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P.L. 1999, CHAPTER 369, *approved January 14, 2000*
Assembly, No. 3622

1 **AN ACT** excluding certain investment income of certain corporations
2 of foreign nations from taxation under the corporation business tax,
3 amending P.L.1945, c.162.

4

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

7

8 1. Section 4 of P.L.1945, c.162 (C.54:10A-4) is amended to read
9 as follows:

10 4. For the purposes of this act, unless the context requires a
11 different meaning:

12 (a) "Commissioner" shall mean the Director of the Division of
13 Taxation of the State Department of the Treasury.

14 (b) "Allocation factor" shall mean the proportionate part of a
15 taxpayer's net worth or entire net income used to determine a measure
16 of its tax under this act.

17 (c) "Corporation" shall mean any corporation, joint-stock company
18 or association and any business conducted by a trustee or trustees
19 wherein interest or ownership is evidenced by a certificate of interest
20 or ownership or similar written instrument.

21 (d) "Net worth" shall mean the aggregate of the values disclosed
22 by the books of the corporation for (1) issued and outstanding capital
23 stock, (2) paid-in or capital surplus, (3) earned surplus and undivided
24 profits, and (4) surplus reserves which can reasonably be expected to
25 accrue to holders or owners of equitable shares, not including
26 reasonable valuation reserves, such as reserves for depreciation or
27 obsolescence or depletion. Notwithstanding the foregoing, net worth
28 shall not include any deduction for the amount of the excess
29 depreciation described in paragraph (2)(F) of subsection (k) of this
30 section. The foregoing aggregate of values shall be reduced by 50%
31 of the amount disclosed by the books of the corporation for investment
32 in the capital stock of one or more subsidiaries, which investment is
33 defined as ownership (1) of at least 80% of the total combined voting
34 power of all classes of stock of the subsidiary entitled to vote and (2)
35 of at least 80% of the total number of shares of all other classes of
36 stock except nonvoting stock which is limited and preferred as to
37 dividends. In the case of investment in an entity organized under the
38 laws of a foreign country, the foregoing requisite degree of ownership
39 shall effect a like reduction of such investment from the net worth of
40 the taxpayer, if the foreign entity is considered a corporation for any
41 purpose under the United States federal income tax laws, such as (but

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 not by way of sole examples) for the purpose of supplying deemed
2 paid foreign tax credits or for the purpose of status as a controlled
3 foreign corporation. In calculating the net worth of a taxpayer entitled
4 to reduction for investment in subsidiaries, the amount of liabilities of
5 the taxpayer shall be reduced by such proportion of the liabilities as
6 corresponds to the ratio which the excluded portion of the subsidiary
7 values bears to the total assets of the taxpayer.

8 In the case of banking corporations which have international
9 banking facilities as defined in subsection (n), the foregoing aggregate
10 of values shall also be reduced by retained earnings of the international
11 banking facility. Retained earnings means the earnings accumulated
12 over the life of such facility and shall not include the distributive share
13 of dividends paid and federal income taxes paid or payable during the
14 tax year.

15 If in the opinion of the commissioner, the corporation's books do
16 not disclose fair valuations the commissioner may make a reasonable
17 determination of the net worth which, in his opinion, would reflect the
18 fair value of the assets, exclusive of subsidiary investments as defined
19 aforesaid, carried on the books of the corporation, in accordance with
20 sound accounting principles, and such determination shall be used as
21 net worth for the purpose of this act.

22 (e) (Deleted by amendment, P.L.1998 , c.114.)

23 (f) "Investment company" shall mean any corporation whose
24 business during the period covered by its report consisted, to the
25 extent of at least 90% thereof of holding, investing and reinvesting in
26 stocks, bonds, notes, mortgages, debentures, patents, patent rights and
27 other securities for its own account, but this shall not include any
28 corporation which: (1) is a merchant or a dealer of stocks, bonds and
29 other securities, regularly engaged in buying the same and selling the
30 same to customers; or (2) had less than 90% of its average gross
31 assets in New Jersey, at cost, invested in stocks, bonds, debentures,
32 mortgages, notes, patents, patent rights or other securities or
33 consisting of cash on deposit during the period covered by its report;
34 or (3) is a banking corporation or a financial business corporation as
35 defined in the Corporation Business Tax Act.

36 (g) "Regulated investment company" shall mean any corporation
37 which for a period covered by its report, is registered and regulated
38 under the Investment Company Act of 1940 (54 Stat. 789), as
39 amended.

40 (h) "Taxpayer" shall mean any corporation required to report or to
41 pay taxes, interest or penalties under this act.

42 (i) "Fiscal year" shall mean an accounting period ending on any day
43 other than the last day of December on the basis of which the taxpayer
44 is required to report for federal income tax purposes.

45 (j) Except as herein provided, "privilege period" shall mean the
46 calendar or fiscal accounting period for which a tax is payable under

1 this act.

2 (k) "Entire net income" shall mean total net income from all
3 sources, whether within or without the United States, and shall include
4 the gain derived from the employment of capital or labor, or from both
5 combined, as well as profit gained through a sale or conversion of
6 capital assets. For the purpose of this act, the amount of a taxpayer's
7 entire net income shall be deemed prima facie to be equal in amount to
8 the taxable income, before net operating loss deduction and special
9 deductions, which the taxpayer is required to report to the United
10 States Treasury Department for the purpose of computing its federal
11 income tax; provided, however, that in the determination of such entire
12 net income,

13 (1) Entire net income shall exclude for the periods set forth in
14 paragraph (2)(F)(i) of this subsection, any amount, except with respect
15 to qualified mass commuting vehicles as described in section
16 168(f)(8)(D)(v) of the Internal Revenue Code as in effect immediately
17 prior to January 1, 1984, which is included in a taxpayer's federal
18 taxable income solely as a result of an election made pursuant to the
19 provisions of paragraph (8) of that section.

20 (2) Entire net income shall be determined without the exclusion,
21 deduction or credit of:

22 (A) The amount of any specific exemption or credit allowed in any
23 law of the United States imposing any tax on or measured by the
24 income of corporations;

25 (B) Any part of any income from dividends or interest on any kind
26 of stock, securities or indebtedness, except as provided in paragraph
27 (5) of subsection (k) of this section;

28 (C) Taxes paid or accrued to the United States, a possession or
29 territory of the United States, a state, a political subdivision thereof,
30 or the District of Columbia on or measured by profits or income, or
31 business presence or business activity, or the tax imposed by this act,
32 or any tax paid or accrued with respect to subsidiary dividends
33 excluded from entire net income as provided in paragraph (5) of
34 subsection (k) of this section;

35 (D) (Deleted by amendment, P.L.1985, c.143.)

36 (E) (Deleted by amendment, P.L.1995, c.418.)

37 (F) (i) The amount by which depreciation reported to the United
38 States Treasury Department for property placed in service on and after
39 January 1, 1981, but prior to taxpayer fiscal or calendar accounting
40 years beginning on and after the effective date of P.L.1993, c.172, for
41 purposes of computing federal taxable income in accordance with
42 section 168 of the Internal Revenue Code in effect after December 31,
43 1980, exceeds the amount of depreciation determined in accordance
44 with the Internal Revenue Code provisions in effect prior to January
45 1, 1981, but only with respect to a taxpayer's accounting period ending
46 after December 31, 1981; provided, however, that where a taxpayer's

1 accounting period begins in 1981 and ends in 1982, no modification
2 shall be required with respect to this paragraph (F) for the report filed
3 for such period with respect to property placed in service during that
4 part of the accounting period which occurs in 1981. The provisions
5 of this subparagraph shall not apply to assets placed in service prior to
6 January 1, 1998 of a gas, gas and electric, and electric public utility
7 that was subject to the provisions of P.L.1940, c.5 (C.54:30A-49 et
8 seq.) prior to 1998.

9 (ii) For the periods set forth in subparagraph (F)(i) of this
10 subsection, any amount, except with respect to qualified mass
11 commuting vehicles as described in section 168(f)(8)(D)(v) of the
12 Internal Revenue Code as in effect immediately prior to January 1,
13 1984, which the taxpayer claimed as a deduction in computing federal
14 income tax pursuant to a qualified lease agreement under paragraph
15 (8) of that section.

16 The director shall promulgate rules and regulations necessary to
17 carry out the provisions of this section, which rules shall provide,
18 among others, the manner in which the remaining life of property shall
19 be reported.

20 (G) (i) The amount of any civil, civil administrative, or criminal
21 penalty or fine, including a penalty or fine under an administrative
22 consent order, assessed and collected for a violation of a State or
23 federal environmental law, an administrative consent order, or an
24 environmental ordinance or resolution of a local governmental entity,
25 and any interest earned on the penalty or fine, and any economic
26 benefits having accrued to the violator as a result of a violation, which
27 benefits are assessed and recovered in a civil, civil administrative, or
28 criminal action, or pursuant to an administrative consent order. The
29 provisions of this paragraph shall not apply to a penalty or fine
30 assessed or collected for a violation of a State or federal
31 environmental law, or local environmental ordinance or resolution, if
32 the penalty or fine was for a violation that resulted from fire, riot,
33 sabotage, flood, storm event, natural cause, or other act of God
34 beyond the reasonable control of the violator, or caused by an act or
35 omission of a person who was outside the reasonable control of the
36 violator.

37 (ii) The amount of treble damages paid to the Department of
38 Environmental Protection pursuant to subsection a. of section 7 of
39 P.L.1976, c.141 (C.58:10-23.11f), for costs incurred by the
40 department in removing, or arranging for the removal of, an
41 unauthorized discharge upon failure of the discharger to comply with
42 a directive from the department to remove, or arrange for the removal
43 of, the discharge.

44 (H) The amount of any sales and use tax paid by a utility vendor
45 pursuant to section 71 of P.L.1997, c.162.

46 (3) The commissioner may, whenever necessary to properly reflect

1 the entire net income of any taxpayer, determine the year or period in
2 which any item of income or deduction shall be included, without
3 being limited to the method of accounting employed by the taxpayer.

4 (4) There shall be allowed as a deduction from entire net income
5 of a banking corporation, to the extent not deductible in determining
6 federal taxable income, the eligible net income of an international
7 banking facility determined as follows:

8 (A) The eligible net income of an international banking facility shall
9 be the amount remaining after subtracting from the eligible gross
10 income the applicable expenses;

11 (B) Eligible gross income shall be the gross income derived by an
12 international banking facility, which shall include, but not be limited to,
13 gross income derived from:

14 (i) Making, arranging for, placing or carrying loans to foreign
15 persons, provided, however, that in the case of a foreign person which
16 is an individual, or which is a foreign branch of a domestic corporation
17 (other than a bank), or which is a foreign corporation or foreign
18 partnership which is controlled by one or more domestic corporations
19 (other than banks), domestic partnerships or resident individuals, all
20 the proceeds of the loan are for use outside of the United States;

21 (ii) Making or placing deposits with foreign persons which are
22 banks or foreign branches of banks (including foreign subsidiaries) or
23 foreign branches of the taxpayers or with other international banking
24 facilities;

25 (iii) Entering into foreign exchange trading or hedging transactions
26 related to any of the transactions described in this paragraph; or

27 (iv) Such other activities as an international banking facility may,
28 from time to time, be authorized to engage in;

29 (C) Applicable expenses shall be any expense or other deductions
30 attributable, directly or indirectly, to the eligible gross income
31 described in subparagraph (B) of this paragraph.

32 (5) Entire net income shall exclude 100% of dividends which were
33 included in computing such taxable income for federal income tax
34 purposes, paid to the taxpayer by one or more subsidiaries owned by
35 the taxpayer to the extent of the 80% or more ownership of investment
36 described in subsection (d) of this section. With respect to other
37 dividends, entire net income shall not include 50% of the total included
38 in computing such taxable income for federal income tax purposes.

39 (6) (A) Net operating loss deduction. There shall be allowed as
40 a deduction for the taxable year the net operating loss carryover to
41 that year.

42 (B) Net operating loss carryover. A net operating loss for any
43 taxable year ending after June 30, 1984 shall be a net operating loss
44 carryover to each of the seven years following the year of the loss. The
45 entire amount of the net operating loss for any taxable year (the "loss
46 year") shall be carried to the earliest of the taxable years to which the

1 loss may be carried. The portion of the loss which shall be carried to
2 each of the other taxable years shall be the excess, if any, of the
3 amount of the loss over the sum of the entire net income, computed
4 without the exclusions permitted in paragraphs (4) and (5) of this
5 subsection or the net operating loss deduction provided by
6 subparagraph (A) of this paragraph, for each of the prior taxable years
7 to which the loss may be carried.

8 (C) Net operating loss. For purposes of this paragraph the term
9 "net operating loss" means the excess of the deductions over the gross
10 income used in computing entire net income without the net operating
11 loss deduction provided for in subparagraph (A) of this paragraph and
12 the exclusions in paragraphs (4) and (5) of this subsection.

13 (D) Change in ownership. Where there is a change in 50% or more
14 of the ownership of a corporation because of redemption or sale of
15 stock and the corporation changes the trade or business giving rise to
16 the loss, no net operating loss sustained before the changes may be
17 carried over to be deducted from income earned after such changes.
18 In addition where the facts support the premise that the corporation
19 was acquired under any circumstances for the primary purpose of the
20 use of its net operating loss carryover, the director may disallow the
21 carryover.

22 (7) The entire net income of gas, electric and gas and electric
23 public utilities that were subject to the provisions of P.L.1940, c.5
24 (C.54:30A-49 et seq.) prior to 1998, shall be adjusted by substituting
25 the New Jersey depreciation allowance for federal tax depreciation
26 with respect to assets placed in service prior to January 1, 1998. For
27 gas, electric, and gas and electric public utilities that were subject to
28 the provisions of P.L.1940, c.5 (C.54:30A-49 et seq.) prior to 1998,
29 the New Jersey depreciation allowance shall be computed as follows:
30 All depreciable assets placed in service prior to January 1, 1998 shall
31 be considered a single asset account. The New Jersey tax basis of this
32 depreciable asset account shall be an amount equal to the carryover
33 adjusted basis for federal income tax purposes on December 31, 1997
34 of all depreciable assets in service on December 31, 1997, increased
35 by the excess, of the "net carrying value," defined to be adjusted book
36 basis of all assets and liabilities, excluding deferred income taxes,
37 recorded on the public utility's books of account on December 31,
38 1997, over the carryover adjusted basis for federal income tax
39 purposes on December 31, 1997 of all assets and liabilities owned by
40 the gas, electric, or gas and electric public utility as of December 31,
41 1997. "Books of account" for gas, gas and electric, and electric public
42 utilities means the uniform system of accounts as promulgated by the
43 Federal Energy Regulatory Commission and adopted by the Board of
44 Public Utilities. The following adjustments to entire net income shall
45 be made pursuant to this section:

46 (A) Depreciation for property placed in service prior to January 1,

1 1998 shall be adjusted as follows:

2 (i) Depreciation for federal income tax purposes shall be
3 disallowed in full.

4 (ii) A deduction shall be allowed for the New Jersey depreciation
5 allowance. The New Jersey depreciation allowance shall be computed
6 for the single asset account described above based on the New Jersey
7 tax basis as adjusted above as if all assets in the single asset account
8 were first placed in service on January 1, 1998. Depreciation shall be
9 computed using the straight line method over a thirty-year life. A full
10 year's depreciation shall be allowed in the initial tax year. No half-year
11 convention shall apply. The depreciable basis of the single account
12 shall be reduced by the adjusted federal tax basis of assets sold,
13 retired, or otherwise disposed of during any year on which gain or loss
14 is recognized for federal income tax purposes as described in
15 subparagraph (B) of this paragraph.

16 (B) Gains and losses on sales, retirements and other dispositions
17 of assets placed in service prior to January 1, 1998 shall be recognized
18 and reported on the same basis as for federal income tax purposes.

19 (C) The Director of the Division of Taxation shall promulgate
20 regulations describing the methodology for allocating the single asset
21 account in the event that a portion of the utility's operations are
22 separated, spun-off, transferred to a separate company or otherwise
23 disaggregated.

24 (8) In the case of taxpayers that are gas, electric, gas and electric,
25 or telecommunication public utilities as defined pursuant to subsection
26 (q) of this section, the director shall have authority to promulgate rules
27 and issue guidance correcting distortions and adjusting timing
28 differences resulting from the adoption of P.L.1997, c.162
29 (C.54:10A-5.25 et al.).

30 (9) Notwithstanding paragraph (1) of this subsection, entire net
31 income shall not include the income derived by a corporation
32 organized in a foreign country from the international operation of a
33 ship or ships, or from the international operation of aircraft, if such
34 income is exempt from federal taxation pursuant to section 883 of the
35 federal Internal Revenue Code of 1986, 26 U.S.C. s.883.

36 (10) Entire net income shall exclude all income of an alien
37 corporation the activities of which are limited in this State to investing
38 or trading in stocks and securities for its own account, investing or
39 trading in commodities for its own account, or any combination of
40 those activities, within the meaning of section 864 of the federal
41 Internal Revenue Code of 1986, 26 U.S.C. s.864, as in effect on
42 December 31, 1998. Notwithstanding the previous sentence, if an
43 alien corporation undertakes one or more infrequent, extraordinary or
44 non-recurring activities, including but not limited to the sale of
45 tangible property, only the income from such infrequent, extraordinary
46 or non-recurring activity shall be subject to the tax imposed pursuant

1 to P.L.1945, c.162 (C.54:10A-1 et seq.), and that amount of income
2 subject to tax shall be determined without regard to the allocation to
3 that specific transaction of any general business expense of the
4 taxpayer and shall be specifically assigned to this State for taxation by
5 this State without regard to section 6 of P.L.1945, c.162 (C.54:10A-
6 6). For the purposes of this paragraph, "alien corporation" means a
7 corporation organized under the laws of a jurisdiction other than the
8 United States or its political subdivisions.

9 (l) "Real estate investment trust" shall mean any corporation, trust
10 or association qualifying and electing to be taxed as a real estate
11 investment trust under federal law.

12 (m) "Financial business corporation" shall mean any corporate
13 enterprise which is (1) in substantial competition with the business of
14 national banks and which (2) employs moneyed capital with the object
15 of making profit by its use as money, through discounting and
16 negotiating promissory notes, drafts, bills of exchange and other
17 evidences of debt; buying and selling exchange; making of or dealing
18 in secured or unsecured loans and discounts; dealing in securities and
19 shares of corporate stock by purchasing and selling such securities and
20 stock without recourse, solely upon the order and for the account of
21 customers; or investing and reinvesting in marketable obligations
22 evidencing indebtedness of any person, copartnership, association or
23 corporation in the form of bonds, notes or debentures commonly
24 known as investment securities; or dealing in or underwriting
25 obligations of the United States, any state or any political subdivision
26 thereof, or of a corporate instrumentality of any of them. This shall
27 include, without limitation of the foregoing, business commonly
28 known as industrial banks, dealers in commercial paper and
29 acceptances, sales finance, personal finance, small loan and mortgage
30 financing businesses, as well as any other enterprise employing
31 moneyed capital coming into competition with the business of national
32 banks; provided that the holding of bonds, notes, or other evidences
33 of indebtedness by individual persons not employed or engaged in the
34 banking or investment business and representing merely personal
35 investments not made in competition with the business of national
36 banks, shall not be deemed financial business. Nor shall "financial
37 business" include national banks, production credit associations
38 organized under the Farm Credit Act of 1933 or the Farm Credit Act
39 of 1971, Pub.L. 92-181 (12 U.S.C.s.2091 et seq.), stock and mutual
40 insurance companies duly authorized to transact business in this State,
41 security brokers or dealers or investment companies or bankers not
42 employing moneyed capital coming into competition with the business
43 of national banks, real estate investment trusts, or any of the following
44 entities organized under the laws of this State: credit unions, savings
45 banks, savings and loan and building and loan associations,
46 pawnbrokers, and State banks and trust companies.

1 (n) "International banking facility" shall mean a set of asset and
2 liability accounts segregated on the books and records of a depository
3 institution, United States branch or agency of a foreign bank, or an
4 Edge or Agreement Corporation that includes only international
5 banking facility time deposits and international banking facility
6 extensions of credit as such terms are defined in section 204.8(a)(2)
7 and section 204.8(a)(3) of Regulation D of the board of governors of
8 the Federal Reserve System, 12 CFR Part 204, effective December 3,
9 1981. In the event that the United States enacts a law, or the board
10 of governors of the Federal Reserve System adopts a regulation which
11 amends the present definition of international banking facility or of
12 such facilities' time deposits or extensions of credit, the Commissioner
13 of Banking and Insurance shall forthwith adopt regulations defining
14 such terms in the same manner as such terms are set forth in the laws
15 of the United States or the regulations of the board of governors of the
16 Federal Reserve System. The regulations of the Commissioner of
17 Banking and Insurance shall thereafter provide the applicable
18 definitions.

19 (o) "S corporation" means a corporation included in the definition
20 of an "S corporation" pursuant to section 1361 of the federal Internal
21 Revenue Code of 1986, 26 U.S.C.s.1361.

22 (p) "New Jersey S corporation" means a corporation that is an S
23 corporation; which has made a valid election pursuant to section 3 of
24 P.L.1993, c.173 (C.54:10A-5.22); and which has been an S
25 corporation continuously since the effective date of the valid election
26 made pursuant to section 3 of P.L.1993, c.173 (C.54:10A-5.22).

27 (q) "Public Utility" means "public utility" as defined in
28 R.S.48:2-13.

29 (cf: P.L.1998, c.114, s.2.)

30

31 2. This act shall take effect immediately and apply to privilege
32 periods ending on or after the July 1 next following enactment.

33

34

35

STATEMENT

36

37 This bill excludes from taxation under the corporation business tax
38 certain hedge fund activity income of corporations of foreign nations
39 generated in New Jersey.

40 The bill excludes the income of a foreign corporation active in New
41 Jersey if the corporation's activities in this State are limited to
42 investing or trading in stocks and securities for its own account,
43 investing or trading in commodities for its own account, or any
44 combination of those activities.

45 However, even if the corporation has some activities that go beyond
46 trading for its own account, the trading income may remain exempt.

1 If the foreign corporation has income from one or more infrequent,
2 extraordinary or non-recurring activities (for example, it buys new
3 office furniture and sells all of its old office furniture) only the income
4 from such infrequent, extraordinary or non-recurring activity will be
5 taxed. If the corporation goes beyond infrequent, extraordinary or
6 non-recurring activities, for example to regularly engage in activities
7 in New Jersey that are not trading for its own account, then all of the
8 corporation's income becomes subject to taxation.

9 Neighboring states have enacted similar laws. Corporation's "hedge
10 funds" that trade large blocks of stock on behalf of their corporate
11 parents are discouraged from locating in New Jersey because
12 neighboring states allow the exclusion of the income of hedge funds
13 with offices located in those states. This bill will remove a tax
14 disincentive to locating these trading management offices in New
15 Jersey, making New Jersey an equally attractive business location for
16 traders.

17

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19

20

21 Excludes certain hedge fund activity income of corporations of foreign
22 nations from taxation under the corporation business tax.

ASSEMBLY, No. 3622

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED DECEMBER 6, 1999

Sponsored by:

**Assemblyman PAUL KRAMER
District 14 (Mercer and Middlesex)**

Co-Sponsored by:

Senator Inverso

SYNOPSIS

Excludes certain hedge fund activity income of corporations of foreign nations from taxation under the corporation business tax.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/11/2000)

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29 depreciation described in paragraph (2)(F) of subsection (k) of this
30 section. The foregoing aggregate of values shall be reduced by 50%
31 of the amount disclosed by the books of the corporation for investment
32 in the capital stock of one or more subsidiaries, which investment is
33 defined as ownership (1) of at least 80% of the total combined voting
34 power of all classes of stock of the subsidiary entitled to vote and (2)
35 of at least 80% of the total number of shares of all other classes of
36 stock except nonvoting stock which is limited and preferred as to
37 dividends. In the case of investment in an entity organized under the
38 laws of a foreign country, the foregoing requisite degree of ownership
39 shall effect a like reduction of such investment from the net worth of
40 the taxpayer, if the foreign entity is considered a corporation for any
41 purpose under the United States federal income tax laws, such as (but
42 not by way of sole examples) for the purpose of supplying deemed
43 paid foreign tax credits or for the purpose of status as a controlled

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7 banking facilities as defined in subsection (n), the foregoing aggregate
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9 banking facility. Retained earnings means the earnings accumulated
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12 tax year.

13 If in the opinion of the commissioner, the corporation's books do
14 not disclose fair valuations the commissioner may make a reasonable
15 determination of the net worth which, in his opinion, would reflect the
16 fair value of the assets, exclusive of subsidiary investments as defined
17 aforesaid, carried on the books of the corporation, in accordance with
18 sound accounting principles, and such determination shall be used as
19 net worth for the purpose of this act.

20 (e) (Deleted by amendment, P.L.1998 , c.114.)

21 (f) "Investment company" shall mean any corporation whose
22 business during the period covered by its report consisted, to the
23 extent of at least 90% thereof of holding, investing and reinvesting in
24 stocks, bonds, notes, mortgages, debentures, patents, patent rights and
25 other securities for its own account, but this shall not include any
26 corporation which: (1) is a merchant or a dealer of stocks, bonds and
27 other securities, regularly engaged in buying the same and selling the
28 same to customers; or (2) had less than 90% of its average gross
29 assets in New Jersey, at cost, invested in stocks, bonds, debentures,
30 mortgages, notes, patents, patent rights or other securities or
31 consisting of cash on deposit during the period covered by its report;
32 or (3) is a banking corporation or a financial business corporation as
33 defined in the Corporation Business Tax Act.

34 (g) "Regulated investment company" shall mean any corporation
35 which for a period covered by its report, is registered and regulated
36 under the Investment Company Act of 1940 (54 Stat. 789), as
37 amended.

38 (h) "Taxpayer" shall mean any corporation required to report or to
39 pay taxes, interest or penalties under this act.

40 (i) "Fiscal year" shall mean an accounting period ending on any day
41 other than the last day of December on the basis of which the taxpayer
42 is required to report for federal income tax purposes.

43 (j) Except as herein provided, "privilege period" shall mean the
44 calendar or fiscal accounting period for which a tax is payable under
45 this act.

46 (k) "Entire net income" shall mean total net income from all

1 sources, whether within or without the United States, and shall include
2 the gain derived from the employment of capital or labor, or from both
3 combined, as well as profit gained through a sale or conversion of
4 capital assets. For the purpose of this act, the amount of a taxpayer's
5 entire net income shall be deemed prima facie to be equal in amount to
6 the taxable income, before net operating loss deduction and special
7 deductions, which the taxpayer is required to report to the United
8 States Treasury Department for the purpose of computing its federal
9 income tax; provided, however, that in the determination of such entire
10 net income,

11 (1) Entire net income shall exclude for the periods set forth in
12 paragraph (2)(F)(i) of this subsection, any amount, except with respect
13 to qualified mass commuting vehicles as described in section
14 168(f)(8)(D)(v) of the Internal Revenue Code as in effect immediately
15 prior to January 1, 1984, which is included in a taxpayer's federal
16 taxable income solely as a result of an election made pursuant to the
17 provisions of paragraph (8) of that section.

18 (2) Entire net income shall be determined without the exclusion,
19 deduction or credit of:

20 (A) The amount of any specific exemption or credit allowed in any
21 law of the United States imposing any tax on or measured by the
22 income of corporations;

23 (B) Any part of any income from dividends or interest on any kind
24 of stock, securities or indebtedness, except as provided in paragraph
25 (5) of subsection (k) of this section;

26 (C) Taxes paid or accrued to the United States, a possession or
27 territory of the United States, a state, a political subdivision thereof,
28 or the District of Columbia on or measured by profits or income, or
29 business presence or business activity, or the tax imposed by this act,
30 or any tax paid or accrued with respect to subsidiary dividends
31 excluded from entire net income as provided in paragraph (5) of
32 subsection (k) of this section;

33 (D) (Deleted by amendment, P.L.1985, c.143.)

34 (E) (Deleted by amendment, P.L.1995, c.418.)

35 (F) (i) The amount by which depreciation reported to the United
36 States Treasury Department for property placed in service on and after
37 January 1, 1981, but prior to taxpayer fiscal or calendar accounting
38 years beginning on and after the effective date of P.L.1993, c.172, for
39 purposes of computing federal taxable income in accordance with
40 section 168 of the Internal Revenue Code in effect after December 31,
41 1980, exceeds the amount of depreciation determined in accordance
42 with the Internal Revenue Code provisions in effect prior to January
43 1, 1981, but only with respect to a taxpayer's accounting period ending
44 after December 31, 1981; provided, however, that where a taxpayer's
45 accounting period begins in 1981 and ends in 1982, no modification
46 shall be required with respect to this paragraph (F) for the report filed

1 for such period with respect to property placed in service during that
2 part of the accounting period which occurs in 1981. The provisions
3 of this subparagraph shall not apply to assets placed in service prior to
4 January 1, 1998 of a gas, gas and electric, and electric public utility
5 that was subject to the provisions of P.L.1940, c.5 (C.54:30A-49 et
6 seq.) prior to 1998.

7 (ii) For the periods set forth in subparagraph (F)(i) of this
8 subsection, any amount, except with respect to qualified mass
9 commuting vehicles as described in section 168(f)(8)(D)(v) of the
10 Internal Revenue Code as in effect immediately prior to January 1,
11 1984, which the taxpayer claimed as a deduction in computing federal
12 income tax pursuant to a qualified lease agreement under paragraph
13 (8) of that section.

14 The director shall promulgate rules and regulations necessary to
15 carry out the provisions of this section, which rules shall provide,
16 among others, the manner in which the remaining life of property shall
17 be reported.

18 (G) (i) The amount of any civil, civil administrative, or criminal
19 penalty or fine, including a penalty or fine under an administrative
20 consent order, assessed and collected for a violation of a State or
21 federal environmental law, an administrative consent order, or an
22 environmental ordinance or resolution of a local governmental entity,
23 and any interest earned on the penalty or fine, and any economic
24 benefits having accrued to the violator as a result of a violation, which
25 benefits are assessed and recovered in a civil, civil administrative, or
26 criminal action, or pursuant to an administrative consent order. The
27 provisions of this paragraph shall not apply to a penalty or fine
28 assessed or collected for a violation of a State or federal
29 environmental law, or local environmental ordinance or resolution, if
30 the penalty or fine was for a violation that resulted from fire, riot,
31 sabotage, flood, storm event, natural cause, or other act of God
32 beyond the reasonable control of the violator, or caused by an act or
33 omission of a person who was outside the reasonable control of the
34 violator.

35 (ii) The amount of treble damages paid to the Department of
36 Environmental Protection pursuant to subsection a. of section 7 of
37 P.L.1976, c.141 (C.58:10-23.11f), for costs incurred by the
38 department in removing, or arranging for the removal of, an
39 unauthorized discharge upon failure of the discharger to comply with
40 a directive from the department to remove, or arrange for the removal
41 of, the discharge.

42 (H) The amount of any sales and use tax paid by a utility vendor
43 pursuant to section 71 of P.L.1997, c.162.

44 (3) The commissioner may, whenever necessary to properly reflect
45 the entire net income of any taxpayer, determine the year or period in
46 which any item of income or deduction shall be included, without

1 being limited to the method of accounting employed by the taxpayer.

2 (4) There shall be allowed as a deduction from entire net income
3 of a banking corporation, to the extent not deductible in determining
4 federal taxable income, the eligible net income of an international
5 banking facility determined as follows:

6 (A) The eligible net income of an international banking facility shall
7 be the amount remaining after subtracting from the eligible gross
8 income the applicable expenses;

9 (B) Eligible gross income shall be the gross income derived by an
10 international banking facility, which shall include, but not be limited to,
11 gross income derived from:

12 (i) Making, arranging for, placing or carrying loans to foreign
13 persons, provided, however, that in the case of a foreign person which
14 is an individual, or which is a foreign branch of a domestic corporation
15 (other than a bank), or which is a foreign corporation or foreign
16 partnership which is controlled by one or more domestic corporations
17 (other than banks), domestic partnerships or resident individuals, all
18 the proceeds of the loan are for use outside of the United States;

19 (ii) Making or placing deposits with foreign persons which are
20 banks or foreign branches of banks (including foreign subsidiaries) or
21 foreign branches of the taxpayers or with other international banking
22 facilities;

23 (iii) Entering into foreign exchange trading or hedging transactions
24 related to any of the transactions described in this paragraph; or

25 (iv) Such other activities as an international banking facility may,
26 from time to time, be authorized to engage in;

27 (C) Applicable expenses shall be any expense or other deductions
28 attributable, directly or indirectly, to the eligible gross income
29 described in subparagraph (B) of this paragraph.

30 (5) Entire net income shall exclude 100% of dividends which were
31 included in computing such taxable income for federal income tax
32 purposes, paid to the taxpayer by one or more subsidiaries owned by
33 the taxpayer to the extent of the 80% or more ownership of investment
34 described in subsection (d) of this section. With respect to other
35 dividends, entire net income shall not include 50% of the total included
36 in computing such taxable income for federal income tax purposes.

37 (6) (A) Net operating loss deduction. There shall be allowed as
38 a deduction for the taxable year the net operating loss carryover to
39 that year.

40 (B) Net operating loss carryover. A net operating loss for any
41 taxable year ending after June 30, 1984 shall be a net operating loss
42 carryover to each of the seven years following the year of the loss. The
43 entire amount of the net operating loss for any taxable year (the "loss
44 year") shall be carried to the earliest of the taxable years to which the
45 loss may be carried. The portion of the loss which shall be carried to
46 each of the other taxable years shall be the excess, if any, of the

1 amount of the loss over the sum of the entire net income, computed
2 without the exclusions permitted in paragraphs (4) and (5) of this
3 subsection or the net operating loss deduction provided by
4 subparagraph (A) of this paragraph, for each of the prior taxable years
5 to which the loss may be carried.

6 (C) Net operating loss. For purposes of this paragraph the term
7 "net operating loss" means the excess of the deductions over the gross
8 income used in computing entire net income without the net operating
9 loss deduction provided for in subparagraph (A) of this paragraph and
10 the exclusions in paragraphs (4) and (5) of this subsection.

11 (D) Change in ownership. Where there is a change in 50% or more
12 of the ownership of a corporation because of redemption or sale of
13 stock and the corporation changes the trade or business giving rise to
14 the loss, no net operating loss sustained before the changes may be
15 carried over to be deducted from income earned after such changes.
16 In addition where the facts support the premise that the corporation
17 was acquired under any circumstances for the primary purpose of the
18 use of its net operating loss carryover, the director may disallow the
19 carryover.

20 (7) The entire net income of gas, electric and gas and electric
21 public utilities that were subject to the provisions of P.L.1940, c.5
22 (C.54:30A-49 et seq.) prior to 1998, shall be adjusted by substituting
23 the New Jersey depreciation allowance for federal tax depreciation
24 with respect to assets placed in service prior to January 1, 1998. For
25 gas, electric, and gas and electric public utilities that were subject to
26 the provisions of P.L.1940, c.5 (C.54:30A-49 et seq.) prior to 1998,
27 the New Jersey depreciation allowance shall be computed as follows:
28 All depreciable assets placed in service prior to January 1, 1998 shall
29 be considered a single asset account. The New Jersey tax basis of this
30 depreciable asset account shall be an amount equal to the carryover
31 adjusted basis for federal income tax purposes on December 31, 1997
32 of all depreciable assets in service on December 31, 1997, increased
33 by the excess, of the "net carrying value," defined to be adjusted book
34 basis of all assets and liabilities, excluding deferred income taxes,
35 recorded on the public utility's books of account on December 31,
36 1997, over the carryover adjusted basis for federal income tax
37 purposes on December 31, 1997 of all assets and liabilities owned by
38 the gas, electric, or gas and electric public utility as of December 31,
39 1997. "Books of account" for gas, gas and electric, and electric public
40 utilities means the uniform system of accounts as promulgated by the
41 Federal Energy Regulatory Commission and adopted by the Board of
42 Public Utilities. The following adjustments to entire net income shall
43 be made pursuant to this section:

44 (A) Depreciation for property placed in service prior to January 1,
45 1998 shall be adjusted as follows:

46 (i) Depreciation for federal income tax purposes shall be

1 disallowed in full.

2 (ii) A deduction shall be allowed for the New Jersey depreciation
3 allowance. The New Jersey depreciation allowance shall be computed
4 for the single asset account described above based on the New Jersey
5 tax basis as adjusted above as if all assets in the single asset account
6 were first placed in service on January 1, 1998. Depreciation shall be
7 computed using the straight line method over a thirty-year life. A full
8 year's depreciation shall be allowed in the initial tax year. No half-year
9 convention shall apply. The depreciable basis of the single account
10 shall be reduced by the adjusted federal tax basis of assets sold,
11 retired, or otherwise disposed of during any year on which gain or loss
12 is recognized for federal income tax purposes as described in
13 subparagraph (B) of this paragraph.

14 (B) Gains and losses on sales, retirements and other dispositions
15 of assets placed in service prior to January 1, 1998 shall be recognized
16 and reported on the same basis as for federal income tax purposes.

17 (C) The Director of the Division of Taxation shall promulgate
18 regulations describing the methodology for allocating the single asset
19 account in the event that a portion of the utility's operations are
20 separated, spun-off, transferred to a separate company or otherwise
21 disaggregated.

22 (8) In the case of taxpayers that are gas, electric, gas and electric,
23 or telecommunication public utilities as defined pursuant to subsection
24 (q) of this section, the director shall have authority to promulgate rules
25 and issue guidance correcting distortions and adjusting timing
26 differences resulting from the adoption of P.L.1997, c.162
27 (C.54:10A-5.25 et al.).

28 (9) Notwithstanding paragraph (1) of this subsection, entire net
29 income shall not include the income derived by a corporation
30 organized in a foreign country from the international operation of a
31 ship or ships, or from the international operation of aircraft, if such
32 income is exempt from federal taxation pursuant to section 883 of the
33 federal Internal Revenue Code of 1986, 26 U.S.C. s.883.

34 (10) Entire net income shall exclude all income of an alien
35 corporation the activities of which are limited in this State to investing
36 or trading in stocks and securities for its own account, investing or
37 trading in commodities for its own account, or any combination of
38 those activities, within the meaning of section 864 of the federal
39 Internal Revenue Code of 1986, 26 U.S.C. s.864, as in effect on
40 December 31, 1998. Notwithstanding the previous sentence, if an
41 alien corporation undertakes one or more infrequent, extraordinary or
42 non-recurring activities, including but not limited to the sale of
43 tangible property, only the income from such infrequent, extraordinary
44 or non-recurring activity shall be subject to the tax imposed pursuant
45 to P.L.1945, c.162 (C.54:10A-1 et seq.), and that amount of income
46 subject to tax shall be determined without regard to the allocation to

1 that specific transaction of any general business expense of the
2 taxpayer and shall be specifically assigned to this State for taxation by
3 this State without regard to section 6 of P.L.1945, c.162 (C.54:10A-
4 6). For the purposes of this paragraph, "alien corporation" means a
5 corporation organized under the laws of a jurisdiction other than the
6 United States or its political subdivisions.

7 (l) "Real estate investment trust" shall mean any corporation, trust
8 or association qualifying and electing to be taxed as a real estate
9 investment trust under federal law.

10 (m) "Financial business corporation" shall mean any corporate
11 enterprise which is (1) in substantial competition with the business of
12 national banks and which (2) employs moneyed capital with the object
13 of making profit by its use as money, through discounting and
14 negotiating promissory notes, drafts, bills of exchange and other
15 evidences of debt; buying and selling exchange; making of or dealing
16 in secured or unsecured loans and discounts; dealing in securities and
17 shares of corporate stock by purchasing and selling such securities and
18 stock without recourse, solely upon the order and for the account of
19 customers; or investing and reinvesting in marketable obligations
20 evidencing indebtedness of any person, copartnership, association or
21 corporation in the form of bonds, notes or debentures commonly
22 known as investment securities; or dealing in or underwriting
23 obligations of the United States, any state or any political subdivision
24 thereof, or of a corporate instrumentality of any of them. This shall
25 include, without limitation of the foregoing, business commonly
26 known as industrial banks, dealers in commercial paper and
27 acceptances, sales finance, personal finance, small loan and mortgage
28 financing businesses, as well as any other enterprise employing
29 moneyed capital coming into competition with the business of national
30 banks; provided that the holding of bonds, notes, or other evidences
31 of indebtedness by individual persons not employed or engaged in the
32 banking or investment business and representing merely personal
33 investments not made in competition with the business of national
34 banks, shall not be deemed financial business. Nor shall "financial
35 business" include national banks, production credit associations
36 organized under the Farm Credit Act of 1933 or the Farm Credit Act
37 of 1971, Pub.L. 92-181 (12 U.S.C.s.2091 et seq.), stock and mutual
38 insurance companies duly authorized to transact business in this State,
39 security brokers or dealers or investment companies or bankers not
40 employing moneyed capital coming into competition with the business
41 of national banks, real estate investment trusts, or any of the following
42 entities organized under the laws of this State: credit unions, savings
43 banks, savings and loan and building and loan associations,
44 pawnbrokers, and State banks and trust companies.

45 (n) "International banking facility" shall mean a set of asset and
46 liability accounts segregated on the books and records of a depository

1 institution, United States branch or agency of a foreign bank, or an
2 Edge or Agreement Corporation that includes only international
3 banking facility time deposits and international banking facility
4 extensions of credit as such terms are defined in section 204.8(a)(2)
5 and section 204.8(a)(3) of Regulation D of the board of governors of
6 the Federal Reserve System, 12 CFR Part 204, effective December 3,
7 1981. In the event that the United States enacts a law, or the board
8 of governors of the Federal Reserve System adopts a regulation which
9 amends the present definition of international banking facility or of
10 such facilities' time deposits or extensions of credit, the Commissioner
11 of Banking and Insurance shall forthwith adopt regulations defining
12 such terms in the same manner as such terms are set forth in the laws
13 of the United States or the regulations of the board of governors of the
14 Federal Reserve System. The regulations of the Commissioner of
15 Banking and Insurance shall thereafter provide the applicable
16 definitions.

17 (o) "S corporation" means a corporation included in the definition
18 of an "S corporation" pursuant to section 1361 of the federal Internal
19 Revenue Code of 1986, 26 U.S.C.s.1361.

20 (p) "New Jersey S corporation" means a corporation that is an S
21 corporation; which has made a valid election pursuant to section 3 of
22 P.L.1993, c.173 (C.54:10A-5.22); and which has been an S
23 corporation continuously since the effective date of the valid election
24 made pursuant to section 3 of P.L.1993, c.173 (C.54:10A-5.22).

25 (q) "Public Utility" means "public utility" as defined in
26 R.S.48:2-13.

27 (cf: P.L.1998, c.114, s.2.)

28

29 2. This act shall take effect immediately and apply to privilege
30 periods ending on or after the July 1 next following enactment.

31

32

33

STATEMENT

34

35 This bill excludes from taxation under the corporation business tax
36 certain hedge fund activity income of corporations of foreign nations
37 generated in New Jersey.

38 The bill excludes the income of a foreign corporation active in New
39 Jersey if the corporation's activities in this State are limited to
40 investing or trading in stocks and securities for its own account,
41 investing or trading in commodities for its own account, or any
42 combination of those activities.

43 However, even if the corporation has some activities that go beyond
44 trading for its own account, the trading income may remain exempt.
45 If the foreign corporation has income from one or more infrequent,
46 extraordinary or non-recurring activities (for example, it buys new

1 office furniture and sells all of its old office furniture) only the income
2 from such infrequent, extraordinary or non-recurring activity will be
3 taxed. If the corporation goes beyond infrequent, extraordinary or
4 non-recurring activities, for example to regularly engage in activities
5 in New Jersey that are not trading for its own account, then all of the
6 corporation's income becomes subject to taxation.

7 Neighboring states have enacted similar laws. Corporation's "hedge
8 funds" that trade large blocks of stock on behalf of their corporate
9 parents are discouraged from locating in New Jersey because
10 neighboring states allow the exclusion of the income of hedge funds
11 with offices located in those states. This bill will remove a tax
12 disincentive to locating these trading management offices in New
13 Jersey, making New Jersey an equally attractive business location for
14 traders.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3622

STATE OF NEW JERSEY

DATED: JANUARY 6, 2000

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3622.

Assembly No. 3622 excludes from taxation under the corporation business tax certain hedge fund activity income of corporations of foreign nations generated in New Jersey.

The bill excludes the income of a foreign corporation active in New Jersey if the corporation's activities in this State are limited to investing or trading in stocks and securities for its own account, investing or trading in commodities for its own account, or any combination of those activities.

Neighboring states, e.g. Connecticut and New York, have enacted similar laws that exempt such foreign corporations from status as taxpayers if their activities are limited to hedge fund trading; under those laws, if the corporations have income from other activity, they lose their exemptions and all of their income becomes subject to taxation. This bill is distinctively different.

First, the bill excludes the hedge fund *income* of such foreign corporations from taxation; the corporations remain taxpayers subject to certain reporting duties and payment of at least the minimum tax (currently \$200 annually).

Second, if the foreign corporation has some limited activities that go beyond trading for its own account, the trading income may remain exempt. If the foreign corporation has income from one or more infrequent, extraordinary or non-recurring activities (for example, it buys new office furniture and sells all of its old office furniture) only the income from such infrequent, extraordinary or non-recurring activity will be taxed. If the corporation goes beyond infrequent, extraordinary or non-recurring activities, for example to regularly engage in activities in New Jersey that are not trading for its own account, then all of the corporation's income becomes subject to taxation.

FISCAL IMPACT:

The number of foreign corporations active in New Jersey whose activities in this State are limited to investing or trading in stocks and securities for their own accounts is not known, and the Office of

Legislative Services has not been able to identify a single such entity in the State. If such corporations are discouraged from locating in the State under current law, the direct revenue impact of the bill is minimal.

SENATE, No. 2281

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED DECEMBER 13, 1999

Sponsored by:

Senator PETER A. INVERSO

District 14 (Mercer and Middlesex)

SYNOPSIS

Excludes certain hedge fund activity income of corporations of foreign nations from taxation under the corporation business tax.

CURRENT VERSION OF TEXT

As introduced.



S2281 INVERSO

2

1 AN ACT excluding certain investment income of certain corporations
2 of foreign nations from taxation under the corporation business tax,
3 amending P.L.1945, c.162.

4

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

7

8 1. Section 4 of P.L.1945, c.162 (C.54:10A-4) is amended to read
9 as follows:

10 4. For the purposes of this act, unless the context requires a
11 different meaning:

12 (a) "Commissioner" shall mean the Director of the Division of
13 Taxation of the State Department of the Treasury.

14 (b) "Allocation factor" shall mean the proportionate part of a
15 taxpayer's net worth or entire net income used to determine a measure
16 of its tax under this act.

17 (c) "Corporation" shall mean any corporation, joint-stock company
18 or association and any business conducted by a trustee or trustees
19 wherein interest or ownership is evidenced by a certificate of interest
20 or ownership or similar written instrument.

21 (d) "Net worth" shall mean the aggregate of the values disclosed
22 by the books of the corporation for (1) issued and outstanding capital
23 stock, (2) paid-in or capital surplus, (3) earned surplus and undivided
24 profits, and (4) surplus reserves which can reasonably be expected to
25 accrue to holders or owners of equitable shares, not including
26 reasonable valuation reserves, such as reserves for depreciation or
27 obsolescence or depletion. Notwithstanding the foregoing, net worth
28 shall not include any deduction for the amount of the excess
29 depreciation described in paragraph (2)(F) of subsection (k) of this
30 section. The foregoing aggregate of values shall be reduced by 50%
31 of the amount disclosed by the books of the corporation for investment
32 in the capital stock of one or more subsidiaries, which investment is
33 defined as ownership (1) of at least 80% of the total combined voting
34 power of all classes of stock of the subsidiary entitled to vote and (2)
35 of at least 80% of the total number of shares of all other classes of
36 stock except nonvoting stock which is limited and preferred as to
37 dividends. In the case of investment in an entity organized under the
38 laws of a foreign country, the foregoing requisite degree of ownership
39 shall effect a like reduction of such investment from the net worth of
40 the taxpayer, if the foreign entity is considered a corporation for any
41 purpose under the United States federal income tax laws, such as (but
42 not by way of sole examples) for the purpose of supplying deemed
43 paid foreign tax credits or for the purpose of status as a controlled

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.

S2281 INVERSO

1 foreign corporation. In calculating the net worth of a taxpayer entitled
2 to reduction for investment in subsidiaries, the amount of liabilities of
3 the taxpayer shall be reduced by such proportion of the liabilities as
4 corresponds to the ratio which the excluded portion of the subsidiary
5 values bears to the total assets of the taxpayer.

6 In the case of banking corporations which have international
7 banking facilities as defined in subsection (n), the foregoing aggregate
8 of values shall also be reduced by retained earnings of the international
9 banking facility. Retained earnings means the earnings accumulated
10 over the life of such facility and shall not include the distributive share
11 of dividends paid and federal income taxes paid or payable during the
12 tax year.

13 If in the opinion of the commissioner, the corporation's books do
14 not disclose fair valuations the commissioner may make a reasonable
15 determination of the net worth which, in his opinion, would reflect the
16 fair value of the assets, exclusive of subsidiary investments as defined
17 aforesaid, carried on the books of the corporation, in accordance with
18 sound accounting principles, and such determination shall be used as
19 net worth for the purpose of this act.

20 (e) (Deleted by amendment, P.L.1998 , c.114.)

21 (f) "Investment company" shall mean any corporation whose
22 business during the period covered by its report consisted, to the
23 extent of at least 90% thereof of holding, investing and reinvesting in
24 stocks, bonds, notes, mortgages, debentures, patents, patent rights and
25 other securities for its own account, but this shall not include any
26 corporation which: (1) is a merchant or a dealer of stocks, bonds and
27 other securities, regularly engaged in buying the same and selling the
28 same to customers; or (2) had less than 90% of its average gross
29 assets in New Jersey, at cost, invested in stocks, bonds, debentures,
30 mortgages, notes, patents, patent rights or other securities or
31 consisting of cash on deposit during the period covered by its report;
32 or (3) is a banking corporation or a financial business corporation as
33 defined in the Corporation Business Tax Act.

34 (g) "Regulated investment company" shall mean any corporation
35 which for a period covered by its report, is registered and regulated
36 under the Investment Company Act of 1940 (54 Stat. 789), as
37 amended.

38 (h) "Taxpayer" shall mean any corporation required to report or to
39 pay taxes, interest or penalties under this act.

40 (i) "Fiscal year" shall mean an accounting period ending on any day
41 other than the last day of December on the basis of which the taxpayer
42 is required to report for federal income tax purposes.

43 (j) Except as herein provided, "privilege period" shall mean the
44 calendar or fiscal accounting period for which a tax is payable under
45 this act.

46 (k) "Entire net income" shall mean total net income from all

S2281 INVERSO

1 sources, whether within or without the United States, and shall include
2 the gain derived from the employment of capital or labor, or from both
3 combined, as well as profit gained through a sale or conversion of
4 capital assets. For the purpose of this act, the amount of a taxpayer's
5 entire net income shall be deemed prima facie to be equal in amount to
6 the taxable income, before net operating loss deduction and special
7 deductions, which the taxpayer is required to report to the United
8 States Treasury Department for the purpose of computing its federal
9 income tax; provided, however, that in the determination of such entire
10 net income,

11 (1) Entire net income shall exclude for the periods set forth in
12 paragraph (2)(F)(i) of this subsection, any amount, except with respect
13 to qualified mass commuting vehicles as described in section
14 168(f)(8)(D)(v) of the Internal Revenue Code as in effect immediately
15 prior to January 1, 1984, which is included in a taxpayer's federal
16 taxable income solely as a result of an election made pursuant to the
17 provisions of paragraph (8) of that section.

18 (2) Entire net income shall be determined without the exclusion,
19 deduction or credit of:

20 (A) The amount of any specific exemption or credit allowed in any
21 law of the United States imposing any tax on or measured by the
22 income of corporations;

23 (B) Any part of any income from dividends or interest on any kind
24 of stock, securities or indebtedness, except as provided in paragraph
25 (5) of subsection (k) of this section;

26 (C) Taxes paid or accrued to the United States, a possession or
27 territory of the United States, a state, a political subdivision thereof,
28 or the District of Columbia on or measured by profits or income, or
29 business presence or business activity, or the tax imposed by this act,
30 or any tax paid or accrued with respect to subsidiary dividends
31 excluded from entire net income as provided in paragraph (5) of
32 subsection (k) of this section;

33 (D) (Deleted by amendment, P.L.1985, c.143.)

34 (E) (Deleted by amendment, P.L.1995, c.418.)

35 (F) (i) The amount by which depreciation reported to the United
36 States Treasury Department for property placed in service on and after
37 January 1, 1981, but prior to taxpayer fiscal or calendar accounting
38 years beginning on and after the effective date of P.L.1993, c.172, for
39 purposes of computing federal taxable income in accordance with
40 section 168 of the Internal Revenue Code in effect after December 31,
41 1980, exceeds the amount of depreciation determined in accordance
42 with the Internal Revenue Code provisions in effect prior to January
43 1, 1981, but only with respect to a taxpayer's accounting period ending
44 after December 31, 1981; provided, however, that where a taxpayer's
45 accounting period begins in 1981 and ends in 1982, no modification
46 shall be required with respect to this paragraph (F) for the report filed

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1 for such period with respect to property placed in service during that
2 part of the accounting period which occurs in 1981. The provisions
3 of this subparagraph shall not apply to assets placed in service prior to
4 January 1, 1998 of a gas, gas and electric, and electric public utility
5 that was subject to the provisions of P.L.1940, c.5 (C.54:30A-49 et
6 seq.) prior to 1998.

7 (ii) For the periods set forth in subparagraph (F)(i) of this
8 subsection, any amount, except with respect to qualified mass
9 commuting vehicles as described in section 168(f)(8)(D)(v) of the
10 Internal Revenue Code as in effect immediately prior to January 1,
11 1984, which the taxpayer claimed as a deduction in computing federal
12 income tax pursuant to a qualified lease agreement under paragraph
13 (8) of that section.

14 The director shall promulgate rules and regulations necessary to
15 carry out the provisions of this section, which rules shall provide,
16 among others, the manner in which the remaining life of property shall
17 be reported.

18 (G) (i) The amount of any civil, civil administrative, or criminal
19 penalty or fine, including a penalty or fine under an administrative
20 consent order, assessed and collected for a violation of a State or
21 federal environmental law, an administrative consent order, or an
22 environmental ordinance or resolution of a local governmental entity,
23 and any interest earned on the penalty or fine, and any economic
24 benefits having accrued to the violator as a result of a violation, which
25 benefits are assessed and recovered in a civil, civil administrative, or
26 criminal action, or pursuant to an administrative consent order. The
27 provisions of this paragraph shall not apply to a penalty or fine
28 assessed or collected for a violation of a State or federal
29 environmental law, or local environmental ordinance or resolution, if
30 the penalty or fine was for a violation that resulted from fire, riot,
31 sabotage, flood, storm event, natural cause, or other act of God
32 beyond the reasonable control of the violator, or caused by an act or
33 omission of a person who was outside the reasonable control of the
34 violator.

35 (ii) The amount of treble damages paid to the Department of
36 Environmental Protection pursuant to subsection a. of section 7 of
37 P.L.1976, c.141 (C.58:10-23.11f), for costs incurred by the
38 department in removing, or arranging for the removal of, an
39 unauthorized discharge upon failure of the discharger to comply with
40 a directive from the department to remove, or arrange for the removal
41 of, the discharge.

42 (H) The amount of any sales and use tax paid by a utility vendor
43 pursuant to section 71 of P.L.1997, c.162.

44 (3) The commissioner may, whenever necessary to properly reflect
45 the entire net income of any taxpayer, determine the year or period in
46 which any item of income or deduction shall be included, without

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1 being limited to the method of accounting employed by the taxpayer.

2 (4) There shall be allowed as a deduction from entire net income
3 of a banking corporation, to the extent not deductible in determining
4 federal taxable income, the eligible net income of an international
5 banking facility determined as follows:

6 (A) The eligible net income of an international banking facility shall
7 be the amount remaining after subtracting from the eligible gross
8 income the applicable expenses;

9 (B) Eligible gross income shall be the gross income derived by an
10 international banking facility, which shall include, but not be limited to,
11 gross income derived from:

12 (i) Making, arranging for, placing or carrying loans to foreign
13 persons, provided, however, that in the case of a foreign person which
14 is an individual, or which is a foreign branch of a domestic corporation
15 (other than a bank), or which is a foreign corporation or foreign
16 partnership which is controlled by one or more domestic corporations
17 (other than banks), domestic partnerships or resident individuals, all
18 the proceeds of the loan are for use outside of the United States;

19 (ii) Making or placing deposits with foreign persons which are
20 banks or foreign branches of banks (including foreign subsidiaries) or
21 foreign branches of the taxpayers or with other international banking
22 facilities;

23 (iii) Entering into foreign exchange trading or hedging transactions
24 related to any of the transactions described in this paragraph; or

25 (iv) Such other activities as an international banking facility may,
26 from time to time, be authorized to engage in;

27 (C) Applicable expenses shall be any expense or other deductions
28 attributable, directly or indirectly, to the eligible gross income
29 described in subparagraph (B) of this paragraph.

30 (5) Entire net income shall exclude 100% of dividends which were
31 included in computing such taxable income for federal income tax
32 purposes, paid to the taxpayer by one or more subsidiaries owned by
33 the taxpayer to the extent of the 80% or more ownership of investment
34 described in subsection (d) of this section. With respect to other
35 dividends, entire net income shall not include 50% of the total included
36 in computing such taxable income for federal income tax purposes.

37 (6) (A) Net operating loss deduction. There shall be allowed as
38 a deduction for the taxable year the net operating loss carryover to
39 that year.

40 (B) Net operating loss carryover. A net operating loss for any
41 taxable year ending after June 30, 1984 shall be a net operating loss
42 carryover to each of the seven years following the year of the loss. The
43 entire amount of the net operating loss for any taxable year (the "loss
44 year") shall be carried to the earliest of the taxable years to which the
45 loss may be carried. The portion of the loss which shall be carried to
46 each of the other taxable years shall be the excess, if any, of the

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1 amount of the loss over the sum of the entire net income, computed
2 without the exclusions permitted in paragraphs (4) and (5) of this
3 subsection or the net operating loss deduction provided by
4 subparagraph (A) of this paragraph, for each of the prior taxable years
5 to which the loss may be carried.

6 (C) Net operating loss. For purposes of this paragraph the term
7 "net operating loss" means the excess of the deductions over the gross
8 income used in computing entire net income without the net operating
9 loss deduction provided for in subparagraph (A) of this paragraph and
10 the exclusions in paragraphs (4) and (5) of this subsection.

11 (D) Change in ownership. Where there is a change in 50% or more
12 of the ownership of a corporation because of redemption or sale of
13 stock and the corporation changes the trade or business giving rise to
14 the loss, no net operating loss sustained before the changes may be
15 carried over to be deducted from income earned after such changes.
16 In addition where the facts support the premise that the corporation
17 was acquired under any circumstances for the primary purpose of the
18 use of its net operating loss carryover, the director may disallow the
19 carryover.

20 (7) The entire net income of gas, electric and gas and electric
21 public utilities that were subject to the provisions of P.L.1940, c.5
22 (C.54:30A-49 et seq.) prior to 1998, shall be adjusted by substituting
23 the New Jersey depreciation allowance for federal tax depreciation
24 with respect to assets placed in service prior to January 1, 1998. For
25 gas, electric, and gas and electric public utilities that were subject to
26 the provisions of P.L.1940, c.5 (C.54:30A-49 et seq.) prior to 1998,
27 the New Jersey depreciation allowance shall be computed as follows:
28 All depreciable assets placed in service prior to January 1, 1998 shall
29 be considered a single asset account. The New Jersey tax basis of this
30 depreciable asset account shall be an amount equal to the carryover
31 adjusted basis for federal income tax purposes on December 31, 1997
32 of all depreciable assets in service on December 31, 1997, increased
33 by the excess, of the "net carrying value," defined to be adjusted book
34 basis of all assets and liabilities, excluding deferred income taxes,
35 recorded on the public utility's books of account on December 31,
36 1997, over the carryover adjusted basis for federal income tax
37 purposes on December 31, 1997 of all assets and liabilities owned by
38 the gas, electric, or gas and electric public utility as of December 31,
39 1997. "Books of account" for gas, gas and electric, and electric public
40 utilities means the uniform system of accounts as promulgated by the
41 Federal Energy Regulatory Commission and adopted by the Board of
42 Public Utilities. The following adjustments to entire net income shall
43 be made pursuant to this section:

44 (A) Depreciation for property placed in service prior to January 1,
45 1998 shall be adjusted as follows:

46 (i) Depreciation for federal income tax purposes shall be

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1 disallowed in full.

2 (ii) A deduction shall be allowed for the New Jersey depreciation
3 allowance. The New Jersey depreciation allowance shall be computed
4 for the single asset account described above based on the New Jersey
5 tax basis as adjusted above as if all assets in the single asset account
6 were first placed in service on January 1, 1998. Depreciation shall be
7 computed using the straight line method over a thirty-year life. A full
8 year's depreciation shall be allowed in the initial tax year. No half-year
9 convention shall apply. The depreciable basis of the single account
10 shall be reduced by the adjusted federal tax basis of assets sold,
11 retired, or otherwise disposed of during any year on which gain or loss
12 is recognized for federal income tax purposes as described in
13 subparagraph (B) of this paragraph.

14 (B) Gains and losses on sales, retirements and other dispositions
15 of assets placed in service prior to January 1, 1998 shall be recognized
16 and reported on the same basis as for federal income tax purposes.

17 (C) The Director of the Division of Taxation shall promulgate
18 regulations describing the methodology for allocating the single asset
19 account in the event that a portion of the utility's operations are
20 separated, spun-off, transferred to a separate company or otherwise
21 disaggregated.

22 (8) In the case of taxpayers that are gas, electric, gas and electric,
23 or telecommunication public utilities as defined pursuant to subsection
24 (q) of this section, the director shall have authority to promulgate rules
25 and issue guidance correcting distortions and adjusting timing
26 differences resulting from the adoption of P.L.1997, c.162
27 (C.54:10A-5.25 et al.).

28 (9) Notwithstanding paragraph (1) of this subsection, entire net
29 income shall not include the income derived by a corporation
30 organized in a foreign country from the international operation of a
31 ship or ships, or from the international operation of aircraft, if such
32 income is exempt from federal taxation pursuant to section 883 of the
33 federal Internal Revenue Code of 1986, 26 U.S.C. s.883.

34 (10) Entire net income shall exclude all income of an alien
35 corporation the activities of which are limited in this State to investing
36 or trading in stocks and securities for its own account, investing or
37 trading in commodities for its own account, or any combination of
38 those activities, within the meaning of section 864 of the federal
39 Internal Revenue Code of 1986, 26 U.S.C.s.864, as in effect on
40 December 31, 1998. Notwithstanding the previous sentence, if an
41 alien corporation undertakes one or more infrequent, extraordinary or
42 non-recurring activities, including but not limited to the sale of
43 tangible property, only the income from such infrequent, extraordinary
44 or non-recurring activity shall be subject to the tax imposed pursuant
45 to P.L.1945, c.162 (C.54:10A-1 et seq.), and that amount of income
46 subject to tax shall be determined without regard to the allocation to

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1 that specific transaction of any general business expense of the
2 taxpayer and shall be specifically assigned to this State for taxation by
3 this State without regard to section 6 of P.L.1945, c.162 (C.54:10A-
4 6). For the purposes of this paragraph, "alien corporation" means a
5 corporation organized under the laws of a jurisdiction other than the
6 United States or its political subdivisions.

7 (l) "Real estate investment trust" shall mean any corporation, trust
8 or association qualifying and electing to be taxed as a real estate
9 investment trust under federal law.

10 (m) "Financial business corporation" shall mean any corporate
11 enterprise which is (1) in substantial competition with the business of
12 national banks and which (2) employs moneyed capital with the object
13 of making profit by its use as money, through discounting and
14 negotiating promissory notes, drafts, bills of exchange and other
15 evidences of debt; buying and selling exchange; making of or dealing
16 in secured or unsecured loans and discounts; dealing in securities and
17 shares of corporate stock by purchasing and selling such securities and
18 stock without recourse, solely upon the order and for the account of
19 customers; or investing and reinvesting in marketable obligations
20 evidencing indebtedness of any person, copartnership, association or
21 corporation in the form of bonds, notes or debentures commonly
22 known as investment securities; or dealing in or underwriting
23 obligations of the United States, any state or any political subdivision
24 thereof, or of a corporate instrumentality of any of them. This shall
25 include, without limitation of the foregoing, business commonly
26 known as industrial banks, dealers in commercial paper and
27 acceptances, sales finance, personal finance, small loan and mortgage
28 financing businesses, as well as any other enterprise employing
29 moneyed capital coming into competition with the business of national
30 banks; provided that the holding of bonds, notes, or other evidences
31 of indebtedness by individual persons not employed or engaged in the
32 banking or investment business and representing merely personal
33 investments not made in competition with the business of national
34 banks, shall not be deemed financial business. Nor shall "financial
35 business" include national banks, production credit associations
36 organized under the Farm Credit Act of 1933 or the Farm Credit Act
37 of 1971, Pub.L. 92-181 (12 U.S.C.s.2091 et seq.), stock and mutual
38 insurance companies duly authorized to transact business in this State,
39 security brokers or dealers or investment companies or bankers not
40 employing moneyed capital coming into competition with the business
41 of national banks, real estate investment trusts, or any of the following
42 entities organized under the laws of this State: credit unions, savings
43 banks, savings and loan and building and loan associations,
44 pawnbrokers, and State banks and trust companies.

45 (n) "International banking facility" shall mean a set of asset and
46 liability accounts segregated on the books and records of a depository

1 institution, United States branch or agency of a foreign bank, or an
2 Edge or Agreement Corporation that includes only international
3 banking facility time deposits and international banking facility
4 extensions of credit as such terms are defined in section 204.8(a)(2)
5 and section 204.8(a)(3) of Regulation D of the board of governors of
6 the Federal Reserve System, 12 CFR Part 204, effective December 3,
7 1981. In the event that the United States enacts a law, or the board
8 of governors of the Federal Reserve System adopts a regulation which
9 amends the present definition of international banking facility or of
10 such facilities' time deposits or extensions of credit, the Commissioner
11 of Banking and Insurance shall forthwith adopt regulations defining
12 such terms in the same manner as such terms are set forth in the laws
13 of the United States or the regulations of the board of governors of the
14 Federal Reserve System. The regulations of the Commissioner of
15 Banking and Insurance shall thereafter provide the applicable
16 definitions.

17 (o) "S corporation" means a corporation included in the definition
18 of an "S corporation" pursuant to section 1361 of the federal Internal
19 Revenue Code of 1986, 26 U.S.C.s.1361.

20 (p) "New Jersey S corporation" means a corporation that is an S
21 corporation; which has made a valid election pursuant to section 3 of
22 P.L.1993, c.173 (C.54:10A-5.22); and which has been an S
23 corporation continuously since the effective date of the valid election
24 made pursuant to section 3 of P.L.1993, c.173 (C.54:10A-5.22).

25 (q) "Public Utility" means "public utility" as defined in
26 R.S.48:2-13.

27 (cf: 1998, c.114, s.2.)

28

29 2. This act shall take effect immediately and apply to privilege
30 periods ending on or after the July 1 next following enactment.

31

32

33

STATEMENT

34

35 This bill excludes from taxation under the corporation business tax
36 certain hedge fund activity income of corporations of foreign nations
37 generated in New Jersey.

38 The bill excludes the income of a foreign corporation active in New
39 Jersey if the corporation's activities in this State are limited to
40 investing or trading in stocks and securities for its own account,
41 investing or trading in commodities for its own account, or any
42 combination of those activities.

43 However, even if the corporation has some activities that go beyond
44 trading for its own account, the trading income may remain exempt.
45 If the foreign corporation has income from one or more infrequent,
46 extraordinary or non-recurring activities (for example, it buys new

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11

1 office furniture and sells all of its old office furniture) only the income
2 from such infrequent, extraordinary or non-recurring activity will be
3 taxed. If the corporation goes beyond infrequent, extraordinary or
4 non-recurring activities, for example to regularly engage in activities
5 in New Jersey that are not trading for its own account, then all of the
6 corporation's income becomes subject to taxation.

7 Neighboring states have enacted similar laws. Corporation's
8 "hedge funds" that trade large blocks of stock on behalf of their
9 corporate parents are discouraged from locating in New Jersey
10 because neighboring states allow the exclusion of the income of hedge
11 funds with offices located in those states. This bill will remove a tax
12 disincentive to locating these trading management offices in New
13 Jersey, making New Jersey an equally attractive business location for
14 traders.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2281

STATE OF NEW JERSEY

DATED: JANUARY 6, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2281.

This bill excludes from taxation under the corporation business tax certain hedge fund activity income of corporations of foreign nations generated in New Jersey.

The bill excludes the income of a foreign corporation active in New Jersey if the corporation's activities in this State are limited to investing or trading in stocks and securities for its own account, investing or trading in commodities for its own account, or any combination of those activities.

Neighboring states (e.g., Connecticut and New York) have enacted similar laws that exempt such foreign corporations from status as taxpayers if their activities are limited to hedge fund trading; under those laws, if the corporations have income from other activity, they lose their exemptions and all of their income becomes subject to taxation. This bill is distinctly different.

First, the bill excludes the hedge fund *income* of such foreign corporations from taxation; the corporations remain taxpayers subject to certain reporting duties and payment of at least the minimum tax (currently \$200 annually).

Second, if the foreign corporation has some limited activities that go beyond trading for its own account, the trading income may remain exempt. If the foreign corporation has income from one or more infrequent, extraordinary or non-recurring activities (for example, it buys new office furniture and sells all of its old office furniture), only the income from such infrequent, extraordinary or non-recurring activity will be taxed. If the corporation goes beyond infrequent, extraordinary or non-recurring activities, for example to regularly engage in activities in New Jersey that are not trading for its own account, then all of the corporation's income becomes subject to taxation.

FISCAL IMPACT

The number of foreign corporations active in New Jersey whose activities in this State are limited to investing or trading in stocks and securities for their own accounts is not known, and the Office of Legislative Services has not been able to identify a single such entity

in the State. If such corporations are discouraged from locating in the State under current law, the direct revenue impact of the bill is minimal.

PO BOX 004
TRENTON, NJ 08625

Office of the Governor
NEWS RELEASE

CONTACT: Gene Herman
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RELEASE: January 14, 2000

S-279 (Girgenti) (Russo) - Clarifies duties and responsibilities of municipal prosecutors.

S-504 (Ciesla/Matheussen) (Blee/Malone) - Requires public school districts to provide transportation to all nonpublic schools in certain situations.

S-912 (Palaia/Bark) (Roberts/Geist) - Authorizes certain charges to office of county fire marshal and allows creation of arson investigation unit therein.

SCS for S-1196 (Kosco/Bryant/Furnari) (Cohen/DiGaetano) - Amends "Check Cashers Regulatory Act" to make it a crime to cash a check for consideration without a license and requires the revocation of license under certain circumstances; amends "Casino Control Act" to require casino licensees to file suspicious transaction report.

S-1492 (Sinagra/Bassano) (Cruz-Perez/Vandervalk) - "Physician- Dentist Fellowship and Education Program to Provide Health Care to Persons with Developmental Disabilities," appropriates \$2,500,000.

S-2217 (Gormley) (LeFevre/Blee) - Clarifies that cooperative to condominium conversions are not subject to realty transfer fee.

AS for SCS for S-949 (Blee/Cruz-Perez/Previte/Bryant/Gormley) (Jones/Asselta) - Makes Division of Criminal Justice investigators and probation officers eligible for body armor grants.

A-2965 (Bodine/Gregg) (Sinagra/Vitale) - Clarifies that only large water systems are required annually to mail drinking water quality information to customers; requires certain entities to post water quality test results.

A-3270 (Malone/Cottrell) (Singer/Allen) - Requires a board of education providing certain services to nonpublic school pupils to provide consultation with representatives of the nonpublic school on any change in the provision of services.

A-3408 (Biondi/Heck) (Kavanaugh/Robertson) - Provides sales tax exemptions for certain purchases by flood victims of Hurricane Floyd.

A-3571 (Blee) (Bryant/Matheussen) - Revises certain procedures for the receipt of State matching funds against contributions and donations made to institutions of higher education and institutional foundations.

S-1842 (Singer/Bark) (Malone/Conaway) - Establishes a special license plate to aid Deborah Hospital Foundation.

S-1869 (O'Connor) (Asselta/Gregg) - Makes permanent the Vietnam Veterans' Memorial Fund contribution gross income tax return check-off.

SCS for S-2034 (Ciesla/Codey) (Moran/Impeveduto) - Establishes certain licensing requirements for limousine drivers and additional requirements for owners of limousines.

A-2055 (Weinberg/Zisa) (Bassano/Singer) - Establishes Prostate Cancer Awareness, Education and Research Program in DHSS; appropriates \$1 million.

A-3245 (Lance/Gregg) (Schluter) - Appropriates \$200,000 for deer control research.

A-3410 (Lance/Smith) (Lynch) - Authorizes municipalities to establish grant programs to provide relief to certain real property owners for damages due to floods, hurricanes and other natural disasters.

A-3568 (Felice/Doria) (Bassano/Codey) - Continues health service corporation member on Individual Health Coverage and Small Employer Health Benefits Program boards.

A-3622 (Kramer) (Inverso) - Excludes certain hedge fund activity income of corporations of foreign nations from taxation under the corporation business tax.

A-3636 (DeCroce/Ciesla) - Exempts motor carrier employees from the State's statutory overtime wage rate requirements.