

54A: 5-1

LEGISLATIVE HISTORY CHECKLIST

NJSA: 54A: 5-1, 54A:6-14.1

(Income tax-- exempt certain distributions)

LAWS OF: 1987

CHAPTER: 310

Bill No: A274

Sponsor(s): Loveys

Date Introduced: Pre-filed

Committee: Assembly: Appropriations

Senate: Labor, Industry and Professions

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: Assembly: February 5, 1987

Senate: September 14, 1987

Date of Approval: December 11, 1987

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: No

ASSEMBLY, No. 274

Introduced Pending Technical Review by Legislative Counsel
PRE-FILED FOR INTRODUCTION IN THE 1986 SESSION

By Assemblyman LOVEYS

ASSEMBLY, No. 2774

STATE OF NEW JERSEY

INTRODUCED OCTOBER 22, 1984

By Assemblymen LOVEYS, M. ADUBATO, LAROCCA, KOSCO
and DEVERIN

AN ACT concerning certain exclusions from gross income, amend-
ing N. J. S. 54A:5-1, supplementing chapter 6 of Title 54A of
the New Jersey Statutes, and repealing sections 2 through 6 of
P. L. 1981, c. 423.

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

1 1. N. J. S. 54A:5-1 is amended to read as follows:

2 54A:5-1. New Jersey Gross Income Defined. New Jersey gross
3 income shall consist of the following categories of income:

4 a. Salaries, wages, tips, fees, commissions, bonuses, and other
5 remuneration received for services rendered whether in cash or in
6 property.

7 b. Net profits from business. The net income from the opera-
8 tion of a business, profession or other activity after provision for
9 all costs and expenses incurred in the conduct thereof, determined
10 either on a cash or accrual basis in accordance with the method
11 of accounting allowed for federal income tax purposes but without
12 deduction of taxes based on income.

13 c. Net gains or income from disposition of property. Net gains
14 or net income, less net losses, derived from the sale, exchange or
15 other disposition of property, including real or personal, whether
16 tangible or intangible as determined in accordance with the method
17 of accounting allowed for federal income tax purposes. For the
18 purpose of determining gain or loss, the basis of property shall be
19 the adjusted basis used for federal income tax purposes.

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 printed in italics *thus* is new matter.

20 For the tax year 1976, any taxpayer with a tax liability under
 21 this subsection, or under the "Tax on Capital Gains and Other
 22 Unearned Income Act" (P. L. 1975, c. 172), shall not be subject
 23 to payment of an amount greater than the amount he would have
 24 paid if either return had covered all capital transactions during
 25 the full tax year 1976; provided, however, that the rate which
 26 shall apply to any capital gain shall be that in effect on the date
 27 of the transaction. To the extent that any loss is used to offset
 28 any gain under P. L. 1975, c. 172, it shall not be used to offset
 29 any gain under the "New Jersey Gross Income Tax Act" (P. L.
 30 1976, c. 47).

31 The term "net gains or income" shall not include gains or in-
 32 come derived from obligations which are referred to in clause (1)
 33 or (2) of section 54A:6-14 of this act or from securities which
 34 evidence ownership in a qualified investment fund as defined in
 35 section 2 of P. L., c. (C.) (now pending be-
 36 fore the Legislature as Assembly Bill No. 2774 of 1984). The term
 37 "net gains or net income" shall not include gains or income from
 38 transactions to the extent to which nonrecognition is allowed for
 39 federal income tax purposes. The term "sale, exchange or other
 40 disposition" shall not include the exchange of stock or securities
 41 in a corporation a party to a reorganization in pursuance of a plan
 42 of reorganization, solely for stock or securities in such corporation
 43 or in another corporation a party to the reorganization and the
 44 transfer of property to a corporation by one or more persons solely
 45 in exchange for stock or securities in such corporation if immedi-
 46 ately after the exchange such person or persons are in control of
 47 the corporation. For purposes of this clause, stock or securities
 48 issued for services shall not be considered as issued in return for
 49 property

50 For purposes of this clause, the term "reorganization" means—

- 51 (i) A statutory merger or consolidation;
- 52 (ii) The acquisition by one corporation, in exchange solely for
 53 all or part of its voting stock (or in exchange solely for all or a
 54 part of the voting stock of a corporation which is in control of the
 55 acquiring corporation) of stock of another corporation if, immedi-
 56 ately after the acquisition, the acquiring corporation has control
 57 of such other corporation (whether or not such acquiring corpora-
 58 tion had control immediately before the acquisition);
- 59 (iii) The acquisition by one corporation, in exchange solely for
 60 all or part of its voting stock (or in exchange solely for all or a
 61 part of the voting stock of a corporation which is in control of the
 62 acquiring corporation), of substantially all of the properties of

63 another corporation, but in determining whether the exchange is
64 solely for stock the assumption by the acquiring corporation of a
65 liability of the other, or the fact that property acquired is subject
66 to a liability, shall be disregarded;

67 (iv) A transfer by a corporation of all or a part of its assets to
68 another corporation if immediately after the transfer the trans-
69 feror, or one or more of its shareholders (including persons who
70 were shareholders immediately before the transfer), or any com-
71 bination thereof, is in control of the corporation to which the assets
72 are transferred;

73 (v) A recapitalization;

74 (vi) A mere change in identity, form, or place of organization
75 however effected; or

76 (vii) The acquisition by one corporation, in exchange for stock
77 of a corporation (referred to in this subclause as "controlling
78 corporation") which is in control of the acquiring corporation, of
79 substantially all of the properties of another corporation which in
80 the transaction is merged into the acquiring corporation shall not
81 disqualify a transaction under subclause (i) if such transaction
82 would have qualified under subclause (i) if the merger had been
83 into the controlling corporation, and no stock of the acquiring cor-
84 poration is used in the transaction;

86 (viii) A transaction otherwise qualifying under subclause (i)
87 shall not be disqualified by reason of the fact that stock of a cor-
88 poration (referred to in this subclause as the "controlling corpo-
89 ration") which before the merger was in control of the merged
90 corporation is used in the transaction, if after the transaction, the
91 corporation surviving the merger holds substantially all of its
92 properties and of the properties of the merged corporation (other
93 than stock of the controlling corporation distributed in the trans-
94 action); and in the transaction, former shareholders of the sur-
95 viving corporation exchanged, for an amount of voting stock of
96 the controlling corporation, an amount of stock in the surviving
97 corporation which constitutes control of such corporation.

98 For purposes of this clause, the term "control" means the own-
99 ership of stock possessing at least 80% of the total combined voting
100 power of all classes of stock entitled to vote and at least 80% of
101 total number of shares of all other classes of stock of the
102 corporation.

103 For purposes of this clause, the term "a party to a reorganiza-
104 tion" includes a corporation resulting from a reorganization, and
105 both corporations, in the case of a reorganization resulting from
106 the acquisition by one corporation of stock or properties of another.

107 In the case of a reorganization qualifying under subclause (i) by
 108 reason of subclause (vii) the term "a party to a reorganization"
 109 includes the controlling corporation referred to in such subclause
 110 (vii).

111 Notwithstanding any provisions hereof, upon every such ex-
 112 change or conversion, the taxpayer's basis for the stock or securi-
 113 ties received shall be the same as the taxpayer's actual or attributed
 114 basis for the stock, securities or property surrendered in exchange
 115 therefor.

116 d. Net gains or net income derived from or in the form of rents,
 117 royalties, patents, and copyrights.

118 e. Interest, except interest referred to in clause (1) or (2) of
 119 N. J. S. 54A:6-14, [or interest on savings certificates issued pur-
 120 suant to the provisions of Chapter 6 of this act] or distributions
 121 paid by a qualified investment fund as defined in section 2 of P. L.
 122, c. (C.) (now pending before the Legislature
 123 as Assembly Bill No. 2774 of 1984), to the extent provided in that
 124 section.

125 f. Dividends. "Dividends" means any distribution in cash or
 126 property made by a corporation, association or business trust,
 127 (1) out of accumulated earnings and profits, or (2) out of earn-
 128 ings and profits of the year in which such dividend is paid.

129 The term "dividends" shall not include distributions paid by a
 130 qualified investment fund as defined in section 2 of P. L., c.
 131 (C.) (now pending before the Legislature as Assembly
 132 Bill No. 2774 of 1984), to the extent provided in that section.

133 g. Gambling winnings.

134 h. Net gains or income derived through estates or trusts.

135 i. Income in respect of a decedent.

136 j. Amounts distributed or withdrawn from an employee trust
 137 attributable to contributions to the trust which were excluded from
 138 gross income under the provisions of chapter 6 of Title 54A of the
 139 New Jersey Statutes and pensions and annuities except to the ex-
 140 tent of exclusions in section 54A:6-10 hereunder, notwithstanding
 141 the provisions of N. J. S. 18A:66-51, P. L. 1973, c. 140, s. 41 (C.
 142 43:6A-41), P. L. 1954, c. 84, s. 53 (C. 43:15A-53), P. L. 1944, c. 255,
 143 s. 17 (C. 43:16A-17), P. L. 1965, c. 89, s. 45 (C. 53:5A-45), R. S.
 144 43:10-14, P. L. 1943, c. 160, s. 22 (C. 43:10-18.22), P. L. 1948, c. 310,
 145 s. 22 (C. 43:10-18.71), P. L. 1954, c. 218, s. 32 (C. 43:13-22.34), P. L.
 146 1964, c. 275, s. 11 (C. 43:13-22.60), R. S. 43:10-57, P. L. 1938, c. 330,
 147 s. 13 (C. 43:10-105), R. S. 43:13-44, and P. L. 1943, c. 189, s. 5
 148 (C. 43:13-37.5).

149 k Distributive share of partnership income.

150 l. Amounts received as prizes and awards, except as provided in
151 section 54A:6-8 and 54A:6-11 hereunder.

152 m. Rental value of a residence furnished by an employer or a
153 rental allowance paid by an employer to provide a home.

154 n. Alimony and separate maintenance payments to the extent that
155 such payments are required to be made under a decree of divorce
156 or separate maintenance but not including payments for support of
157 minor children.

1 2. (New section) Gross income shall not include distributions
2 paid by a qualified investment fund, to the extent that the distri-
3 butions are attributable to interest or gain from obligations de-
4 scribed in N. J. S. 54A:6-14.

5 For the purposes of this act, "qualified investment fund" means
6 any trust or investment company registered with the Securities
7 and Exchange Commission which for the calendar year in which
8 the distribution is paid:

9 a. Has no investments other than interest-bearing obligations,
10 obligations issued at a discount, and cash and cash items, including
11 receivables; and

12 b. Has not less than 80% of the aggregate principal amount of
13 all of its investments, excluding cash and cash items, which cash
14 items shall include receivables, in obligations described in N. J. S.
15 54A:6-14.

1 3. Sections 2 through 6 of P. L. 1981, c. 423 (C. 54A:6-16 through
2 54A:6-20, inclusive) are repealed.

1 4. This act shall take effect on the 90th day after enactment and
2 apply to taxable years beginning on or after January 1, 1985.

STATEMENT

This bill exempts from the gross income tax distributions from a qualified and registered investment company fund to the extent that the distributions were related to investments in obligations of the State of New Jersey and its instrumentalities or those which are statutorily free from State or local taxation. The fund must have at least 80% of its investments in such obligations.

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SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 274

[OFFICIAL COPY REPRINT]
with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 11, 1987

This bill, as amended, exempts certain income distributions from taxation under the "New Jersey Gross Income Tax Act." The exemption applies to income distributions paid from a qualified investment fund. For the purposes of the bill, a "qualified investment fund" means any investment company or trust registered with the Securities and Exchange Commission, or any series of such investment company or trust, which has at least 80% of the aggregate principal amount of all its investments invested in obligations issued by this State or any public entity within this State, as specified in N. J. S. 54A:6-14.

Under current law, income distributions received from a regulated investment company are subject to the gross income tax as dividend income. This applies even if the distribution is attributable to interest income from State or federally tax exempt bonds which are owned by the regulated investment company.

The provisions of the bill apply to the taxable year beginning on or after January 1, 1987.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 274

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 8, 1986

The Assembly Appropriations Committee favorably reports Assembly Bill No. 274 with amendments.

Assembly Bill No. 274, as amended, would exempt certain income distributions from the gross income tax. The exemption would apply to income distributions paid from a qualified investment fund. For the purposes of this bill, a "qualified investment fund" would mean any investment company or trust registered with the Securities and Exchange Commission which has at least 80% of the aggregate principal amount of all its investments invested in obligations issued by this State or any public entity within this State, as specified in N. J. S. 54A:6-14.

Under current law, income distributions received from a regulated investment company are subject to the gross income tax as a dividend income. This applies even if the distribution is attributable to interest income from State or federal tax exempt bonds which are owned by the regulated investment company.

FISCAL IMPACT:

The Division of Taxation states that they have no precise data which would indicate the potential loss of revenue. It is not clear to what extent "qualified investment funds," as defined in this bill, do currently exist. It is likely that investments made by regulated investment companies would be reinvested in New Jersey gross income tax exempt qualified investment funds. The loss in tax revenue depends upon the amount of such reinvestment.

COMMITTEE AMENDMENTS:

These amendments clarify the entities that can establish a qualified investment fund and change the effective date.

This bill was pre-filed for introduction in the 1986 session pending technical review. As reported amended, the bill includes the changes required by technical review which has been performed.

974.901
GL1



OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

Contact: JOHN SAMERJAN
609-292-8956 OR 292-6000 EXT. 207

TRENTON, N.J. 08625

Release: FRI., DEC. 11, 1987

Governor Thomas H. Kean today signed legislation providing an exclusion from the gross income tax for gains and dividend payment from investment company funds, such as mutual funds, that invest at least 80 percent of their funds in tax-exempt federal or state obligations.

A-274/S-3315, sponsored by Assemblyman Ralph Loveys, R-Morris and Senator Raymond Lesniak, D-Union, is similar to tax exclusions provided by the federal government and 21 other states.

The legislation is effective in 90 days and applies to taxable years beginning on January 1, 1987.

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[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 274

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1986 SESSION

By Assemblyman LOVEYS

AN ACT concerning certain exclusions from gross income, amend-
ing N. J. S. 54A:5-1, supplementing chapter 6 of Title 54A of
the New Jersey Statutes, and repealing sections 2 through 6 of
P. L. 1981, c. 423.

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

1 1. N. J. S. 54A:5-1 is amended to read as follows:

2 54A:5-1. New Jersey Gross Income Defined. New Jersey gross
3 income shall consist of the following categories of income:

4 a. Salaries, wages, tips, fees, commissions, bonuses, and other
5 remuneration received for services rendered whether in cash or in
6 property.

7 b. Net profits from business. The net income from the opera-
8 tion of a business, profession or other activity after provision for
9 all costs and expenses incurred in the conduct thereof, determined
10 either on a cash or accrual basis in accordance with the method
11 of accounting allowed for federal income tax purposes but without
12 deduction of taxes based on income.

13 c. Net gains or income from disposition of property. Net gains
14 or net income, less net losses, derived from the sale, exchange or
15 other disposition of property, including real or personal, whether
16 tangible or intangible as determined in accordance with the method
17 of accounting allowed for federal income tax purposes. For the
18 purpose of determining gain or loss, the basis of property shall be
19 the adjusted basis used for federal income tax purposes.

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Assembly committee amendments adopted December 8, 1986.

**—Senate committee amendments adopted June 11, 1987.

20 For the tax year 1976, any taxpayer with a tax liability under
 21 this subsection, or under the "Tax on Capital Gains and Other
 22 Unearned Income Act" (P. L. 1975, c. 172), shall not be subject
 23 to payment of an amount greater than the amount he would have
 24 paid if either return had covered all capital transactions during
 25 the full tax year 1976; provided, however, that the rate which
 26 shall apply to any capital gain shall be that in effect on the date
 27 of the transaction. To the extent that any loss is used to offset
 28 any gain under P. L. 1975, c. 172, it shall not be used to offset
 29 any gain under the "New Jersey Gross Income Tax Act" (P. L.
 30 1976, c. 47).

31 The term "net gains or income" shall not include gains or in-
 32 come derived from obligations which are referred to in clause (1)
 33 or (2) of section 54A:6-14 of this act *or from securities which*
 34 *evidence ownership in a qualified investment fund as defined in*
 35 *section 2 of P. L., c. (C.) (now pending*
 36 *before the Legislature as this bill)*. The term "net gains or
 37 net income" shall not include gains or income from trans-
 38 actions to the extent to which nonrecognition is allowed for
 39 federal income tax purposes. The term "sale, exchange or other
 40 disposition" shall not include the exchange of stock or securities
 41 in a corporation a party to a reorganization in pursuance of a plan
 42 of reorganization, solely for stock or securities in such corporation
 43 or in another corporation a party to the reorganization and the
 44 transfer of property to a corporation by one or more persons solely
 45 in exchange for stock or securities in such corporation if immedi-
 46 ately after the exchange such person or persons are in control of
 47 the corporation. For purposes of this clause, stock or securities
 48 issued for services shall not be considered as issued in return for
 49 property

50 For purposes of this clause, the term "reorganization" means—

- 51 (i) A statutory merger or consolidation;
- 52 (ii) The acquisition by one corporation, in exchange solely for
 53 all or part of its voting stock (or in exchange solely for all or a
 54 part of the voting stock of a corporation which is in control of the
 55 acquiring corporation) of stock of another corporation if, immedi-
 56 ately after the acquisition, the acquiring corporation has control
 57 of such other corporation (whether or not such acquiring corpora-
 58 tion had control immediately before the acquisition);
- 59 (iii) The acquisition by one corporation, in exchange solely for
 60 all or part of its voting stock (or in exchange solely for all or a
 61 part of the voting stock of a corporation which is in control of the
 62 acquiring corporation), of substantially all of the properties of

63 another corporation, but in determining whether the exchange is
64 solely for stock the assumption by the acquiring corporation of a
65 liability of the other, or the fact that property acquired is subject
66 to a liability, shall be disregarded;

67 (iv) A transfer by a corporation of all or a part of its assets to
68 another corporation if immediately after the transfer the trans-
69 feror, or one or more of its shareholders (including persons who
70 were shareholders immediately before the transfer), or any com-
71 bination thereof, is in control of the corporation to which the assets
72 are transferred;

73 (v) A recapitalization;

74 (vi) A mere change in identity, form, or place of organization
75 however effected; or

76 (vii) The acquisition by one corporation, in exchange for stock
77 of a corporation (referred to in this subclause as "controlling
78 corporation") which is in control of the acquiring corporation, of
79 substantially all of the properties of another corporation which in
80 the transaction is merged into the acquiring corporation shall not
81 disqualify a transaction under subclause (i) if such transaction
82 would have qualified under subclause (i) if the merger had been
83 into the controlling corporation, and no stock of the acquiring cor-
84 poration is used in the transaction;

86 (viii) A transaction otherwise qualifying under subclause (i)
87 shall not be disqualified by reason of the fact that stock of a cor-
88 poration (referred to in this subclause as the "controlling corpo-
89 ration") which before the merger was in control of the merged
90 corporation is used in the transaction, if after the transaction, the
91 corporation surviving the merger holds substantially all of its
92 properties and of the properties of the merged corporation (other
93 than stock of the controlling corporation distributed in the trans-
94 action); and in the transaction, former shareholders of the sur-
95 viving corporation exchanged, for an amount of voting stock of
96 the controlling corporation, an amount of stock in the surviving
97 corporation which constitutes control of such corporation.

98 For purposes of this clause, the term "control" means the own-
99 ership of stock possessing at least 80% of the total combined voting
100 power of all classes of stock entitled to vote and at least 80% of
101 total number of shares of all other classes of stock of the
102 corporation.

103 For purposes of this clause, the term "a party to a reorganiza-
104 tion" includes a corporation resulting from a reorganization, and
105 both corporations, in the case of a reorganization resulting from
106 the acquisition by one corporation of stock or properties of another.

107 In the case of a reorganization qualifying under subclause (i) by
 108 reason of subclause (vii) the term "a party to a reorganization"
 109 includes the controlling corporation referred to in such subclause
 110 (vii).

111 Notwithstanding any provisions hereof, upon every such ex-
 112 change or conversion, the taxpayer's basis for the stock or securi-
 113 ties received shall be the same as the taxpayer's actual or attributed
 114 basis for the stock, securities or property surrendered in exchange
 115 therefor.

116 d. Net gains or net income derived from or in the form of rents,
 117 royalties, patents, and copyrights.

118 e. Interest, except interest referred to in clause (1) or (2) of
 119 N. J. S. 54A:6-14, [or interest on savings certificates issued
 120 pursuant to the provisions of Chapter 6 of this act] or *distrib-*
 121 *utions paid by a qualified investment fund as defined in*
 122 *section 2 of P. L., c. (C.) (now pending*
 123 *before the Legislature as this bill), to the extent provided in that*
 124 *section.*

125 f. Dividends. "Dividends" means any distribution in cash or
 126 property made by a corporation, association or business trust,
 127 (1) out of accumulated earnings and profits, or (2) out of earn-
 128 ings and profits of the year in which such dividend is paid.

129 *The term "dividends" shall not include distributions paid by a*
 130 *qualified investment fund as defined in section 2 of P. L., c.*
 131 *(C.) (now pending before the Legislature as this bill),*
 132 *to the extent provided in that section.*

133 g. Gambling winnings.

134 h. Net gains or income derived through estates or trusts.

135 i. Income in respect of a decedent.

136 j. Amounts distributed or withdrawn from an employee trust
 137 attributable to contributions to the trust which were excluded from
 138 gross income under the provisions of chapter 6 of Title 54A of the
 139 New Jersey Statutes and pensions and annuities except to the ex-
 140 tent of exclusions in section 54A:6-10 hereunder, notwithstanding
 141 the provisions of N. J. S. 18A:66-51, P. L. 1973, c. 140, s. 41 (C.
 142 43:6A-41), P. L. 1954, c. 84, s. 53 (C. 43:15A-53), P. L. 1944, c. 255,
 143 s. 17 (C. 43:16A-17), P. L. 1965, c. 89, s. 45 (C. 53:5A-45), R. S.
 144 43:10-14, P. L. 1943, c. 160, s. 22 (C. 43:10-18.22), P. L. 1948, c. 310,
 145 s. 22 (C. 43:10-18.71), P. L. 1954, c. 218, s. 32 (C. 43:13-22.34), P. L.
 146 1964, c. 275, s. 11 (C. 43:13-22.60), R. S. 43:10-57, P. L. 1938, c. 330,
 147 s. 13 (C. 43:10-105), R. S. 43:13-44, and P. L. 1943, c. 189, s. 5
 148 (C. 43:13-37.5).

149 k. Distributive share of partnership income.

150 l. Amounts received as prizes and awards, except as provided in
151 section 54A:6-8 and 54A:6-11 hereunder.

152 m. Rental value of a residence furnished by an employer or a
153 rental allowance paid by an employer to provide a home.

154 n. Alimony and separate maintenance payments to the extent that
155 such payments are required to be made under a decree of divorce
156 or separate maintenance but not including payments for support of
157 minor children.

158 ***o. Income, gain or profit derived from acts or omissions defined
159 as crimes or offenses under the laws of this State or any other
160 jurisdiction.***

1 2. (New section) Gross income shall not include distributions
2 paid by a qualified investment fund, to the extent that the distri-
3 butions are attributable to interest or gain from obligations de-
4 scribed in N. J. S. 54A:6-14.

5 For the purposes of this act, "qualified investment fund" means
6 any **[trust or]** investment company **or trust** registered with
7 the Securities and Exchange Commission**, or any series of such
8 investment company or trust,** which for the calendar year in
8A which the distribution is paid:

9 a. Has no investments other than interest-bearing obligations,
10 obligations issued at a discount, and cash and cash items, including
11 receivables; and

12 b. Has not less than 80% of the aggregate principal amount of
13 all of its investments, excluding cash and cash items, which cash
14 items shall include receivables, in obligations described in N. J. S.
15 54A:6-14.

16 ***For purposes of this section, "series" means a segregated
17 portfolio of assets, the beneficial interests in which are owned by
18 the holders of a class or series of stock or shares of the investment
19 company or trust that is preferred over all other classes or series
20 in respect to the portfolio of assets.***

1 3. Sections 2 through 6 of P. L. 1981, c. 423 (C. 54A:6-16 through
2 54A:6-20, inclusive) are repealed.

1 4. This act shall take effect on the 90th day after enactment and
2 apply to taxable years beginning on or after January 1, **[1985]**
3 **1987**.

BANKING AND FINANCIAL INSTITUTIONS

Exempts certain distributions from a qualified and registered in-
vestment company fund from State income tax.
