any municipality that has adopted an employer payroll tax to create an exception for wages of employees who are residents of the municipality.

In addition, the bill would explicitly allow a municipality to change the rate of an employer payroll tax so long as the rate does not exceed one percent. Current law does not explicitly provide that a municipality may make that change.

This bill would only take effect upon the enactment of P.L. , c. (C. ) (pending before the Legislature as Senate Bill No. 2 of 2018-2019).

COMMITTEE AMENDMENTS:

The amendments require that employer payroll tax revenues are shared with charter schools.

FISCAL IMPACT:

This bill is not certified as requiring a fiscal note.

[First Reprint]

**ASSEMBLY, No. 4163**

**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

INTRODUCED JUNE 11, 2018

**Sponsored by:**

**Assemblyman NICHOLAS CHIARAVALLOTI**

**District 31 (Hudson)**

**Assemblyman RAJ MUKHERJI**

**District 33 (Hudson)**

**Assemblywoman ANGELA V. MCKNIGHT**

**District 31 (Hudson)**

**Senator SANDRA B. CUNNINGHAM**

**District 31 (Hudson)**

**Senator BRIAN P. STACK**

**District 33 (Hudson)**

**Co-Sponsored by:**

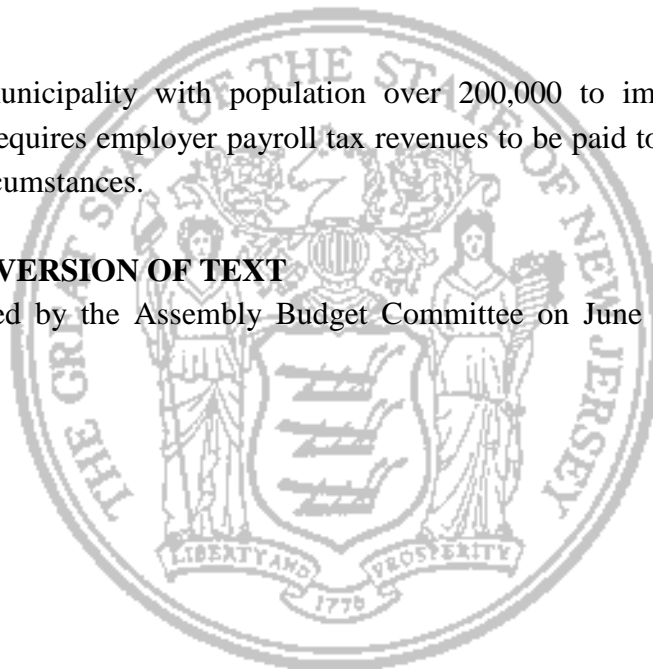
**Assemblywoman Chaparro**

**SYNOPSIS**

Allows municipality with population over 200,000 to impose employer payroll tax; requires employer payroll tax revenues to be paid to school district in certain circumstances.

**CURRENT VERSION OF TEXT**

As reported by the Assembly Budget Committee on June 18, 2018, with amendments.



**(Sponsorship Updated As Of: 6/26/2018)**

1 AN ACT concerning the local employer payroll tax, amending  
2 P.L.1970, c.326 <sup>1</sup>and P.L.1995, c.426<sup>1</sup>, and repealing section 19  
3 of P.L.1970, c.326.

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

7  
8 1. Section 15 of P.L.1970, c.326 (C.40:48C-15) is amended to  
9 read as follows:

10 15. a. Any municipality may by ordinance impose and collect  
11 an employer payroll tax for general municipal purposes of the  
12 municipality, or for the purposes set forth in subsection d. of this  
13 section, at a rate of up to **[1%]** one percent of the employer's  
14 payroll.

15 b. A municipality may by ordinance adjust the rate of an  
16 employer payroll tax imposed and collected pursuant to subsection  
17 a. of this section, provided that the rate does not exceed one  
18 percent. Any reduction in **[the]** an employer payroll tax while the  
19 municipality is in receipt of **[transitional]** aid provided through the  
20 Transitional Aid to Localities program, or any other discretionary  
21 aid program for municipalities in fiscal distress, shall be subject to  
22 approval by the Department of Community Affairs.

23 c. An ordinance adopted pursuant to subsection a. of this  
24 section may provide that the employer payroll tax shall not apply to  
25 the remuneration paid by employers to employees who are residents  
26 of the municipality.

27 d. (1) If a municipality adopts an ordinance pursuant to  
28 subsection a. of this section and the municipality has a median  
29 household income of \$55,000 or greater according to the most  
30 recent American Community Survey five-year estimate by the  
31 United States Census Bureau, all employer payroll tax revenues  
32 collected by the municipality pursuant to the ordinance shall be  
33 deposited into a trust fund to be used exclusively for school  
34 purposes <sup>1</sup>, inclusive of charter schools<sup>1</sup>.

35 (2) The governing body of the municipality shall monthly pay  
36 employer payroll tax revenues deposited in the trust fund over to  
37 the board secretary or treasurer of school moneys, as appropriate, of  
38 the school district coextensive with the municipality or of which the  
39 municipality comprises a part, in an amount equal to one-twelfth of  
40 the difference in State school aid provided to that school district,  
41 pursuant to P.L.2007, c.260 (C.18A:7F-43 et al.) and P.L. \_\_\_\_\_, c.  
42 (C. \_\_\_\_\_) (pending before the Legislature as Senate Bill No. 2 <sup>1</sup>or  
43 Assembly Bill No. 2<sup>1</sup> of 2018-2019), between the current State

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Assembly ABU committee amendments adopted June 18, 2018.

1 fiscal year and State fiscal year 2018, for use in lieu of adjustment  
2 aid and all other categories of State school aid.

3 (3) Any balance remaining in the trust fund shall be reserved for  
4 use toward making payments pursuant to paragraph (2) of this  
5 subsection in the event the employer payroll tax revenues collected  
6 in a year are insufficient to pay the full amount provided for under  
7 that paragraph.

8 (cf: P.L.2017, c.35, s.1)

9

10 <sup>1</sup>2. Section 12 of P.L.1995, c.426 (C.18A:36A-12) is amended  
11 to read as follows:

12 12. a. (Deleted by amendment, P.L.2007, c.260).

13 b. The school district of residence shall pay directly to the  
14 charter school for each student enrolled in the charter school who  
15 resides in

16 the district an amount equal to 90% of the sum of the budget year  
17 equalization aid per pupil **【and】** , the prebudget year general fund  
18 tax levy per pupil inflated by the CPI rate most recent to the  
19 calculation, and the employer payroll tax per pupil that is  
20 transferred to the school district pursuant to subsection d. of section  
21 1 of P.L. , c. (C. ) ( pending before the Legislature as this bill).

22 In addition, the school district of residence shall pay directly to the  
23 charter school the security categorical aid attributable to the student  
24 and a percentage of the district's special education categorical aid  
25 equal to the percentage of the district's special education students  
26 enrolled in the charter school and, if applicable, 100% of preschool  
27 education aid. The district of residence shall also pay directly to the  
28 charter school any federal funds attributable to the student.

29 c. (Deleted by amendment, P.L.2007, c.260).

30 d. Notwithstanding the provisions of subsection b. of this  
31 section, in the case of a student who was not included in the  
32 district's projected resident enrollment for the school year, the State  
33 shall pay 100% of the amount required pursuant to subsection b. of  
34 this section for the first year of the student's enrollment in the  
35 charter school.

36 e. The State shall make payments required pursuant to  
37 subsection d. of this section directly to the charter school.<sup>1</sup>

38 (cf: P.L.2007, c.260, s.58)

39

40 <sup>1</sup>**【2.】** <sup>3.</sup> Section 19 of P.L.1970, c.326 (C.40:48C-19) is  
41 repealed.

42

43 <sup>1</sup>**【3.】** <sup>4.</sup> This act shall take effect upon the enactment into law  
44 of P.L. , c. (C. ) (pending before the Legislature as Senate  
45 Bill No. 2 <sup>1</sup>or Assembly Bill No. 2<sup>1</sup> of 2018-2019).

P.L. 2018, CHAPTER 68, *approved July 24, 2018*

Assembly, No. 4163 (*First Reprint*)

1 AN ACT concerning the local employer payroll tax, amending  
2 P.L.1970, c.326 <sup>1</sup>and P.L.1995, c.426<sup>1</sup>, and repealing section 19  
3 of P.L.1970, c.326.  
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State  
6 of New Jersey:  
7

8 1. Section 15 of P.L.1970, c.326 (C.40:48C-15) is amended to  
9 read as follows:

10 15. a. Any municipality may by ordinance impose and collect  
11 an employer payroll tax for general municipal purposes of the  
12 municipality, or for the purposes set forth in subsection d. of this  
13 section, at a rate of up to [1%] one percent of the employer's  
14 payroll.

15 b. A municipality may by ordinance adjust the rate of an  
16 employer payroll tax imposed and collected pursuant to subsection  
17 a. of this section, provided that the rate does not exceed one  
18 percent. Any reduction in [the] an employer payroll tax while the  
19 municipality is in receipt of [transitional] aid provided through the  
20 Transitional Aid to Localities program, or any other discretionary  
21 aid program for municipalities in fiscal distress, shall be subject to  
22 approval by the Department of Community Affairs.

23 c. An ordinance adopted pursuant to subsection a. of this  
24 section may provide that the employer payroll tax shall not apply to  
25 the remuneration paid by employers to employees who are residents  
26 of the municipality.

27 d. (1) If a municipality adopts an ordinance pursuant to  
28 subsection a. of this section and the municipality has a median  
29 household income of \$55,000 or greater according to the most  
30 recent American Community Survey five-year estimate by the  
31 United States Census Bureau, all employer payroll tax revenues  
32 collected by the municipality pursuant to the ordinance shall be  
33 deposited into a trust fund to be used exclusively for school  
34 purposes <sup>1</sup>, inclusive of charter schools<sup>1</sup>.

35 (2) The governing body of the municipality shall monthly pay  
36 employer payroll tax revenues deposited in the trust fund over to  
37 the board secretary or treasurer of school moneys, as appropriate, of  
38 the school district coextensive with the municipality or of which the  
39 municipality comprises a part, in an amount equal to one-twelfth of

**EXPLANATION** – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Assembly ABU committee amendments adopted June 18, 2018.

1 the difference in State school aid provided to that school district,  
 2 pursuant to P.L.2007, c.260 (C.18A:7F-43 et al.) and P.L. , c.  
 3 (C. ) (pending before the Legislature as Senate Bill No. 2<sup>1</sup> or  
 4 Assembly Bill No. 2<sup>1</sup> of 2018-2019), between the current State  
 5 fiscal year and State fiscal year 2018, for use in lieu of adjustment  
 6 aid and all other categories of State school aid.

7 (3) Any balance remaining in the trust fund shall be reserved for  
 8 use toward making payments pursuant to paragraph (2) of this  
 9 subsection in the event the employer payroll tax revenues collected  
 10 in a year are insufficient to pay the full amount provided for under  
 11 that paragraph.

12 (cf: P.L.2017, c.35, s.1)

13

14 <sup>1</sup>2. Section 12 of P.L.1995, c.426 (C.18A:36A-12) is amended  
 15 to read as follows:

16 12. a. (Deleted by amendment, P.L.2007, c.260).

17 b. The school district of residence shall pay directly to the  
 18 charter school for each student enrolled in the charter school who  
 19 resides in

20 the district an amount equal to 90% of the sum of the budget year  
 21 equalization aid per pupil **[and]** , the prebudget year general fund  
 22 tax levy per pupil inflated by the CPI rate most recent to the  
 23 calculation, and the employer payroll tax per pupil that is  
 24 transferred to the school district pursuant to subsection d. of section  
 25 1 of P.L. , c. (C. ) ( pending before the Legislature as this bill).

26 In addition, the school district of residence shall pay directly to the  
 27 charter school the security categorical aid attributable to the student  
 28 and a percentage of the district's special education categorical aid  
 29 equal to the percentage of the district's special education students  
 30 enrolled in the charter school and, if applicable, 100% of preschool  
 31 education aid. The district of residence shall also pay directly to the  
 32 charter school any federal funds attributable to the student.

33 c. (Deleted by amendment, P.L.2007, c.260).

34 d. Notwithstanding the provisions of subsection b. of this  
 35 section, in the case of a student who was not included in the  
 36 district's projected resident enrollment for the school year, the State  
 37 shall pay 100% of the amount required pursuant to subsection b. of  
 38 this section for the first year of the student's enrollment in the  
 39 charter school.

40 e. The State shall make payments required pursuant to  
 41 subsection d. of this section directly to the charter school.<sup>1</sup>

42 (cf: P.L.2007, c.260, s.58)

43

44 <sup>1</sup>**[2.] 3.**<sup>1</sup> Section 19 of P.L.1970, c.326 (C.40:48C-19) is  
 45 repealed.

1        **1**[3.] 4.<sup>1</sup> This act shall take effect upon the enactment into law  
2 of P.L.    , c.    (C.    ) (pending before the Legislature as Senate  
3 Bill No. 2 <sup>1</sup>or Assembly Bill No. 2<sup>1</sup> of 2018-2019).

4

5

6

7

8        Allows municipality with population over 200,000 to impose  
9 employer payroll tax; requires employer payroll tax revenues to be  
10 paid to school district in certain circumstances.

## CHAPTER 68

**AN ACT** concerning the local employer payroll tax, amending P.L.1970, c.326 and P.L.1995, c.426, and repealing section 19 of P.L.1970, c.326.

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

1. Section 15 of P.L.1970, c.326 (C.40:48C-15) is amended to read as follows:

C.40:48C-15 Collection of employer payroll tax by municipality.

15. a. Any municipality may by ordinance impose and collect an employer payroll tax for general municipal purposes of the municipality, or for the purposes set forth in subsection d. of this section, at a rate of up to one percent of the employer's payroll.

b. A municipality may by ordinance adjust the rate of an employer payroll tax imposed and collected pursuant to subsection a. of this section, provided that the rate does not exceed one percent. Any reduction in an employer payroll tax while the municipality is in receipt of aid provided through the Transitional Aid to Localities program, or any other discretionary aid program for municipalities in fiscal distress, shall be subject to approval by the Department of Community Affairs.

c. An ordinance adopted pursuant to subsection a. of this section may provide that the employer payroll tax shall not apply to the remuneration paid by employers to employees who are residents of the municipality.

d. (1) If a municipality adopts an ordinance pursuant to subsection a. of this section and the municipality has a median household income of \$55,000 or greater according to the most recent American Community Survey five-year estimate by the United States Census Bureau, all employer payroll tax revenues collected by the municipality pursuant to the ordinance shall be deposited into a trust fund to be used exclusively for school purposes, inclusive of charter schools.

(2) The governing body of the municipality shall monthly pay employer payroll tax revenues deposited in the trust fund over to the board secretary or treasurer of school moneys, as appropriate, of the school district coextensive with the municipality or of which the municipality comprises a part, in an amount equal to one-twelfth of the difference in State school aid provided to that school district, pursuant to P.L.2007, c.260 (C.18A:7F-43 et al.) and P.L.2018, c.67 (C.18A:7F-67 et al.), between the current State fiscal year and State fiscal year 2018, for use in lieu of adjustment aid and all other categories of State school aid.

(3) Any balance remaining in the trust fund shall be reserved for use toward making payments pursuant to paragraph (2) of this subsection in the event the employer payroll tax revenues collected in a year are insufficient to pay the full amount provided for under that paragraph.

2. Section 12 of P.L.1995, c.426 (C.18A:36A-12) is amended to read as follows:

C.18A:36A-12 Per pupil payments to charter schools.

12. a. (Deleted by amendment, P.L.2007, c.260).

b. The school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the sum of the budget year equalization aid per pupil, the prebudget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation, and the employer payroll tax per pupil that is transferred to the school district pursuant to subsection d. of section 1 of P.L.2018, c.68. In addition, the school district of residence shall pay directly to the charter school the security categorical aid attributable to the student and a percentage of

the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the charter school and, if applicable, 100% of preschool education aid. The district of residence shall also pay directly to the charter school any federal funds attributable to the student.

c. (Deleted by amendment, P.L.2007, c.260).

d. Notwithstanding the provisions of subsection b. of this section, in the case of a student who was not included in the district's projected resident enrollment for the school year, the State shall pay 100% of the amount required pursuant to subsection b. of this section for the first year of the student's enrollment in the charter school.

e. The State shall make payments required pursuant to subsection d. of this section directly to the charter school.

Repealer.

3. Section 19 of P.L.1970, c.326 (C.40:48C-19) is repealed.

4. This act shall take effect upon the enactment into law of P.L.2018, c.67 (C.18A:7F-67 et al.).

Approved July 24, 2018.