

# 54A:6-30

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2003 **CHAPTER:** 9

**NJSA:** 54A:6-30 (Exempts those died on Sept 11 from income tax)

**BILL NO:** A2233/A1912 (Substituted for S1215)

**SPONSOR(S):** Sarlo and others

**DATE INTRODUCED:** May 9, 2002

**COMMITTEE:** **ASSEMBLY:** Homeland Security; Appropriations  
**SENATE:** Budget

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:** **ASSEMBLY:** October 28, 2002  
**SENATE:** December 16, 2002

**DATE OF APPROVAL:** January 27, 2003

### FOLLOWING ARE ATTACHED IF AVAILABLE:

**FINAL TEXT OF BILL:** (Assembly Substitute for A2233/1912)

#### A2233/1912

**SPONSORS STATEMENT (A2233):** (Begins on page 2 of original bill) [Yes](#)

**SPONSORS STATEMENT (A1912):** (Begins on page 2 of original bill) [Yes](#)

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes [9-26-2002 \(Homeland\)](#)  
[10/21/2002 \(Approp.\)](#)

**SENATE:** [Yes](#)

**FLOOR AMENDMENT STATEMENTS:** No

**LEGISLATIVE FISCAL ESTIMATE (A1912):** [Yes](#)

**LEGISLATIVE FISCAL ESTIMATE (A2233/1912):** [Yes](#)

#### S1215

**SPONSORS STATEMENT:** (Begins on page 2 of original bill) [Yes](#)  
Identical to sponsors statement for A2233

**COMMITTEE STATEMENT:** **ASSEMBLY:** No

**SENATE:** [Yes](#)

**FLOOR AMENDMENT STATEMENTS:** No

**LEGISLATIVE FISCAL ESTIMATE:** No

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:**

No

**FOLLOWING WERE PRINTED:**

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 103 or <mailto:refdesk@njstatelib.org>

**REPORTS:**

No

**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

No

P.L. 2003, CHAPTER 9, *approved January 27, 2003*

Assembly Committee Substitute for

Assembly, Nos. 2233 and 1912

1 **AN ACT** exempting from New Jersey gross income tax the income of  
2 victims who died in the September 11, 2001 terrorist attacks  
3 against the United States, supplementing Title 54A of the New  
4 Jersey Statutes.

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

8

9 1. a. Gross income shall not include the income otherwise taxable  
10 under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq.,  
11 of any individual who dies as a result of wounds or injury incurred as  
12 a result of the terrorist attacks against the United States on  
13 September 11, 2001, with respect to the taxpayer's taxable year in  
14 which falls the date of death of the taxpayer and with respect to any  
15 prior taxable year in the period beginning with the last taxable year  
16 ending before the taxable year in which the wounds or injury were  
17 incurred.

18 b. This section shall not apply to any individual identified by the  
19 Attorney General of the United States to have been a participant or  
20 conspirator in those attacks.

21 c. The amount of any income tax paid that is excludable pursuant  
22 to this section shall be an overpayment for the purposes of  
23 N.J.S.54A:9-7, provided however, that subsection (f) of N.J.S.54A:9-7  
24 shall not apply. Notwithstanding the periods of limitation for refunds  
25 of overpayments set forth in N.J.S.54A:9-8, a claim for a refund of  
26 overpayment shall be filed on behalf of a taxpayer within four years  
27 after the taxpayer's taxable year in which falls the date of death of the  
28 taxpayer.

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30 2. This act shall take effect immediately and shall apply to taxable  
31 years ending before, on, or after September 11, 2001.

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36 Exempts from New Jersey gross income tax the income of victims who  
37 died in the September 11, 2001 terrorist attacks against the United  
38 States.

# ASSEMBLY, No. 2233

## STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED MAY 9, 2002

**Sponsored by:**

**Assemblyman PAUL SARLO**

**District 36 (Bergen, Essex and Passaic)**

**Assemblyman MATT AHEARN**

**District 38 (Bergen)**

**Co-Sponsored by:**

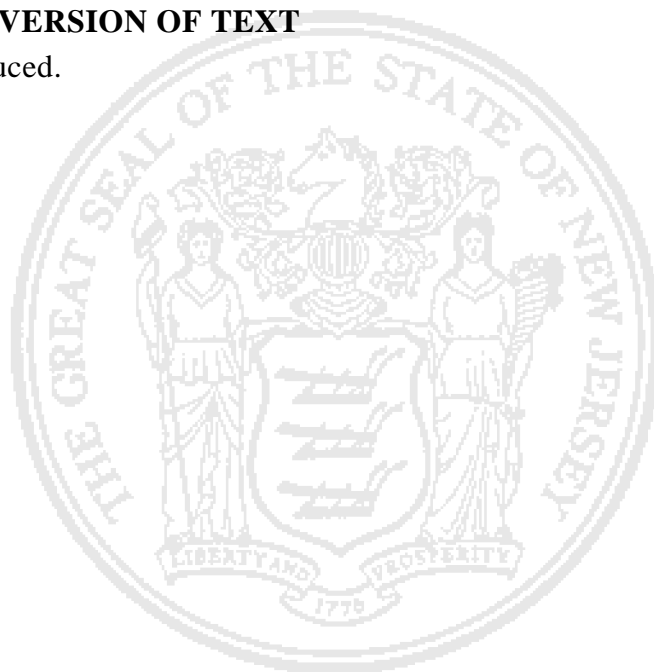
**Assemblyman R.Smith**

**SYNOPSIS**

Exempts from New Jersey gross income tax the victims who died in the September 11, 2001 terrorist attacks against the United States.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 10/4/2002)**

1 AN ACT exempting from New Jersey gross income tax the income of  
2 victims who died in the September 11, 2001 terrorist attacks  
3 against the United States, supplementing Title 54A of the New  
4 Jersey Statutes.

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

8  
9 1. a. Gross income shall not include the income otherwise taxable  
10 under the "New Jersey Gross Income Tax Act, N.J.S.54A:1-1 et seq.,  
11 of any individual who dies as a result of wounds or injury incurred as  
12 a result of the terrorist attacks against the United States on  
13 September 11, 2001, with respect to the taxpayer's taxable year in  
14 which falls the date of death of the taxpayer and with respect to any  
15 prior taxable year in the period beginning with the last taxable year  
16 ending before the taxable year in which the wounds or injury were  
17 incurred.

18 b. This section shall not apply to any individual identified by the  
19 Attorney General of the United States to have been a participant or  
20 conspirator in those attacks.

21 c. The amount of any income tax paid that is excludable pursuant  
22 to this section shall be an overpayment for the purposes of  
23 N.J.S.54A:9-7, provided however, that subsection (f) of N.J.S.54A:9-  
24 7 shall not apply. Notwithstanding the periods of limitation for  
25 refunds of overpayments set forth in N.J.S.54A:9-8, a claim for a  
26 refund of overpayment shall be filed on behalf of a taxpayer within  
27 four years after the taxpayer's taxable year in which falls the date of  
28 death of the taxpayer.

29  
30 2. This act shall take effect immediately and shall apply to taxable  
31 years ending before, on, or after September 11, 2001.

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STATEMENT

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36 This bill exempts the victims who died in the September 11, 2001  
37 terrorist attacks against the United States from New Jersey gross  
38 income tax for the 2001 taxable year and the prior taxable year or for  
39 any earlier year in the period beginning with the last year ending before  
40 the year in which the wounds or injuries were incurred. The bill will  
41 allow for refunds of any gross income tax paid by the victims in those  
42 years. This bill is based on the recently enacted federal "Victims of  
43 Terrorism Tax Relief Act" that waives the federal individual income  
44 tax for the deceased victims. Under this bill, the individuals who died  
45 in the attacks on the World Trade Center and the Pentagon, and those  
46 killed when a hijacked plane crashed in rural Pennsylvania would not

**A2233 SARLO, AHEARN**

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1 owe gross income tax in the year of death and at least one previous  
2 year. Any gross income tax paid in those years would be refunded.  
3 This tax relief will ease some of the financial hardship and worry for  
4 the thousands of aggrieved wives, husbands and children suffering  
5 from their loss of loved ones in those attacks.

**ASSEMBLY, No. 1912**

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**STATE OF NEW JERSEY**

**210th LEGISLATURE**

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INTRODUCED FEBRUARY 21, 2002

**Sponsored by:**

**Assemblyman CHRISTOPHER "KIP" BATEMAN**

**District 16 (Morris and Somerset)**

**Assemblyman PETER J. BIONDI**

**District 16 (Morris and Somerset)**

**Co-Sponsored by:**

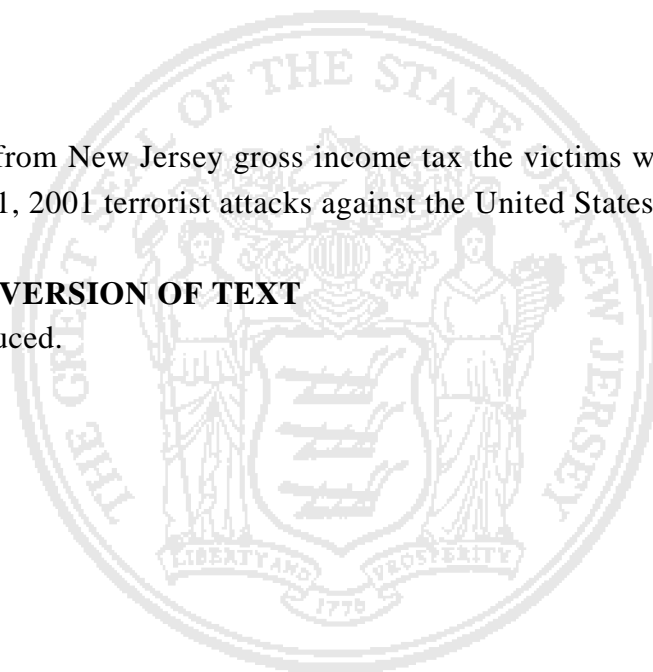
**Assemblymen Guear, Wolfe, Arnone, Cryan, DeCroce, Greenwald, Merkt, Munoz, O'Toole, Thompson, Blee, Caraballo, D'Amato, DiGaetano, Eagler, Egan, Green, Holzapfel, Kean, Malone, Moran, Payne, Assemblywoman Previte, Assemblymen Russo, T.Smith, Stanley, Assemblywoman Weinberg, Assemblymen Diegnan, Roberts, Bodine, Assemblywoman Cruz-Perez, Assemblymen Garrett, Pennacchio and Assemblywoman Vandervalk**

**SYNOPSIS**

Exempts from New Jersey gross income tax the victims who died in the September 11, 2001 terrorist attacks against the United States.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 10/1/2002)**

1 AN ACT exempting from New Jersey gross income tax the income of  
2 victims who died in the September 11, 2001 terrorist attacks  
3 against the United States, supplementing Title 54A of the New  
4 Jersey Statutes.

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

8  
9 1. a. Gross income shall not include the income otherwise taxable  
10 under the "New Jersey Gross Income Tax Act, N.J.S.54A:1-1 et seq.,  
11 of any individual who dies as a result of wounds or injury incurred as  
12 a result of the terrorist attacks against the United States on September  
13 11, 2001, with respect to the taxpayer's taxable year in which falls the  
14 date of death of the taxpayer and with respect to any prior taxable year  
15 in the period beginning with the last taxable year ending before the  
16 taxable year in which the wounds or injury were incurred.

17 b. This section shall not apply to any individual identified by the  
18 Attorney General of the United States to have been a participant or  
19 conspirator in those attacks.

20 c. The amount of any income tax paid that is excludable pursuant  
21 to this section shall be an overpayment for the purposes of  
22 N.J.S.54A:9-7, provided however, that subsection (f) of N.J.S.54A:9-  
23 7 shall not apply. Notwithstanding the periods of limitation for  
24 refunds of overpayments set forth in N.J.S.54A:9-8, a claim for a  
25 refund of overpayment shall be filed on behalf of a taxpayer within  
26 three years after the taxpayer's taxable year in which falls the date of  
27 death of the taxpayer.

28  
29 2. This act shall take effect immediately and shall apply to taxable  
30 years ending before, on, or after September 11, 2001.

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STATEMENT

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35 This bill exempts the victims who died in the September 11, 2001  
36 terrorist attacks against the United States from New Jersey gross  
37 income tax for the 2001 taxable year and the prior taxable year or for  
38 any earlier year in the period beginning with the last year ending before  
39 the year in which the wounds or injuries were incurred. The bill will  
40 allow for refunds of any gross income tax paid by the victims in those  
41 years. This bill is based on the recently enacted federal "Victims of  
42 Terrorism Tax Relief Act" that waives the federal individual income  
43 tax for the deceased victims. Under this bill, the individuals who died  
44 in the attacks on the World Trade Center and the Pentagon, and those  
45 killed when a hijacked plane crashed in rural Pennsylvania would not  
46 owe gross income tax in the year of death and at least one previous



**A1912 BATEMAN, BIONDI**

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- 1 year. Any gross income tax paid in those years would be refunded.
- 2 This tax relief will ease some of the financial hardship and worry for
- 3 the thousands of aggrieved wives, husbands and children suffering
- 4 from their loss of loved ones in those attacks.

ASSEMBLY HOMELAND SECURITY AND STATE  
PREPAREDNESS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, Nos. 2233 and 1912**

**STATE OF NEW JERSEY**

DATED: SEPTEMBER 26, 2002

The Assembly Homeland Security and State Preparedness Committee reports favorably a committee substitute for Assembly Bill Nos. 2233 and 1912.

This bill exempts the income of victims who died in the September 11, 2001 terrorist attacks against the United States from New Jersey gross income tax for the 2000 and 2001 taxable years. The bill would also provide an income tax exemption for victims who die at a later date as a result of wounds or injuries incurred by the terrorist attacks. Such victims would not owe income tax for the taxable year in which their death occurred, and their income would become exempt for every previous taxable year starting with the 2000 taxable year. The bill would allow for refunds of any State gross income tax paid by a victim in those years. A claim for a refund would need to be filed on behalf of a victim within four years after the taxable year in which the victim died.

This bill is based on the recently enacted federal "Victims of Terrorism Tax Relief Act of 2001," Pub.L. 107-134 (2002), that waives the federal individual income tax for the deceased victims. Under this bill, the individuals who died in the attacks on the World Trade Center and the Pentagon, and those killed when a hijacked plane crashed in rural Pennsylvania do not owe gross income tax in the year of death and the previous year. 26 U.S.C.A. 692. Any federal gross income tax paid in those years would be refunded.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, Nos. 2233 and 1912**

**STATE OF NEW JERSEY**

DATED: OCTOBER 21, 2002

The Assembly Appropriations Committee reports favorably Assembly Bill Nos. 2233 and 1912 (ACS).

Assembly Bill No. 2233 and 1912 (ACS) provides an exemption from New Jersey gross income tax for decedent victims of the September 11, 2001 terrorist attacks.

In general, the bill allows an exemption for all income received by victims of the September 11, 2001 attacks in taxable years 2000 and 2001; victims who die after 2001 as a result of wounds or injuries incurred in the attacks are exempt for taxable year 2000 through the taxable year of their deaths. The bill provides for the refund (without interest) of any gross income tax that the taxpayer has paid for these tax years, and permits claims for the refund to be filed as late as four years from the end of the tax year in which the taxpayer died.

The provisions of the bill based on the federal "Victims of Terrorism Tax Relief Act of 2001," Pub.L. 107-134 (2002), that waives the federal individual income tax for the deceased victims. (The federal law differs from the bill by setting a minimum level of relief of \$10,000 per individual and disqualifying certain narrow categories of income from eligibility for the exemption.)

Other states, including New York, Massachusetts and Connecticut, have enacted income tax exclusions for victims of the terrorist attacks of September 11, 2001. In particular, under Ch.85, Laws of 2002, New York has provided that state personal income taxes are waived for 2000 and 2001 for those who died as a result of those attacks.

FISCAL IMPACT:

The Office of Legislative Services estimates that this bill will reduce State gross income tax revenue previously collected and newly collectible from the affected taxpayers by a total of between \$7.2 million and \$10.1 million in FY2003.

The lost revenue falls into two categories based upon whether the income giving rise to the tax liability derives from New York sources (basically, employment at the World Trade Center):

(1) Between \$1.2 million and \$2.1 million of tax revenue loss would result from reduced tax liabilities on non-New York source

income that New Jersey currently taxes. The revenue loss would be paid out as refunds of previously collected tax revenue.

(2) The bulk of the revenue loss, between \$6.0 million and \$8.0 million, would result from the elimination of the tax "windfall" that New Jersey would otherwise receive due to the interaction between current New Jersey tax law and the exclusion legislation, referred to above, that was recently enacted in New York. Usually much or all of the New Jersey tax liability for income earned in New York is untaxed under New Jersey tax law as a result of the credit allowed to New Jersey taxpayers for taxes paid to other jurisdictions on the same income. Because of this credit, taxpayers that paid taxes to New York for taxable years 2000 and 2001 have already received a credit for those taxes for their 2000 and 2001 New Jersey taxes. However, the New York law that forgives these taxpayers their New York liability has the effect of reducing their credit and increasing their New Jersey tax liability. For the estates of the victims, this bill offsets or counteracts the consequences of the change in New York tax law. This revenue is not currently anticipated by the State for State budget purposes, because the New York tax change was not anticipated.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 2233 and 1912**

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 18, 2002

The Senate Budget and Appropriations Committee reports favorably Assembly Bill Nos. 2233 and 1912 (ACS).

This bill provides an exemption from New Jersey gross income tax for decedent victims of the September 11, 2001 terrorist attacks. In general, the exemption would apply to income received in tax years 2000 and 2001. The bill provides for the refund (without interest) of any income tax that the taxpayer has paid for these tax years, and permits claims for the refund to be filed as late as four years from the end of the tax year in which the taxpayer died.

The provisions of the bill are broadly patterned on those of federal legislation, the "Victims of Terrorism Tax Relief Act of 2001" (approved January 23, 2002), that exempt the income of victims killed by the September 11 terrorist acts from federal income tax for the tax year preceding the year of injury, the tax year of death, and any intervening tax year. The federal law differs from the bill by (i) setting a minimum level of relief (\$10,000 per individual), and (ii) disqualifying certain narrow categories of income from eligibility for the exemption.

Other states, including New York, Massachusetts and Connecticut, have enacted income tax exclusions for victims of the terrorist attacks of September 11, 2001. In particular, under Ch.85, Laws of 2002, New York has provided that state personal income taxes are waived for 2000 and 2001 for those who died as a result of those attacks.

The provisions of this bill are identical to those of Senate Bill No. 1215 Sca, which the committee also reports this day.

#### FISCAL IMPACT

The Office of Legislative Services estimates that this legislation would reduce State income tax revenue previously collected and collectible from the affected taxpayers by a total of between \$7.2 million and \$10.1 million in FY2003.

The lost revenue falls under two separate headings based upon whether or not the income giving rise to the liability derived from New York sources (generally, employment at the World Trade Center):

- (1) Between \$1.2 million and \$2.1 million of tax revenue loss

would result from reduced tax liabilities on non-New York source income that New Jersey currently taxes. The revenue loss would be paid out as refunds of previously collected tax revenue.

(2) The bulk of the revenue loss (between \$6.0 million and \$8.0 million) would result from the loss of a potential tax "windfall" that New Jersey would otherwise receive through the interaction between current New Jersey tax law and the exclusion legislation, referred to above, that was recently enacted in New York. Ordinarily, much or all of the New Jersey tax liability for income earned in New York is offset by a credit that New Jersey allows for taxes paid to other jurisdictions. Absent this legislation, the New York exclusion law, by eliminating the New York liability, would effectively eliminate the credit and increase New Jersey tax revenue by a corresponding amount. Enactment of this bill would counteract that consequence of New York's enactment of its exclusion. It should be noted, however, that the State did not anticipate the "windfall" revenue in adopting the FY 2003 State budget because the New York tax change itself was not anticipated.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 1912**  
**STATE OF NEW JERSEY**  
**210th LEGISLATURE**

DATED: OCTOBER 7, 2002

**SUMMARY**

**Synopsis:** Exempts from New Jersey gross income tax the victims who died in the September 11, 2001 terrorist attacks against the United States.

**Type of Impact:** Loss of revenue for the Property Tax Relief Fund (gross income tax).

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>
<b>State Revenue</b>	(\$7,232,000) to (\$10,060,000)	\$0	\$0

- ! The Office of Legislative Services (OLS) estimates that this bill would reduce State tax revenues by between \$7.2 million and \$10.1 million in Fiscal Year 2003.
- ! The bulk of this tax revenue loss (between \$6.0 million and \$8.0 million) would result from the elimination of a potential tax "windfall" that New Jersey would receive due to the interaction between current State tax law and a recent change in New York tax law. This revenue is not currently anticipated by the State, because the New York tax change was not anticipated.
- ! The remainder of this tax revenue loss (between \$1.2 million and \$2.1 million) would be a result of reduced tax liabilities on non New York source income that New Jersey currently does tax. The revenue loss would be paid out as refunds of previously collected tax revenue.

**BILL DESCRIPTION**

Assembly Bill No. 1912 of 2002 exempts the victims who died in the September 11, 2001 terrorist attacks against the United States from New Jersey gross income tax for the 2000 and 2001 taxable years. The individuals who died in the attacks on the World Trade Center and the Pentagon, and those killed when a hijacked plane crashed in rural Pennsylvania would not owe gross income tax in the year of death and at least one previous year. Any gross income tax paid in those years would be refunded.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The Office of Legislative Services (OLS) estimates that this bill would reduce State tax revenues by between \$7.2 million and \$10.1 million in Fiscal Year 2003. The bulk of this tax revenue loss (between \$6.0 million and \$8.0 million) would result from the elimination of a potential tax "windfall" that New Jersey would receive due to the interaction between current State tax law and a recent change in New York tax law. Usually much or all of the New Jersey tax liability for income earned in New York would be exempted under New Jersey tax law as a credit for taxes paid to other jurisdictions. However, a recent tax law change in New York affecting the victims of September 11 will effectively reduce this credit and increase New Jersey tax revenue. For the estates of the victims, this bill would offset or counteract the consequences of the change in New York tax law. This revenue is not currently anticipated by the State, because the New York tax change was not anticipated.

The remainder of the tax revenue loss (between \$1.2 million and \$2.1 million) would be a result of reduced tax liabilities on non New York source income that New Jersey currently does tax. The revenue loss would be paid out as refunds of previously collected tax revenue.

#### **New York Source Income.**

Under current law, the New Jersey could expect to receive between \$6.0 million and \$8.0 million in tax revenue from victims who earned income in New York. York State recently enacted a law similar to this bill that exempts victims of September 11 from paying two years of income tax (Chapter 85 of the New York State Laws of 2002). New Jersey victims (their estates) would file for the New York exemption and receive a refund. However, the New York tax refund would have the effect of eliminating the New Jersey income tax credit for taxes paid to other jurisdictions. The New Jersey victims would then retroactively owe the State of New Jersey an estimated \$6.0 million to \$8.0 million in income tax liabilities. This bill would essentially eliminate the potential retroactive tax revenue windfall by exempting from New Jersey's income tax any income earned over the same two years as the New York tax exemption.

The estimated amount of between \$6.0 million and \$8.0 million is based on a number of assumptions and figures. Published reports indicate that about 660 New Jersey residents were victims of the September 11 attacks in New York. Tax data from the State of New York suggest that the average New Jersey resident working in New York earned about \$135,000 in 1998. Published corporate figures indicate a significant number of the World Trade Center victims earned income well above \$135,000. Assuming an average income of \$150,000 would result in New Jersey tax liabilities of between \$5,000 and \$7,000, depending on whether the taxpayer is a joint or single filer. Usually these taxpayers do not owe significant New Jersey tax liabilities because of the credit for taxes paid to other jurisdictions (in this case, New York). New York State income tax liabilities are generally greater than comparable New Jersey liabilities, so the credit for taxes paid to New York would exceed the taxpayer's New Jersey liability, eliminating that liability. This fiscal estimate assumes that 660 New Jersey victims would owe an average of between \$5,000 and \$7,000 in New Jersey tax liability under current



law, or approximately between \$6.0 million and \$8.0 million in total for 1.75 tax years. This bill would eliminate this potential retroactive tax liability.

**Non New York Source Income.**

In addition to the \$6.0 million to \$8.0 million potential tax liability eliminated by this bill due to interactions with income earned in New York, the bill would reduce New Jersey State income tax revenue by an estimated \$1.2 million to \$2.0 million due to tax exemptions for income *not earned* in New York. According to data in the New Jersey *Statistics of Income* for tax year 1999, taxpayers with income in the \$150,000 range typically report about 80 percent of their income from wages and the rest from other sources such as capital gains or interest. Therefore, it is reasonable to estimate that the 660 victims may have had between \$1.2 million and \$2.0 million in additional income tax liabilities under New Jersey's income tax. This liability is not subject to the offsetting credit for taxes paid to other jurisdictions. This bill would exclude that income and that liability and reduce State revenues accordingly.

Lastly, there were about 20 New Jersey victims who died on September 11 in the airline crash in Pennsylvania. Information on their income levels is not known, but on average these victims would not be expected to have income as high as those who worked in New York. Assuming an average income of \$60,000, these victims would have had a New Jersey income tax liability between \$800 and \$1,500, depending on whether the taxpayer was a joint or single filer. Over 1.75 tax years, total tax liability would have ranged between \$32,000 and \$60,000 for these 20 victims. This bill would exclude that liability.

The non New York source revenue losses would be paid out as refunds of previously collected tax revenue.

Section: *Revenue, Finance and Appropriations*

Analyst: *Martin Poethke*  
*Senior Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY COMMITTEE SUBSTITUTE FOR**  
**ASSEMBLY, Nos. 2233 and 1912**  
**STATE OF NEW JERSEY**  
**210th LEGISLATURE**

DATED: NOVEMBER 8, 2002

**SUMMARY**

**Synopsis:** Exempts from New Jersey gross income tax the victims who died in the September 11, 2001 terrorist attacks against the United States.

**Type of Impact:** Loss of revenue for the Property Tax Relief Fund (gross income tax).

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>
<b>State Revenue</b>	(\$7,232,000) to (\$10,060,000)	\$0	\$0

- ! The Office of Legislative Services (OLS) estimates that this Committee Substitute would reduce State tax revenues by between \$7.2 million and \$10.1 million in Fiscal Year 2003.
- ! The bulk of this tax revenue loss (between \$6.0 million and \$8.0 million) would result from the elimination of a potential tax "windfall" that New Jersey would receive due to the interaction between current State tax law and a recent change in New York tax law. This revenue is not currently anticipated by the State, because the New York tax change was not anticipated.
- ! The remainder of this tax revenue loss (between \$1.2 million and \$2.1 million) would be a result of reduced tax liabilities on non New York source income that New Jersey currently does tax. The revenue loss would be paid out as refunds of previously collected tax revenue.

**BILL DESCRIPTION**

Assembly Committee Substitute for Assembly Bill Nos. 2233 and 1912 of 2002 exempts the victims who died in the September 11, 2001 terrorist attacks against the United States from New Jersey gross income tax for the 2000 and 2001 taxable years. The individuals who died in the attacks on the World Trade Center and the Pentagon, and those killed when a hijacked

plane crashed in rural Pennsylvania would not owe gross income tax in the year of death and at least one previous year. Any gross income tax paid in those years would be refunded.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) estimates that this Committee Substitute would reduce State tax revenues by between \$7.2 million and \$10.1 million in Fiscal Year 2003. The bulk of this tax revenue loss (between \$6.0 million and \$8.0 million) would result from the elimination of a potential tax "windfall" that New Jersey would receive due to the interaction between current State tax law and a recent change in New York tax law. Usually much or all of the New Jersey tax liability for income earned in New York would be exempted under New Jersey tax law as a credit for taxes paid to other jurisdictions. However, a recent tax law change in New York affecting the victims of September 11 will effectively reduce this credit and increase New Jersey tax revenue. For the estates of the victims, this bill would offset or counteract the consequences of the change in New York tax law. This revenue is not currently anticipated by the State, because the New York tax change was not anticipated.

The remainder of the tax revenue loss (between \$1.2 million and \$2.1 million) would be a result of reduced tax liabilities on non New York source income that New Jersey currently does tax. The revenue loss would be paid out as refunds of previously collected tax revenue.

### **New York Source Income.**

Under current law, New Jersey could expect to receive between \$6.0 million and \$8.0 million in tax revenue from victims who earned income in New York. New York State recently enacted a law similar to this bill that exempts victims of September 11 from paying two years of income tax (Chapter 85 of the New York State Laws of 2002). New Jersey victims (their estates) would file for the New York exemption and receive a refund. However, the New York tax refund would have the effect of eliminating the New Jersey income tax credit for taxes paid to other jurisdictions. The New Jersey victims would then retroactively owe the State of New Jersey an estimated \$6.0 million to \$8.0 million in income tax liabilities. This bill would essentially eliminate the potential retroactive tax revenue windfall by exempting from New Jersey's income tax any income earned over the same two years as the New York tax exemption.

The estimated amount of between \$6.0 million and \$8.0 million is based on a number of assumptions and figures. Published reports indicate that about 660 New Jersey residents were victims of the September 11 attacks in New York. Tax data from the State of New York suggest that the average New Jersey resident working in New York earned about \$135,000 in 1998. Published corporate figures indicate a significant number of the World Trade Center victims earned income well above \$135,000. Assuming an average income of \$150,000 would result in New Jersey tax liabilities of between \$5,000 and \$7,000, depending on whether the taxpayer is a joint or single filer. Usually these taxpayers do not owe significant New Jersey tax liabilities because of the credit for taxes paid to other jurisdictions (in this case, New York).

New York State income tax liabilities are generally greater than comparable New Jersey liabilities, so the credit for taxes paid to New York would exceed the taxpayer's New Jersey liability, eliminating that liability. This fiscal estimate assumes that 660 New Jersey victims would owe an average of between \$5,000 and \$7,000 in New Jersey tax liability under current law, or approximately between \$6.0 million and \$8.0 million in total for 1.75 tax years. This bill would eliminate this potential retroactive tax liability.

**Non New York Source Income.**

In addition to the \$6.0 million to \$8.0 million potential tax liability eliminated by this bill due to interactions with income earned in New York, the bill would reduce New Jersey State income tax revenue by an estimated \$1.2 million to \$2.0 million due to tax exemptions for income *not earned* in New York. According to data in the New Jersey *Statistics of Income* for tax year 1999, taxpayers with income in the \$150,000 range typically report about 80 percent of their income from wages and the rest from other sources such as capital gains or interest. Therefore, it is reasonable to estimate that the 660 victims may have had between \$1.2 million and \$2.0 million in additional income tax liabilities under New Jersey's income tax. This liability is not subject to the offsetting credit for taxes paid to other jurisdictions. This bill would exclude that income and that liability and reduce State revenues accordingly.

Lastly, there were about 20 New Jersey victims who died on September 11 in the airline crash in Pennsylvania. Information on their income levels is not known, but on average these victims would not be expected to have income as high as those who worked in New York. Assuming an average income of \$60,000, these victims would have had a New Jersey income tax liability between \$800 and \$1,500, depending on whether the taxpayer was a joint or single filer. Over 1.75 tax years, total tax liability would have ranged between \$32,000 and \$60,000 for these 20 victims. This bill would exclude that liability.

The non New York source revenue losses would be paid out as refunds of previously collected tax revenue.

Section: *Revenue, Finance and Appropriations*

Analyst: *Martin Poethke*  
*Senior Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

# SENATE, No. 1215

## STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED FEBRUARY 28, 2002

**Sponsored by:**

**Senator SHIRLEY K. TURNER**

**District 15 (Mercer)**

**Senator WAYNE R. BRYANT**

**District 5 (Camden and Gloucester)**

**Co-Sponsored by:**

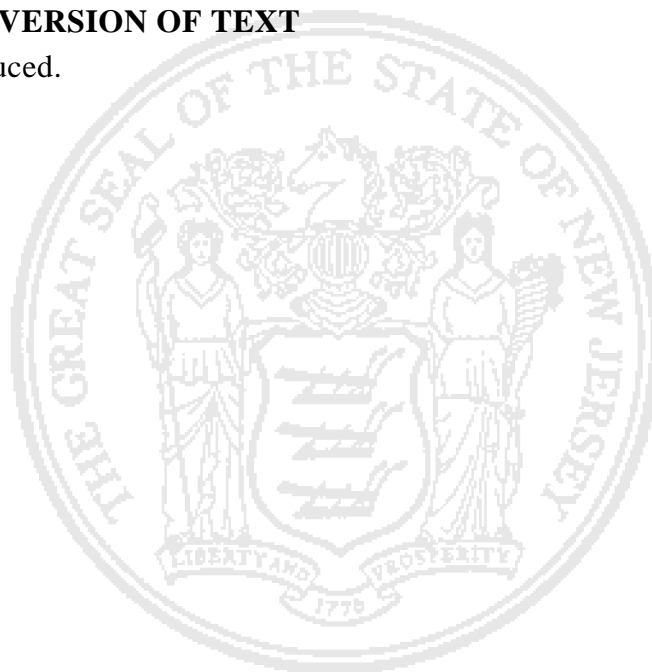
**Senator Palaia**

**SYNOPSIS**

Exempts from New Jersey gross income tax the victims who died in the September 11, 2001 terrorist attacks against the United States.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 10/1/2002)**

1 AN ACT exempting from New Jersey gross income tax the income of  
2 victims who died in the September 11, 2001 terrorist attacks  
3 against the United States, supplementing Title 54A of the New  
4 Jersey Statutes.

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

8  
9 1. a. Gross income shall not include the income otherwise taxable  
10 under the "New Jersey Gross Income Tax Act, N.J.S.54A:1-1 et seq.,  
11 of any individual who dies as a result of wounds or injury incurred as  
12 a result of the terrorist attacks against the United States on September  
13 11, 2001, with respect to the taxpayer's taxable year in which falls the  
14 date of death of the taxpayer and with respect to any prior taxable year  
15 in the period beginning with the last taxable year ending before the  
16 taxable year in which the wounds or injury were incurred.

17 b. This section shall not apply to any individual identified by the  
18 Attorney General of the United States to have been a participant or  
19 conspirator in those attacks.

20 c. The amount of any income tax paid that is excludable pursuant  
21 to this section shall be an overpayment for the purposes of  
22 N.J.S.54A:9-7, provided however, that subsection (f) of N.J.S.54A:9-  
23 7 shall not apply. Notwithstanding the periods of limitation for  
24 refunds of overpayments set forth in N.J.S.54A:9-8, a claim for a  
25 refund of overpayment shall be filed on behalf of a taxpayer within  
26 three years after the taxpayer's taxable year in which falls the date of  
27 death of the taxpayer.

28  
29 2. This act shall take effect immediately and shall apply to taxable  
30 years ending before, on, or after September 11, 2001.

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32

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STATEMENT

34

35 This bill exempts the victims who died in the September 11, 2001  
36 terrorist attacks against the United States from New Jersey gross  
37 income tax for the 2001 taxable year and the prior taxable year or for  
38 any earlier year in the period beginning with the last year ending before  
39 the year in which the wounds or injuries were incurred. The bill will  
40 allow for refunds of any gross income tax paid by the victims in those  
41 years. This bill is based on the recently enacted federal "Victims of  
42 Terrorism Tax Relief Act" that waives the federal individual income  
43 tax for the deceased victims. Under this bill, the individuals who died  
44 in the attacks on the World Trade Center and the Pentagon, and those  
45 killed when a hijacked plane crashed in rural Pennsylvania would not  
46 owe gross income tax in the year of death and at least one previous

**S1215 TURNER, BRYANT**

3

- 1 year. Any gross income tax paid in those years would be refunded.
- 2 This tax relief will ease some of the financial hardship and worry for
- 3 the thousands of aggrieved wives, husbands and children suffering
- 4 from their loss of loved ones in those attacks.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 1215**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 18, 2002

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1215.

This bill provides an exemption from New Jersey gross income tax for decedent victims of the September 11, 2001 terrorist attacks. In general, the exemption would apply to income received in tax years 2000 and 2001. The bill provides for the refund (without interest) of any income tax that the taxpayer has paid for these tax years, and permits claims for the refund to be filed as late as four years from the end of the tax year in which the taxpayer died.

The provisions of the bill are broadly patterned on those of federal legislation, the "Victims of Terrorism Tax Relief Act of 2001" (approved January 23, 2002), that exempt the income of victims killed by the September 11 terrorist acts from federal income tax for the tax year preceding the year of injury, the tax year of death, and any intervening tax year. The federal law differs from the bill by (i) setting a minimum level of relief (\$10,000 per individual), and (ii) disqualifying certain narrow categories of income from eligibility for the exemption.

Other states, including New York, Massachusetts and Connecticut, have enacted income tax exclusions for victims of the terrorist attacks of September 11, 2001. In particular, under Ch.85, Laws of 2002, New York has provided that state personal income taxes are waived for 2000 and 2001 for those who died as a result of those attacks.

The provisions of this bill, as amended, are identical to those of Assembly Bill Nos. A-2233 and 1912 (ACS), which the committee also reports this day.

#### COMMITTEE AMENDMENTS:

Committee amendments to the bill extend the period of time allowed for the filing of tax refund claims on behalf of a deceased taxpayer from three years to four years after the close of the tax year in which the taxpayer died. The amendments also conform the text of the bill's synopsis to that of its General Assembly counterpart.



**FISCAL IMPACT:**

The Office of Legislative Services estimates that this legislation would reduce State income tax revenue previously collected and collectible from the affected taxpayers by a total of between \$7.2 million and \$10.1 million in FY2003.

The lost revenue falls under two separate headings based upon whether or not the income giving rise to the liability derived from New York sources (generally, employment at the World Trade Center):

(1) Between \$1.2 million and \$2.1 million of tax revenue loss would result from reduced tax liabilities on non-New York source income that New Jersey currently taxes. The revenue loss would be paid out as refunds of previously collected tax revenue.

(2) The bulk of the revenue loss (between \$6.0 million and \$8.0 million) would result from the loss of a potential tax "windfall" that New Jersey would otherwise receive through the interaction between current New Jersey tax law and the exclusion legislation, referred to above, that was recently enacted in New York. Ordinarily, much or all of the New Jersey tax liability for income earned in New York is offset by a credit that New Jersey allows for taxes paid to other jurisdictions. Absent this legislation, the New York exclusion law, by eliminating the New York liability, would effectively eliminate the credit and increase New Jersey tax revenue by a corresponding amount. Enactment of this bill would counteract that consequence of New York's enactment of its exclusion. It should be noted, however, that the State did not anticipate the "windfall" revenue in adopting the FY 2003 State budget because the New York tax change itself was not anticipated.