

54:11D-1 et al.

LEGISLATIVE HISTORY CHECKLIST

NJSA 54:11D-1 et al.

Laws of 1977 Chapter 3 (Business personal property  
Tax--replacement money)

Bill No. S1705

Sponsor(s) Merlino & Dwyer

Date Introduced October 7, 1976

Committee: Assembly

Senate Revenue, Finance and Appropriation

Amended during passage Yes ~~No~~

Amendments during  
passage denoted  
by asterisks

Date of passage: Assembly Nov. 23, 1976

Senate Nov. 15, 1976

Date of approval January 17, 1977

Following statements are attached if available:

Sponsor statement Yes Below ~~No~~

Committee Statement: Assembly ~~Yes~~ No

Senate Yes ~~No~~

Fiscal Note ~~Yes~~ No

Veto message ~~Yes~~ No

Message on signing ~~Yes~~ No

Following were printed:

Reports ~~Yes~~ No

Hearings ~~Yes~~ No

Checked card catalog under: N.J.--Business tax N.J.--Property tax

Sponsor's Statement:

This Bill would guarantee that municipalities lose no revenues as a result of the phaseout repeal of the business personal property tax provided in Assembly Bill No. 1766 now awaiting action by the Governor.

10/4/76

APR 1978

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**SENATE, No. 1705**

**STATE OF NEW JERSEY**

INTRODUCED OCTOBER 7, 1976

By Senators MERLINO and DWYER

Referred to Committee on Revenue, Finance and Appropriations

AN ACT to amend "An act concerning the distribution of certain tax revenues to the municipalities of this State and supplementing Title 54 of the Revised Statutes," approved June 17, 1966 (P. L. 1966, c. 135) *\*and repealing sections 2, 3 and 4 thereof\**.

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

1 1. Section 1 of P. L. 1966, c. 135 (C. 54:11D-1) is amended to  
2 read as follows:

3 1. **\*[**The taxes received from the following:

4 (a) An act imposing a State assessed tax on business personal  
5 property; and

6 (b) An act amending the Corporation Business Tax Act (c. 162,  
7 L. 1945) with respect to the difference between that portion of the  
8 tax on allocated net income at the rate of 1.75% and on allocated  
9 net income at the rate of 3%, and such additional amounts as are  
10 necessary to replace those revenues heretofore provided by *the*  
11 *Business Personal Property Tax*, the Unincorporated Business Tax  
12 and the Retail Gross Receipts Tax at the revenue level anticipated  
13 from such taxes for the year 1976, shall be for the benefit of **]**\*

14 *\*The Legislature shall appropriate annually not less than the*  
15 *amount certified by the Director of the Division of Taxation on*  
16 *October 15, 1976, for payment to\** the municipalities of this State  
17 in replacement of the revenues derived by such municipalities from  
18 the local taxation of personal property used in business\*, *pursuant*  
19 *to the act to which this act is amendatory. Such amount shall be*  
20 *allocated among the municipalities in accordance with the certifi-*  
21 *cation of October 15, 1976\*.*

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

1     \*2. Section 5 of P. L. 1966, c. 135 (C. 54:11D-5) is amended to  
2 read as follows:

3     5. The State Treasurer annually, on or before the date set forth  
4 in section 6 of this act, [upon the certification of the Director of  
5 Taxation and] upon the warrant of the State Comptroller, shall  
6 pay and distribute to each municipality [the amount] *its entitle-*  
7 *ment* determined in accordance with the provisions of [sections 2  
8 and 4] *section 1* of this act.[:

9     (a) From the money collected from the taxes described in sec-  
10 tion 1 of this act; and

11     (b) From such other funds as shall be appropriated by law  
12 for this purpose.]\*

1     \*3. Section 6 of P. L. 1966, c. 135 (C. 54:11D-6) is amended to  
2 read as follows:

3     6. The distribution required to be made by the State Treasurer  
4 under this act shall be made annually in [five] *four* installments  
5 as follows: The first installment shall be payable annually on  
6 March 1 [commencing on March 1, 1968] and shall consist of [one-  
7 quarter] *one-fifth* of the amount *appropriated* [certified under  
8 section 2 hereof]; the second[,] *installment shall be payable on*  
9 *May 1 of each year and shall consist of two-fifths of the amount*  
10 *appropriated*; the third and fourth installments shall be payable  
11 on the succeeding [May 1], August 1 and November 1 of each year  
12 and shall each consist of [one-quarter] *one-fifth* of the amount *ap-*  
13 *propriated*. [certified under section 2 hereof; and the fifth install-  
14 ment which shall be the municipality's distributive share of the  
15 excess, if any, allocated under section 4 hereof, shall be payable on  
16 the next May 1 and the excess payable in the fifth installment may  
17 be anticipated in municipal budgets for the calendar year in which  
18 the same is payable.]\*

1     \*4. Sections 2, 3 and 4 of P. L. 1966, c. 135 (C. 54:11D-2 to  
2 C. 54:11D-4) are hereby repealed.\*

1     \*[2.]\* \*5.\* This act shall take effect January 1, 1977.

REFERENCE USE ONLY.

SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

STATEMENT TO  
SENATE, No. 1705

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 1976

The Legislature, in approving <sup>ASSEMBLY</sup> ~~Senate~~ Bill No. 1766 with Senate committee amendments, voted to include as part of its 1976 tax program the phase-out repeal of the business personal property tax, a tax whose revenues were distributed to the State's municipalities. Senate Bill No. 1705 is intended to hold municipalities safe from harm despite the repeal of the revenue source.

The bill as introduced would add the business personal property tax to the list of repealed taxes for which the State would have to provide replacement moneys. The law requires maintenance of the Business Personal Property Tax Replacement Fund "at the revenue level anticipated from such taxes for the year 1976".

The Revenue, Finance and Appropriations Committee made amendments consistent with the bill's intent. Noting that three of the four taxes which used to fill the fund will have now been repealed, the committee saw no reason to retain the fiction of a separate "fund", since most of the money would be coming in from general revenues anyway. The committee voted to eliminate those bookkeeping and administrative expenses. Its amendments instead provide that the Legislature appropriate each year an amount equal to what municipalities received in 1976, the last year before the tax repealers take effect.

PROCEDURE

Under existing law, receipts from the four taxes do not go into the General State Fund to be available for appropriation, and the money distribution does not appear as an appropriation item. Their only appearance in the annual budget document is in the listing of "Revenues Dedicated and Not Budgeted" (see, for example, page 8c of the FY 1977 budget message).

These amendments abolish the dedicated fund, as explained above, so that the receipts from the outgoing business personal property tax and from the hitherto dedicated share of the corporate business tax will now go into the General State Fund. The distribution to municipalities will then appear as a line-item appropriation.

The committee also amended R. S. 54:11D-6 to eliminate any reference to the old law's "basic" and "excess" distributions. The system the committee adopted requires 20% installments in March, August and November, and a 40% installment in May, to replace the former distribution. The committee amendment accommodates the cash flow requirements of the State and results in approximately the following distribution pattern:

Payment	Existing Law	S. 1705Sca
March 1	\$26.5 million	\$31.4 million
May 1	\$77.5 million	\$62.8 million
August 1	\$26.5 million	\$31.4 million
November 1	\$26.5 million	\$31.4 million
	<hr/> \$157 million	<hr/> \$157 million

Starting in January, 1977, municipalities will receive the full amount to which they are entitled (combining both the "base" and the "excess" entitlements), pursuant to the certification of October 15, 1976, according to the new payment schedule. For the remainder of the State's current fiscal year, language included in the Appropriations Act appropriates so much of the proceeds derived from these taxes as may be required to make the payments to municipalities; next year a separate line item will appear.