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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"New Jersey becomes 4th state to approve \$15 hourly wage," Associated Press State Wire: New Jersey, February 4, 2019

"Gov. Phil Murphy signs NJ \$15 minimum wage bill into law,"northjersey.com, February 4, 2019

"Murphy touts \$15 minimum wage with local and hospital officials," NJBIZ, February 5, 2019

"Mixed response to wage hike," Burlington County Times, February 5, 2019

"a huge step forward' Wage Murphy signs off on plan to boost minimum wage each year through 2024," The Star-Ledger, February 5, 2019

"a huge step forward' Minimum Wage Murphy signs off on plan to boost minimum wage each year through 2024," South Jersey Times, February 5, 2019

"Murphy signs new minimum wage law," The Jersey Journal, February 5, 2019

"Raise praised - Murphy signs \$15 minimum wage bill into law," The Record, February 5, 2019

"NJ begins path toward era of higher wages," The Record, February 6, 2019

"Minimum wage to go to \$15 with gov's OK Minimum wage Murphy signs off on plan to boost lowest pay in N.J. each year through 2024," Hunterdon County Democrat, February 7, 2019

"Minimum wage hike coming to N.J. Jersey," The Warren Reporter, February 8, 2019

"On the true cost of minimum wage to NJ economy," Northjersey.com, February 8, 2019

"\$15 minimum wage compromise may leave NJ's poorest workers behind," Northjersey.com, February 8, 2019

"New Jersey's minimum wage is officially on the p," Burlington County Times, February 5, 2019

"Murphy signs \$15 minimum-wage bill - Gov. Phil Murphy signs \$15 minimum wage bill," The Press of Atlantic City, February 5, 2019

"Compromise on minimum-wage hike may leave NJ's poorest workers behind," The Record, February 11, 2019

RWH/JA

§§3,4
C.34:11-56a4.9
and
34:11-56a4.10
§§5-7
C.34:11-56a39 to
34:11-56a41
§8
C.54:10A-5.42
§9
C.54A:4-18

P.L. 2019, CHAPTER 32, *approved February 4, 2019*
Assembly Committee Substitute (*First Reprint*) for
Assembly, No. 15

1 AN ACT raising the minimum wage, amending and supplementing
2 P.L.1966, c.113, and supplementing P.L.1945, c.162 (C.54:10A-
3 1 et seq.) and Title 54A of the New Jersey Statutes.

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.1966, c.113 (C.34:11-56a1) is amended to
9 read as follows:

10 2. As used in this act:

11 (a) "Commissioner" means the Commissioner of Labor and
12 Workforce Development.

13 (b) "Director" means the director in charge of the bureau
14 referred to in section 3 of this act.

15 (c) "Wage board" means a board created as provided in section
16 10 of this act.

17 (d) "Wages" means any moneys due an employee from an
18 employer for services rendered or made available by the employee
19 to the employer as a result of their employment relationship
20 including commissions, bonus and piecework compensation and
21 including **any gratuities received by an employee for services**
22 **rendered for an employer or a customer of an employer and** the
23 fair value of any food or lodgings supplied by an employer to an
24 employee, and, until December 31, 2018, "wages" includes any
25 gratuities received by an employee for services rendered for an
26 employer or a customer of an employer. The commissioner may, by
27 regulation, establish the average value of gratuities received by an
28 employee in any occupation and the fair value of food and lodging
29 provided to employees in any occupation, which average values

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:

¹ Assembly AAP committee amendments adopted January 28, 2019.

1 shall be acceptable for the purposes of determining compliance with
2 this act in the absence of evidence of the actual value of such items.

3 (e) "Regular hourly wage" means the amount that an employee
4 is regularly paid for each hour of work as determined by dividing
5 the total hours of work during the week into the employee's total
6 earnings for the week, exclusive of overtime premium pay.

7 (f) "Employ" includes to suffer or to permit to work.

8 (g) "Employer" includes any individual, partnership,
9 association, corporation, and the State and any county,
10 municipality, or school district in the State, or any agency,
11 authority, department, bureau, or instrumentality thereof, or any
12 person or group of persons acting directly or indirectly in the
13 interest of an employer in relation to an employee.

14 (h) "Employee" includes any individual employed by an
15 employer.

16 (i) "Occupation" means any occupation, service, trade,
17 business, industry or branch or group of industries or employment
18 or class of employment in which employees are gainfully employed.

19 (j) "Minimum fair wage order" means a wage order
20 promulgated pursuant to this act.

21 (k) "Fair wage" means a wage fairly and reasonably
22 commensurate with the value of the service or class of service
23 rendered and sufficient to meet the minimum cost of living
24 necessary for health.

25 (l) "Oppressive and unreasonable wage" means a wage which is
26 both less than the fair and reasonable value of the service rendered
27 and less than sufficient to meet the minimum cost of living
28 necessary for health.

29 (m) "Limousine" means a motor vehicle used in the business of
30 carrying passengers for hire to provide prearranged passenger
31 transportation at a premium fare on a dedicated, nonscheduled,
32 charter basis that is not conducted on a regular route and with a
33 seating capacity in no event of more than 14 passengers, not
34 including the driver, provided, that such a motor vehicle shall not
35 have a seating capacity in excess of four passengers, not including
36 the driver, beyond the maximum passenger seating capacity of the
37 vehicle, not including the driver, at the time of manufacture.
38 "Limousine" shall not include taxicabs, hotel or airport shuttles and
39 buses, buses employed solely in transporting school children or
40 teachers to and from school, vehicles owned and operated directly
41 or indirectly by businesses engaged in the practice of mortuary
42 science when those vehicles are used exclusively for providing
43 transportation related to the provision of funeral services or vehicles
44 owned and operated without charge or remuneration by a business
45 entity for its own purposes.

46 (n) "Seasonal employment" means employment during a year by
47 an employer that is a seasonal employer^{1, 1} or¹ employment by a¹

1 non-profit or government entity of an individual who is not
2 employed by that employer outside of the period of that year
3 commencing on May 1 and ending September 30, ¹or employment
4 by a governmental entity in a recreational program or service during
5 the period commencing on May 1 and ending September 30, ¹
6 except that “seasonal employment” does not include employment of
7 employees engaged ¹to labor on a farm¹ on ¹either¹ a piece-rate or
8 regular hourly rate basis ¹to labor on a farm¹.

9 (o) “Seasonal employer” means ¹an employer who exclusively
10 provides its services in a continuous period of not more than ten
11 weeks during the months of June, July, August, and September, or¹
12 an employer for which, during the immediately previous calendar
13 year, not less than two thirds of the employer’s gross receipts were
14 received in a continuous period of not more than sixteen weeks ¹or
15 for which not less than 75 percent of the wages paid by the
16 employer during the immediately preceding year were paid for work
17 performed during a single calendar quarter¹.

18 (p) “Small employer” means any employer who employed less
19 than six employees for every working day during each of a majority
20 of the calendar workweeks in the current calendar year and less than
21 six employees for every working day during not less than 48
22 calendar workweeks in the preceding calendar year, except that, if
23 the employer was newly established during the preceding calendar
24 year, the employer shall be regarded as a “small employer” if the
25 employer employed less than six employees for every working day
26 during all of the weeks of that year, and during a majority of the
27 calendar workweeks in the current calendar year, and, if the
28 employer is newly established during the current calendar year, the
29 employer shall be regarded as a “small employer” if the employer
30 employed less than six employees for every working day during a
31 majority of the calendar workweeks in the current calendar year.

32 (cf: P.L.2001, c.416, s.2)

33
34 2. Section 5 of P.L.1966, c.113 (C.34:11-56a4) is amended to
35 read as follows:

36 5. **【Every】** a. Except as provided in subsections c., d., e. and
37 g. of this section, each employer shall pay to each of his employees
38 wages at a rate of not less than **【**\$5.05 per hour as of April 1, 1992
39 and, after January 1, 1999 the federal minimum hourly wage rate set
40 by section 6(a)(1) of the federal "Fair Labor Standards Act of 1938"
41 (29 U.S.C. s.206(a)(1)), and, as of October 1, 2005, \$6.15 per hour,
42 and as of October 1, 2006, \$7.15 per hour for 40 hours of working
43 time in any week and 1 1/2 times such employee's regular hourly
44 wage for each hour of working time in excess of 40 hours in any
45 week, except this overtime rate shall not include any individual
46 employed in a bona fide executive, administrative, or professional

1 capacity or, if] \$8.85 per hour as of January 1, 2019 and, on
2 January 1 of 2020 and January 1 of each subsequent year, the
3 minimum wage shall be increased by any increase in the consumer
4 price index for all urban wage earners and clerical workers (CPI-W)
5 as calculated by the federal government for the 12 months prior to
6 the September 30 preceding that January 1, except that any of the
7 following rates shall apply if it exceeds the rate determined in
8 accordance with the applicable increase in the CPI-W for the
9 indicated year: on July 1, 2019, the minimum wage shall be \$10.00
10 per hour; on January 1, 2020, the minimum wage shall be \$11.00
11 per hour; and on January 1 of each year from 2021 to 2024,
12 inclusive, the minimum wage shall be increased from the rate of the
13 preceding year by \$1.00 per hour. If the federal minimum hourly
14 wage rate set by section 6 of the federal "Fair Labor Standards Act
15 of 1938" (29 U.S.C. s.206), or a successor federal law, is raised to a
16 level higher than the State minimum wage rate set by this
17 subsection, then the State minimum wage rate shall be increased to
18 the level of the federal minimum wage rate and subsequent
19 increases based on increases in the CPI-W pursuant to this section
20 shall be applied to the higher minimum wage rate. If an applicable
21 wage order has been issued by the commissioner under section 17
22 (C.34:11-56a16) of this act, the employer shall also pay not less
23 than the wages prescribed in said order. The wage rates fixed in
24 this section shall not be applicable to part-time employees primarily
25 engaged in the care and tending of children in the home of the
26 employer, to persons under the age of 18 not possessing a special
27 vocational school graduate permit issued pursuant to section 15 of
28 P.L.1940, c.153 (C.34:2-21.15), or to persons employed as
29 salesmen of motor vehicles, or to persons employed as outside
30 salesmen as such terms shall be defined and delimited in regulations
31 adopted by the commissioner, or to persons employed in a volunteer
32 capacity and receiving only incidental benefits at a county or other
33 agricultural fair by a nonprofit or religious corporation or a
34 nonprofit or religious association which conducts or participates in
35 that fair.

36 b. [The provisions of this section for the payment to an]

37 (1) An employer shall also pay each employee [of] not less than
38 1 1/2 times such employee's regular hourly rate for each hour of
39 working time in excess of 40 hours in any week, except that this
40 overtime rate shall not apply; to any individual employed in a bona
41 fide executive, administrative, or professional capacity; or to
42 employees engaged to labor on a farm or employed in a hotel; or to
43 an employee of a common carrier of passengers by motor bus; or to
44 a limousine driver who is an employee of an employer engaged in
45 the business of operating limousines; or to employees engaged in
46 labor relative to the raising or care of livestock.

1 (2) Employees engaged on a piece-rate or regular hourly rate
2 basis to labor on a farm shall be paid for each day worked not less
3 than the applicable minimum hourly wage rate multiplied by the
4 total number of hours worked.

5 (3) Full-time students may be employed by the college or
6 university at which they are enrolled at not less than 85% of the
7 effective applicable minimum wage rate.

8 c. Employees of a small employer, and employees who are
9 engaged in seasonal employment, except for employees who
10 customarily and regularly receive gratuities or tips who shall be
11 subject to the provisions of subsections a. and d. of this section,
12 shall be paid \$8.85 per hour as of January 1, 2019 and, on January 1
13 of 2020 and January 1 of each subsequent year, that minimum wage
14 rate shall be increased by any increase in the consumer price index
15 for all urban wage earners and clerical workers (CPI-W) as
16 calculated by the federal government for the 12 months prior to the
17 September 30 preceding that January 1, except that any of the
18 following rates shall apply if it exceeds the rate determined in
19 accordance with the applicable increase in the CPI-W for the
20 indicated year: on January 1, 2020, the minimum wage shall be
21 \$10.30 per hour; and on January 1 of each year from 2021 to 2025,
22 inclusive, the minimum wage shall be increased from the rate of the
23 preceding year by eighty cents per hour, and, in 2026, the minimum
24 wage shall be increased from the rate of the preceding year by
25 seventy cents per hour, and, in each year from 2027 to 2028
26 inclusive, the minimum wage for employees subject to this
27 subsection c. shall be increased by the same amount as the increase
28 for employees subject to subsection a. of this section based on CPI-
29 W increases, plus one half of the difference between \$15.00 per
30 hour and the minimum wage in effect in 2026 for employees
31 pursuant to subsection a. of this section, so that, by 2028, the
32 minimum wage for employees subject to this subsection shall be the
33 same as the minimum wage in effect for employees subject to
34 subsection a. of this section. If the federal minimum hourly wage
35 rate set by section 6 of the federal "Fair Labor Standards Act of
36 1938" (29 U.S.C. s.206), or a successor federal law, is raised to a
37 level higher than the State minimum wage rate set by this
38 subsection, then the State minimum wage rate shall be increased to
39 the level of the federal minimum wage rate and subsequent
40 increases based on increases in the CPI-W pursuant to this
41 subsection shall be applied to the higher minimum wage rate.

42 d. Employees engaged on a piece-rate or regular hourly rate
43 basis to labor on a farm shall be paid \$8.85 per hour as of January
44 1, 2019 and, on January 1 of 2020 and January 1 of each subsequent
45 year, that minimum wage rate shall be increased by any increase in
46 the consumer price index for all urban wage earners and clerical
47 workers (CPI-W) as calculated by the federal government for the 12

1 months prior to the September 30 preceding that January 1, except
2 that any of the following rates shall apply if it exceeds the rate
3 determined in accordance with the applicable increase in the CPI-W
4 for the indicated year:

5 (1) on January 1, 2020, the minimum wage shall be \$10.30 per
6 hour; on January 1, 2022, the minimum wage shall be \$10.90 per
7 hour; and on January 1 of each year from 2023 to 2024, inclusive,
8 the minimum wage shall be increased from the rate of the preceding
9 year by eighty cents per hour; and

10 (2) subject to the provisions of paragraph (3) of this subsection
11 d., minimum wage rates shall be increased as follows: on January 1
12 of 2025, the minimum wage shall be increased to \$13.40, and on
13 January 1 of each year from 2026 to 2027, inclusive, the minimum
14 wage shall be increased from the rate of the preceding year by
15 eighty cents per hour, and, in each year from 2028 to 2030
16 inclusive, the minimum wage for employees subject to this
17 subsection d. shall be increased during that year by the same
18 amount as the increase in that year for employees subject to
19 subsection a. of this section based on CPI-W increases, plus one
20 third of the difference between \$15.00 per hour and the minimum
21 wage in effect in 2027 for employees pursuant to subsection a. of
22 this section, so that, by 2030, the minimum wage for employees
23 subject to this subsection shall be the same as the minimum wage in
24 effect for employees subject to subsection a. of this section.

25 (3) Not later than March 31, 2024, the commissioner and the
26 Secretary of Agriculture shall review the report issued by the
27 commissioner pursuant to subsection b. of section 4 of P.L. _____,
28 c. (C. _____)(pending before the Legislature as this bill) and shall
29 consider any information provided by the secretary regarding the
30 impact on farm employers and the viability of the State's
31 agricultural industry of the increases of the minimum wage made
32 pursuant to paragraph (1) of this subsection, and the potential
33 impact of the increases which would be set by paragraph (2) of this
34 subsection, including comparisons with the wage rates in the
35 agricultural industries in other states, and shall
36 recommend: approval of the increases set forth in paragraph (2) of
37 this subsection; disapproval of the increases set forth in paragraph
38 (2) of this subsection; or an alternative manner of changing the
39 minimum wage after 2024 for employees engaged on a piece-rate or
40 regular hourly rate basis to labor on a farm. In contemplation of the
41 possibility that the commissioner and the secretary are unable to
42 agree on the recommendation required by this paragraph, by
43 December 31, 2021, the Governor shall appoint a public member
44 subject to advice and consent by the Senate, who will serve as a tie-
45 breaking member if needed. The increases set forth in paragraph (2)
46 of this subsection shall take effect unless there is a recommendation
47 pursuant to this paragraph to disapprove the increases or for an

1 alternative manner of changing the minimum wage after 2024 for
2 employees engaged on a piece-rate or regular hourly rate basis to
3 labor on a farm and the Legislature, not later than June 30, 2024,
4 enacts a concurrent resolution approving the implementation of that
5 recommendation. Beginning in 2024, the commissioner, secretary,
6 and public member shall meet biennially to make either a one or
7 two year recommendation to the Legislature for implementation by
8 way of concurrent resolution.

9 (4) If the federal minimum hourly wage rate set by section 6 of
10 the federal "Fair Labor Standards Act of 1938" (29 U.S.C. s.206), or
11 a successor federal law, is raised to a level higher than the State
12 minimum wage rate set by this subsection, then the State minimum
13 wage rate shall be increased to the level of the federal minimum
14 wage rate and subsequent increases based on increases in the CPI-
15 W pursuant to this subsection shall be applied to the higher
16 minimum wage rate.

17 e. With respect to an employee who customarily and regularly
18 receives gratuities or tips, every employer is entitled to a credit for
19 the gratuities or tips received by the employee against the hourly
20 wage rate that would otherwise be paid to the employee pursuant to
21 subsection a. of this section of the following amounts: after
22 December 31, 2018 and before July 1, 2019, \$6.72 per hour; after
23 June 30, 2019 and before January 1, 2020, \$7.37 per hour; during
24 calendar years 2020, 2021 and 2022, \$7.87 per hour; during
25 calendar year 2023, \$8.87 per hour; and during calendar year 2024
26 and subsequent calendar years, \$9.87 per hour.

27 f. Notwithstanding the provisions of this section to the
28 contrary, every trucking industry employer shall pay to all drivers,
29 helpers, loaders and mechanics for whom the Secretary of
30 Transportation may prescribe maximum hours of work for the safe
31 operation of vehicles, pursuant to section 31502(b) of the federal
32 Motor Carrier Act, 49 U.S.C.s.31502(b), an overtime rate not less
33 than 1 1/2 times the minimum wage required pursuant to this
34 section and N.J.A.C. 12:56-3.1. Employees engaged in the trucking
35 industry shall be paid no less than the minimum wage rate as
36 provided in this section and N.J.A.C. 12:56-3.1. As used in this
37 section, "trucking industry employer" means any business or
38 establishment primarily operating for the purpose of conveying
39 property from one place to another by road or highway, including
40 the storage and warehousing of goods and property. Such an
41 employer shall also be subject to the jurisdiction of the Secretary of
42 Transportation pursuant to the federal Motor Carrier Act, 49
43 U.S.C.s.31501 et seq., whose employees are exempt under section
44 213(b)(1) of the federal "Fair Labor Standards Act of 1938," 29
45 U.S.C. s.213(b)(1), which provides an exemption to employees
46 regulated by section 207 of the federal "Fair Labor Standards Act of

1 1938," 29 U.S.C. s.207, and the Interstate Commerce Act, 49
2 U.S.C. s.501 et al.

3 g. Commencing on January 1, 2020, a training wage of not less
4 than 90 percent of the minimum wage rate otherwise set pursuant to
5 subsection a. of this section may be paid to an employee who is
6 enrolled in an established employer on-the-job or other training
7 program which meets standards set by regulations adopted by the
8 commissioner. The period during which an employer may pay the
9 training wage to the employee shall be the first 120 hours of work
10 after hiring the employee in employment in an occupation in which
11 the employee has no previous similar or related experience. An
12 employer shall not utilize any employee paid the training wage in a
13 manner which causes, induces, encourages or assists any
14 displacement or partial displacement of any currently employed
15 worker, including any previous recipient of the training wage, by
16 reducing hours of a currently employed worker, replacing a current
17 or laid off employee with a trainee, or by relocating operations
18 resulting in a loss of employment at a previous workplace, or in a
19 manner which replaces, supplants, competes with or duplicates any
20 approved apprenticeship program. An employer who pays an
21 employee a training wage shall make a good faith effort to continue
22 to employ the employee after the period of the training wage
23 expires and shall not hire the employee at the training wage unless
24 there is a reasonable expectation that there will be regular
25 employment, paying at or above the effective minimum wage, for
26 the trainee upon the successful completion of the period of the
27 training wage. If the commissioner determines that an employer
28 has made repeated, knowing violations of the provisions of this
29 subsection regarding the payment of a training wage, the
30 commissioner shall suspend the employer's right to pay a training
31 wage for a period set pursuant to regulations adopted by the
32 commissioner, but not less than three years.

33 h. The provisions of this section shall not be construed as
34 prohibiting any political subdivision of the State from adopting an
35 ordinance, resolution, regulation or rule, or entering into any
36 agreement, establishing any standard for vendors, contractors and
37 subcontractors of the subdivision regarding wage rates or overtime
38 compensation which is higher than the standards provided for in
39 this section, and no provision of any other State or federal law
40 establishing a minimum standard regarding wages or other terms
41 and conditions of employment shall be construed as preventing a
42 political subdivision of the State from adopting an ordinance,
43 resolution, regulation or rule, or entering into any agreement,
44 establishing a standard for vendors, contractors and subcontractors
45 of the subdivision which is higher than the State or federal law or
46 which otherwise provides greater protections or rights to employees
47 of the vendors, contractors and subcontractors of the subdivision,

1 unless the State or federal law expressly prohibits the subdivision
2 from adopting the ordinance, resolution, regulation or rule, or
3 entering into the agreement.

4 (cf: P.L.2005, c.70, s.1)

5
6 3. (New section) a. There is established, in but not of the
7 Department of Labor and Workforce Development, the “Task Force
8 on Wages and State Benefits.” The task force shall consist of 11
9 members, including the Commissioners of Health, Human Services,
10 Education, Community Affairs, and Labor and Workforce
11 Development, and the State Treasurer, or their designees, all who
12 shall serve ex officio, and five public members appointed by the
13 Governor with the advice and consent of the Senate as follows: one
14 person nominated by an organization which represents the interests
15 of the business community in this State, one person nominated by
16 the New Jersey State AFL-CIO, two persons nominated by
17 organizations representing the interests of low-income individuals,
18 and one person representing the interests of other disadvantaged
19 individuals who rely on services and benefits provided or
20 administered by the State or its instrumentalities. Public members
21 shall be appointed for four-year terms and may be re-appointed for
22 any number of terms. Any public member of the task force may be
23 removed from office by the Governor, for cause, upon notice and
24 opportunity to be heard. Vacancies shall be filled in the same
25 manner as the original appointment for the balance of the unexpired
26 term. A member shall continue to serve upon the expiration of the
27 member’s term until a successor is appointed and qualified, unless
28 the member is removed by the Governor.

29 b. Action may be taken by the task force by an affirmative vote
30 of a majority of its members and a majority of the task force shall
31 constitute a quorum for the transaction of any business, for the
32 performance of any duty, or for the exercise of any power of the
33 task force. Members of the task force shall serve without
34 compensation, but may be reimbursed for the actual and necessary
35 expenses incurred in the performance of their duties as members of
36 the task force within the limits of funds appropriated or otherwise
37 made available for that purpose.

38 c. The purpose of the task force is to evaluate how changes in
39 required minimum wage levels pursuant to by P.L. , c. (C.)
40 (pending before the Legislature as this bill) may affect the
41 eligibility of low-income individuals, and other disadvantaged
42 individuals, for a variety of services and benefits provided or
43 administered by the State or its instrumentalities, including, but not
44 limited to, health, human service, childcare, education, housing and
45 tax benefits, and how the combination of changes in minimum wage
46 and eligibility standards may impact the living standards of the
47 individuals and their families. The task force shall produce annual

1 reports of its findings, which shall include any recommendations
2 the task force deems appropriate for adjustments in eligibility
3 standards for the benefits, changes in benefit subsidy rates, and
4 other relevant reforms, to ensure that the combination of minimum
5 wage increases and State services and benefits are coordinated
6 effectively so as to further advance the overall goal of raising the
7 living standards of working families.

8 d. In furtherance of its evaluation, the task force may hold
9 public meetings or hearings within the State and call to its
10 assistance and avail itself of the services of the employees of any
11 other State department, board, or agency which the task force
12 determines possesses relevant data, analytical and professional
13 expertise or other resources which may assist the task force in
14 discharging its duties under this section. Each department, board,
15 or agency of this State is hereby directed, to the extent not
16 inconsistent with law, to cooperate fully with the task force and to
17 furnish such information and assistance as is necessary to
18 accomplish the purposes of this section.

19 e. The task force shall issue its first annual report to the
20 Governor and, pursuant to section 2 of P.L.1991, c.164 (C.52:14-
21 19.1), to the Legislature not later than September 30, 2019, and
22 make the report available to the public by means including the
23 posting of the report on the web sites of all of the State departments
24 represented on the task force. Each subsequent annual report shall
25 be issued and made available to the public not later than September
26 30 of the respective year and shall include a review of any
27 administrative and legislative actions taken in response to
28 recommendations of previous reports of the task force, together
29 with an evaluation of the effectiveness of the actions in facilitating
30 the overall goal of raising the living standards of working families,
31 and any further recommendation deemed appropriate by the task
32 force.

33
34 4. (New section) a. The commissioner shall, not later than
35 September 30, 2024, issue and post on the Department of Labor and
36 Workforce Development website a report which evaluates the
37 impacts on employers and employees of the credits provided in
38 calendar years 2019 through 2023 to employers for gratuities and
39 tips pursuant to subsection e. of section 5 of P.L. 1966, c.113
40 (C.34:11-56a4). The report shall evaluate the adequacy of the
41 minimum wage of employees who customarily and regularly
42 receive gratuities or tips after adjustment for the credits provided to
43 employers pursuant to subsection 5 of P.L.1966, c.113 (C.34:11-
44 56a4).

45 b. The commissioner, in consultation with the State Treasurer,
46 shall, not later than September 30, 2024, issue and post on the
47 Department of Labor and Workforce Development website a report

1 which evaluates the impacts on employers and employees of the tax
2 credits provided in calendar years 2019 through 2023 to employers
3 of employees with impairments pursuant to sections 5 through 9 of
4 P.L. , c. (C.) (pending before the Legislature as this bill).
5 The report will include recommendations regarding the continuation
6 of the tax credits.

7

8 5. (New section) As used in sections 5 through 9 of P.L. ,
9 c. (C.) (pending before the Legislature as this bill):

10 “Commissioner” means the Commissioner of Labor and
11 Workforce Development.

12 “Employee with an impairment” means an employee earning at
13 least the minimum wage on the effective date of P.L. , c. (C.)
14 (pending before the Legislature as this bill) whose work capacity is
15 significantly impaired by age or physical or mental deficiency or
16 injury and who, based on a determination by the State, is found
17 eligible for personal assistance services or prescribed drugs because
18 without such services or drugs the individual would be unable to
19 perform the essential functions of the employment position that the
20 individual holds.

21 “Employer” means any nongovernmental business entity
22 including, but not limited to, a nonprofit organization, a
23 corporation, S corporation, limited liability company, partnership,
24 limited partnership, and sole proprietorship, and shall include all
25 entities related by common ownership or control.

26 “Tax year” means the calendar year ¹or fiscal year¹ in which a
27 taxpayer’s gross income tax or corporation business tax liability is
28 due and payable.

29

30 6. (New section) a. There is established in the Department of
31 Labor and Workforce Development a program, administered by the
32 commissioner, to provide tax credits to employers of employees
33 with impairments. The purpose of the program is to provide tax
34 credits to employers of employees with impairments to help to
35 offset the cost to the employer of any wage increases for those
36 employees caused by the enactment of P.L. , c. (C.)
37 (pending before the Legislature as this bill), including the cost to
38 the employer of corresponding increases in payroll taxes that
39 employer paid on those workers’ wages.

40 b. Prior to January 1, 2025, an employer subject to the
41 provisions of subsections a. and e. of section 5 of P.L 1966, c.113
42 (C.34:11-56a4) may apply to the commissioner for an award of tax
43 credits under this section. A tax credit allowed pursuant to this
44 section shall be in the amount provided in subsections d. and e. of
45 this section against the corporation business tax imposed pursuant
46 to section 5 of P.L.1945, c.162 (C.54:10A-5) or the gross income
47 tax imposed pursuant to the “New Jersey Gross Income Tax Act,”

1 N.J.S.54A:1-1 et seq., whichever of the two taxes is applicable to
2 the employer.

3 c. Prior to January 1, 2028, an employer subject to the
4 provisions of subsections c. and d. of section 5 of P.L. 1966, c.113
5 (C.34:11-56a4) may apply to the commissioner for an award of tax
6 credits under this section. A tax credit allowed pursuant to this
7 section shall be in the amount provided in subsections d. and e. of
8 this section against the corporation business tax imposed pursuant
9 to section 5 of P.L.1945, c.162 (C.54:10A-5) or the gross income
10 tax imposed pursuant to the “New Jersey Gross Income Tax Act,”
11 N.J.S.54A:1-1 et seq., whichever of the two taxes is applicable to
12 the employer.

13 d. (1) The final amount of the tax credit provided to an
14 employer for employees with impairments employed by the
15 employer during a tax year shall be a preliminary amount of the tax
16 credit, which is the amount by which the wages and payroll taxes
17 which the employer is required to pay each employee with an
18 impairment the employer employs pursuant to P.L. , c. (C.)
19 (pending before the Legislature of this bill) during the tax year
20 exceeds the amount that the employer actually paid for the
21 employee with an impairment in wages and payroll taxes in the last
22 preceding calendar year (as adjusted pursuant to subparagraph (c) of
23 this paragraph), provided that:

24 (a) if the number of hours worked during the tax year by an
25 employee with an impairment employed by the employer is equal to
26 the number of hours the employee with an impairment worked for
27 the employer during the last preceding calendar year, then the
28 preliminary amount of the tax credit for each of the hours worked
29 shall be in the amount that remains after the amount actually paid
30 for the employee with an impairment in wages and payroll taxes
31 during the last preceding calendar year (as adjusted pursuant to
32 subparagraph (c) of this paragraph) is subtracted from the amount
33 which is required to be paid for the employee with an impairment in
34 payroll taxes and in wages pursuant to the minimum wage rate
35 which applies to the tax year pursuant to P.L. , c. (C.)
36 (pending before the Legislature of this bill);

37 (b) if the number of hours worked during the tax year by an
38 employee with an impairment employed by the employer is greater
39 than the number of hours worked by the employee with an
40 impairment employed by the employer during the last preceding
41 calendar year, then the preliminary amount of the tax credit shall be
42 calculated in two parts and the sum of the two parts shall be the
43 preliminary amount of the tax credit. In the first part of the
44 calculation, regarding the hours worked during the tax year which
45 are equal to the number of hours worked during the last preceding
46 calendar year, the preliminary amount of the tax credit shall be
47 calculated in the same manner as the credit is calculated in

1 subparagraph (a) of this paragraph. In the second part of the
2 calculation, regarding the hours worked during the tax year which
3 are in addition to the number of hours worked during the last
4 preceding calendar year, the preliminary amount of the tax credit
5 for each additional hour shall be calculated in the same manner as
6 the credit is calculated in subparagraph (a) of this paragraph, except
7 that it shall be presumed that the additional number of hours worked
8 by the employee with an impairment would have been paid at the
9 minimum wage rate in effect during the last preceding calendar year
10 (as adjusted pursuant to subparagraph (c) of this paragraph), and the
11 preliminary amount of the tax credit for each of those hours of work
12 shall be calculated by subtracting that presumed rate from the actual
13 minimum wage rate for the tax year; and

14 (c) In making any of the calculations in this paragraph, the actual
15 rate of pay paid to an employee with an impairment in the preceding
16 calendar year shall be increased by whichever is the larger of:

17 (i) the increase in the State minimum wage that would have
18 occurred, for the applicable tax year, if P.L. , c. (C.)
19 (pending before the Legislature as this bill) had not been enacted; or

20 (ii) any increase in the federal minimum hourly wage rate set for
21 the applicable tax year pursuant to section 6(a)(1) of the federal
22 "Fair Labor Standards Act of 1938" (29 U.S.C. s.206(a)(1)).

23 (2) If the number of hours worked during the tax year by an
24 employee with an impairment employed by the employer is less
25 than the number of hours worked during the last preceding calendar
26 year, then the employer shall not be eligible for a tax credit under
27 this section for that tax year for that employee with an impairment.

28 e. An employer may qualify for a tax credit pursuant to
29 sections 5 through 9 of P.L. c. (C.) (pending before the
30 Legislature as this bill) in a taxable year or privilege period
31 beginning on or after January 1, 2019. An employer who qualifies
32 for a tax credit pursuant to this section with respect to hours worked
33 during a tax year may use the tax credit when determining the
34 employer's estimated tax for the purpose of making installment
35 payments of the tax during that tax year. The commissioner shall,
36 upon request, provide assistance to the employer in estimating the
37 likely amount of the tax credit to assist the employer in determining
38 the amount of the tax credit and the installment payments of the tax
39 during a tax year. For tax years 2019 and 2020, the Director of the
40 Division of Taxation may waive in part, or entirely, penalties for
41 underpayment of taxes in connection with installment payments to
42 the extent that the director finds that the underpayment occurred
43 because of a good faith error of the employer in calculating the
44 amount of the credit. Any misclassification of an employee by an
45 employer who knowingly, in applying for the tax credit,
46 falsely represents an employee as an employee with an impairment
47 shall be regarded as a violation of the applicable State tax law and

1 shall be subject to three times the amount of penalties otherwise
2 provided in that law for violations of the law and, for that
3 violation, the penalty shall not be waived, including during tax
4 years 2019 and 2020.

5 f. An employer shall not be eligible for a tax credit pursuant to
6 sections 5 through 9 of P.L. , c. (C.) (pending before the
7 Legislature as this bill) if the commissioner determines that the
8 employer reduced the wages that the employer paid to any
9 employee with an impairment employed by the employer to be
10 eligible for a tax credit under sections 5 through 9 of P.L. ,
11 c. (C.) (pending before the Legislature as this bill) in a
12 future year.

13 g. The combined value of all tax credits approved annually by
14 the commissioner pursuant to this section shall not exceed
15 \$10,000,000 in a calendar year. The commissioner shall annually
16 review and report to the Legislature in accordance with section 2 of
17 P.L.1991, c.164 (C.52:14-19.1) on the sufficiency of the tax credit
18 cap authorized pursuant to this subsection and have any
19 recommendations with respect thereto to the Legislature.
20

21 7. (New section) a. Notwithstanding any provision of the
22 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
23 seq.) to the contrary, the commissioner, in consultation with the
24 State Treasurer, may adopt, upon filing with the Office of
25 Administrative Law, such regulations that the commissioner deems
26 necessary to implement the provisions of sections 5 through 9 of
27 P.L. , c. (C.) (pending before the Legislature as this bill),
28 which regulations shall be effective for a period not to exceed 180
29 days from the date of the filing. The commissioner shall thereafter
30 amend, adopt, or readopt the regulations in accordance with the
31 requirements of P.L.1968, c.410 (C.52:14B-1 et seq.). The
32 regulations adopted by the commissioner shall include the
33 following:

34 (1) standards and procedures for determining which employees
35 are employees with impairments for the purpose of determining the
36 eligibility of employers for tax credits;

37 (2) any additions to, or modifications of, wage record-keeping
38 requirements needed to calculate the amounts of tax credits under
39 sections 5 through 9 of P.L. , c. (C.) (pending before the
40 Legislature as this bill); ¹**and**¹

41 (3) continuing to provide the calculation, for each year, of what
42 the minimum wage would have been under section 5 of P.L.1966
43 (C.34:11-56a4) and paragraph 23 of Article I of the New Jersey
44 Constitution if P.L. , c. (pending before the Legislature as this
45 bill) had not been enacted ¹; and

1 (4) a method for employers to submit certificates of credit to the
2 Division of Taxation pursuant to sections 8 and 9 of P.L. _____,
3 c. (C. _____) (pending before the Legislature as this bill)¹.

4 b. Beginning the year next following the year in which P.L. _____,
5 c. (pending before the Legislature as this bill) takes effect and
6 every two years thereafter, the commissioner shall prepare a report
7 concerning the award of tax credits under sections 5 through 9 of
8 P.L. _____, c. (C. _____) (pending before the Legislature as this bill),
9 and submit the report to the Governor, and, pursuant to section 2 of
10 P.L.1991, c.164 (C.52:14-19.1), to the Legislature. Each biennial
11 report required under this subsection shall include the names and
12 locations of, and the amount of tax credits allowed to, each
13 employer allowed a tax credit under sections 5 through 9 of P.L. _____,
14 c. (C. _____) (pending before the Legislature as this bill).

15
16 8. (New section) a. The Director of the Division of Taxation in
17 the Department of the Treasury shall allow an employer a credit
18 against the corporation business tax imposed pursuant to section 5
19 of P.L.1945, c.162 (C.54:10A-5) in the amount certified by the
20 Commissioner of Labor and Workforce Development as the
21 taxpayer's tax credit amount pursuant to section 6 of P.L. _____,
22 c. (C. _____) (pending before the Legislature as this bill). To claim
23 the tax credit amount for a privilege period, the taxpayer shall
24 submit to the director the certificate of credit issued for that
25 privilege period by the commissioner pursuant to section 6 of
26 P.L. _____, c. (C. _____) (pending before the Legislature as this bill).

27 b. An employer shall apply the credit awarded against the
28 employer's liability under section 5 of P.L.1945, c.162 (C.54:10A-
29 5) for the privilege period during which the director allows the
30 employer a tax credit pursuant to this section. An employer shall
31 not carry forward an unused credit.

32 c. The director shall prescribe the order of priority of the
33 application of the credit allowed under this section and any other
34 credits allowed by law against the tax imposed under section 5 of
35 P.L.1945, c.162 (C.54:10A-5). The amount of the credit applied
36 under this section against the tax imposed pursuant to section 5 of
37 P.L.1945, c.162 (C.54:10A-5) for a privilege period, together with
38 any other credits allowed by law, shall not reduce the tax liability to
39 an amount less than the statutory minimum provided in subsection
40 (e) of section 5 of P.L.1945, c.162 (C.54:10A-5).

41
42 9. (New section) a. The Director of the Division of Taxation in
43 the Department of the Treasury shall allow an employer a credit
44 against the gross income tax imposed pursuant to the "New Jersey
45 Gross Income Tax Act" N.J.S.54A:1-1 et seq. in the amount
46 certified by the Commissioner of Labor and Workforce
47 Development as the taxpayer's tax credit amount pursuant to

1 section 6 of P.L. , c. (C.) (pending before the Legislature
2 as this bill). To claim the tax credit amount for a taxable year, the
3 taxpayer shall submit to the director the certificate of credit issued
4 for that taxable year by the commissioner pursuant to section 6 of
5 P.L. , c. (C.) (pending before the Legislature as this bill).

6 b. An employer shall apply the credit awarded against the
7 employer's liability under the "New Jersey Gross Income Tax Act"
8 N.J.S.54A:1-1 et seq. for the taxable year during which the director
9 allows the employer a tax credit pursuant to this section. An
10 employer shall not carry forward an unused credit.

11 c. The director shall prescribe the order of priority of the
12 application of the credit allowed under this section and any other
13 credits allowed by law against the tax imposed under the "New
14 Jersey Gross Income Tax Act" N.J.S.54A:1-1 et seq. The amount
15 of the credit applied under this section against the tax imposed
16 pursuant to the "New Jersey Gross Income Tax Act" N.J.S.54A:1-1
17 et seq. for a taxable year, together with any other credits allowed by
18 law, shall not reduce the tax liability to an amount less than
19 zero. No tax credit shall be allowed pursuant to this section for any
20 wages and payroll taxes included in the calculation of any other tax
21 credit granted pursuant to a claim made on a tax return filed with
22 the director for a period of time that coincides with the taxable year
23 for which a tax credit authorized pursuant to this section is allowed.

24 d. A business entity that is classified as a partnership for
25 federal income tax purposes shall not be allowed the tax credit
26 directly under N.J.S.54A:1-1 et seq., but the amount of credit of the
27 taxpayer in respect of a distributive share of partnership income
28 shall be determined by allocating to the taxpayer that proportion of
29 the credit acquired by the partnership that is equal to the taxpayer's
30 share, whether or not distributed, of the total distributive income or
31 gain of the partnership for its taxable year ending within or with the
32 taxpayer's taxable year.

33 A taxpayer that is a New Jersey S corporation shall not be
34 allowed the tax credit directly under N.J.S.54A:1-1 et seq., but the
35 amount of credit of a taxpayer in respect of a pro-rata share of S
36 corporation income shall be determined by allocating to the
37 taxpayer that proportion of the credit acquired by the New Jersey S
38 corporation that is equal to the taxpayer's share, whether or not
39 distributed, of the total pro-rata share of S corporation income of
40 the New Jersey S corporation for its privilege period ending within
41 or with the taxpayer's taxable year.

42
43 10. This act shall take effect immediately.
44
45

46 _____
47
48 Raises, over time, hourly minimum wage to \$15.00.

ASSEMBLY, No. 15

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED DECEMBER 6, 2018

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblywoman CLEOPATRA G. TUCKER

District 28 (Essex)

Assemblywoman BRITNEE N. TIMBERLAKE

District 34 (Essex and Passaic)

Assemblywoman GABRIELA M. MOSQUERA

District 4 (Camden and Gloucester)

Assemblywoman ANGELA V. MCKNIGHT

District 31 (Hudson)

Assemblyman JOSEPH V. EGAN

District 17 (Middlesex and Somerset)

Co-Sponsored by:

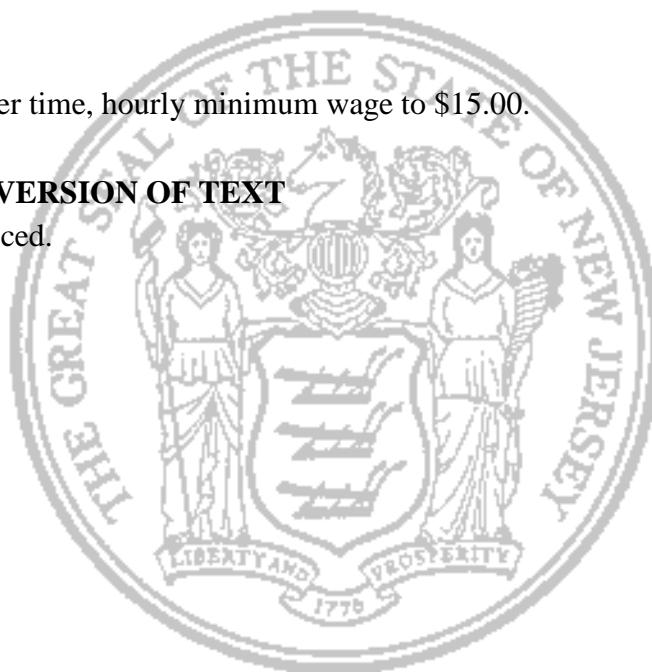
Assemblyman Moriarty

SYNOPSIS

Raises, over time, hourly minimum wage to \$15.00.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/18/2018)

1 AN ACT raising the minimum wage and supplementing and
2 amending P.L.1966, c.113.

3

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

6

7 1. Section 2 of P.L.1966, c.113 (C.34:11-56a1) is amended to
8 read as follows:

9 2. As used in this act:

10 (a) "Commissioner" means the Commissioner of Labor and
11 Workforce Development.

12 (b) "Director" means the director in charge of the bureau
13 referred to in section 3 of this act.

14 (c) "Wage board" means a board created as provided in section
15 10 of this act.

16 (d) "Wages" means any moneys due an employee from an
17 employer for services rendered or made available by the employee
18 to the employer as a result of their employment relationship
19 including commissions, bonus and piecework compensation and
20 including **any gratuities received by an employee for services**
21 **rendered for an employer or a customer of an employer and** the
22 fair value of any food or lodgings supplied by an employer to an
23 employee, and, until December 31, 2018, "wages" includes any
24 gratuities received by an employee for services rendered for an
25 employer or a customer of an employer. The commissioner may, by
26 regulation, establish the average value of gratuities received by an
27 employee in any occupation and the fair value of food and lodging
28 provided to employees in any occupation, which average values
29 shall be acceptable for the purposes of determining compliance with
30 this act in the absence of evidence of the actual value of such items.

31 (e) "Regular hourly wage" means the amount that an employee
32 is regularly paid for each hour of work as determined by dividing
33 the total hours of work during the week into the employee's total
34 earnings for the week, exclusive of overtime premium pay.

35 (f) "Employ" includes to suffer or to permit to work.

36 (g) "Employer" includes any individual, partnership,
37 association, corporation or any person or group of persons acting
38 directly or indirectly in the interest of an employer in relation to an
39 employee.

40 (h) "Employee" includes any individual employed by an
41 employer.

42 (i) "Occupation" means any occupation, service, trade,
43 business, industry or branch or group of industries or employment
44 or class of employment in which employees are gainfully employed.

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.

1 (j) "Minimum fair wage order" means a wage order
2 promulgated pursuant to this act.

3 (k) "Fair wage" means a wage fairly and reasonably
4 commensurate with the value of the service or class of service
5 rendered and sufficient to meet the minimum cost of living
6 necessary for health.

7 (l) "Oppressive and unreasonable wage" means a wage which is
8 both less than the fair and reasonable value of the service rendered
9 and less than sufficient to meet the minimum cost of living
10 necessary for health.

11 (m) "Limousine" means a motor vehicle used in the business of
12 carrying passengers for hire to provide prearranged passenger
13 transportation at a premium fare on a dedicated, nonscheduled,
14 charter basis that is not conducted on a regular route and with a
15 seating capacity in no event of more than 14 passengers, not
16 including the driver, provided, that such a motor vehicle shall not
17 have a seating capacity in excess of four passengers, not including
18 the driver, beyond the maximum passenger seating capacity of the
19 vehicle, not including the driver, at the time of manufacture.
20 "Limousine" shall not include taxicabs, hotel or airport shuttles and
21 buses, buses employed solely in transporting school children or
22 teachers to and from school, vehicles owned and operated directly
23 or indirectly by businesses engaged in the practice of mortuary
24 science when those vehicles are used exclusively for providing
25 transportation related to the provision of funeral services or vehicles
26 owned and operated without charge or remuneration by a business
27 entity for its own purposes.

28 (n) "Seasonal employment" means employment with an
29 employer for which, during the immediately previous calendar year,
30 not less than two thirds of the employer's gross receipts were
31 received in a continuous period of not more than thirteen weeks.

32 (o) "Small employer" means any employer who employed less
33 than 10 employees for every working day during each of a majority
34 of the calendar workweeks in the current calendar year and less than
35 10 employees for every working day during not less than 48
36 calendar workweeks in the preceding calendar year, except that, if
37 the employer was newly established during the preceding calendar
38 year, the employer shall be regarded as a "small employer" if the
39 employer employed less than 10 employees for every working day
40 during all of the weeks of that year, and during a majority of the
41 calendar workweeks in the current calendar year, and, if the
42 employer is newly established during the current calendar year, the
43 employer shall be regarded as a "small employer" if the employer
44 employed less than 10 employees for every working day during a
45 majority of the calendar workweeks in the current calendar year.

46 (cf: P.L.2001, c.416, s.2)

1 2. Section 5 of P.L.1966, c.113 (C.34:11-56a4) is amended to
2 read as follows:

3 5. **【Every】** a. Except as provided in subsections c., d., and f.
4 of this section, each employer shall pay to each of his employees
5 wages at a rate of not less than **【\$5.05** per hour as of April 1, 1992
6 and, after January 1, 1999 the federal minimum hourly wage rate set
7 by section 6(a)(1) of the federal "Fair Labor Standards Act of 1938"
8 (29 U.S.C. s.206(a)(1)), and, as of October 1, 2005, \$6.15 per hour,
9 and as of October 1, 2006, \$7.15 per hour for 40 hours of working
10 time in any week and 1 1/2 times such employee's regular hourly
11 wage for each hour of working time in excess of 40 hours in any
12 week, except this overtime rate shall not include any individual
13 employed in a bona fide executive, administrative, or professional
14 capacity or, **if】** \$8.85 per hour as of January 1, 2019 and, on
15 January 1 of 2020 and January 1 of each subsequent year, the
16 minimum wage shall be increased by any increase in the consumer
17 price index for all urban wage earners and clerical workers (CPI-W)
18 as calculated by the federal government for the 12 months prior to
19 the September 30 preceding that January 1, except that, any of the
20 following rates shall apply if they exceed the rate determined in
21 accordance with the applicable increase in the CPI-W for any year:
22 on July 1, 2019, the minimum wage shall be \$9.50 per hour; on
23 January 1, 2020, the minimum wage shall be \$11.00 per hour; on
24 January 1, 2021, the minimum wage shall be \$11.55 per hour; and
25 on January 1 of each year from 2022 to 2024, inclusive, the
26 minimum wage shall be increased from the rate of the preceding
27 year by \$1.15 per hour. If the federal minimum hourly wage rate
28 set by section 6 of the federal "Fair Labor Standards Act of 1938"
29 (29 U.S.C. s.206), or a successor federal law, is raised to a level
30 higher than the State minimum wage rate set by this section, then
31 the State minimum wage rate shall be increased to the level of the
32 federal minimum wage rate and subsequent increases based on
33 increases in the CPI-W pursuant to this section shall be applied to
34 the higher minimum wage rate. If an applicable wage order has
35 been issued by the commissioner under section 17 (C.34:11-56a16)
36 of this act, the employer shall also pay not less than the wages
37 prescribed in said order. The wage rates fixed in this section shall
38 not be applicable to part-time employees primarily engaged in the
39 care and tending of children in the home of the employer, to persons
40 under the age of 18 not possessing a special vocational school
41 graduate permit issued pursuant to section 15 of P.L.1940, c.153
42 (C.34:2-21.15), or to persons employed as salesmen of motor
43 vehicles, or to persons employed as outside salesmen as such terms
44 shall be defined and delimited in regulations adopted by the
45 commissioner, or to persons employed in a volunteer capacity and
46 receiving only incidental benefits at a county or other agricultural
47 fair by a nonprofit or religious corporation or a nonprofit or
48 religious association which conducts or participates in that fair.

1 **b.** **【**The provisions of this section for the payment to an**】**
2 (1) An employer shall also pay each employee 【of】 not less than
3 1 1/2 times such employee's regular hourly rate for each hour of
4 working time in excess of 40 hours in any week, except that this
5 overtime rate shall not apply; to any individual employed in a bona
6 fide executive, administrative, or professional capacity; or to
7 employees engaged to labor on a farm or employed in a hotel; or to
8 an employee of a common carrier of passengers by motor bus; or to
9 a limousine driver who is an employee of an employer engaged in
10 the business of operating limousines; or to employees engaged in
11 labor relative to the raising or care of livestock.
12 (2) Employees engaged on a piece-rate or regular hourly rate
13 basis to labor on a farm shall be paid for each day worked not less
14 than the applicable minimum hourly wage rate multiplied by the
15 total number of hours worked.
16 (3) Full-time students may be employed by the college or
17 university at which they are enrolled at not less than 85% of the
18 effective applicable minimum wage rate.
19 **c.** Employees of a small employer, employees less than 18
20 years of age, employees engaged on a piece-rate or regular hourly
21 rate basis to labor on a farm, and employees who are engaged in
22 seasonal employment, except for employees who customarily and
23 regularly receive gratuities or tips who shall be subject to the
24 provisions of subsections a. and d. of this section, shall be paid
25 \$8.85 per hour as of January 1, 2019 and, on January 1 of 2020 and
26 January 1 of each subsequent year, that minimum wage rate shall be
27 increased by any increase in the consumer price index for all urban
28 wage earners and clerical workers (CPI-W) as calculated by the
29 federal government for the 12 months prior to the September 30
30 preceding that January 1, except that, any of the following rates
31 shall apply if they exceed when the rate determined in accordance
32 with the applicable increase in the CPI-W for any year: on January
33 1, 2020, the minimum wage shall be \$10.10 per hour; on January 1,
34 2022, the minimum wage shall be \$10.35 per hour; on January 1,
35 2023, the minimum wage shall be \$10.70 per hour; on January 1,
36 2024, the minimum wage shall be \$11.10 per hour; on January 1,
37 2025, the minimum wage shall be \$11.70 per hour; on January 1,
38 2026, the minimum wage shall be \$12.45 per hour; on January 1,
39 2027, the minimum wage shall be \$13.20 per hour; on January 1,
40 2028, the minimum wage shall be \$14.10 per hour; and on January
41 1, 2029, the minimum wage shall be \$15.00 per hour. If the federal
42 minimum hourly wage rate set by section 6 of the federal "Fair
43 Labor Standards Act of 1938" (29 U.S.C. s.206), or a successor
44 federal law, is raised to a level higher than the State minimum wage
45 rate set by this subsection, then the State minimum wage rate shall
46 be increased to the level of the federal minimum wage rate and
47 subsequent increases based on increases in the CPI-W pursuant to
48 this subsection shall be applied to the higher minimum wage rate.

A15 COUGHLIN, TUCKER

1 d. With respect to an employee who customarily and regularly
2 receives gratuities or tips, every employer is entitled to a credit of
3 for the gratuities or tips received by the employee against the hourly
4 wage rate that would otherwise be paid to the employee pursuant to
5 subsection a. of this section of the following amounts: after
6 December 31, 2018 and before July 1, 2019, \$6.72 per hour; after
7 June 30, 2019 and before January 1, 2020, \$7.37 per hour; during
8 calendar year 2020, \$7.87 per hour; during calendar year 2021,
9 \$7.42 per hour; during calendar year 2022, \$7.57 per hour; during
10 calendar year 2023, \$8.72 per hour; during calendar year 2024 and
11 subsequent calendar years, \$9.87 per hour.

12 e. Notwithstanding the provisions of this section to the
13 contrary, every trucking industry employer shall pay to all drivers,
14 helpers, loaders and mechanics for whom the Secretary of
15 Transportation may prescribe maximum hours of work for the safe
16 operation of vehicles, pursuant to section 31502(b) of the federal
17 Motor Carrier Act, 49 U.S.C.s.31502(b), an overtime rate not less
18 than 1 1/2 times the minimum wage required pursuant to this
19 section and N.J.A.C. 12:56-3.1. Employees engaged in the trucking
20 industry shall be paid no less than the minimum wage rate as
21 provided in this section and N.J.A.C. 12:56-3.1. As used in this
22 section, "trucking industry employer" means any business or
23 establishment primarily operating for the purpose of conveying
24 property from one place to another by road or highway, including
25 the storage and warehousing of goods and property. Such an
26 employer shall also be subject to the jurisdiction of the Secretary of
27 Transportation pursuant to the federal Motor Carrier Act, 49
28 U.S.C.s.31501 et seq., whose employees are exempt under section
29 213(b)(1) of the federal "Fair Labor Standards Act of 1938," 29
30 U.S.C. s.213(b)(1), which provides an exemption to employees
31 regulated by section 207 of the federal "Fair Labor Standards Act of
32 1938," 29 U.S.C. s.207, and the Interstate Commerce Act, 49
33 U.S.C. s.501 et al.

34 f. Commencing on January 1, 2020, a training wage of not less
35 than 90 percent of the minimum wage rate otherwise set pursuant to
36 subsection a. of this section may be paid to an employee who is
37 enrolled in an established employer on-the-job or other training
38 program which meets standards set by regulations adopted by the
39 commissioner. The period during which an employer may pay the
40 training wage to the employee shall be the first 80 hours of work
41 after hiring the employee in employment in an occupation in which
42 the employee has no previous similar or related experience. An
43 employer shall not utilize any employee paid the training wage in a
44 manner which causes, induces, encourages or assists any
45 displacement or partial displacement of any currently employed
46 worker, including any previous recipient of the training wage, by
47 reducing hours of a currently employed worker, replacing a current
48 or laid off employee with a trainee, or by relocating operations

1 resulting in a loss of employment at a previous workplace, or in a
2 manner which replaces, supplants, competes with or duplicates any
3 approved apprenticeship program. An employer who pays an
4 employee a training wage shall make a good faith effort to continue
5 to employ the employee after the period of the training wage
6 expires and shall not hire the employee at the training wage unless
7 there is a reasonable expectation that there will be regular
8 employment, paying at or above the effective minimum wage, for
9 the trainee upon the successful completion of the period of the
10 training wage. If the commissioner determines that an employer
11 has made repeated, knowing violations of the provisions of this
12 subsection regarding the payment of a training wage, the
13 commissioner shall suspend the employer's right to pay a training
14 wage for a period set pursuant to regulations adopted by the
15 commissioner, but not less than three years.

16 g. The provisions of this section shall not be construed as
17 prohibiting any political subdivision of the State from adopting an
18 ordinance, resolution, regulation or rule, or entering into any
19 agreement, establishing any standard for vendors, contractors and
20 subcontractors of the subdivision regarding wage rates or overtime
21 compensation which is higher than the standards provided for in
22 this section, and no provision of any other State or federal law
23 establishing a minimum standard regarding wages or other terms
24 and conditions of employment shall be construed as preventing a
25 political subdivision of the State from adopting an ordinance,
26 resolution, regulation or rule, or entering into any agreement,
27 establishing a standard for vendors, contractors and subcontractors
28 of the subdivision which is higher than the State or federal law or
29 which otherwise provides greater protections or rights to employees
30 of the vendors, contractors and subcontractors of the subdivision,
31 unless the State or federal law expressly prohibits the subdivision
32 from adopting the ordinance, resolution, regulation or rule, or
33 entering into the agreement.

34 (cf: P.L.2005, c.70, s.1)

35

36 3. (New section) a. There is established, in but not of the
37 Department of Labor and Workforce Development, the "Task Force
38 on Wages and State Benefits." The task force shall consist of 10
39 members, including the Commissioners of Health, Human Services,
40 Education, Community Affairs, and Labor and Workforce
41 Development, and the State Treasurer, or their designees, all who
42 shall serve ex officio, and four public members appointed by the
43 Governor with the advice and consent of the Senate as follows: one
44 person nominated by an organization which represents the interests
45 of the business community in this State, one person nominated by
46 the New Jersey State AFL-CIO, and two persons nominated by
47 organizations representing the interests of low-income individuals,
48 and other disadvantaged individuals, who rely on services and

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1 benefits provided or administered by the State or its
2 instrumentalities. Public members shall be appointed for four-year
3 terms and may be re-appointed for any number of terms. Any
4 public member of the task force may be removed from office by the
5 Governor, for cause, upon notice and opportunity to be heard.
6 Vacancies shall be filled in the same manner as the original
7 appointment for the balance of the unexpired term. A member shall
8 continue to serve upon the expiration of the member's term until a
9 successor is appointed and qualified, unless the member is removed
10 by the Governor.

11 b. Action may be taken by the task force by an affirmative vote
12 of a majority of its members and a majority of the task force shall
13 constitute a quorum for the transaction of any business, for the
14 performance of any duty, or for the exercise of any power of the
15 task force. Members of the task force shall serve without
16 compensation, but may be reimbursed for the actual and necessary
17 expenses incurred in the performance of their duties as members of
18 the task force within the limits of funds appropriated or otherwise
19 made available for that purpose.

20 c. The purpose of the task force is to evaluate how changes in
21 required minimum wage levels pursuant to by P.L. , c. (C.)
22 (pending before the Legislature as this bill) may affect the
23 eligibility of low-income individuals, and other disadvantaged
24 individuals, for a variety of services and benefits provided or
25 administered by the State or its instrumentalities, including, but not
26 limited to, health, human service, childcare, education, housing and
27 tax benefits, and how the combination of changes in minimum wage
28 and eligibility standards may impact the living standards of the
29 individuals and their families. The Task Force shall produce annual
30 reports of its findings, which shall include any recommendations
31 the task force deems appropriate for adjustments in eligibility
32 standards for the benefits, changes in benefit subsidy rates, and
33 other relevant reforms, to ensure that the combination of minimum
34 wage increases and State services and benefits are coordinated
35 effectively so as to further advance the overall goal of raising the
36 living standards of working families.

37 d. In furtherance of its evaluation, the task force may hold
38 public meetings or hearings within the State and call to its
39 assistance and avail itself of the services of the employees of any
40 other State department, board, or agency which the task force
41 determines possesses relevant data, analytical and professional
42 expertise or other resources which may assist the task force in
43 discharging its duties under this section. Each department, board,
44 or agency of this State is hereby directed, to the extent not
45 inconsistent with law, to cooperate fully with the task force and to
46 furnish such information and assistance as is necessary to
47 accomplish the purposes of this section.

1 e. The task force shall issues its first annual report to the
2 Governor and Legislature not later than September 30, 2019, and
3 make the report available to the public by means including the
4 posting of the report on the web sites of all of the State agencies
5 represented on the task force. Each subsequent annual report shall
6 be issued and made available to the public not later than September
7 30 of the respective year and shall include a review of any
8 administrative and legislative actions taken in response to
9 recommendations of previous reports of the task force, together
10 with an evaluation of the effectiveness of the actions in facilitating
11 the overall goal of raising the living standards of working families,
12 and any further recommendation deemed appropriate by the task
13 force.

14

15 4. The Commissioner of Labor and Workforce Development
16 shall, not later than September 30, 2024, issue and post on the
17 Department of Labor and Workforce Development website a report
18 which evaluates the impacts on employers and employees of:

19 a. the increases of the minimum wage provided in calendar
20 years 2020 through 2023 for employees engaged on a piece-rate or
21 regular hourly rate basis to labor on a farm pursuant to subsection c.
22 of section 5 of P.L 1966, c.113 (C.34:11-56a4); and

23 b. the credits provided in calendar years 2019 through 2023 to
24 employers for gratuities and tips pursuant to subsection d. of section
25 5 of P.L 1966, c.113 (C.34:11-56a4).

26

27 5. This act shall take effect immediately.

28

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30 STATEMENT

31

32 This bill amends and supplements the “New Jersey State Wage
33 and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to
34 incorporate into that law the provisions of Article I, paragraph 23 of
35 the State Constitution approved by ballot initiative in 2013 to
36 increase the State minimum wage, and provide further increases in
37 the minimum wage beyond what is required by the Constitution.

38 The bill incorporates into the minimum wage law the
39 constitutional provision which has resulted in the increase of the
40 minimum wage rate to \$8.85 per hour on January 1, 2018, and
41 which increases the rate on January 1 of each subsequent year by
42 any increase which occurs in the consumer price index for all urban
43 wage earners and clerical workers (CPI-W) during the 12 months
44 prior to the September 30 before that January 1. The bill also
45 incorporates into the law the provision of the Constitution that
46 whenever the federal minimum wage exceeds the State minimum
47 wage, the federal minimum wage will be adopted as the State
48 minimum wage and the increases based on increases in the CPI-W

1 will be applied to the federal minimum wage rate, except that if in a
2 subsequent year the rate set by this bill exceeds the federal rate, the
3 rate shall again be the rate set by the bill.

4 Finally, the bill provides for certain increases in the State
5 minimum wage which may be greater than the increases resulting
6 from the provisions of the Constitution. The bill provides that,
7 except for certain workers specified by the bill, the minimum wage
8 rate will be increased to \$9.50 per hour on July 1, 2019, to \$11.00
9 per hour on January 1, 2020, to \$11.55 per hour on January 1, 2021,
10 and then increased by \$1.15 per hour on January 1 of each year
11 from 2022 to 2024, reaching a level of \$15.00 per hour in 2024.

12 The exceptions indicated by the bill are:

13 1. That for employees of any employer with less than 10
14 employees, for employees under 18 years of age for farm laborers,
15 and for employees working in seasonal employment, other than
16 employees whose employers are provided credits for tips by the bill,
17 the minimum wage rate will be increased to \$10.10 per hour on
18 January 1, 2020, to \$10.35 per hour on January 1, 2022, to \$10.70
19 per hour on January 1, 2023, to \$11.10 per hour on January 1, 2024,
20 to \$11.70 per hour on January 1, 2025, to \$12.45 per hour on
21 January 1, 2026, to \$13.20 per hour on January 1, 2027, to \$14.10
22 per hour on January 1, 2028, reaching a level of \$15.00 per hour on
23 January 1, 2029; and

24 2. That with respect to tipped workers, every employer who
25 employs a worker who customarily and regularly receives gratuities
26 or tips will be entitled to a credit for the tips received by the worker
27 against the hourly minimum wage rate paid to the worker in the
28 following amounts: after December 31, 2018 and before July 1,
29 2019, \$6.72 per hour; after June 30, 2019 and before January 1,
30 2020, \$7.37 per hour; during calendar year 2020, \$7.87 per hour;
31 during calendar year 2021, \$7.42 per hour; during calendar year
32 2022, \$7.57 per hour; during calendar year 2023, \$8.72 per hour;
33 during calendar year 2024 and subsequent calendar year, \$9.87 per
34 hour.

35 3. That, commencing January 1, 2020, a training wage of not
36 less than 90 percent of the minimum wage may be paid to an
37 employee enrolled in a qualified training program. The training
38 wage may be paid during first 80 hours after hiring the employee
39 for employment in an occupation in which the employee has no
40 previous similar or related experience. The employer may not
41 utilize employees paid the training wage in a way that contributes to
42 any displacement of current employees or existing apprenticeship
43 programs. The employer is required to make a good faith effort to
44 continue to employ the employee after the training wage expires
45 and may not hire an employee at the training wage without a
46 reasonable expectation of subsequent regular employment.

47 Minimum wage increases provided by the Constitution based on
48 CPI-W increases will continue to be applied in all cases in any year

1 in which the increase set by the bill are less than the CPI-W
2 increase, including all years after 2024.

3 The bill defines “seasonal employment” as employment for
4 which, during the previous calendar year, not less than two thirds of
5 the employer’s gross receipts were received in a continuous period
6 of not more than thirteen weeks, and “small employer” as an
7 employer who employed less than 10 employees for every working
8 day during a majority of the calendar workweeks in the current
9 calendar year and the preceding calendar year.

10 The bill also creates a “Task Force on Wages and State Benefits”
11 charged with evaluating how changes in minimum wage levels may
12 affect the eligibility for a variety of State services and benefits, and
13 how the combination of changes in minimum wage and eligibility
14 standards may impact living standards. The task force is directed to
15 produce annual reports of its findings, including any
16 recommendations for adjustments in eligibility standards for the
17 benefits, changes in benefit subsidy rates, and other relevant
18 reforms, to ensure that the combination of minimum wage increases
19 and State services and benefits are coordinated effectively so as to
20 further advance the overall goal of raising the living standards of
21 working families.

22 Finally, the bill directs the Commissioner of Labor and
23 Workforce Development to issue, by September 30, 2024, a report
24 evaluating the impacts on employers and employees of the bill’s
25 increases of the minimum wage rates for farm laborers and the bill’s
26 credits provided to employers for tips received by their employees.

ASSEMBLY LABOR COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 15

STATE OF NEW JERSEY

DATED: JANUARY 24, 2019

The Assembly Labor Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 15.

This substitute bill amends and supplements the “New Jersey State Wage and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to incorporate into that law the provisions of Article I, paragraph 23 of the State Constitution, and provides further increases in the minimum wage beyond what is required by the Constitution.

The bill incorporates into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to \$8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30 before that January 1. The bill also incorporates into the law the provision of the Constitution that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage will be adopted as the State minimum wage and the increases based on increases in the CPI-W will be applied to the federal minimum wage rate.

In addition, the bill provides for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill provides that, except for certain specified workers, the general minimum wage rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00 per hour on January 1, 2020, followed by \$1.00 increases each year until the rate reaches a level of \$15.00 per hour in 2024.

The exceptions are:

1. That for employees of any employer with less than six employees, and for seasonal employees other than tipped employees, the minimum wage rate will be increased to \$10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of \$15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees earning the same minimum wage rate as the general minimum wage rate in 2028.

2. That for farm laborers, the rate will be increased to \$10.30 on January 1, 2020, \$10.90 on January 1, 2022, and increased by eighty cents in 2023, and eighty cents in 2024 so that the rate will be \$12.50 on January 1, 2024, further increases may be contingent on the following: the Commissioner of Labor and Workforce Development and the Secretary of Agriculture are directed, not later than March 31, 2024, to evaluate the impact of those minimum wage increases on farm workers, farm employers, and the viability of New Jersey agriculture, and make a recommendation whether or not to provide the minimum wage increases indicated by the bill for after 2024, or recommend an alternative modification of the minimum wage, with a public member appointed by the Governor with the advice and consent of the Senate providing a third vote if the commissioner and secretary are unable to agree on a recommendation. Their recommendation would go into effect if the Legislature approves the recommendation and enacts any needed legislation not later than June 30, 2024.

3. That employers who employ tipped workers will be entitled to credit for tips received by the worker against the hourly minimum wage rate the employers pays, as follows: from January 1, 2019 to June 30, 2019, \$6.72; after June 30, 2019 and before January 1, 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023, \$8.87; and during 2024 and subsequent years, \$9.87.

4. That, commencing January 1, 2020, a training wage of not less than 90 percent of the minimum wage may be paid to an employee enrolled in a qualified training program. The training wage may be paid during first 120 hours after hiring the employee for employment in an occupation in which the employee has no previous similar or related experience. The employer may not utilize employees paid the training wage in a way that contributes to any displacement of current employees or existing apprenticeship programs. The employer is required to make a good faith effort to continue to employ the employee after the training wage expires and may not hire an employee at the training wage without a reasonable expectation of subsequent regular employment.

Minimum wage increases provided by the Constitution based on CPI-W increases will continue to be applied in all cases in any year in which the increase set by the bill are less than the CPI-W increase, including all years after 2024.

The bill defines “small employer” as an employer of less than six employees, and “seasonal employment” as employment from May to September with an employer for whom not less than two thirds of gross receipts are received within 16 weeks.

The bill creates a “Task Force on Wages and State Benefits” to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce

annual reports, including any recommendations for adjustments in eligibility standards for the benefits, changes in benefit subsidy rates, and other relevant reforms, to ensure that the combination of minimum wage increases and State services and benefits are coordinated so as to further advance the goal of raising the living standards of working families.

The bill also directs the Commissioner of Labor and Workforce Development to issue reports in 2024 evaluating the bill's changes in the credits provided to employers for tips and the bill's tax credits for employers who employ individuals with impairments, including recommendations regarding the continuation of the credits.

Finally, the bill establishes a program administered by the commissioner to provide tax credits to employers who employ employees with impairments to offset the cost to the employer of any increases in the wages and payroll taxes of those employees caused by the enactment of the bill. Under the program, an employer is eligible for a refundable tax credit against the corporation business tax or the gross income tax for the cost to the employer of those increases.

MINORITY STATEMENT

By Assemblymen Robert Auth, Parker Space and Hal Wirths

Republicans and Democrats hope to achieve the same ends – to make New Jersey more affordable, but we respectfully disagree with the means that have been put forth by the release of the Assembly Committee Substitute for Assembly Bill No. 15 from the Assembly Labor Committee.

New Jersey is unaffordable, creating an economy where people who earn a good living struggle to make ends meet. Unfortunately, that is not a matter of low wages but a result of high costs. Policies that artificially increase the costs of doing business only exacerbate the struggles of the working poor by increasing the costs of living. Raising the minimum wage to \$15 per hour will not make New Jersey affordable, but it will make the cost of doing business more unaffordable.

Small-business owners – the greatest job creators – struggle in New Jersey with profit margins that do not make them wealthy, but help them put food on the table. This bill defines a small business as having five or fewer employees, despite the Small Business Administration defining small businesses as having 100 or fewer employees. Any business owner with more than five employees will have to consider laying off an employee. In this instance, if a business has six employees, one worker could lose their job so, hopefully, the other five workers can still be employed. That is not fair, and businesses will not be stronger.

This bill also ignores the economic reality that a recession is a cyclical event. If there is an economic downturn, the minimum wage will continue to increase despite decreasing employment. The first expense an employer cuts in a recession is labor costs; employees will be laid off. We learned this only 10 years ago, and it is a lesson well learned. That will only become far worse if this bill is enacted

New Jersey's economic recovery lagged behind the rest of the country because our costs of living and costs of running a business made the ground even shakier for people who fell on hard times and tried to get back on their feet. The path we need to take should make the ground firmer by making our State more affordable. It is the government's policies that are constantly increasing costs, and a reversal of those policies will inevitably lower costs. A minimum wage is a higher cost, mitigating the benefits of higher pay.

Although we share the concerns of our colleagues across the aisle, we believe that this bill is a means that will only make the ends more difficult to achieve. For that reason, and the reasons above, we oppose the Assembly Committee Substitute for Assembly Bill No. 15 as released from the Assembly Labor Committee.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 15**

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 28, 2019

The Assembly Appropriations Committee reports favorably Assembly Bill No. 15 (ACS), with committee amendments.

As amended, this substitute bill amends and supplements the “New Jersey State Wage and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to incorporate into that law the provisions of Article I, paragraph 23 of the State Constitution, and provides further increases in the minimum wage beyond what is required by the Constitution.

The bill incorporates into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to \$8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30 before that January 1. The bill also incorporates into the law the provision of the Constitution that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage will be adopted as the State minimum wage and the increases based on increases in the CPI-W will be applied to the federal minimum wage rate.

In addition, the bill provides for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill provides that, except for certain workers specified by the bill, the general minimum wage rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00 per hour on January 1, 2020, followed by \$1.00 increases each year until the rate reaches a level of \$15.00 per hour in 2024.

The exceptions indicated by the bill are:

1. For employees of any employer with less than six employees, and for seasonal employees other than tipped employees, the minimum wage rate will be increased to \$10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of \$15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees provided the same minimum wage rate as the general minimum wage rate in 2028.

2. For farm laborers, the rate will be increased to \$10.30 on January 1, 2020, \$10.90 on January 1, 2022, and increased by eighty cents in 2023, and eighty cents in 2024 so that the rate will be \$12.50 on January 1, 2024. Further increases may be contingent on the following: the Commissioner of Labor and Workforce Development and the Secretary of Agriculture are directed, not later than March 31, 2024, to evaluate the impact of those minimum wage increases on farm workers, farm employers, and the viability of New Jersey agriculture, and make a recommendation whether or not to provide the minimum wage increases indicated by the bill for after 2024, or recommend an alternative modification of the minimum wage, with a public member appointed by the Governor with the advice and consent of the Senate providing a third vote if the commissioner and secretary are unable to agree on a recommendation. Their recommendation would go into effect if the Legislature approves the recommendation and enacts any needed legislation not later than June 30, 2024.

3. Employers who employ tipped workers will be entitled to a credit for tips received by the worker against the hourly minimum wage rate the employer pays, as follows: from January 1, 2019 to June 30, 2019, \$6.72; after June 30, 2019 and before January 1, 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023, \$8.87; and during 2024 and subsequent years, \$9.87.

4. Commencing January 1, 2020, a training wage of not less than 90 percent of the minimum wage may be paid to an employee enrolled in a qualified training program. The training wage may be paid during the first 120 hours after hiring the employee for employment in an occupation in which the employee has no previous similar or related experience. The employer may not utilize employees paid the training wage in a way that contributes to any displacement of current employees or existing apprenticeship programs. The employer is required to make a good faith effort to continue to employ the employee after the training wage expires and may not hire an employee at the training wage without a reasonable expectation of subsequent regular employment.

Minimum wage increases provided by the Constitution based on CPI-W increases will continue to be applied in all cases in any year in which the increase set by the bill are less than the CPI-W increase, including all years after 2024.

The bill defines “small employer” as an employer of less than six employees, and “seasonal employment” as employment by an employer that is a seasonal employer, or employment by a non-profit or government entity of an individual who is not employed by that employer outside of the period of that year commencing on May 1 and ending September 30, or employment by a governmental entity in a recreational program or service during the period commencing on May 1 and ending September 30, except that “seasonal employment” does not include employment of farm laborers. “Seasonal employer” is

defined as an employer who exclusively provides its services in a continuous period of not more than ten weeks during the months of June, July, August, and September, or an employer for which, during the immediately previous calendar year, not less than two thirds of the employer's gross receipts were received in a continuous period of not more than sixteen weeks or for which not less than 75 percent of the wages paid by the employer during the immediately preceding year were paid for work performed during a single calendar quarter.

The bill creates a "Task Force on Wages and State Benefits" to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce annual reports, including any recommendations for adjustments in eligibility standards for the benefits, changes in benefit subsidy rates, and other relevant reforms, to ensure that the combination of minimum wage increases and State services and benefits are coordinated so as to further advance the goal of raising the living standards of working families.

The bill also directs the Commissioner of Labor and Workforce Development to issue reports in 2024 evaluating the bill's changes in the credits provided to employers for tips and the bill's tax credits for employers who employ individuals with impairments, including recommendations regarding the continuation of the credits.

Finally, the bill establishes a program administered by the commissioner to provide tax credits to employers who employ employees with impairments to offset the cost to the employer of any increases in the wages and payroll taxes of those employees caused by the enactment of the bill. Under the program, an employer is eligible for a refundable tax credit against the corporation business tax or the gross income tax for the cost to the employer of those increases.

As amended and reported, the Assembly Committee Substitute for Assembly Bill No. 15 is identical to Senate Bill No. 15.

COMMITTEE AMENDMENTS:

The committee amended the bill:

- 1) to clarify that seasonal employment includes employment with a governmental entity in a recreational program or service;
- 2) to expand the definition of seasonal employer to include an employer who exclusively provides its services in a continuous period of ten weeks or less during the summer months, and to include an employer for which 75% or more of wages paid during the preceding year was for work performed in a single calendar quarter;
- 3) modify the definition of "tax year" to include "fiscal year" in addition to "calendar year"; and

4) require the commissioner to develop a method a for an employer to submit a certificate of credit to the Division of Taxation pursuant to sections 8 and 9 of the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) is unable to determine the direction and magnitude of the bill's net fiscal impact due to uncertainty regarding the precise increase in a given year's inflation adjusted State minimum wage and the high degree of uncertainty surrounding the reactions of economic actors to the higher State minimum wage.

However, the OLS has identified certain effects the bill is likely to have on State and local government revenue collections and expenditures. These often countervailing effects include:

- **State Revenues:** The OLS anticipates a State revenue gain from employees whose wages benefit from the wage increase. These employees will have larger taxable income under the Gross Income Tax and will pay more in payroll taxes; will qualify for a lower Earned Income Tax Credit or cease being eligible altogether; and will increase other State revenues through added consumer spending. Counteracting such gains, State revenue collections will decrease if the higher minimum wage causes employers to: (1) reduce their consumption of labor by eliminating positions or cutting hours, thereby lowering affected employees' incomes, gross income, and payroll tax liabilities, and purchases of taxable goods and services, and potentially increasing their Earned Income Tax Credit claims; (2) absorb a decrease in employers' net income, thereby lowering their gross income tax and corporation business tax liabilities and their potential to invest in businesses; and (3) increase the prices of goods and services, thereby increasing sales and use tax collections on higher-priced taxable goods and services but also reducing demand for taxable goods and services and, in turn, sales and use tax collections. The magnitude of each individual impact and the extent to which the different impacts may offset one another, however, remain highly uncertain considering the lack of precedent for a minimum wage increase of the size provided by the bill. Under the bill, the establishment of tax credits to employers of employees with impairments until December 31, 2027, will partially reduce the increase of State revenues from higher tax liabilities.
- **State Expenditures:** The OLS anticipates that the bill may affect annually recurring State expenditures in four areas: (1) means-tested government assistance programs; (2) purchases of contracted goods and services; (3) higher administrative costs of implementing the provisions of the bill, including the establishment of a task force; and (4) employee compensation, including the cost of employee benefits. The magnitude of each individual impact and the extent to which the different impacts may offset one another, however, remain highly

uncertain considering the lack of precedent for a minimum wage increase of the size provided by the bill. It also is conceivable that these effects may delay implementation of operational changes in reaction to the annual State minimum wage increases.

- **Local Expenditures:** The OLS notes that the bill may potentially increase annual local government expenditures in two areas: (1) purchases of contracted goods and services; and (2) employee compensation, including the cost of employee benefits. The magnitude of each potential increase, however, remains highly uncertain considering the lack of precedent for a minimum wage increase of the size provided by the bill. It also is conceivable that these effects may differ from the short-term to the long-term, as employers may delay the implementation of operational changes in reaction to the annual minimum wage increases.

- **Local Revenues:** The OLS also notes that the bill may potentially alter local government revenues if it changes a community's income and wealth. The OLS has no indication as to the direction or magnitude of any change in property tax collections or other local government revenues attributable to the higher minimum wage. Residents whose incomes rise as a result of the enhanced minimum wage will drive any increase in local government revenues. Residents whose incomes decline because of the higher minimum wage and residents whose purchasing power might decrease as a result of any increase in the prices of goods and services attributed to the higher minimum wage will account for any decrease in local government revenue.

MINORITY STATEMENT

By Assemblyman DiMaio, Rooney, Wirths,
and Assemblywoman DeCroce

Republicans and Democrats hope to achieve the same ends – to make New Jersey more affordable, but we respectfully disagree with the means that have been put forth by the release of Assembly Bill No. 15 (ACS) as amended by the Assembly Appropriations Committee.

New Jersey is unaffordable, creating an economy where people who earn a good living struggle to make ends meet. Unfortunately, that is not a matter of low wages but a result of high costs. Policies that artificially increase the costs of doing business only exacerbate the struggles of the working poor by increasing the costs of living. Raising the minimum wage to \$15 per hour will not make New Jersey affordable, but it will make the cost of doing business more unaffordable.

Small-business owners – the greatest job creators – struggle in New Jersey with profit margins that do not make them wealthy, but help them put food on the table. This bill defines a small business as having five or fewer employees, despite the Small Business

Administration defining small businesses as having 100 or fewer employees. Any business owner with more than five employees will have to consider laying off an employee. In this instance, if a business has six employees, one worker could lose their job so, hopefully, the other five workers can still be employed. That is not fair, and businesses will not be stronger.

This bill also ignores the economic reality that a recession is a cyclical event. If there is an economic downturn, the minimum wage will continue to increase despite decreasing employment. The first expense an employer cuts in a recession is labor costs; employees will be laid off. We learned this only 10 years ago, and it is a lesson well learned. That will only become far worse if this bill is enacted

New Jersey's economic recovery lagged behind the rest of the country because our costs of living and costs of running a business made the ground even shakier for people who fell on hard times and tried to get back on their feet. The path we need to take should make the ground firmer by making our State more affordable. It is the government's policies that are constantly increasing costs, and a reversal of those policies will inevitably lower costs. A minimum wage is a higher cost, mitigating the benefits of higher pay.

Moreover, the amendments to this legislation do not go far enough to help the seasonal businesses in our state, and will continue to subject taxpayers to more expensive government.

Although we share the concerns of our colleagues across the aisle, we believe that this bill is a means that will only make the ends more difficult to achieve. For that reason, and the reasons above, we oppose Assembly Bill No. 15 (ACS) as amended and released from the Assembly Appropriations Committee.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR

ASSEMBLY, No. 15

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: FEBRUARY 21, 2019

SUMMARY

- Synopsis:** Raises, over time, hourly minimum wage to \$15.00.
- Types of Impact:** Uncertain annual impacts on State and local government revenues and expenditures.
- Agencies Affected:** State government.
Local units of government.

Office of Legislative Services Estimate

<u>Fiscal Impact upon Full Implementation</u>	<u>Annual</u>
Net State Revenue Effect:	Indeterminate
A) Increase from Higher Employee Incomes	Indeterminate
B) Decrease from Reductions in Employer Net Incomes and Labor Demand	Indeterminate
C) Tax Credits for Employers of Individuals with Impairments	Up to \$10,000,000
Net State Cost Effect:	Indeterminate
A) Higher Personnel and Contractor Expenses	Indeterminate
B) Change in Means-Tested Government Assistance Program Expenditures	Indeterminate
Local Cost Increase from Higher Personnel and Contractor Expenditures	Indeterminate
Net Local Revenue Effect	Indeterminate

- The Office of Legislative Services (OLS) is unable to determine the direction and magnitude of the bill's net fiscal impact owing to uncertainty regarding the precise increase in a given year's inflation-adjusted State minimum wage and the high degree of uncertainty surrounding the responses of economic actors to the higher State minimum wage.

- The findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill’s staggered State minimum wage enhancements. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce.
- In light of the high degree of uncertainty, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures.

BILL DESCRIPTION

The bill establishes several multiyear schedules for gradually raising the State minimum wage to not less than \$15.00 per hour. Thereafter, the rate will be adjusted for inflation.

Under current law, the State minimum wage equals \$8.85 per hour in 2019 and rises on January 1 of each subsequent year in direct proportion to the increase in the consumer price index for all urban wage earners and clerical workers (CPI-W), as calculated by the federal government. In years in which the federal government increases the federal minimum wage to a rate higher than the State minimum wage that would be in effect absent the federal increase, the State minimum wage will match the federal minimum wage and the annual CPI-W inflation adjustment will be applied to the new State minimum wage annually thereafter.

Under this bill, the general State minimum wage rises as follows:

Date	General State Minimum Wage Increase
July 1, 2019	For a State minimum wage of <u>not less than \$10.00 per hour</u> , an increase from \$8.85 per hour to the largest of: a) \$10.00 per hour, b) \$8.85 per hour multiplied by the rate of increase in the CPI-W index or c) the federal minimum wage.
January 1, 2020	For a State minimum wage of <u>not less than \$11.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2019 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2021	For a State minimum wage of <u>not less than \$12.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2020 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2022	For a State minimum wage of <u>not less than \$13.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2021 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2023	For a State minimum wage of <u>not less than \$14.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2022 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.

<p>January 1, 2024</p>	<p>For a State minimum wage of <u>not less than \$15.00 per hour</u>, an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2023 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.</p>
<p>January 1, 2025 and each year thereafter</p>	<p>For a State minimum wage of <u>not less than \$15.00 per hour</u>, an increase equal to the larger of: a) the increase in the CPI-W index multiplied by the prior year minimum wage or b) the difference between the State minimum wage determined pursuant to the above method and, if applicable, any higher federal minimum wage.</p>

The bill provides different minimum wage schedules for employees of businesses with fewer than six employees, farm laborers, seasonal employees other than tipped workers, and employees enrolled in qualified training programs. The tables in the Fiscal Analysis detail the different schedules. Tipped workers are subject to the general schedule, but their employers may count tips received, up to amounts specified in the bill, against the hourly minimum wage.

In addition, the bill creates an 11-member Task Force on Wages and State Benefits to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce annual reports, including any policy recommendations to ensure that minimum wage increases and State services and benefits are coordinated so as to raise the living standards of working families. Members of the task force serve without compensation but may be reimbursed for expenses incurred in performing their duties.

The bill also provides tax credits in the aggregate amount of \$10 million per year through calendar year 2027 for employers of individuals with impairments. An employer is eligible for a corporation business tax or gross income tax credit for the cost of the increases in the wages and payroll taxes of employees with impairments caused by the bill. If an employer knowingly misrepresents an employee as having an impairment, the employer will be fined three times the amount of penalties otherwise provided in law.

Lastly, the Department of Labor and Workforce Development is to issue several reports: annual reports on the sufficiency of the \$10 million annual tax credit cap for employers of individuals with impairments; biennial reports on the award of the tax credits; a general report in 2024 on the tax credit program, including recommendations regarding its continuation; and a report in 2024 on the effects of the bill on tipped workers and their employers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS is unable to determine the direction and magnitude of the bill’s net fiscal impact owing to uncertainty regarding the precise increase in a given year’s inflation-adjusted State minimum wage, the number of State and local employees affected by the bill, and the high degree of uncertainty surrounding the reactions of economic actors to the higher State minimum wage.

First, considering that the level of a given year’s State minimum wage depends on the rate of inflation under both the current law and the bill scenarios, inflation assumptions are crucial in

determining the bill’s increase in the State minimum wage over current law in any given year. For illustration purposes, the tables below display the difference in the annual minimum wage through 2030 under both scenarios if the annual rate of inflation were 0.0 percent, 2.0 percent (the Federal Reserve Board’s inflation target), and 5.0 percent.

State Minimum Wage per Hour under Current Law and Bill with Different Inflation Assumptions									
General Schedule*									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$10.00	\$1.15	\$8.85	\$10.00	\$1.15	\$8.85	\$10.00	\$1.15
1/1/2020	\$8.85	\$11.00	\$2.15	\$9.03	\$11.00	\$1.97	\$9.29	\$11.00	\$1.71
1/1/2021	\$8.85	\$12.00	\$3.15	\$9.21	\$12.00	\$2.79	\$9.76	\$12.00	\$2.24
1/1/2022	\$8.85	\$13.00	\$4.15	\$9.39	\$13.00	\$3.61	\$10.24	\$13.00	\$2.76
1/1/2023	\$8.85	\$14.00	\$5.15	\$9.58	\$14.00	\$4.42	\$10.76	\$14.00	\$3.24
1/1/2024	\$8.85	\$15.00	\$6.15	\$9.77	\$15.00	\$5.23	\$11.30	\$15.00	\$3.70
1/1/2025	\$8.85	\$15.00	\$6.15	\$9.97	\$15.30	\$5.33	\$11.86	\$15.75	\$3.89
1/1/2026	\$8.85	\$15.00	\$6.15	\$10.17	\$15.61	\$5.44	\$12.45	\$16.54	\$4.08
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.92	\$5.55	\$13.08	\$17.36	\$4.28
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$16.24	\$5.66	\$13.73	\$18.23	\$4.50
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.56	\$5.77	\$14.42	\$19.14	\$4.72
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96
* The general schedule applies to tipped workers; however, employers may count tips received by a tipped worker, up to amounts specified in the bill, against the hourly minimum wage. The minimum hourly wage of tipped workers is currently \$2.13, not including tips.									
Small Business Employees and Seasonal Workers other than Tipped Workers									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$10.30	\$1.45	\$9.03	\$10.30	\$1.27	\$9.29	\$10.30	\$1.01
1/1/2021	\$8.85	\$11.10	\$2.25	\$9.21	\$11.10	\$1.89	\$9.76	\$11.10	\$1.34
1/1/2022	\$8.85	\$11.90	\$3.05	\$9.39	\$11.90	\$2.51	\$10.24	\$11.90	\$1.66
1/1/2023	\$8.85	\$12.70	\$3.85	\$9.58	\$12.70	\$3.12	\$10.76	\$12.70	\$1.94
1/1/2024	\$8.85	\$13.50	\$4.65	\$9.77	\$13.50	\$3.73	\$11.30	\$13.50	\$2.20
1/1/2025	\$8.85	\$14.30	\$5.45	\$9.97	\$14.30	\$4.33	\$11.86	\$14.30	\$2.44
1/1/2026	\$8.85	\$15.00	\$6.15	\$10.17	\$15.00	\$5.13	\$12.45	\$15.00	\$2.55
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.62	\$5.25	\$13.08	\$16.60	\$3.52
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$16.24	\$5.66	\$13.73	\$18.23	\$4.50
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.56	\$5.77	\$14.42	\$19.14	\$4.72
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96

Farm Laborers									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$10.30	\$1.45	\$9.03	\$10.30	\$1.27	\$9.29	\$10.30	\$1.01
1/1/2021	\$8.85	\$10.30	\$1.45	\$9.21	\$10.30	\$1.09	\$9.76	\$10.30	\$0.54
1/1/2022	\$8.85	\$10.90	\$2.05	\$9.39	\$10.90	\$1.51	\$10.24	\$10.90	\$0.66
1/1/2023	\$8.85	\$11.70	\$2.85	\$9.58	\$11.70	\$2.12	\$10.76	\$11.70	\$0.94
1/1/2024	\$8.85	\$12.50	\$3.65	\$9.77	\$12.50	\$2.73	\$11.30	\$12.50	\$1.20
1/1/2025	\$8.85	\$13.40	\$4.55	\$9.97	\$13.40	\$3.43	\$11.86	\$13.40	\$1.54
1/1/2026	\$8.85	\$14.20	\$5.35	\$10.17	\$14.20	\$4.03	\$12.45	\$14.20	\$1.75
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.00	\$4.63	\$13.08	\$15.00	\$1.92
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$15.63	\$5.05	\$13.73	\$16.66	\$2.93
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.25	\$5.46	\$14.42	\$18.35	\$3.93
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96
Workers in Qualified Training Programs									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$9.90	\$1.05	\$9.03	\$9.90	\$0.87	\$9.29	\$9.90	\$0.61
1/1/2021	\$8.85	\$10.80	\$1.95	\$9.21	\$10.80	\$1.59	\$9.76	\$10.80	\$1.04
1/1/2022	\$8.85	\$11.70	\$2.85	\$9.39	\$11.70	\$2.31	\$10.24	\$11.70	\$1.46
1/1/2023	\$8.85	\$12.60	\$3.75	\$9.58	\$12.60	\$3.02	\$10.76	\$12.60	\$1.84
1/1/2024	\$8.85	\$13.50	\$4.65	\$9.77	\$13.50	\$3.73	\$11.30	\$13.50	\$2.20
1/1/2025	\$8.85	\$13.50	\$4.65	\$9.97	\$13.77	\$3.80	\$11.86	\$14.18	\$2.32
1/1/2026	\$8.85	\$13.50	\$4.65	\$10.17	\$14.05	\$3.88	\$12.45	\$14.89	\$2.44
1/1/2027	\$8.85	\$13.50	\$4.65	\$10.37	\$14.33	\$3.96	\$13.08	\$15.62	\$2.54
1/1/2028	\$8.85	\$13.50	\$4.65	\$10.58	\$14.62	\$4.04	\$13.73	\$16.41	\$2.68
1/1/2029	\$8.85	\$13.50	\$4.65	\$10.79	\$14.90	\$4.11	\$14.42	\$17.23	\$2.81
1/1/2030	\$8.85	\$13.50	\$4.65	\$11.01	\$15.20	\$4.19	\$15.14	\$18.09	\$2.95

The OLS notes, however, that the minimum wages under both the bill and the current law scenarios would rise substantially if the nation re-entered a period of high inflation. Since 1992 the national inflation rate has remained below 4.0 percent in each year. But in the last 50 years four years recorded inflation rates in excess of 10.0 percent (1974, 1979, 1980, and 1981). While those years were outliers, exceptional inflation-spiking events can recur in any given year. If they do, they will significantly increase the minimum wage under both the bill and the current law scenarios, in the process throwing off any prior quantified OLS analysis of the fiscal effects of the bill's State minimum wage increase.

Second, the findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill's staggered State minimum wage enhancements to at least \$15.00 per hour as of January 1, 2024. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce. (The New Jersey Policy Perspective estimated in January 2019 that a \$15 per hour State minimum wage would directly raise the pay of nearly one million employees, or about a quarter of New Jersey's workforce.) It

is the lack of a studied long-term precedent for a significant increase in the minimum wage that deprives the OLS of an empirical basis for a quantified fiscal analysis of this bill.

Given these substantial uncertainties, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures. In addition, the OLS limits its analysis to the full implementation of the higher minimum wage in 2024 and does not separately address each year's increase leading up to 2024.

State Revenues: The OLS cannot determine the net impact of a higher State minimum wage on State revenue collections but expects that the net outcome will vary depending on a given year's inflation-adjusted minimum wage level.

The OLS anticipates a State revenue gain from employees whose wages benefit from the minimum wage increase. These employees will have larger taxable incomes under the gross income tax and will pay more in payroll taxes, e.g. unemployment insurance; will qualify for a lower Earned Income Tax Credit (EITC) or cease being eligible altogether; and will increase other State revenues, such as the sales and use tax through added consumer spending.

Counteracting such gains, State revenue collections will decrease if the higher minimum wage causes employers to: (1) reduce their consumption of labor by eliminating positions or cutting hours, thereby lowering affected employees' incomes, gross income, and payroll tax liabilities, and purchases of taxable goods and services, and potentially increasing their EITC claims; (2) absorb a decrease in employers' net income, thereby lowering their gross income tax and corporation business tax liabilities and their potential to invest in their businesses; and (3) increase the prices of goods and services, thereby increasing sales and use tax collections on higher-priced taxable goods and services but also reducing demand for taxable goods and services and, in turn, sales and use tax collections.

The magnitude of each individual impact and the extent to which the different impacts may offset one another, however, remain highly uncertain considering the lack of a studied long-term precedent for a minimum wage increase of the size provided by the bill.

The OLS notes that in addition to the general effects of higher minimum wage rates on State revenue, the bill will result in an annual State revenue loss of up to \$10 million through 2027 attributable to the establishment of tax credits to employers of individuals with impairments. The amount represents the cap on annual tax credit awards that is specified in the legislation.

Gross Income Tax (GIT): Tax data on the number of taxpayers who may be impacted by this bill, their income levels, and their State tax liabilities, are not available. The GIT revenues would increase to the extent that: (a) certain taxpayers who report income above the current minimum statutory filing thresholds would have annual income increased; or (b) certain other taxpayers who report income below the statutory minimum filing thresholds would have their income boosted above the thresholds. Most taxpayers become liable for New Jersey GIT when their gross income exceeds \$20,000, but for a single filer or a married spouse filing a separate return, the threshold is \$10,000. A taxpayer with income below the applicable minimum filing threshold does not owe tax.

For a taxpayer in the first group (a), the marginal tax rate of 1.75 percent may be applied to much of the additional taxable income under this bill, or \$17.50 per each \$1,000 of additional taxable income. However, if a taxpayer is married filing a joint return and has a spouse who also reports taxable income, higher marginal tax rates may apply. Two examples illustrate this point.

- A taxpayer who is paid an hourly wage of \$8.85 and works 35 hours each week during the year would have an annual gross income of approximately \$16,100. Assuming this taxpayer is a single filer who can only claim the personal exemption of \$1,000, the taxpayer's GIT liability would approximate \$211 based on taxable income of \$15,100. If that taxpayer's hourly wage is increased to \$15.00, the taxpayer's annual gross income

would grow to \$27,300, resulting in a \$390 tax liability, a \$179 difference. For every 10,000 taxpayers who meet these criteria, the State would realize a recurring GIT revenue increase of \$1,790,000.

- A taxpayer who files a joint return based on two providers receiving an hourly wage of \$8.85 and working 35 hours each week during the year would have an annual gross income of approximately \$32,200. Assuming this taxpayer claims two personal exemptions of \$1,000 each, a \$1,500 deduction for a dependent child, and a property tax deduction of \$4,000, the taxpayer's GIT liability would approximate \$362 based on taxable income of \$24,700. If the hourly wage is increased to \$15.00, the taxpayer's annual gross income would increase to roughly \$54,600, resulting in a \$754 tax liability, a \$392 difference. For every 10,000 taxpayers who meet these criteria, the State would realize a recurring gross income tax revenue increase of \$3,920,000.

For a taxpayer in the second group (b), the marginal tax rate of 1.75 percent would be applied to all the additional taxable income above the statutory \$20,000 income level, or \$17.50 per each \$1,000 of such additional taxable income. Also, this taxpayer would pay 1.4 percent tax on all income below the \$20,000 level, or \$280. Two additional examples help illustrate this point.

- A single taxpayer without children working 52 weeks per year part-time at 20 hours per week at the current minimum wage of \$8.85 per hour, earns \$9,204 per year, below the \$10,000 minimum filing threshold. This taxpayer would owe \$0 in GIT. However, at a minimum wage of \$15.00 per hour, that taxpayer's income would rise to \$15,600 per year, above the \$10,000 minimum filing threshold, with a tax liability of \$204. The tax increase from the higher minimum wage would equal \$204 per year.
- Married taxpayers with three dependent children and only one working adult, who works 52 weeks per year at 35 hours per week at the current minimum wage of \$8.85 per hour, earn \$16,107 per year, below the \$20,000 minimum filing threshold. These taxpayers would owe \$0 in GIT. At a minimum wage of \$15.00 per hour, these taxpayers' income would rise to \$27,300 per year, with a tax of \$294. The tax increase from the higher minimum wage would equal \$294 per year.

According to a report from the New Jersey Policy Perspective, potentially 975,000 New Jersey employees may see increased wages under a hypothetical \$15 minimum wage, of which 61 percent are reportedly full-time workers and about half are unmarried. However, the OLS does not have data identifying the State tax status or State tax liability of these employees. It is unknown how many file joint returns, single or separate returns, or how many currently do or do not pay State GIT. For purposes of illustration, for each 100,000 employees who see an annual wage increase of \$10,000, assuming a marginal tax rate of 1.75 percent, the additional State GIT revenue gain would equal \$17.5 million.

The OLS further observes that the higher minimum wage may result in some job losses to the extent that some employees are priced out of the market. For purposes of illustration, in the example above for a single full-time employee earning \$16,100 per year at the current minimum wage, the GIT is \$211. For every 1,000 such employees who lose a job due to the increased minimum wage, the State would see a \$211,000 GIT revenue reduction. A married joint filer with two full-time incomes, who loses one current minimum wage income of \$16,100, taxed at the 1.75 percent marginal rate, would see a \$282 GIT reduction. The loss of 1,000 such employees would yield a \$282,000 GIT revenue reduction. Any part-time employees who currently fall below the minimum filing threshold and owe no State tax, would have no impact on the GIT if the job were lost. Lastly, some taxpayers may also see reduced hours of employment due to the higher minimum wage, resulting in some additional State revenue losses. The number of such potential lost jobs and the total possible State tax revenue loss are unknown.

Earned Income Tax Credit (EITC): When fully implemented, the bill may significantly reduce the cost of the State EITC program, which provides \$480 million in estimated benefits to over 500,000 claimants in FY 2019. The EITC is a refundable tax credit for working people with low to moderate incomes that is administered through the GIT. Accordingly, any reduction in EITC benefits will increase GIT collections; however, the OLS is unable to estimate the potential annual fiscal impact of the legislation on the EITC program. To provide context in regard to the varying ranges of magnitude a minimum wage increase may have on a taxpayer's EITC, examples are provided below. For purposes of illustration, these examples assume increased wages while holding all other factors, such as hours and weeks worked, equal, and they do not account for any additional deduction or credit to which the taxpayer might be entitled.

- Under the current State EITC program, a single taxpayer with two dependent children working 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour, earning \$18,408 per year, would receive an EITC of \$2,229 in 2019. Upon full implementation of the increased minimum wage to \$15.00 per hour in 2024, this same taxpayer, earning \$31,200 per year, could expect to receive an EITC of approximately \$1,232, nearly half of the current benefit amount.
- Married taxpayers with three dependent children and only one working adult, who works 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour, earning \$18,408 per year, would receive an EITC of \$2,508 in 2019. At a minimum wage of \$15.00 per hour in 2024, these taxpayers, earning \$31,200, could expect to receive an EITC of \$1,997, roughly 20 percent less than the current benefit amount.
- Married taxpayers with three dependent children, each adult working 52 weeks per year and 40 hours per week at the current minimum wage of \$8.85 per hour, earn a combined income of \$36,816 per year, resulting in the receipt of an EITC of \$1,485 in 2019. Following the full implementation of a \$15.00 per hour minimum wage in 2024, these taxpayers, earning a combined income of \$62,400, would no longer be eligible for an EITC because the taxpayers' combined income would likely exceed the program's future income eligibility limit, which is \$54,884 in 2019.

All things being equal, and absent any changes in employment status or hours worked, the greatest reduction in EITC benefits would be to taxpayers who are single and have dependent children. In contrast, a married taxpayer with only one minimum wage earner, who works 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour and continues to make minimum wage throughout the implementation of the legislation, would receive the least reduced EITC. Lastly, any increase in the minimum wage which causes a taxpayer's total income to surpass the program's income eligibility, which is currently \$54,884, would result in that taxpayer no longer receiving an EITC. Thus, when fully implemented, this legislation may significantly lower the cost of the State EITC program which will be reflected in increased GIT revenues.

State Expenditures: The bill potentially affects annually recurring State government expenditures in four areas: A) means-tested government assistance programs; B) purchases of contracted goods and services; C) employee compensation, including the cost of employee benefits; and D) Department of Labor and Workforce Development administrative expenditures associated with the establishment of the Task Force on Wages and State Benefits and the production of the several required reports. The magnitude of each individual potential impact and the extent to which the different impacts may offset one another, however, remain highly uncertain considering the lack of precedent for a minimum wage increase of the size advanced by the bill. It is also conceivable that these effects may differ from the short-term to the long-

term, as employers may delay or accelerate the implementation of operational changes in reaction to the annual State minimum wage increases.

A) Means-Tested Government Assistance Programs: Depending on employer responses to the higher State minimum wage, the outlay of State government for means-tested assistance programs, such as NJ FamilyCare and Work First New Jersey, could fall or rise. Individuals whose income rises as a result of the higher minimum wage will, depending on the eligibility criteria of a specific program, either cease being eligible for benefits or qualify for reduced benefits. Offsetting the State cost savings from the reduced reliance on means-tested assistance programs by individuals with higher incomes, the State may see an increase in program participation from individuals who cannot secure employment because of any reduction in the supply of jobs and work hours attributable to the minimum wage increase. The OLS, however, has no information on which it could base an estimate of the countervailing cost effects on means-tested assistance programs, and to what extent the two effects may offset one another.

B) Purchases of Contracted Goods and Services: The bill will likely increase State government spending on purchases of contracted goods and services, as the cost of some goods and services can be expected to rise. But the OLS cannot determine the scale of any spending increase, given that the OLS has no information on the extent to which: a) contractors will increase their prices in reaction to the higher minimum wage; b) the State will alter the quantities and types of goods and services it will procure; and c) the State will substitute goods and services currently sourced from in-state vendors with less expensive goods and services procured from out-of-state vendors that are not subject to New Jersey's minimum wage.

The Departments of Children and Families, Health, and Human Services, for example, expend significant amounts on services provided to their clients by community providers. The workforce providing these services frequently earns less than \$15 per hour. In its FY 2016-2017 discussion points, the OLS asked all three departments about the impact of a \$15 minimum wage on service procurement costs. All three departments could not specify the fiscal impact of the higher minimum wage on their third-party contractors, and, by extension, on the departments' operating expenses. The departments, however, stated identically that: "It is likely, however, that this level of minimum wage would result in significant increases." In addition, the Department of Children and Families reported that it had more than 800 separate contracts and the Department of Health that it had more than 500 separate contracts.

C) Employee Compensation: The OLS estimates that the bill will increase State government expenditures for employee salaries, wages, and benefits. The OLS is unable to quantify the impact because of an absence of information on the number of State employees whose hourly wage rate falls below \$15.00.

In addition, in its FY 2016-2017 discussion points, the OLS asked the New Jersey public institutions of higher education about the estimated impact on their operations of a \$15 per hour minimum wage. Most public colleges and universities shared concrete numbers with the OLS. Although only a relatively small number of seasonal, part-time, and full-time employees made under \$15 per hour at some public colleges and universities, four colleges and universities reported that over 1,000 student-employees would be affected by a \$15 per hour minimum wage (William Paterson University, 1,200 affected student-employees; New Jersey Institute of Technology, 1,239; Rowan University, 1,611; and The College of New Jersey, 1,850). The annual cost impact of the minimum wage ranged from an estimated \$25,000 at Thomas Edison State University to \$4.3 million at William Paterson University. While some respondents would attempt not to decrease student work-hours in response to a \$15.00 per hour minimum wage, others stated that they would likely do so.

D) Department of Labor and Workforce Development Expenditures: The bill may increase the annual operating expenses of the Department of Labor and Workforce Development as the new Task Force on Wages and State Benefits will be housed in but not of the department and as the department will have to prepare and issue several reports required by the bill. The extent to

which the increased responsibilities will add to the department's annual expenditures will depend on the operational decisions the department will make in response thereto. The OLS, however, is reluctant to predict the department's operational responses to the bill.

Local Expenditures: The bill will increase annual local government expenditures in two areas: A) purchases of contracted goods and services; and B) employee compensation, including the cost of employee benefits. The magnitude of each potential increase, however, remains highly uncertain considering the lack of a studied, long-term precedent for a minimum wage increase of the size advanced by the bill. It is also conceivable that these effects may differ from the short-term to the long-term, as employers may accelerate or decelerate the implementation of operational changes in reaction to the annual minimum wage increases.

A) Purchases of Contracted Goods and Services: The bill will likely increase annual school district, county, and municipal government spending on purchases of contracted goods and services, as the cost of some contracted goods and services can be expected to rise. But the OLS cannot determine the scale of any spending increase, given that the OLS has no information on the extent to which: a) contractors will increase their prices in response to the higher minimum wage; b) local government units will alter the quantities and types of goods and services they will purchase; and c) local government units will substitute goods and services currently sourced from in-state vendors with less expensive goods and services procured from out-of-state vendors that are not subject to New Jersey's minimum wage.

B) Employee Compensation: The OLS estimates that the bill will result in an indeterminate increase in annual expenditures by local governmental units for employee salaries, wages, and benefits. The OLS cannot quantify the impact because it does not have access to data on municipal, county, and school district employees who currently make less than \$15.00 per hour.

However, the OLS estimates based on data from the Bureau of Labor Statistics in the United States Department of Labor that augmenting the minimum wage to \$15.00 per hour would increase school districts' annual wage and FICA tax costs by \$164.4 million. School districts may respond to the added cost by cutting their use of labor, reducing non-labor expenses or increasing property taxes or other revenues.

Local Revenues: The bill may potentially alter local government revenues if it were to change a community's income and wealth. The OLS has no indication as to the direction or magnitude of any change in property tax collections or other local government revenues attributable to the higher minimum wage. Residents whose incomes rise as a result of the enhanced minimum wage would drive any increase in local government revenues. Residents whose incomes decline because of the higher minimum wage, either through lower net income if they are business owners or through job losses or reductions in work hours if they are employees, and residents whose purchasing power might decrease as a result of any increase in the prices of goods and services attributable to the higher minimum wage would account for any decrease in local government revenues.

Section: Commerce, Labor and Industry

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Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE, No. 15

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED JANUARY 28, 2019

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

Co-Sponsored by:

Senator Pou

SYNOPSIS

Raises, over time, hourly minimum wage to \$15.00.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/1/2019)

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2

1 AN ACT raising the minimum wage, amending and supplementing
2 P.L.1966, c.113, and supplementing P.L.1945, c.162 (C.54:10A-
3 1 et seq.) and Title 54A of the New Jersey Statutes.

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.1966, c.113 (C.34:11-56a1) is amended to
9 read as follows:

10 2. As used in this act:

11 (a) "Commissioner" means the Commissioner of Labor and
12 Workforce Development.

13 (b) "Director" means the director in charge of the bureau
14 referred to in section 3 of this act.

15 (c) "Wage board" means a board created as provided in section
16 10 of this act.

17 (d) "Wages" means any moneys due an employee from an
18 employer for services rendered or made available by the employee
19 to the employer as a result of their employment relationship
20 including commissions, bonus and piecework compensation and
21 including **any gratuities received by an employee for services**
22 **rendered for an employer or a customer of an employer and** the
23 fair value of any food or lodgings supplied by an employer to an
24 employee, and, until December 31, 2018, "wages" includes any
25 gratuities received by an employee for services rendered for an
26 employer or a customer of an employer. The commissioner may, by
27 regulation, establish the average value of gratuities received by an
28 employee in any occupation and the fair value of food and lodging
29 provided to employees in any occupation, which average values
30 shall be acceptable for the purposes of determining compliance with
31 this act in the absence of evidence of the actual value of such items.

32 (e) "Regular hourly wage" means the amount that an employee
33 is regularly paid for each hour of work as determined by dividing
34 the total hours of work during the week into the employee's total
35 earnings for the week, exclusive of overtime premium pay.

36 (f) "Employ" includes to suffer or to permit to work.

37 (g) "Employer" includes any individual, partnership,
38 association, corporation, and the State and any county,
39 municipality, or school district in the State, or any agency,
40 authority, department, bureau, or instrumentality thereof, or any
41 person or group of persons acting directly or indirectly in the
42 interest of an employer in relation to an employee.

43 (h) "Employee" includes any individual employed by an
44 employer.

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.

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1 (i) "Occupation" means any occupation, service, trade,
2 business, industry or branch or group of industries or employment
3 or class of employment in which employees are gainfully employed.

4 (j) "Minimum fair wage order" means a wage order
5 promulgated pursuant to this act.

6 (k) "Fair wage" means a wage fairly and reasonably
7 commensurate with the value of the service or class of service
8 rendered and sufficient to meet the minimum cost of living
9 necessary for health.

10 (l) "Oppressive and unreasonable wage" means a wage which is
11 both less than the fair and reasonable value of the service rendered
12 and less than sufficient to meet the minimum cost of living
13 necessary for health.

14 (m) "Limousine" means a motor vehicle used in the business of
15 carrying passengers for hire to provide prearranged passenger
16 transportation at a premium fare on a dedicated, nonscheduled,
17 charter basis that is not conducted on a regular route and with a
18 seating capacity in no event of more than 14 passengers, not
19 including the driver, provided, that such a motor vehicle shall not
20 have a seating capacity in excess of four passengers, not including
21 the driver, beyond the maximum passenger seating capacity of the
22 vehicle, not including the driver, at the time of manufacture.
23 "Limousine" shall not include taxicabs, hotel or airport shuttles and
24 buses, buses employed solely in transporting school children or
25 teachers to and from school, vehicles owned and operated directly
26 or indirectly by businesses engaged in the practice of mortuary
27 science when those vehicles are used exclusively for providing
28 transportation related to the provision of funeral services or vehicles
29 owned and operated without charge or remuneration by a business
30 entity for its own purposes.

31 (n) "Seasonal employment" means employment during a year by
32 an employer that is a seasonal employer, or employment by a non-
33 profit or government entity of an individual who is not employed by
34 that employer outside of the period of that year commencing on
35 May 1 and ending September 30, or employment by a governmental
36 entity in a recreational program or service during the period
37 commencing on May 1 and ending September 30, except that
38 "seasonal employment" does not include employment of employees
39 engaged to labor on a farm on either a piece-rate or regular hourly
40 rate basis.

41 (o) "Seasonal employer" means an employer who exclusively
42 provides its services in a continuous period of not more than ten
43 weeks during the months of June, July, August, and September, or
44 an employer for which, during the immediately previous calendar
45 year, not less than two thirds of the employer's gross receipts were
46 received in a continuous period of not more than sixteen weeks or
47 for which not less than 75 percent of the wages paid by the

1 employer during the immediately preceding year were paid for work
2 performed during a single calendar quarter.

3 (p) "Small employer" means any employer who employed less
4 than six employees for every working day during each of a majority
5 of the calendar workweeks in the current calendar year and less than
6 six employees for every working day during not less than 48
7 calendar workweeks in the preceding calendar year, except that, if
8 the employer was newly established during the preceding calendar
9 year, the employer shall be regarded as a "small employer" if the
10 employer employed less than six employees for every working day
11 during all of the weeks of that year, and during a majority of the
12 calendar workweeks in the current calendar year, and, if the
13 employer is newly established during the current calendar year, the
14 employer shall be regarded as a "small employer" if the employer
15 employed less than six employees for every working day during a
16 majority of the calendar workweeks in the current calendar year.

17 (cf: P.L.2001, c.416, s.2)

18

19 2. Section 5 of P.L.1966, c.113 (C.34:11-56a4) is amended to
20 read as follows:

21 5. **【Every】** a. Except as provided in subsections c., d., e. and
22 g. of this section, each employer shall pay to each of his employees
23 wages at a rate of not less than 【\$5.05 per hour as of April 1, 1992
24 and, after January 1, 1999 the federal minimum hourly wage rate set
25 by section 6(a)(1) of the federal "Fair Labor Standards Act of 1938"
26 (29 U.S.C. s.206(a)(1)), and, as of October 1, 2005, \$6.15 per hour,
27 and as of October 1, 2006, \$7.15 per hour for 40 hours of working
28 time in any week and 1 1/2 times such employee's regular hourly
29 wage for each hour of working time in excess of 40 hours in any
30 week, except this overtime rate shall not include any individual
31 employed in a bona fide executive, administrative, or professional
32 capacity or, if】 \$8.85 per hour as of January 1, 2019 and, on
33 January 1 of 2020 and January 1 of each subsequent year, the
34 minimum wage shall be increased by any increase in the consumer
35 price index for all urban wage earners and clerical workers (CPI-W)
36 as calculated by the federal government for the 12 months prior to
37 the September 30 preceding that January 1, except that any of the
38 following rates shall apply if it exceeds the rate determined in
39 accordance with the applicable increase in the CPI-W for the
40 indicated year: on July 1, 2019, the minimum wage shall be \$10.00
41 per hour; on January 1, 2020, the minimum wage shall be \$11.00
42 per hour; and on January 1 of each year from 2021 to 2024,
43 inclusive, the minimum wage shall be increased from the rate of the
44 preceding year by \$1.00 per hour. If the federal minimum hourly
45 wage rate set by section 6 of the federal "Fair Labor Standards Act
46 of 1938" (29 U.S.C. s.206), or a successor federal law, is raised to a
47 level higher than the State minimum wage rate set by this
48 subsection, then the State minimum wage rate shall be increased to

1 the level of the federal minimum wage rate and subsequent
2 increases based on increases in the CPI-W pursuant to this section
3 shall be applied to the higher minimum wage rate. If an applicable
4 wage order has been issued by the commissioner under section 17
5 (C.34:11-56a16) of this act, the employer shall also pay not less
6 than the wages prescribed in said order. The wage rates fixed in
7 this section shall not be applicable to part-time employees primarily
8 engaged in the care and tending of children in the home of the
9 employer, to persons under the age of 18 not possessing a special
10 vocational school graduate permit issued pursuant to section 15 of
11 P.L.1940, c.153 (C.34:2-21.15), or to persons employed as
12 salesmen of motor vehicles, or to persons employed as outside
13 salesmen as such terms shall be defined and delimited in regulations
14 adopted by the commissioner, or to persons employed in a volunteer
15 capacity and receiving only incidental benefits at a county or other
16 agricultural fair by a nonprofit or religious corporation or a
17 nonprofit or religious association which conducts or participates in
18 that fair.

19 b. [The provisions of this section for the payment to an]

20 (1) An employer shall also pay each employee [of] not less than
21 1 1/2 times such employee's regular hourly rate for each hour of
22 working time in excess of 40 hours in any week, except that this
23 overtime rate shall not apply; to any individual employed in a bona
24 fide executive, administrative, or professional capacity; or to
25 employees engaged to labor on a farm or employed in a hotel; or to
26 an employee of a common carrier of passengers by motor bus; or to
27 a limousine driver who is an employee of an employer engaged in
28 the business of operating limousines; or to employees engaged in
29 labor relative to the raising or care of livestock.

30 (2) Employees engaged on a piece-rate or regular hourly rate
31 basis to labor on a farm shall be paid for each day worked not less
32 than the applicable minimum hourly wage rate multiplied by the
33 total number of hours worked.

34 (3) Full-time students may be employed by the college or
35 university at which they are enrolled at not less than 85% of the
36 effective applicable minimum wage rate.

37 c. Employees of a small employer, and employees who are
38 engaged in seasonal employment, except for employees who
39 customarily and regularly receive gratuities or tips who shall be
40 subject to the provisions of subsections a. and d. of this section,
41 shall be paid \$8.85 per hour as of January 1, 2019 and, on January 1
42 of 2020 and January 1 of each subsequent year, that minimum wage
43 rate shall be increased by any increase in the consumer price index
44 for all urban wage earners and clerical workers (CPI-W) as
45 calculated by the federal government for the 12 months prior to the
46 September 30 preceding that January 1, except that any of the
47 following rates shall apply if it exceeds the rate determined in
48 accordance with the applicable increase in the CPI-W for the

1 indicated year: on January 1, 2020, the minimum wage shall be
2 \$10.30 per hour; and on January 1 of each year from 2021 to 2025,
3 inclusive, the minimum wage shall be increased from the rate of the
4 preceding year by eighty cents per hour, and, in 2026, the minimum
5 wage shall be increased from the rate of the preceding year by
6 seventy cents per hour, and, in each year from 2027 to 2028
7 inclusive, the minimum wage for employees subject to this
8 subsection c. shall be increased by the same amount as the increase
9 for employees subject to subsection a. of this section based on CPI-
10 W increases, plus one half of the difference between \$15.00 per
11 hour and the minimum wage in effect in 2026 for employees
12 pursuant to subsection a. of this section, so that, by 2028, the
13 minimum wage for employees subject to this subsection shall be the
14 same as the minimum wage in effect for employees subject to
15 subsection a. of this section. If the federal minimum hourly wage
16 rate set by section 6 of the federal "Fair Labor Standards Act of
17 1938" (29 U.S.C. s.206), or a successor federal law, is raised to a
18 level higher than the State minimum wage rate set by this
19 subsection, then the State minimum wage rate shall be increased to
20 the level of the federal minimum wage rate and subsequent
21 increases based on increases in the CPI-W pursuant to this
22 subsection shall be applied to the higher minimum wage rate.

23 d. Employees engaged on a piece-rate or regular hourly rate
24 basis to labor on a farm shall be paid \$8.85 per hour as of January
25 1, 2019 and, on January 1 of 2020 and January 1 of each subsequent
26 year, that minimum wage rate shall be increased by any increase in
27 the consumer price index for all urban wage earners and clerical
28 workers (CPI-W) as calculated by the federal government for the 12
29 months prior to the September 30 preceding that January 1, except
30 that any of the following rates shall apply if it exceeds the rate
31 determined in accordance with the applicable increase in the CPI-W
32 for the indicated year:

33 (1) on January 1, 2020, the minimum wage shall be \$10.30 per
34 hour; on January 1, 2022, the minimum wage shall be \$10.90 per
35 hour; and on January 1 of each year from 2023 to 2024, inclusive,
36 the minimum wage shall be increased from the rate of the preceding
37 year by eighty cents per hour; and

38 (2) subject to the provisions of paragraph (3) of this subsection
39 d., minimum wage rates shall be increased as follows: on January 1
40 of 2025, the minimum wage shall be increased to \$13.40, and on
41 January 1 of each year from 2026 to 2027, inclusive, the minimum
42 wage shall be increased from the rate of the preceding year by
43 eighty cents per hour, and, in each year from 2028 to 2030
44 inclusive, the minimum wage for employees subject to this
45 subsection d. shall be increased during that year by the same
46 amount as the increase in that year for employees subject to
47 subsection a. of this section based on CPI-W increases, plus one
48 third of the difference between \$15.00 per hour and the minimum

1 wage in effect in 2027 for employees pursuant to subsection a. of
2 this section, so that, by 2030, the minimum wage for employees
3 subject to this subsection shall be the same as the minimum wage in
4 effect for employees subject to subsection a. of this section.

5 (3) Not later than March 31, 2024, the commissioner and the
6 Secretary of Agriculture shall review the report issued by the
7 commissioner pursuant to subsection b. of section 4 of P.L. _____,
8 c. (C. _____)(pending before the Legislature as this bill) and shall
9 consider any information provided by the secretary regarding the
10 impact on farm employers and the viability of the State's
11 agricultural industry of the increases of the minimum wage made
12 pursuant to paragraph (1) of this subsection, and the potential
13 impact of the increases which would be set by paragraph (2) of this
14 subsection, including comparisons with the wage rates in the
15 agricultural industries in other states, and shall
16 recommend: approval of the increases set forth in paragraph (2) of
17 this subsection; disapproval of the increases set forth in paragraph
18 (2) of this subsection; or an alternative manner of changing the
19 minimum wage after 2024 for employees engaged on a piece-rate or
20 regular hourly rate basis to labor on a farm. In contemplation of the
21 possibility that the commissioner and the secretary are unable to
22 agree on the recommendation required by this paragraph, by
23 December 31, 2021, the Governor shall appoint a public member
24 subject to advice and consent by the Senate, who will serve as a tie-
25 breaking member if needed. The increases set forth in paragraph (2)
26 of this subsection shall take effect unless there is a recommendation
27 pursuant to this paragraph to disapprove the increases or for an
28 alternative manner of changing the minimum wage after 2024 for
29 employees engaged on a piece-rate or regular hourly rate basis to
30 labor on a farm and the Legislature, not later than June 30, 2024,
31 enacts a concurrent resolution approving the implementation of that
32 recommendation. Beginning in 2024, the commissioner, secretary,
33 and public member shall meet biennially to make either a one or
34 two year recommendation to the Legislature for implementation by
35 way of concurrent resolution.

36 (4) If the federal minimum hourly wage rate set by section 6 of
37 the federal "Fair Labor Standards Act of 1938" (29 U.S.C. s.206), or
38 a successor federal law, is raised to a level higher than the State
39 minimum wage rate set by this subsection, then the State minimum
40 wage rate shall be increased to the level of the federal minimum
41 wage rate and subsequent increases based on increases in the CPI-
42 W pursuant to this subsection shall be applied to the higher
43 minimum wage rate.

44 e. With respect to an employee who customarily and regularly
45 receives gratuities or tips, every employer is entitled to a credit for
46 the gratuities or tips received by the employee against the hourly
47 wage rate that would otherwise be paid to the employee pursuant to
48 subsection a. of this section of the following amounts: after

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1 December 31, 2018 and before July 1, 2019, \$6.72 per hour; after
2 June 30, 2019 and before January 1, 2020, \$7.37 per hour; during
3 calendar years 2020, 2021 and 2022, \$7.87 per hour; during
4 calendar year 2023, \$8.87 per hour; and during calendar year 2024
5 and subsequent calendar years, \$9.87 per hour.

6 f. Notwithstanding the provisions of this section to the
7 contrary, every trucking industry employer shall pay to all drivers,
8 helpers, loaders and mechanics for whom the Secretary of
9 Transportation may prescribe maximum hours of work for the safe
10 operation of vehicles, pursuant to section 31502(b) of the federal
11 Motor Carrier Act, 49 U.S.C.s.31502(b), an overtime rate not less
12 than 1 1/2 times the minimum wage required pursuant to this
13 section and N.J.A.C. 12:56-3.1. Employees engaged in the trucking
14 industry shall be paid no less than the minimum wage rate as
15 provided in this section and N.J.A.C. 12:56-3.1. As used in this
16 section, "trucking industry employer" means any business or
17 establishment primarily operating for the purpose of conveying
18 property from one place to another by road or highway, including
19 the storage and warehousing of goods and property. Such an
20 employer shall also be subject to the jurisdiction of the Secretary of
21 Transportation pursuant to the federal Motor Carrier Act, 49
22 U.S.C.s.31501 et seq., whose employees are exempt under section
23 213(b)(1) of the federal "Fair Labor Standards Act of 1938," 29
24 U.S.C. s.213(b)(1), which provides an exemption to employees
25 regulated by section 207 of the federal "Fair Labor Standards Act of
26 1938," 29 U.S.C. s.207, and the Interstate Commerce Act, 49
27 U.S.C. s.501 et al.

28 g. Commencing on January 1, 2020, a training wage of not less
29 than 90 percent of the minimum wage rate otherwise set pursuant to
30 subsection a. of this section may be paid to an employee who is
31 enrolled in an established employer on-the-job or other training
32 program which meets standards set by regulations adopted by the
33 commissioner. The period during which an employer may pay the
34 training wage to the employee shall be the first 120 hours of work
35 after hiring the employee in employment in an occupation in which
36 the employee has no previous similar or related experience. An
37 employer shall not utilize any employee paid the training wage in a
38 manner which causes, induces, encourages or assists any
39 displacement or partial displacement of any currently employed
40 worker, including any previous recipient of the training wage, by
41 reducing hours of a currently employed worker, replacing a current
42 or laid off employee with a trainee, or by relocating operations
43 resulting in a loss of employment at a previous workplace, or in a
44 manner which replaces, supplants, competes with or duplicates any
45 approved apprenticeship program. An employer who pays an
46 employee a training wage shall make a good faith effort to continue
47 to employ the employee after the period of the training wage
48 expires and shall not hire the employee at the training wage unless

1 there is a reasonable expectation that there will be regular
2 employment, paying at or above the effective minimum wage, for
3 the trainee upon the successful completion of the period of the
4 training wage. If the commissioner determines that an employer
5 has made repeated, knowing violations of the provisions of this
6 subsection regarding the payment of a training wage, the
7 commissioner shall suspend the employer's right to pay a training
8 wage for a period set pursuant to regulations adopted by the
9 commissioner, but not less than three years.

10 h. The provisions of this section shall not be construed as
11 prohibiting any political subdivision of the State from adopting an
12 ordinance, resolution, regulation or rule, or entering into any
13 agreement, establishing any standard for vendors, contractors and
14 subcontractors of the subdivision regarding wage rates or overtime
15 compensation which is higher than the standards provided for in
16 this section, and no provision of any other State or federal law
17 establishing a minimum standard regarding wages or other terms
18 and conditions of employment shall be construed as preventing a
19 political subdivision of the State from adopting an ordinance,
20 resolution, regulation or rule, or entering into any agreement,
21 establishing a standard for vendors, contractors and subcontractors
22 of the subdivision which is higher than the State or federal law or
23 which otherwise provides greater protections or rights to employees
24 of the vendors, contractors and subcontractors of the subdivision,
25 unless the State or federal law expressly prohibits the subdivision
26 from adopting the ordinance, resolution, regulation or rule, or
27 entering into the agreement.

28 (cf: P.L.2005, c.70, s.1)

29

30 3. (New section) a. There is established, in but not of the
31 Department of Labor and Workforce Development, the "Task Force
32 on Wages and State Benefits." The task force shall consist of 11
33 members, including the Commissioners of Health, Human Services,
34 Education, Community Affairs, and Labor and Workforce
35 Development, and the State Treasurer, or their designees, all who
36 shall serve ex officio, and five public members appointed by the
37 Governor with the advice and consent of the Senate as follows: one
38 person nominated by an organization which represents the interests
39 of the business community in this State, one person nominated by
40 the New Jersey State AFL-CIO, two persons nominated by
41 organizations representing the interests of low-income individuals,
42 and one person representing the interests of other disadvantaged
43 individuals who rely on services and benefits provided or
44 administered by the State or its instrumentalities. Public members
45 shall be appointed for four-year terms and may be re-appointed for
46 any number of terms. Any public member of the task force may be
47 removed from office by the Governor, for cause, upon notice and
48 opportunity to be heard. Vacancies shall be filled in the same

1 manner as the original appointment for the balance of the unexpired
2 term. A member shall continue to serve upon the expiration of the
3 member's term until a successor is appointed and qualified, unless
4 the member is removed by the Governor.

5 b. Action may be taken by the task force by an affirmative vote
6 of a majority of its members and a majority of the task force shall
7 constitute a quorum for the transaction of any business, for the
8 performance of any duty, or for the exercise of any power of the
9 task force. Members of the task force shall serve without
10 compensation, but may be reimbursed for the actual and necessary
11 expenses incurred in the performance of their duties as members of
12 the task force within the limits of funds appropriated or otherwise
13 made available for that purpose.

14 c. The purpose of the task force is to evaluate how changes in
15 required minimum wage levels pursuant to by P.L. , c. (C.)
16 (pending before the Legislature as this bill) may affect the
17 eligibility of low-income individuals, and other disadvantaged
18 individuals, for a variety of services and benefits provided or
19 administered by the State or its instrumentalities, including, but not
20 limited to, health, human service, childcare, education, housing and
21 tax benefits, and how the combination of changes in minimum wage
22 and eligibility standards may impact the living standards of the
23 individuals and their families. The task force shall produce annual
24 reports of its findings, which shall include any recommendations
25 the task force deems appropriate for adjustments in eligibility
26 standards for the benefits, changes in benefit subsidy rates, and
27 other relevant reforms, to ensure that the combination of minimum
28 wage increases and State services and benefits are coordinated
29 effectively so as to further advance the overall goal of raising the
30 living standards of working families.

31 d. In furtherance of its evaluation, the task force may hold
32 public meetings or hearings within the State and call to its
33 assistance and avail itself of the services of the employees of any
34 other State department, board, or agency which the task force
35 determines possesses relevant data, analytical and professional
36 expertise or other resources which may assist the task force in
37 discharging its duties under this section. Each department, board,
38 or agency of this State is hereby directed, to the extent not
39 inconsistent with law, to cooperate fully with the task force and to
40 furnish such information and assistance as is necessary to
41 accomplish the purposes of this section.

42 e. The task force shall issue its first annual report to the
43 Governor and, pursuant to section 2 of P.L.1991, c.164 (C.52:14-
44 19.1), to the Legislature not later than September 30, 2019, and
45 make the report available to the public by means including the
46 posting of the report on the web sites of all of the State departments
47 represented on the task force. Each subsequent annual report shall
48 be issued and made available to the public not later than September

1 30 of the respective year and shall include a review of any
2 administrative and legislative actions taken in response to
3 recommendations of previous reports of the task force, together
4 with an evaluation of the effectiveness of the actions in facilitating
5 the overall goal of raising the living standards of working families,
6 and any further recommendation deemed appropriate by the task
7 force.

8
9 4. (New section) a. The commissioner shall, not later than
10 September 30, 2024, issue and post on the Department of Labor and
11 Workforce Development website a report which evaluates the
12 impacts on employers and employees of the credits provided in
13 calendar years 2019 through 2023 to employers for gratuities and
14 tips pursuant to subsection e. of section 5 of P.L. 1966, c.113
15 (C.34:11-56a4). The report shall evaluate the adequacy of the
16 minimum wage of employees who customarily and regularly
17 receive gratuities or tips after adjustment for the credits provided to
18 employers pursuant to subsection 5 of P.L.1966, c.113 (C.34:11-
19 56a4).

20 b. The commissioner, in consultation with the State Treasurer,
21 shall, not later than September 30, 2024, issue and post on the
22 Department of Labor and Workforce Development website a report
23 which evaluates the impacts on employers and employees of the tax
24 credits provided in calendar years 2019 through 2023 to employers
25 of employees with impairments pursuant to sections 5 through 9 of
26 P.L. , c. (C.) (pending before the Legislature as this bill).
27 The report will include recommendations regarding the continuation
28 of the tax credits.

29
30 5. (New section) As used in sections 5 through 9 of P.L. ,
31 c. (C.) (pending before the Legislature as this bill):

32 “Commissioner” means the Commissioner of Labor and
33 Workforce Development.

34 “Employee with an impairment” means an employee earning at
35 least the minimum wage on the effective date of P.L. , c. (C.)
36 (pending before the Legislature as this bill) whose work capacity is
37 significantly impaired by age or physical or mental deficiency or
38 injury and who, based on a determination by the State, is found
39 eligible for personal assistance services or prescribed drugs because
40 without such services or drugs the individual would be unable to
41 perform the essential functions of the employment position that the
42 individual holds.

43 “Employer” means any nongovernmental business entity
44 including, but not limited to, a nonprofit organization, a
45 corporation, S corporation, limited liability company, partnership,
46 limited partnership, and sole proprietorship, and shall include all
47 entities related by common ownership or control.

1 “Tax year” means the calendar year or fiscal year in which a
2 taxpayer’s gross income tax or corporation business tax liability is
3 due and payable.

4
5 6. (New section) a. There is established in the Department of
6 Labor and Workforce Development a program, administered by the
7 commissioner, to provide tax credits to employers of employees
8 with impairments. The purpose of the program is to provide tax
9 credits to employers of employees with impairments to help to
10 offset the cost to the employer of any wage increases for those
11 employees caused by the enactment of P.L. , c. (C.)
12 (pending before the Legislature as this bill), including the cost to
13 the employer of corresponding increases in payroll taxes that
14 employer paid on those workers’ wages.

15 b. Prior to January 1, 2025, an employer subject to the
16 provisions of subsections a. and e. of section 5 of P.L 1966, c.113
17 (C.34:11-56a4) may apply to the commissioner for an award of tax
18 credits under this section. A tax credit allowed pursuant to this
19 section shall be in the amount provided in subsections d. and e. of
20 this section against the corporation business tax imposed pursuant
21 to section 5 of P.L.1945, c.162 (C.54:10A-5) or the gross income
22 tax imposed pursuant to the “New Jersey Gross Income Tax Act,”
23 N.J.S.54A:1-1 et seq., whichever of the two taxes is applicable to
24 the employer.

25 c. Prior to January 1, 2028, an employer subject to the
26 provisions of subsections c. and d. of section 5 of P.L 1966, c.113
27 (C.34:11-56a4) may apply to the commissioner for an award of tax
28 credits under this section. A tax credit allowed pursuant to this
29 section shall be in the amount provided in subsections d. and e. of
30 this section against the corporation business tax imposed pursuant
31 to section 5 of P.L.1945, c.162 (C.54:10A-5) or the gross income
32 tax imposed pursuant to the “New Jersey Gross Income Tax Act,”
33 N.J.S.54A:1-1 et seq., whichever of the two taxes is applicable to
34 the employer.

35 d. (1) The final amount of the tax credit provided to an
36 employer for employees with impairments employed by the
37 employer during a tax year shall be a preliminary amount of the tax
38 credit, which is the amount by which the wages and payroll taxes
39 which the employer is required to pay each employee with an
40 impairment the employer employs pursuant to P.L. , c. (C.)
41 (pending before the Legislature of this bill) during the tax year
42 exceeds the amount that the employer actually paid for the
43 employee with an impairment in wages and payroll taxes in the last
44 preceding calendar year (as adjusted pursuant to subparagraph (c) of
45 this paragraph), provided that:

46 (a) if the number of hours worked during the tax year by an
47 employee with an impairment employed by the employer is equal to
48 the number of hours the employee with an impairment worked for

1 the employer during the last preceding calendar year, then the
2 preliminary amount of the tax credit for each of the hours worked
3 shall be in the amount that remains after the amount actually paid
4 for the employee with an impairment in wages and payroll taxes
5 during the last preceding calendar year (as adjusted pursuant to
6 subparagraph (c) of this paragraph) is subtracted from the amount
7 which is required to be paid for the employee with an impairment in
8 payroll taxes and in wages pursuant to the minimum wage rate
9 which applies to the tax year pursuant to P.L. , c. (C.)
10 (pending before the Legislature of this bill);

11 (b) if the number of hours worked during the tax year by an
12 employee with an impairment employed by the employer is greater
13 than the number of hours worked by the employee with an
14 impairment employed by the employer during the last preceding
15 calendar year, then the preliminary amount of the tax credit shall be
16 calculated in two parts and the sum of the two parts shall be the
17 preliminary amount of the tax credit. In the first part of the
18 calculation, regarding the hours worked during the tax year which
19 are equal to the number of hours worked during the last preceding
20 calendar year, the preliminary amount of the tax credit shall be
21 calculated in the same manner as the credit is calculated in
22 subparagraph (a) of this paragraph. In the second part of the
23 calculation, regarding the hours worked during the tax year which
24 are in addition to the number of hours worked during the last
25 preceding calendar year, the preliminary amount of the tax credit
26 for each additional hour shall be calculated in the same manner as
27 the credit is calculated in subparagraph (a) of this paragraph, except
28 that it shall be presumed that the additional number of hours worked
29 by the employee with an impairment would have been paid at the
30 minimum wage rate in effect during the last preceding calendar year
31 (as adjusted pursuant to subparagraph (c) of this paragraph), and the
32 preliminary amount of the tax credit for each of those hours of work
33 shall be calculated by subtracting that presumed rate from the actual
34 minimum wage rate for the tax year; and

35 (c) In making any of the calculations in this paragraph, the
36 actual rate of pay paid to an employee with an impairment in the
37 preceding calendar year shall be increased by whichever is the
38 larger of:

39 (i) the increase in the State minimum wage that would have
40 occurred, for the applicable tax year, if P.L. , c. (C.)
41 (pending before the Legislature as this bill) had not been enacted; or

42 (ii) any increase in the federal minimum hourly wage rate set for
43 the applicable tax year pursuant to section 6(a)(1) of the federal
44 "Fair Labor Standards Act of 1938" (29 U.S.C. s.206(a)(1)).

45 (2) If the number of hours worked during the tax year by an
46 employee with an impairment employed by the employer is less
47 than the number of hours worked during the last preceding calendar

1 year, then the employer shall not be eligible for a tax credit under
2 this section for that tax year for that employee with an impairment.

3 e. An employer may qualify for a tax credit pursuant to
4 sections 5 through 9 of P.L. c. (C.) (pending before the
5 Legislature as this bill) in a taxable year or privilege period
6 beginning on or after January 1, 2019. An employer who qualifies
7 for a tax credit pursuant to this section with respect to hours worked
8 during a tax year may use the tax credit when determining the
9 employer's estimated tax for the purpose of making installment
10 payments of the tax during that tax year. The commissioner shall,
11 upon request, provide assistance to the employer in estimating the
12 likely amount of the tax credit to assist the employer in determining
13 the amount of the tax credit and the installment payments of the tax
14 during a tax year. For tax years 2019 and 2020, the Director of the
15 Division of Taxation may waive in part, or entirely, penalties for
16 underpayment of taxes in connection with installment payments to
17 the extent that the director finds that the underpayment occurred
18 because of a good faith error of the employer in calculating the
19 amount of the credit. Any misclassification of an employee by an
20 employer who knowingly, in applying for the tax credit,
21 falsely represents an employee as an employee with an impairment
22 shall be regarded as a violation of the applicable State tax law and
23 shall be subject to three times the amount of penalties otherwise
24 provided in that law for violations of the law and, for that
25 violation, the penalty shall not be waived, including during tax
26 years 2019 and 2020.

27 f. An employer shall not be eligible for a tax credit pursuant to
28 sections 5 through 9 of P.L. , c. (C.) (pending before the
29 Legislature as this bill) if the commissioner determines that the
30 employer reduced the wages that the employer paid to any
31 employee with an impairment employed by the employer to be
32 eligible for a tax credit under sections 5 through 9 of P.L. ,
33 c. (C.) (pending before the Legislature as this bill) in a
34 future year.

35 g. The combined value of all tax credits approved annually by
36 the commissioner pursuant to this section shall not exceed
37 \$10,000,000 in a calendar year. The commissioner shall annually
38 review and report to the Legislature in accordance with section 2 of
39 P.L.1991, c.164 (C.52:14-19.1) on the sufficiency of the tax credit
40 cap authorized pursuant to this subsection and have any
41 recommendations with respect thereto to the Legislature.

42
43 7. (New section) a. Notwithstanding any provision of the
44 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
45 seq.) to the contrary, the commissioner, in consultation with the
46 State Treasurer, may adopt, upon filing with the Office of
47 Administrative Law, such regulations that the commissioner deems
48 necessary to implement the provisions of sections 5 through 9 of

1 P.L. , c. (C.) (pending before the Legislature as this bill),
2 which regulations shall be effective for a period not to exceed 180
3 days from the date of the filing. The commissioner shall thereafter
4 amend, adopt, or readopt the regulations in accordance with the
5 requirements of P.L.1968, c.410 (C.52:14B-1 et seq.). The
6 regulations adopted by the commissioner shall include the
7 following:

8 (1) standards and procedures for determining which employees
9 are employees with impairments for the purpose of determining the
10 eligibility of employers for tax credits;

11 (2) any additions to, or modifications of, wage record-keeping
12 requirements needed to calculate the amounts of tax credits under
13 sections 5 through 9 of P.L. , c. (C.) (pending before the
14 Legislature as this bill);

15 (3) continuing to provide the calculation, for each year, of what
16 the minimum wage would have been under section 5 of P.L.1966
17 (C.34:11-56a4) and paragraph 23 of Article I of the New Jersey
18 Constitution if P.L. , c. (pending before the Legislature as this
19 bill) had not been enacted; and

20 (4) a method for employers to submit certificates of credit to the
21 Division of Taxation pursuant to sections 8 and 9 of P.L. ,
22 c. (C.) (pending before the Legislature as this bill).

23 b. Beginning the year next following the year in which P.L. ,
24 c. (pending before the Legislature as this bill) takes effect and
25 every two years thereafter, the commissioner shall prepare a report
26 concerning the award of tax credits under sections 5 through 9 of
27 P.L. , c. (C.) (pending before the Legislature as this bill),
28 and submit the report to the Governor, and, pursuant to section 2 of
29 P.L.1991, c.164 (C.52:14-19.1), to the Legislature. Each biennial
30 report required under this subsection shall include the names and
31 locations of, and the amount of tax credits allowed to, each
32 employer allowed a tax credit under sections 5 through 9 of P.L. ,
33 c. (C.) (pending before the Legislature as this bill).

34
35 8. (New section) a. The Director of the Division of Taxation in
36 the Department of the Treasury shall allow an employer a credit
37 against the corporation business tax imposed pursuant to section 5
38 of P.L.1945, c.162 (C.54:10A-5) in the amount certified by the
39 Commissioner of Labor and Workforce Development as the
40 taxpayer's tax credit amount pursuant to section 6 of P.L. ,
41 c. (C.) (pending before the Legislature as this bill). To claim
42 the tax credit amount for a privilege period, the taxpayer shall
43 submit to the director the certificate of credit issued for that
44 privilege period by the commissioner pursuant to section 6 of
45 P.L. , c. (C.) (pending before the Legislature as this bill).

46 b. An employer shall apply the credit awarded against the
47 employer's liability under section 5 of P.L.1945, c.162 (C.54:10A-
48 5) for the privilege period during which the director allows the

1 employer a tax credit pursuant to this section. An employer shall
2 not carry forward an unused credit.

3 c. The director shall prescribe the order of priority of the
4 application of the credit allowed under this section and any other
5 credits allowed by law against the tax imposed under section 5 of
6 P.L.1945, c.162 (C.54:10A-5). The amount of the credit applied
7 under this section against the tax imposed pursuant to section 5 of
8 P.L.1945, c.162 (C.54:10A-5) for a privilege period, together with
9 any other credits allowed by law, shall not reduce the tax liability to
10 an amount less than the statutory minimum provided in subsection
11 (e) of section 5 of P.L.1945, c.162 (C.54:10A-5).

12

13 9. (New section) a. The Director of the Division of Taxation in
14 the Department of the Treasury shall allow an employer a credit
15 against the gross income tax imposed pursuant to the “New Jersey
16 Gross Income Tax Act” N.J.S.54A:1-1 et seq. in the amount
17 certified by the Commissioner of Labor and Workforce
18 Development as the taxpayer’s tax credit amount pursuant to
19 section 6 of P.L. , c. (C.) (pending before the Legislature
20 as this bill). To claim the tax credit amount for a taxable year, the
21 taxpayer shall submit to the director the certificate of credit issued
22 for that taxable year by the commissioner pursuant to section 6 of
23 P.L. , c. (C.) (pending before the Legislature as this bill).

24 b. An employer shall apply the credit awarded against the
25 employer’s liability under the “New Jersey Gross Income Tax Act”
26 N.J.S.54A:1-1 et seq. for the taxable year during which the director
27 allows the employer a tax credit pursuant to this section. An
28 employer shall not carry forward an unused credit.

29 c. The director shall prescribe the order of priority of the
30 application of the credit allowed under this section and any other
31 credits allowed by law against the tax imposed under the “New
32 Jersey Gross Income Tax Act” N.J.S.54A:1-1 et seq. The amount
33 of the credit applied under this section against the tax imposed
34 pursuant to the “New Jersey Gross Income Tax Act” N.J.S.54A:1-1
35 et seq. for a taxable year, together with any other credits allowed by
36 law, shall not reduce the tax liability to an amount less than
37 zero. No tax credit shall be allowed pursuant to this section for any
38 wages and payroll taxes included in the calculation of any other tax
39 credit granted pursuant to a claim made on a tax return filed with
40 the director for a period of time that coincides with the taxable year
41 for which a tax credit authorized pursuant to this section is allowed.

42 d. A business entity that is classified as a partnership for
43 federal income tax purposes shall not be allowed the tax credit
44 directly under N.J.S.54A:1-1 et seq., but the amount of credit of the
45 taxpayer in respect of a distributive share of partnership income
46 shall be determined by allocating to the taxpayer that proportion of
47 the credit acquired by the partnership that is equal to the taxpayer’s
48 share, whether or not distributed, of the total distributive income or

1 gain of the partnership for its taxable year ending within or with the
2 taxpayer's taxable year.

3 A taxpayer that is a New Jersey S corporation shall not be
4 allowed the tax credit directly under N.J.S.54A:1-1 et seq., but the
5 amount of credit of a taxpayer in respect of a pro rata share of S
6 corporation income shall be determined by allocating to the
7 taxpayer that proportion of the credit acquired by the New Jersey S
8 corporation that is equal to the taxpayer's share, whether or not
9 distributed, of the total pro rata share of S corporation income of the
10 New Jersey S corporation for its privilege period ending within or
11 with the taxpayer's taxable year.

12

13 10. This act shall take effect immediately.

14

15

16

STATEMENT

17

18 This bill amends and supplements the "New Jersey State Wage
19 and Hour Law", P.L.1966, c.113 (C.34:11-56a et seq.), to
20 incorporate into that law the provisions of Article I, paragraph 23 of
21 the State Constitution, and provides further increases in the
22 minimum wage beyond what is required by the Constitution.

23 The bill incorporates into the minimum wage law the
24 constitutional provision which has resulted in the increase of the
25 minimum wage rate to \$8.85 per hour on January 1, 2019, and
26 which increases the rate on January 1 of each subsequent year by
27 any increase which occurs in the consumer price index for all urban
28 wage earners and clerical workers (CPI-W) during the 12 months
29 prior to the September 30 before that January 1. The bill also
30 incorporates into the law the provision of the Constitution that
31 whenever the federal minimum wage exceeds the State minimum
32 wage, the federal minimum wage will be adopted as the State
33 minimum wage and the increases based on increases in the CPI-W
34 will be applied to the federal minimum wage rate.

35 In addition, the bill provides for certain increases in the State
36 minimum wage greater than the increases resulting from the
37 provisions of the Constitution. The bill provides that, except for
38 certain workers specified by the bill, the general minimum wage
39 rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00
40 per hour on January 1, 2020, followed by \$1.00 increases each year
41 until the rate reaches a level of \$15.00 per hour in 2024.

42 The exceptions indicated by the bill are:

43 1. For employees of any employer with less than six
44 employees, and for seasonal employees other than tipped
45 employees, the minimum wage rate will be increased to \$10.30 per
46 hour on January 1, 2020, and then increased each year from 2021 to
47 2025 by eighty cents, and then increased in 2026 by seventy cents
48 so that it reaches a level of \$15.00 per hour in 2026, followed by

1 further increases from 2027 to 2028 as needed to have these
2 employees provided the same minimum wage rate as the general
3 minimum wage rate in 2028.

4 2. For farm laborers, the rate will be increased to \$10.30 on
5 January 1, 2020, \$10.90 on January 1, 2022, and increased by
6 eighty cents in 2023, and eighty cents in 2024 so that the rate will
7 be \$12.50 on January 1, 2024. Further increases may be contingent
8 on the following: the Commissioner of Labor and Workforce
9 Development and the Secretary of Agriculture are directed, not later
10 than March 31, 2024, to evaluate the impact of those minimum
11 wage increases on farm workers, farm employers, and the viability
12 of New Jersey agriculture, and make a recommendation whether or
13 not to provide the minimum wage increases indicated by the bill for
14 after 2024, or recommend an alternative modification of the
15 minimum wage, with a public member appointed by the Governor
16 with the advice and consent of the Senate providing a third vote if
17 the commissioner and secretary are unable to agree on a
18 recommendation. Their recommendation would go into effect if the
19 Legislature approves the recommendation and enacts any needed
20 legislation not later than June 30, 2024.

21 3. Employers who employ tipped workers will be entitled to a
22 credit for tips received by the worker against the hourly minimum
23 wage rate the employer pays, as follows: from January 1, 2019 to
24 June 30, 2019, \$6.72; after June 30, 2019 and before January 1,
25 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023,
26 \$8.87; and during 2024 and subsequent years, \$9.87.

27 4. Commencing January 1, 2020, a training wage of not less
28 than 90 percent of the minimum wage may be paid to an employee
29 enrolled in a qualified training program. The training wage may be
30 paid during the first 120 hours after hiring the employee for
31 employment in an occupation in which the employee has no
32 previous similar or related experience. The employer may not
33 utilize employees paid the training wage in a way that contributes to
34 any displacement of current employees or existing apprenticeship
35 programs. The employer is required to make a good faith effort to
36 continue to employ the employee after the training wage expires
37 and may not hire an employee at the training wage without a
38 reasonable expectation of subsequent regular employment.

39 Minimum wage increases provided by the Constitution based on
40 CPI-W increases will continue to be applied in all cases in any year
41 in which the increase set by the bill are less than the CPI-W
42 increase, including all years after 2024.

43 The bill defines "small employer" as an employer of less than six
44 employees, and "seasonal employment" as employment by an
45 employer that is a seasonal employer, or employment by a non-
46 profit or government entity of an individual who is not employed by
47 that employer outside of the period of that year commencing on
48 May 1 and ending September 30, or employment by a governmental

1 entity in a recreational program or service during the period
2 commencing on May 1 and ending September 30, except that
3 “seasonal employment” does not include employment of farm
4 laborers. “Seasonal employer” is defined as an employer who
5 exclusively provides its services in a continuous period of not more
6 than ten weeks during the months of June, July, August, and
7 September, or an employer for which, during the immediately
8 previous calendar year, not less than two thirds of the employer’s
9 gross receipts were received in a continuous period of not more than
10 sixteen weeks or for which not less than 75 percent of the wages
11 paid by the employer during the immediately preceding year were
12 paid for work performed during a single calendar quarter.

13 The bill creates a “Task Force on Wages and State Benefits” to
14 evaluate how changes in minimum wage levels may affect the
15 eligibility for a variety of State services and benefits, and how the
16 combination of changes in minimum wage and eligibility standards
17 may impact living standards. The task force is directed to produce
18 annual reports, including any recommendations for adjustments in
19 eligibility standards for the benefits, changes in benefit subsidy
20 rates, and other relevant reforms, to ensure that the combination of
21 minimum wage increases and State services and benefits are
22 coordinated so as to further advance the goal of raising the living
23 standards of working families.

24 The bill also directs the Commissioner of Labor and Workforce
25 Development to issue reports in 2024 evaluating the bill’s changes
26 in the credits provided to employers for tips and the bill’s tax
27 credits for employers who employ individuals with impairments,
28 including recommendations regarding the continuation of the
29 credits.

30 Finally, the bill establishes a program administered by the
31 commissioner to provide tax credits to employers who employ
32 employees with impairments to offset the cost to the employer of
33 any increases in the wages and payroll taxes of those employees
34 caused by the enactment of the bill. Under the program, an
35 employer is eligible for a refundable tax credit against the
36 corporation business tax or the gross income tax for the cost to the
37 employer of those increases.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 15

STATE OF NEW JERSEY

DATED: JANUARY 28, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 15.

This bill amends and supplements the “New Jersey State Wage and Hour Law”, P.L.1966, c.113 (C.34:11-56a et seq.), to incorporate into that law the provisions of Article I, paragraph 23 of the State Constitution, and provides further increases in the minimum wage beyond what is required by the Constitution.

The bill incorporates into the minimum wage law the constitutional provision which has resulted in the increase of the minimum wage rate to \$8.85 per hour on January 1, 2019, and which increases the rate on January 1 of each subsequent year by any increase which occurs in the consumer price index for all urban wage earners and clerical workers (CPI-W) during the 12 months prior to the September 30 before that January 1. The bill also incorporates into the law the provision of the Constitution that whenever the federal minimum wage exceeds the State minimum wage, the federal minimum wage will be adopted as the State minimum wage and the increases based on increases in the CPI-W will be applied to the federal minimum wage rate.

In addition, the bill provides for certain increases in the State minimum wage greater than the increases resulting from the provisions of the Constitution. The bill provides that, except for certain workers specified by the bill, the general minimum wage rate will be increased to \$10.00 per hour on July 1, 2019, to \$11.00 per hour on January 1, 2020, followed by \$1.00 increases each year until the rate reaches a level of \$15.00 per hour in 2024.

The exceptions indicated by the bill are:

1. That for employees of any employer with less than six employees, and for seasonal employees who are not tipped employees, the minimum wage rate will be increased to \$10.30 per hour on January 1, 2020, and then increased each year from 2021 to 2025 by eighty cents, and then increased in 2026 by seventy cents so that it reaches a level of \$15.00 per hour in 2026, followed by further increases from 2027 to 2028 as needed to have these employees provided the same minimum wage rate as the general minimum wage rate in 2028.

2. That for farm laborers, the rate will be increased to \$10.30 on January 1, 2020, \$10.90 on January 1, 2022, and increased by eighty cents in 2023, and eighty cents in 2024 so that the rate will be \$12.50

on January 1, 2024, further increases may be contingent on the following: the commissioner and the Secretary of Agriculture are directed, not later than March 31, 2024, to evaluate the impact of those minimum wage increases on farm workers, farm employers, and the viability of New Jersey agriculture, and make a recommendation as to whether or not to provide the minimum wage increases for the years after 2024 pursuant to the bill, or recommend an alternative modification of the minimum wage. If the commissioner and the secretary are unable to agree on a recommendation, a public member to be appointed by the Governor with the advice and consent of the Senate would provide a third vote. The recommendation would go into effect if the Legislature approves it and enacts any needed legislation not later than June 30, 2024.

3. That employers who employ tipped workers will be entitled to credit for tips received by the worker against the hourly minimum wage rate the employers pays, as follows: from January 1, 2019 to June 30, 2019, \$6.72; after June 30, 2019 and before January 1, 2020, \$7.37; during 2020, 2021 and 2022, \$7.87; during 2023, \$8.87; and during 2024 and subsequent years, \$9.87.

4. That, commencing January 1, 2020, a training wage of not less than 90 percent of the minimum wage rate may be paid to an employee enrolled in a qualified training program. The training wage may be paid during the first 120 hours after hiring the employee for employment in an occupation in which the employee has no previous similar or related experience. The employer may not utilize employees paid the training wage in a way that contributes to any displacement of current employees or existing apprenticeship programs. The employer is required to make a good faith effort to continue to employ the employee after the training wage expires and may not hire an employee at the training wage without a reasonable expectation of subsequent regular employment.

Minimum wage increases provided by the Constitution based on CPI-W increases will continue to be applied in all cases in any year in which the increases set by the bill are less than the CPI-W increase, including all years after 2024.

The bill defines “small employer” as an employer of less than six employees, and “seasonal employment” as employment by an employer that is a seasonal employer or non-profit or government entity of an individual who is not employed by that employer outside of the period of that year commencing on May 1 and ending September 30, or employment by a governmental entity in a recreational program or service during the period commencing on May 1 and ending September 30, except that “seasonal employment” does not include employment of farm laborers. “Seasonal employer” is defined as an employer who exclusively provides its services in a continuous period of not more than ten weeks during the months of June, July, August, September, or an employer for which, during the

immediately previous calendar year, not less than two thirds of the employer's gross receipts were received in a continuous period of not more than sixteen weeks or for which not less than 75 percent of the wages paid by the employer during the immediately preceding year were paid for work performed during a single calendar quarter.

The bill creates a "Task Force on Wages and State Benefits" to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce annual reports, including any recommendations for adjustments in eligibility standards for the benefits, changes in benefit subsidy rates, and other relevant reforms, to ensure that the combination of minimum wage increases and State services and benefits are coordinated so as to further advance the goal of raising the living standards of working families.

The bill also directs the Commissioner of Labor and Workforce Development to issue reports in 2024 evaluating: the impact on employers and employees of the credits provided to employers for tips pursuant to the bill; and the tax credits for employers who employ individuals with impairments pursuant to the bill, including recommendations regarding the continuation of the credits.

The bill establishes a program to be administered by the commissioner to provide tax credits to employers who employ employees with impairments in order to offset the cost to the employer of any increases in the wages and payroll taxes of those employees caused by the enactment of the bill. Under the program, an employer is eligible for a refundable tax credit against the corporation business tax or the gross income tax for the cost to the employer of those increases.

FISCAL IMPACT:

The Office of Legislative Services (OLS) is unable to determine the direction and magnitude of the bill's net fiscal impact owing to uncertainty regarding the precise increase in a given year's inflation-adjusted State minimum wage and the high degree of uncertainty surrounding the responses of economic actors to the higher State minimum wage.

The findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill's staggered State minimum wage enhancements. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce.

In light of the high degree of uncertainty, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 15
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: FEBRUARY 27, 2019

SUMMARY

Synopsis: Raises, over time, hourly minimum wage to \$15.00.

Types of Impact: Uncertain annual impacts on State and local government revenues and expenditures.

Agencies Affected: State government.
Local units of government.

Office of Legislative Services Estimate

<u>Fiscal Impact upon Full Implementation</u>	<u>Annual</u>
Net State Revenue Effect:	Indeterminate
A) Increase from Higher Employee Incomes	Indeterminate
B) Decrease from Reductions in Employer Net Incomes and Labor Demand	Indeterminate
C) Tax Credits for Employers of Individuals with Impairments	Up to \$10,000,000
Net State Cost Effect:	Indeterminate
A) Higher Personnel and Contractor Expenses	Indeterminate
B) Change in Means-Tested Government Assistance Program Expenditures	Indeterminate
Local Cost Increase from Higher Personnel and Contractor Expenditures	Indeterminate
Net Local Revenue Effect	Indeterminate

- The Office of Legislative Services (OLS) is unable to determine the direction and magnitude of the bill's net fiscal impact owing to uncertainty regarding the precise increase in a given year's inflation-adjusted State minimum wage and the high degree of uncertainty surrounding the responses of economic actors to the higher State minimum wage.

- The findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill's staggered State minimum wage enhancements. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce.
- In light of the high degree of uncertainty, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures.

BILL DESCRIPTION

The bill establishes several multiyear schedules for gradually raising the State minimum wage to not less than \$15.00 per hour. Thereafter, the rate will be adjusted for inflation.

Under current law, the State minimum wage equals \$8.85 per hour in 2019 and rises on January 1 of each subsequent year in direct proportion to the increase in the consumer price index for all urban wage earners and clerical workers (CPI-W), as calculated by the federal government. In years in which the federal government increases the federal minimum wage to a rate higher than the State minimum wage that would be in effect absent the federal increase, the State minimum wage will match the federal minimum wage and the annual CPI-W inflation adjustment will be applied to the new State minimum wage annually thereafter.

Under this bill, the general State minimum wage rises as follows:

Date	General State Minimum Wage Increase
July 1, 2019	For a State minimum wage of <u>not less than \$10.00 per hour</u> , an increase from \$8.85 per hour to the largest of: a) \$10.00 per hour, b) \$8.85 per hour multiplied by the rate of increase in the CPI-W index or c) the federal minimum wage.
January 1, 2020	For a State minimum wage of <u>not less than \$11.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2019 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2021	For a State minimum wage of <u>not less than \$12.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2020 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2022	For a State minimum wage of <u>not less than \$13.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2021 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2023	For a State minimum wage of <u>not less than \$14.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2022 minimum wage or c) the difference between the State

	minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2024	For a State minimum wage of <u>not less than \$15.00 per hour</u> , an increase equal to the largest of: a) \$1.00 per hour, b) the increase in the CPI-W index multiplied by the 2023 minimum wage or c) the difference between the State minimum wage determined pursuant to the above method and any higher federal minimum wage subject to any CPI-W inflation adjustment.
January 1, 2025 and each year thereafter	For a State minimum wage of <u>not less than \$15.00 per hour</u> , an increase equal to the larger of: a) the increase in the CPI-W index multiplied by the prior year minimum wage or b) the difference between the State minimum wage determined pursuant to the above method and, if applicable, any higher federal minimum wage.

The bill provides different minimum wage schedules for employees of businesses with fewer than six employees, farm laborers, seasonal employees other than tipped workers, and employees enrolled in qualified training programs. The tables in the Fiscal Analysis detail the different schedules. Tipped workers are subject to the general schedule, but their employers may count tips received, up to amounts specified in the bill, against the hourly minimum wage.

In addition, the bill creates an 11-member Task Force on Wages and State Benefits to evaluate how changes in minimum wage levels may affect the eligibility for a variety of State services and benefits, and how the combination of changes in minimum wage and eligibility standards may impact living standards. The task force is directed to produce annual reports, including any policy recommendations to ensure that minimum wage increases and State services and benefits are coordinated so as to raise the living standards of working families. Members of the task force serve without compensation but may be reimbursed for expenses incurred in performing their duties.

The bill also provides tax credits in the aggregate amount of \$10 million per year through calendar year 2027 for employers of individuals with impairments. An employer is eligible for a corporation business tax or gross income tax credit for the cost of the increases in the wages and payroll taxes of employees with impairments caused by the bill. If an employer knowingly misrepresents an employee as having an impairment, the employer will be fined three times the amount of penalties otherwise provided in law.

Lastly, the Department of Labor and Workforce Development is to issue several reports: annual reports on the sufficiency of the \$10 million annual tax credit cap for employers of individuals with impairments; biennial reports on the award of the tax credits; a general report in 2024 on the tax credit program, including recommendations regarding its continuation; and a report in 2024 on the effects of the bill on tipped workers and their employers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS is unable to determine the direction and magnitude of the bill’s net fiscal impact owing to uncertainty regarding the precise increase in a given year’s inflation-adjusted State

minimum wage, the number of State and local employees affected by the bill, and the high degree of uncertainty surrounding the reactions of economic actors to the higher State minimum wage.

First, considering that the level of a given year’s State minimum wage depends on the rate of inflation under both the current law and the bill scenarios, inflation assumptions are crucial in determining the bill’s increase in the State minimum wage over current law in any given year. For illustration purposes, the tables below display the difference in the annual minimum wage through 2030 under both scenarios if the annual rate of inflation were 0.0 percent, 2.0 percent (the Federal Reserve Board’s inflation target), and 5.0 percent.

State Minimum Wage per Hour under Current Law and Bill with Different Inflation Assumptions									
General Schedule*									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$10.00	\$1.15	\$8.85	\$10.00	\$1.15	\$8.85	\$10.00	\$1.15
1/1/2020	\$8.85	\$11.00	\$2.15	\$9.03	\$11.00	\$1.97	\$9.29	\$11.00	\$1.71
1/1/2021	\$8.85	\$12.00	\$3.15	\$9.21	\$12.00	\$2.79	\$9.76	\$12.00	\$2.24
1/1/2022	\$8.85	\$13.00	\$4.15	\$9.39	\$13.00	\$3.61	\$10.24	\$13.00	\$2.76
1/1/2023	\$8.85	\$14.00	\$5.15	\$9.58	\$14.00	\$4.42	\$10.76	\$14.00	\$3.24
1/1/2024	\$8.85	\$15.00	\$6.15	\$9.77	\$15.00	\$5.23	\$11.30	\$15.00	\$3.70
1/1/2025	\$8.85	\$15.00	\$6.15	\$9.97	\$15.30	\$5.33	\$11.86	\$15.75	\$3.89
1/1/2026	\$8.85	\$15.00	\$6.15	\$10.17	\$15.61	\$5.44	\$12.45	\$16.54	\$4.08
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.92	\$5.55	\$13.08	\$17.36	\$4.28
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$16.24	\$5.66	\$13.73	\$18.23	\$4.50
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.56	\$5.77	\$14.42	\$19.14	\$4.72
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96
* The general schedule applies to tipped workers; however, employers may count tips received by a tipped worker, up to amounts specified in the bill, against the hourly minimum wage. The minimum hourly wage of tipped workers is currently \$2.13, not including tips.									
Small Business Employees and Seasonal Workers other than Tipped Workers									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$10.30	\$1.45	\$9.03	\$10.30	\$1.27	\$9.29	\$10.30	\$1.01
1/1/2021	\$8.85	\$11.10	\$2.25	\$9.21	\$11.10	\$1.89	\$9.76	\$11.10	\$1.34
1/1/2022	\$8.85	\$11.90	\$3.05	\$9.39	\$11.90	\$2.51	\$10.24	\$11.90	\$1.66
1/1/2023	\$8.85	\$12.70	\$3.85	\$9.58	\$12.70	\$3.12	\$10.76	\$12.70	\$1.94
1/1/2024	\$8.85	\$13.50	\$4.65	\$9.77	\$13.50	\$3.73	\$11.30	\$13.50	\$2.20
1/1/2025	\$8.85	\$14.30	\$5.45	\$9.97	\$14.30	\$4.33	\$11.86	\$14.30	\$2.44
1/1/2026	\$8.85	\$15.00	\$6.15	\$10.17	\$15.00	\$5.13	\$12.45	\$15.00	\$2.55
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.62	\$5.25	\$13.08	\$16.60	\$3.52
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$16.24	\$5.66	\$13.73	\$18.23	\$4.50
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.56	\$5.77	\$14.42	\$19.14	\$4.72
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96

Farm Laborers									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$10.30	\$1.45	\$9.03	\$10.30	\$1.27	\$9.29	\$10.30	\$1.01
1/1/2021	\$8.85	\$10.30	\$1.45	\$9.21	\$10.30	\$1.09	\$9.76	\$10.30	\$0.54
1/1/2022	\$8.85	\$10.90	\$2.05	\$9.39	\$10.90	\$1.51	\$10.24	\$10.90	\$0.66
1/1/2023	\$8.85	\$11.70	\$2.85	\$9.58	\$11.70	\$2.12	\$10.76	\$11.70	\$0.94
1/1/2024	\$8.85	\$12.50	\$3.65	\$9.77	\$12.50	\$2.73	\$11.30	\$12.50	\$1.20
1/1/2025	\$8.85	\$13.40	\$4.55	\$9.97	\$13.40	\$3.43	\$11.86	\$13.40	\$1.54
1/1/2026	\$8.85	\$14.20	\$5.35	\$10.17	\$14.20	\$4.03	\$12.45	\$14.20	\$1.75
1/1/2027	\$8.85	\$15.00	\$6.15	\$10.37	\$15.00	\$4.63	\$13.08	\$15.00	\$1.92
1/1/2028	\$8.85	\$15.00	\$6.15	\$10.58	\$15.63	\$5.05	\$13.73	\$16.66	\$2.93
1/1/2029	\$8.85	\$15.00	\$6.15	\$10.79	\$16.25	\$5.46	\$14.42	\$18.35	\$3.93
1/1/2030	\$8.85	\$15.00	\$6.15	\$11.01	\$16.89	\$5.88	\$15.14	\$20.10	\$4.96
Workers in Qualified Training Programs									
	0.0% Annual Inflation			2.0% Annual Inflation			5.0% Annual Inflation		
Date	Current	Bill	Difference	Current	Bill	Difference	Current	Bill	Difference
7/1/2019	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00	\$8.85	\$8.85	\$0.00
1/1/2020	\$8.85	\$9.90	\$1.05	\$9.03	\$9.90	\$0.87	\$9.29	\$9.90	\$0.61
1/1/2021	\$8.85	\$10.80	\$1.95	\$9.21	\$10.80	\$1.59	\$9.76	\$10.80	\$1.04
1/1/2022	\$8.85	\$11.70	\$2.85	\$9.39	\$11.70	\$2.31	\$10.24	\$11.70	\$1.46
1/1/2023	\$8.85	\$12.60	\$3.75	\$9.58	\$12.60	\$3.02	\$10.76	\$12.60	\$1.84
1/1/2024	\$8.85	\$13.50	\$4.65	\$9.77	\$13.50	\$3.73	\$11.30	\$13.50	\$2.20
1/1/2025	\$8.85	\$13.50	\$4.65	\$9.97	\$13.77	\$3.80	\$11.86	\$14.18	\$2.32
1/1/2026	\$8.85	\$13.50	\$4.65	\$10.17	\$14.05	\$3.88	\$12.45	\$14.89	\$2.44
1/1/2027	\$8.85	\$13.50	\$4.65	\$10.37	\$14.33	\$3.96	\$13.08	\$15.62	\$2.54
1/1/2028	\$8.85	\$13.50	\$4.65	\$10.58	\$14.62	\$4.04	\$13.73	\$16.41	\$2.68
1/1/2029	\$8.85	\$13.50	\$4.65	\$10.79	\$14.90	\$4.11	\$14.42	\$17.23	\$2.81
1/1/2030	\$8.85	\$13.50	\$4.65	\$11.01	\$15.20	\$4.19	\$15.14	\$18.09	\$2.95

The OLS notes, however, that the minimum wages under both the bill and the current law scenarios would rise substantially if the nation re-entered a period of high inflation. Since 1992 the national inflation rate has remained below 4.0 percent in each year. But in the last 50 years four years recorded inflation rates in excess of 10.0 percent (1974, 1979, 1980, and 1981). While those years were outliers, exceptional inflation-spiking events can recur in any given year. If they do, they will significantly increase the minimum wage under both the bill and the current law scenarios, in the process throwing off any prior quantified OLS analysis of the fiscal effects of the bill's State minimum wage increase.

Second, the findings of a considerable body of research on the economic effects of prior minimum wage increases across the country may be of limited guidance in analyzing the bill's staggered State minimum wage enhancements to at least \$15.00 per hour as of January 1, 2024. This is so because prior increases tended to be relatively modest in both scale and the scope of affected employees. This bill, however, raises the State minimum wage by a significantly larger amount, thereby affecting an important segment of the State workforce. (The New Jersey Policy Perspective estimated in January 2019 that a \$15 per hour State minimum wage would directly

raise the pay of nearly one million employees, or about a quarter of New Jersey's workforce.) It is the lack of a studied long-term precedent for a significant increase in the minimum wage that deprives the OLS of an empirical basis for a quantified fiscal analysis of this bill.

Given these substantial uncertainties, the OLS fiscal estimate only identifies the often countervailing effects the bill is likely to have on State and local government revenue collections and expenditures. In addition, the OLS limits its analysis to the full implementation of the higher minimum wage in 2024 and does not separately address each year's increase leading up to 2024.

State Revenues: The OLS cannot determine the net impact of a higher State minimum wage on State revenue collections but expects that the net outcome will vary depending on a given year's inflation-adjusted minimum wage level.

The OLS anticipates a State revenue gain from employees whose wages benefit from the minimum wage increase. These employees will have larger taxable incomes under the gross income tax and will pay more in payroll taxes, e.g. unemployment insurance; will qualify for a lower Earned Income Tax Credit (EITC) or cease being eligible altogether; and will increase other State revenues, such as the sales and use tax through added consumer spending.

Counteracting such gains, State revenue collections will decrease if the higher minimum wage causes employers to: (1) reduce their consumption of labor by eliminating positions or cutting hours, thereby lowering affected employees' incomes, gross income, and payroll tax liabilities, and purchases of taxable goods and services, and potentially increasing their EITC claims; (2) absorb a decrease in employers' net income, thereby lowering their gross income tax and corporation business tax liabilities and their potential to invest in their businesses; and (3) increase the prices of goods and services, thereby increasing sales and use tax collections on higher-priced taxable goods and services but also reducing demand for taxable goods and services and, in turn, sales and use tax collections.

The magnitude of each individual impact and the extent to which the different impacts may offset one another, however, remain highly uncertain considering the lack of a studied long-term precedent for a minimum wage increase of the size provided by the bill.

The OLS notes that in addition to the general effects of higher minimum wage rates on State revenue, the bill will result in an annual State revenue loss of up to \$10 million through 2027 attributable to the establishment of tax credits to employers of individuals with impairments. The amount represents the cap on annual tax credit awards that is specified in the legislation.

Gross Income Tax (GIT): Tax data on the number of taxpayers who may be impacted by this bill, their income levels, and their State tax liabilities, are not available. The GIT revenues would increase to the extent that: (a) certain taxpayers who report income above the current minimum statutory filing thresholds would have annual income increased; or (b) certain other taxpayers who report income below the statutory minimum filing thresholds would have their income boosted above the thresholds. Most taxpayers become liable for New Jersey GIT when their gross income exceeds \$20,000, but for a single filer or a married spouse filing a separate return, the threshold is \$10,000. A taxpayer with income below the applicable minimum filing threshold does not owe tax.

For a taxpayer in the first group (a), the marginal tax rate of 1.75 percent may be applied to much of the additional taxable income under this bill, or \$17.50 per each \$1,000 of additional taxable income. However, if a taxpayer is married filing a joint return and has a spouse who also reports taxable income, higher marginal tax rates may apply. Two examples illustrate this point.

- A taxpayer who is paid an hourly wage of \$8.85 and works 35 hours each week during the year would have an annual gross income of approximately \$16,100. Assuming this

taxpayer is a single filer who can only claim the personal exemption of \$1,000, the taxpayer's GIT liability would approximate \$211 based on taxable income of \$15,100. If that taxpayer's hourly wage is increased to \$15.00, the taxpayer's annual gross income would grow to \$27,300, resulting in a \$390 tax liability, a \$179 difference. For every 10,000 taxpayers who meet these criteria, the State would realize a recurring GIT revenue increase of \$1,790,000.

- A taxpayer who files a joint return based on two providers receiving an hourly wage of \$8.85 and working 35 hours each week during the year would have an annual gross income of approximately \$32,200. Assuming this taxpayer claims two personal exemptions of \$1,000 each, a \$1,500 deduction for a dependent child, and a property tax deduction of \$4,000, the taxpayer's GIT liability would approximate \$362 based on taxable income of \$24,700. If the hourly wage is increased to \$15.00, the taxpayer's annual gross income would increase to roughly \$54,600, resulting in a \$754 tax liability, a \$392 difference. For every 10,000 taxpayers who meet these criteria, the State would realize a recurring gross income tax revenue increase of \$3,920,000.

For a taxpayer in the second group (b), the marginal tax rate of 1.75 percent would be applied to all the additional taxable income above the statutory \$20,000 income level, or \$17.50 per each \$1,000 of such additional taxable income. Also, this taxpayer would pay 1.4 percent tax on all income below the \$20,000 level, or \$280. Two additional examples help illustrate this point.

- A single taxpayer without children working 52 weeks per year part-time at 20 hours per week at the current minimum wage of \$8.85 per hour, earns \$9,204 per year, below the \$10,000 minimum filing threshold. This taxpayer would owe \$0 in GIT. However, at a minimum wage of \$15.00 per hour, that taxpayer's income would rise to \$15,600 per year, above the \$10,000 minimum filing threshold, with a tax liability of \$204. The tax increase from the higher minimum wage would equal \$204 per year.
- Married taxpayers with three dependent children and only one working adult, who works 52 weeks per year at 35 hours per week at the current minimum wage of \$8.85 per hour, earn \$16,107 per year, below the \$20,000 minimum filing threshold. These taxpayers would owe \$0 in GIT. At a minimum wage of \$15.00 per hour, these taxpayers' income would rise to \$27,300 per year, with a tax of \$294. The tax increase from the higher minimum wage would equal \$294 per year.

According to a report from the New Jersey Policy Perspective, potentially 975,000 New Jersey employees may see increased wages under a hypothetical \$15 minimum wage, of which 61 percent are reportedly full-time workers and about half are unmarried. However, the OLS does not have data identifying the State tax status or State tax liability of these employees. It is unknown how many file joint returns, single or separate returns, or how many currently do or do not pay State GIT. For purposes of illustration, for each 100,000 employees who see an annual wage increase of \$10,000, assuming a marginal tax rate of 1.75 percent, the additional State GIT revenue gain would equal \$17.5 million.

The OLS further observes that the higher minimum wage may result in some job losses to the extent that some employees are priced out of the market. For purposes of illustration, in the example above for a single full-time employee earning \$16,100 per year at the current minimum wage, the GIT is \$211. For every 1,000 such employees who lose a job due to the increased minimum wage, the State would see a \$211,000 GIT revenue reduction. A married joint filer with two full-time incomes, who loses one current minimum wage income of \$16,100, taxed at the 1.75 percent marginal rate, would see a \$282 GIT reduction. The loss of 1,000 such

employees would yield a \$282,000 GIT revenue reduction. Any part-time employees who currently fall below the minimum filing threshold and owe no State tax, would have no impact on the GIT if the job were lost. Lastly, some taxpayers may also see reduced hours of employment due to the higher minimum wage, resulting in some additional State revenue losses. The number of such potential lost jobs and the total possible State tax revenue loss are unknown.

Earned Income Tax Credit (EITC): When fully implemented, the bill may significantly reduce the cost of the State EITC program, which provides \$480 million in estimated benefits to over 500,000 claimants in FY 2019. The EITC is a refundable tax credit for working people with low to moderate incomes that is administered through the GIT. Accordingly, any reduction in EITC benefits will increase GIT collections; however, the OLS is unable to estimate the potential annual fiscal impact of the legislation on the EITC program. To provide context in regard to the varying ranges of magnitude a minimum wage increase may have on a taxpayer's EITC, examples are provided below. For purposes of illustration, these examples assume increased wages while holding all other factors, such as hours and weeks worked, equal, and they do not account for any additional deduction or credit to which the taxpayer might be entitled.

- Under the current State EITC program, a single taxpayer with two dependent children working 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour, earning \$18,408 per year, would receive an EITC of \$2,229 in 2019. Upon full implementation of the increased minimum wage to \$15.00 per hour in 2024, this same taxpayer, earning \$31,200 per year, could expect to receive an EITC of approximately \$1,232, nearly half of the current benefit amount.
- Married taxpayers with three dependent children and only one working adult, who works 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour, earning \$18,408 per year, would receive an EITC of \$2,508 in 2019. At a minimum wage of \$15.00 per hour in 2024, these taxpayers, earning \$31,200, could expect to receive an EITC of \$1,997, roughly 20 percent less than the current benefit amount.
- Married taxpayers with three dependent children, each adult working 52 weeks per year and 40 hours per week at the current minimum wage of \$8.85 per hour, earn a combined income of \$36,816 per year, resulting in the receipt of an EITC of \$1,485 in 2019. Following the full implementation of a \$15.00 per hour minimum wage in 2024, these taxpayers, earning a combined income of \$62,400, would no longer be eligible for an EITC because the taxpayers' combined income would likely exceed the program's future income eligibility limit, which is \$54,884 in 2019.

All things being equal, and absent any changes in employment status or hours worked, the greatest reduction in EITC benefits would be to taxpayers who are single and have dependent children. In contrast, a married taxpayer with only one minimum wage earner, who works 52 weeks per year at 40 hours per week at the current minimum wage of \$8.85 per hour and continues to make minimum wage throughout the implementation of the legislation, would receive the least reduced EITC. Lastly, any increase in the minimum wage which causes a taxpayer's total income to surpass the program's income eligibility, which is currently \$54,884, would result in that taxpayer no longer receiving an EITC. Thus, when fully implemented, this legislation may significantly lower the cost of the State EITC program which will be reflected in increased GIT revenues.

State Expenditures: The bill potentially affects annually recurring State government expenditures in four areas: A) means-tested government assistance programs; B) purchases of

contracted goods and services; C) employee compensation, including the cost of employee benefits; and D) Department of Labor and Workforce Development administrative expenditures associated with the establishment of the Task Force on Wages and State Benefits and the production of the several required reports. The magnitude of each individual potential impact and the extent to which the different impacts may offset one another, however, remain highly uncertain considering the lack of precedent for a minimum wage increase of the size advanced by the bill. It is also conceivable that these effects may differ from the short-term to the long-term, as employers may delay or accelerate the implementation of operational changes in reaction to the annual State minimum wage increases.

A) Means-Tested Government Assistance Programs: Depending on employer responses to the higher State minimum wage, the outlay of State government for means-tested assistance programs, such as NJ FamilyCare and Work First New Jersey, could fall or rise. Individuals whose income rises as a result of the higher minimum wage will, depending on the eligibility criteria of a specific program, either cease being eligible for benefits or qualify for reduced benefits. Offsetting the State cost savings from the reduced reliance on means-tested assistance programs by individuals with higher incomes, the State may see an increase in program participation from individuals who cannot secure employment because of any reduction in the supply of jobs and work hours attributable to the minimum wage increase. The OLS, however, has no information on which it could base an estimate of the countervailing cost effects on means-tested assistance programs, and to what extent the two effects may offset one another.

B) Purchases of Contracted Goods and Services: The bill will likely increase State government spending on purchases of contracted goods and services, as the cost of some goods and services can be expected to rise. But the OLS cannot determine the scale of any spending increase, given that the OLS has no information on the extent to which: a) contractors will increase their prices in reaction to the higher minimum wage; b) the State will alter the quantities and types of goods and services it will procure; and c) the State will substitute goods and services currently sourced from in-state vendors with less expensive goods and services procured from out-of-state vendors that are not subject to New Jersey's minimum wage.

The Departments of Children and Families, Health, and Human Services, for example, expend significant amounts on services provided to their clients by community providers. The workforce providing these services frequently earns less than \$15 per hour. In its FY 2016-2017 discussion points, the OLS asked all three departments about the impact of a \$15 minimum wage on service procurement costs. All three departments could not specify the fiscal impact of the higher minimum wage on their third-party contractors, and, by extension, on the departments' operating expenses. The departments, however, stated identically that: "It is likely, however, that this level of minimum wage would result in significant increases." In addition, the Department of Children and Families reported that it had more than 800 separate contracts and the Department of Health that it had more than 500 separate contracts.

C) Employee Compensation: The OLS estimates that the bill will increase State government expenditures for employee salaries, wages, and benefits. The OLS is unable to quantify the impact because of an absence of information on the number of State employees whose hourly wage rate falls below \$15.00.

In addition, in its FY 2016-2017 discussion points, the OLS asked the New Jersey public institutions of higher education about the estimated impact on their operations of a \$15 per hour minimum wage. Most public colleges and universities shared concrete numbers with the OLS. Although only a relatively small number of seasonal, part-time, and full-time employees made under \$15 per hour at some public colleges and universities, four colleges and universities reported that over 1,000 student-employees would be affected by a \$15 per hour minimum wage (William Paterson University, 1,200 affected student-employees; New Jersey Institute of

Technology, 1,239; Rowan University, 1,611; and The College of New Jersey, 1,850). The annual cost impact of the minimum wage ranged from an estimated \$25,000 at Thomas Edison State University to \$4.3 million at William Paterson University. While some respondents would attempt not to decrease student work-hours in response to a \$15.00 per hour minimum wage, others stated that they would likely do so.

D) Department of Labor and Workforce Development Expenditures: The bill may increase the annual operating expenses of the Department of Labor and Workforce Development as the new Task Force on Wages and State Benefits will be housed in but not of the department and as the department will have to prepare and issue several reports required by the bill. The extent to which the increased responsibilities will add to the department's annual expenditures will depend on the operational decisions the department will make in response thereto. The OLS, however, is reluctant to predict the department's operational responses to the bill.

Local Expenditures: The bill will increase annual local government expenditures in two areas: A) purchases of contracted goods and services; and B) employee compensation, including the cost of employee benefits. The magnitude of each potential increase, however, remains highly uncertain considering the lack of a studied, long-term precedent for a minimum wage increase of the size advanced by the bill. It is also conceivable that these effects may differ from the short-term to the long-term, as employers may accelerate or decelerate the implementation of operational changes in reaction to the annual minimum wage increases.

A) Purchases of Contracted Goods and Services: The bill will likely increase annual school district, county, and municipal government spending on purchases of contracted goods and services, as the cost of some contracted goods and services can be expected to rise. But the OLS cannot determine the scale of any spending increase, given that the OLS has no information on the extent to which: a) contractors will increase their prices in response to the higher minimum wage; b) local government units will alter the quantities and types of goods and services they will purchase; and c) local government units will substitute goods and services currently sourced from in-state vendors with less expensive goods and services procured from out-of-state vendors that are not subject to New Jersey's minimum wage.

B) Employee Compensation: The OLS estimates that the bill will result in an indeterminate increase in annual expenditures by local governmental units for employee salaries, wages, and benefits. The OLS cannot quantify the impact because it does not have access to data on municipal, county, and school district employees who currently make less than \$15.00 per hour.

However, the OLS estimates based on data from the Bureau of Labor Statistics in the United States Department of Labor that augmenting the minimum wage to \$15.00 per hour would increase school districts' annual wage and FICA tax costs by \$164.4 million. School districts may respond to the added cost by cutting their use of labor, reducing non-labor expenses or increasing property taxes or other revenues.

Local Revenues: The bill may potentially alter local government revenues if it were to change a community's income and wealth. The OLS has no indication as to the direction or magnitude of any change in property tax collections or other local government revenues attributable to the higher minimum wage. Residents whose incomes rise as a result of the enhanced minimum wage would drive any increase in local government revenues. Residents whose incomes decline because of the higher minimum wage, either through lower net income if they are business owners or through job losses or reductions in work hours if they are employees, and residents whose purchasing power might decrease as a result of any increase in the prices of goods and services attributable to the higher minimum wage would account for any decrease in local government revenues.

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).



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Newark, N.J.

Governor Murphy Signs Landmark Legislation Raising Minimum Wage to \$15 Per Hour

02/4/2019

New Law Will Boost Wages for Over One Million New Jersey Workers

ELIZABETH – Governor Phil Murphy today signed legislation that will raise New Jersey’s minimum wage to \$15 per hour by 2024. The bill (A-15), sponsored by Senate President Steve Sweeney and Assembly Speaker Craig Coughlin, will grow the economy and raise wages for over one million New Jersey workers, giving them a foothold in the middle class.

“For far too long, too many of our fellow New Jerseyans have been struggling to survive on wages that have not kept up with the cost of living,” **said Governor Murphy**. “I am incredibly proud to sign legislation that raises the minimum wage to \$15 per hour, ensuring that the most vulnerable among us will have the means to put food on the table, while growing our economy and addressing priorities of the small business community. I thank Senate President Sweeney, Speaker Coughlin, and thousands of advocates and community leaders throughout our state for their unwavering commitment to making this goal a reality.”

“In New Jersey there is no way a family can survive on \$8.85 an hour. Fair wages are about paying people enough to afford the rising costs of health care, education and the basic necessities in life,” **said Lieutenant Governor Sheila Y. Oliver**, who also serves as Commissioner of the Department of Community Affairs. “New Jersey has made a historic decision today that will help raise over a million working families out of poverty while boosting the economy. I proudly stand by Governor Murphy as he signs a \$15 minimum wage into law.”

“Our goal of reaching a \$15 minimum wage will now become a reality. A minimum wage should be a living wage,” **said Senate President Sweeney**. “This is a progressive plan that will provide greater economic fairness for minimum wage workers, helping to improve their standard of living and their quality of life. We can now achieve greater economic fairness by closing the wealth gap that has separated segments of society.”

“I am proud to join Governor Murphy and Senate President Sweeney during this remarkable day to celebrate our minimum wage bill becoming law,” **said Speaker Coughlin**. “Too many workers aren’t earning enough to make ends meet. But, that all changes today. Today marks a new day for New Jersey residents and future generations, as we gradually raise the minimum wage and help alleviate poverty across our great state.”

The current minimum wage in New Jersey is \$8.85 per hour. Under the new law, the base minimum wage for New Jersey workers will increase to \$10 per hour on July 1, 2019. By January 1, 2020, the statewide minimum wage will increase to \$11 per hour, and then will increase by \$1 per hour every January 1st until it reaches \$15 per hour on January 1, 2024.

For seasonal workers and employees at small businesses with five or fewer workers, the base minimum wage will reach \$15 per hour by January 1, 2026. By January 1, 2028, workers in these groups will receive the minimum wage inclusive of inflation adjustments that take place from 2024 to 2028, equalizing the minimum wage with the main

cohort of New Jersey workers.

For agricultural workers, the base minimum wage will increase to \$12.50 per hour by January 1, 2024. No later than March 31, 2024, the New Jersey Labor Commissioner and Secretary of Agriculture will jointly decide whether to recommend that the minimum wage for agricultural workers increase to \$15 per hour by January 1, 2027, as specified in the bill. If they cannot come to an agreement, a third member, appointed by the Governor with the advice and consent of the Senate, will break the tie. If there is a recommendation to disapprove of the scheduled increases or suggest an alternative pathway, the Legislature will have the ability to implement that recommendation by passage of a concurrent resolution.

Elected officials, advocates, and business leaders proclaimed support for New Jersey's new minimum wage law.

"If you work hard and have a full time job, you should be able to afford a roof over your head and food on your table, but sadly, too many across our state and our country can't get by no matter how hard or how long they work," **said Senator Bob Menendez**. "I'd like to applaud Gov. Murphy, Senate President Sweeney and Speaker Coughlin for working together on behalf of the people of New Jersey. When I think of the workers this legislation will benefit, I think of the kind of people I grew up with—men and women who put in long hours in some of the toughest jobs in our society, but still can't seem to get ahead. As Democrats, we will never give up in our fight to create an economy that works for everyone."

"Here in New Jersey, we are setting an example for the rest of the nation by raising the minimum wage and lifting many fellow New Jerseyans out of poverty," **said Senator Cory Booker**, co-sponsor of the federal Raise the Wage Act (S.150). "It is time that we build on New Jersey's successful effort and pass a \$15 minimum wage on the federal level and provide all workers with a living wage."

"No one working full-time in New Jersey should ever have to live in poverty and committing to a \$15 minimum wage is an important step in that direction," **said Rep. Frank Pallone**. "I want to thank Governor Murphy and the legislature for passing a law that will make a real difference in the lives of workers throughout our state. Now, Congress must work to follow Governor Murphy and New Jersey's lead to increase the minimum wage for millions more families throughout our country."

"No one working a full-time job should ever live in poverty. Putting the minimum wage on a path to \$15 will give all New Jerseyans a path to the dignity and security that comes with a living wage," **said Rep. Bill Pascrell**, a cosponsor of H.R. 582, the federal Raise the Wage Act. "I thank Governor Murphy and our state's legislative leaders for their tireless work on this crucial issue. An increased minimum wage will strengthen New Jersey's working class and our state as a whole. Today is a historic day for New Jersey and I will fight to raise the federal minimum wage to bring New Jersey values and policies to the rest of the nation."

"I am incredibly proud that New Jersey is taking action to help over a million workers and boost the state's economy by raising the minimum wage," **said Rep. Donald Norcross**. "Last year, Governor Murphy, Senate President Sweeney and Speaker Coughlin joined me for their first public appearance together calling for \$15 an hour minimum wage. Today, that promise becomes a reality and full-time working New Jerseyans will be lifted out of poverty. I've worked for minimum wage and I spent my career fighting for good pay for workers. I know this is the moral issue of our time. Now, my colleagues in Washington need to wake up, follow my home state's lead and get to work to raise wages."

"In an age of increasing income inequality, it is unconscionable for people to work a full-time job and not have enough income to keep their lights on," **said Rep. Donald M. Payne, Jr.** "At the federal level, I am an original co-sponsor of a bill that would gradually raise the minimum wage to \$15 an hour. But it's been nearly twelve years since Congress raised the federal minimum wage. I am proud that New Jersey is once again leading the way and not waiting on the federal government. Raising the wage will help New Jersey's working families prosper."

"There can be no understating what this means – a stronger, more vibrant New Jersey for all of its residents," **said Rep. Bonnie Watson Coleman**. "Raising the state's minimum wage to \$15 per hour by 2024 won't just help workers, it will lift our entire economy by allowing those individuals to be consumers again. It means workers can afford the goods and services offered by New Jersey businesses. It means more customers at the small businesses on main street. It means more of our communities thrive. The tireless work of the governor and legislature will make New Jersey a model for the nation and the federal government."

"There should be an expectation in this country that anyone who works full time deserves to live above the poverty line," **said Rep. Tom Malinowski**. "I'm proud to represent a state that's leading the way."

"Raising the minimum wage to \$15 an hour will dramatically improve the lives of over a million New Jerseyans and their families. It's a bottom-up investment in our economy that will pay dividends for years to come. After years of

trickle-down policies that rewarded the wealthy and well-connected at the expense of working families New Jersey is beginning to tackle the income inequality that plagues our state and our nation as a whole. Thank you to Governor Murphy for signing this legislation and all those, including legislative leadership, the workers and advocates who worked tirelessly to ensure this bill made it to the Governor’s desk. This is a great day in New Jersey,” **said Phyllis Salowe-Kaye, Executive Director, New Jersey Citizen Action.**

“Last fall, we announced a \$15 minimum wage for all hourly employees in the U.S.,” **said Brian Huseman, Vice President of Public Policy at Amazon.** “Since then, employees have told us they’re having an easier time providing for their families and meeting their financial needs. That’s why we called on other companies and policymakers to join us in this endeavor. We applaud Governor Murphy for his efforts to raise wages for New Jersey’s entire workforce.”

“No family in New Jersey can live on our current minimum wage,” **said Giovana Castaneda, Make the Road NJ youth leader.** “Today, New Jersey takes a historic step forward by signing a law that will raise the minimum wage across the state to \$15, finally giving working families the compensation we deserve. This victory is a sign of the power of the Fight for 15. As a teen worker who fought hard with young people across the state not to be left behind, I am proud that teen workers are included in the minimum wage hike. Our work has value and contributes to our families’ income and allows us to save for college. We are thrilled to welcome Governor Murphy, Senate President Sweeney and Speaker Coughlin to our community center to sign the law, and are grateful for their leadership.”

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