

54:53-18

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2002 **CHAPTER:** 6
NJSA: 54:53-18 (Tax amnesty)
BILL NO: S16/404 (Substituted for A2001)

SPONSOR(S): Buono and others

DATE INTRODUCED: February 11, 2002

COMMITTEE: **ASSEMBLY:** ----

SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** March 14, 2002

SENATE: March 4, 2002

DATE OF APPROVAL: March 18, 2002

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) (Senate Committee Substitute for S16/404 enacted)

S16/404

[SPONSORS STATEMENT \(S16\):](#) (Begins on page 3 of original bill) [Yes](#)

[SPONSORS STATEMENT \(S404\):](#) (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: [Yes](#)

FLOOR AMENDMENT STATEMENTS: No

[LEGISLATIVE FISCAL NOTE:](#) [Yes](#)

A2001

[SPONSORS STATEMENT:](#) (Begins on page 3 of original bill) [Yes](#)

Bill and Sponsors Statement identical to S16

COMMITTEE STATEMENT: **ASSEMBLY:** [Yes](#)

SENATE: No

FLOOR AMENDMENT STATEMENTS: No

[LEGISLATIVE FISCAL NOTE:](#) [Yes](#)

VETO MESSAGE: No

[GOVERNOR'S PRESS RELEASE ON SIGNING:](#) [Yes](#)

FOLLOWING WERE PRINTED:

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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

Yes

"Governor approves amnesty on taxes," 3-19-2002 New York Times, p.B5

"Tax-amnesty bill signed into law," 3-19-2002 Home News and Tribune p.1

"Tax amnesty bill gets McGreevey signature," 3-19-2002 The Times, p.1

P.L. 2002, CHAPTER 6, *approved March 18, 2002*

Senate Committee Substitute for

Senate, Nos. 16 and 404

1 **AN ACT** providing for a State tax amnesty period, supplementing Title
2 54 of the Revised Statutes and making an appropriation.

3

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

6

7 1. a. In addition to the powers of the Director of the Division of
8 Taxation prescribed under the State Uniform Tax Procedure Law,
9 R.S.54:48-1 et seq., and notwithstanding the provisions of any other
10 laws to the contrary, the director shall establish a period not to exceed
11 60 days in duration, which period shall end no later than June 10,
12 2002, during which a taxpayer who has failed to pay any State tax on
13 or before the day on which the tax is required to be paid may pay to
14 the director on or before the last day of the period established by the
15 director the amount of that tax, without any interest that may
16 otherwise be due, without any costs of collection that may otherwise
17 be due, and without the imposition of any civil or criminal penalties
18 arising out of an obligation imposed under any State tax law. This
19 section shall apply only to State tax liabilities for tax returns due on or
20 after January 1, 1996 and prior to January 1, 2002 and shall not extend
21 to any taxpayer who at the time of the payment is under criminal
22 investigation or charge for any State tax matter, as certified by a
23 county prosecutor or the Attorney General to the director.

24 Notwithstanding the provisions of any other law to the contrary,
25 no taxpayer shall be entitled to a waiver of penalty, interest and cost
26 of collection pursuant to this subsection unless full payment of the tax
27 due is made in accordance with rules and procedures established by the
28 director.

29 b. There shall be imposed a 5% penalty, which shall not be subject
30 to waiver or abatement, in addition to all other penalties, interest, or
31 costs of collection otherwise authorized by law, upon any State tax
32 liabilities eligible to be satisfied during the period established pursuant
33 to subsection a. of this section that are not satisfied during the amnesty
34 period.

35 c. Notwithstanding the provisions of any other law to the
36 contrary, if a taxpayer elects to participate in the program established
37 pursuant to this section, as that election shall be evidenced by full
38 payment pursuant to this section of a State tax liability to which this
39 section applies pursuant to subsection a. of this section, then that
40 election shall constitute an express and absolute relinquishment of all
41 administrative and judicial rights of appeal that have not run or
42 otherwise expired as of the date payment is made. The relinquishment
43 of rights of appeal pursuant to this subsection shall apply with respect

1 to all rights of appeal established pursuant to the State Uniform Tax
2 Procedure Law, R.S.54:48-1 et seq., and the specific statutory
3 provisions of any State tax. No tax payment made pursuant to this
4 section shall be eligible for refund or credit, whether claimed by
5 administrative protest or judicial appeal, except as may be permitted
6 pursuant to R.S.54:49-16.

7 d. Notwithstanding the provisions of any other law to the
8 contrary, no amnesty payment shall be accepted without the express
9 approval of the director with respect to any State tax assessment
10 which is the subject of any administrative or judicial appeal as of the
11 effective date of this act.

12

13 2. There is appropriated to the Division of Taxation in the
14 Department of the Treasury a sum not to exceed \$7,000,000 from the
15 proceeds collected pursuant to subsection a. of section 1 of this act to
16 carry out and administer the tax amnesty program established pursuant
17 to the provisions of that section.

18

19 3. This act shall take effect immediately.

20

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22

23

24 _____
Authorizes establishment of State tax amnesty.

SENATE, No. 16

STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED FEBRUARY 11, 2002

Sponsored by:
Senator BARBARA BUONO
District 18 (Middlesex)

SYNOPSIS

Authorizes establishment of State tax amnesty.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT providing for a State tax amnesty period, supplementing Title
2 54 of the Revised Statutes and making an appropriation.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. a. In addition to the powers of the Director of the Division of
8 Taxation prescribed under the State Uniform Tax Procedure Law,
9 R.S.54:48-1 et seq., and notwithstanding the provisions of any other
10 laws to the contrary, the director shall establish a period not to exceed
11 60 days in duration, which period shall end no later than June 10,
12 2002, during which a taxpayer who has failed to pay any State tax on
13 or before the day on which the tax is required to be paid may pay to
14 the director on or before the last day of the period established by the
15 director the amount of that tax, without any interest that may
16 otherwise be due, without any costs of collection that may otherwise
17 be due, and without the imposition of any civil or criminal penalties
18 arising out of an obligation imposed under any State tax law. This
19 section shall apply only to State tax liabilities for tax returns due on or
20 after January 1, 1996 and prior to October 1, 2001 and shall not
21 extend to any taxpayer who at the time of the payment is under
22 criminal investigation or charge for any State tax matter, as certified
23 by a county prosecutor or the Attorney General to the director.

24 Notwithstanding the provisions of any other law to the contrary, no
25 taxpayer shall be entitled to a waiver of penalty, interest and cost of
26 collection pursuant to this subsection unless full payment of the tax
27 due is made in accordance with rules and procedures established by the
28 director. Further, notwithstanding any other law to the contrary, the
29 Director of the Division of Taxation shall not waive penalty with
30 respect to amnesty eligible liabilities that are not satisfied during the
31 amnesty period.

32 b. There shall be imposed a 5% penalty, which shall not be subject
33 to waiver or abatement, in addition to all other penalties, interest, or
34 costs of collection otherwise authorized by law, upon any State tax
35 liabilities eligible to be satisfied during the period established pursuant
36 to subsection a. of this section that are not satisfied during the amnesty
37 period.

38 c. Notwithstanding the provisions of any other law to the contrary,
39 if a taxpayer elects to participate in the program established pursuant
40 to this section, as that election shall be evidenced by full payment
41 pursuant to this section of a State tax liability to which this section
42 applies pursuant to subsection a. of this section, then that election shall
43 constitute an express and absolute relinquishment of all administrative
44 and judicial rights of appeal that have not run or otherwise expired as
45 of the date payment is made. The relinquishment of rights of appeal
46 pursuant to this subsection shall apply with respect to all rights of

1 appeal established pursuant to the State Uniform Tax Procedure Law,
2 R.S.54:48-1 et seq., and the specific statutory provisions of any State
3 tax. No tax payment made pursuant to this section shall be eligible for
4 refund or credit, whether claimed by administrative protest or judicial
5 appeal, except as may be permitted pursuant to R.S.54:49-16.

6 d. Notwithstanding the provisions of any other law to the contrary,
7 no amnesty payment shall be accepted without the express approval of
8 the director with respect to any State tax assessment which is the
9 subject of any administrative or judicial appeal as of the effective date
10 of this act.

11

12 2. There is appropriated to the Division of Taxation in the
13 Department of the Treasury a sum not to exceed \$7,000,000 from the
14 proceeds collected pursuant to subsection a. of section 1 of this act to
15 carry out and administer the tax amnesty program established pursuant
16 to the provisions of that section.

17

18 3. This act shall take effect immediately.

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STATEMENT

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23 This bill directs the Director of the Division of Taxation in the
24 Department of the Treasury to establish a 60-day amnesty period, to
25 end no later than June 10, 2002, for the payment of any outstanding
26 State tax liability.

27 The bill provides that the amnesty would apply only to State tax
28 liabilities for tax returns due on or after January 1, 1996 and prior to
29 October 1, 2001. During the amnesty period, a taxpayer who has
30 failed to pay any State tax could pay the tax without any interest that
31 would otherwise have accrued, without any costs of collection, and
32 without the imposition of any civil or criminal penalties arising out of
33 an obligation imposed under any State tax law. The amnesty would
34 not be available to a taxpayer who, at the time of payment, is under
35 criminal investigation or charge for any State tax matter.

36 If a taxpayer eligible for the amnesty fails to pay taxes during the
37 period, a 5% penalty, which would not be subject to waiver or
38 abatement, would be imposed in addition to all other penalties,
39 interest, or costs of collection otherwise authorized by law for failure
40 to discharge the unpaid liability.

41 The bill includes an appropriation to the Division of Taxation from
42 the proceeds collected under the amnesty in the amount of up to
43 \$7 million to fund the implementation of the amnesty program.

SENATE, No. 404

STATE OF NEW JERSEY 210th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2002 SESSION

Sponsored by:

Senator WALTER J. KAVANAUGH

District 16 (Morris and Somerset)

Senator LEONARD LANCE

District 23 (Warren and Hunterdon)

SYNOPSIS

Authorizes establishment of State tax amnesty.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 1/16/2002)

1 AN ACT providing for a State tax amnesty period, supplementing Title
2 54 of the Revised Statutes and making an appropriation.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. a. In addition to the powers of the Director of the Division of
8 Taxation prescribed under the State Uniform Tax Procedure Law,
9 R.S.54:48-1 et seq., and notwithstanding the provisions of any other
10 laws to the contrary, the director shall establish a period not to exceed
11 three months in duration, which period shall end no later than June 30,
12 2002, during which a taxpayer who has failed to pay any State tax on
13 or before the day on which the tax is required to be paid may pay to
14 the director on or before the last day of the period established by the
15 director the amount of that tax, without any interest that may
16 otherwise be due, without any costs of collection that may otherwise
17 be due, and without the imposition of any civil or criminal penalties
18 arising out of an obligation imposed under any State tax law. This
19 section shall apply only to State tax liabilities for tax returns due on
20 and after January 1, 1996 and prior to December 13, 2001 and shall
21 not extend to any taxpayer who at the time of the payment is under
22 criminal investigation or charge for any State tax matter, as certified
23 by a county prosecutor or the Attorney General to the director.

24 Notwithstanding the provisions of any other law to the contrary, no
25 taxpayer shall be entitled to a waiver of penalty, interest and cost of
26 collection pursuant to this subsection unless full payment of the tax
27 due is made in accordance with rules and procedures established by the
28 director.

29 b. There shall be imposed a 5% penalty, which shall not be subject
30 to waiver or abatement, in addition to all other penalties, interest, or
31 costs of collection otherwise authorized by law, upon any State tax
32 liabilities eligible to be satisfied during the period established pursuant
33 to subsection a. of this section that are not satisfied during the amnesty
34 period.

35 c. Notwithstanding the provisions of any other law to the contrary,
36 if a taxpayer elects to participate in the program established pursuant
37 to this section, as that election shall be evidenced by full payment
38 pursuant to this section of a State tax liability to which this section
39 applies pursuant to subsection a. of this section, then that election shall
40 constitute an express and absolute relinquishment of all administrative
41 and judicial rights of appeal that have not run or otherwise expired as
42 of the date payment is made. The relinquishment of rights of appeal
43 pursuant to this subsection shall apply with respect to all rights of
44 appeal established pursuant to the State Uniform Tax Procedure Law,
45 R.S.54:48-1 et seq., and the specific statutory provisions of any State
46 tax. No tax payment made pursuant to this section shall be eligible for

1 refund or credit, whether claimed by administrative protest or judicial
2 appeal, except as may be permitted pursuant to R.S.54:49-16.

3 d. Notwithstanding the provisions of any other law to the contrary,
4 no amnesty payment shall be accepted without the express approval of
5 the director with respect to any State tax assessment which is the
6 subject of any administrative or judicial appeal as of the effective date
7 of this act.

8
9 2. There is appropriated to the Division of Taxation in the
10 Department of the Treasury a sum not to exceed \$5,000,000 from the
11 proceeds collected pursuant to subsection a. of section 1 of this act to
12 carry out and administer the tax amnesty program established pursuant
13 to the provisions of that section.

14

15 3. This act shall take effect immediately.

16

17

18 STATEMENT

19

20 This bill directs the Director of the Division of Taxation in the
21 Department of the Treasury to establish a three-month amnesty period,
22 to end no later than June 30, 2002, for the payment of any outstanding
23 State tax liability.

24 The bill provides that the amnesty would apply only to State tax
25 liabilities for tax returns due on and after January 1, 1996 and prior to
26 December 13, 2001. During the amnesty period, a taxpayer who has
27 failed to pay any State tax could pay the tax without any interest that
28 would otherwise have accrued, with any costs of collection, and
29 without the imposition of any civil or criminal penalties arising out of
30 an obligation imposed under any State tax law. The amnesty would
31 not be available to a taxpayer who, at the time of payment, is under
32 criminal investigation or charge for any State tax matter.

33 If a taxpayer eligible for the amnesty fails to pay taxes during the
34 period, a 5% penalty, which would not be subject to waiver or
35 abatement, would be imposed in addition to all other penalties,
36 interest, or costs of collection otherwise authorized by law for failure
37 to discharge the unpaid liability.

38 The bill includes an appropriation to the Division of Taxation from
39 the proceeds collected under the amnesty in the amount of up to \$5
40 million to fund the implementation of the amnesty program.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR SENATE, Nos. 16 and 404

STATE OF NEW JERSEY

DATED: FEBRUARY 21, 2002

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill Nos. 16 and 404.

This bill requires the Director of the Division of Taxation in the Department of the Treasury to establish a 60-day tax amnesty period, to end no later than June 10, 2002, for the payment of any outstanding State tax liability.

The bill provides that the amnesty would apply only to State tax liabilities for tax returns due on and after January 1, 1996 (the day following termination of the period covered by the prior amnesty under section 4 of P.L.1996, c.2) and before January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax could pay the tax without being liable for (1) interest that would otherwise have accrued, (2) costs of collection, or (3) civil or criminal penalties arising out of an obligation imposed under State tax laws. The amnesty would not be available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails during the period to pay taxes owed, that taxpayer would be subject to a 5% penalty that would not be subject to waiver or abatement and would be in addition to all other penalties, interest, or costs of collection otherwise authorized by law for failure to discharge the unpaid liability.

FISCAL IMPACT

(1) This legislation embodies a proposal by the Executive to address an anticipated imbalance in the FY2002 budget. In connection with the proposal, the Office of the Governor has indicated that the Executive expects the amnesty program to generate a net increase in FY2002 tax collections in the amount of \$150 million. The Office of Legislative Services (OLS) does not have the data on the amount of outstanding delinquent individual and corporate taxpayer liabilities required to permit development of an estimate providing confirmation of, or an alternative to, the Executive's projection. It is noted, however, that the 1996 amnesty program generated \$359 million in additional *gross* revenue, and *net* State revenue of \$244 million after

accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. Since the tax amnesty under this bill covers a period of six years, compared to the nine-year period covered by the previous amnesty, it is unlikely that this amnesty program would generate revenues in excess of those collected under the 1996 program. If net collections under this bill were realized in proportion to the relative length of the periods covered by the two amnesties, those collections would amount to roughly \$160 million.

(2) The bill includes an appropriation to the Division of Taxation from the proceeds collected under the amnesty program in the amount of up to \$7 million to fund the implementation of the program. The OLS notes that the 1996 amnesty legislation appropriated up to \$10 million for these purposes. It was reported that \$7.8 million was expended, including \$4 million for advertising.

FISCAL NOTE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 16 and 404
STATE OF NEW JERSEY
210th LEGISLATURE

DATED: MARCH 14, 2002

SUMMARY

Synopsis: Authorizes establishment of State tax amnesty.
Type of Impact: Increase in State revenues to various funds.
Agencies Affected: Department of the Treasury.

Executive Estimate

| Fiscal Impact | FY 2002 |
|----------------------|----------------|
| State Revenue | \$150,000,000 |

- ! The Office of Legislative Services (OLS) believes the Executive's estimate that the tax amnesty program would raise \$150 million in FY 2002 is not unreasonable, but notes that data are lacking for a confident forecast. The OLS has no independent data on how much outstanding individual or corporate taxpayer liabilities remain delinquent, and has received no explanation for the Executive's estimate.
- ! The 1996 amnesty program generated \$359 million in additional *gross* revenue, or a *net* State increase of \$244 million, after accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. Since the tax amnesty under this bill covers a shorter time period than the previous amnesty program (6 years compared with 9 years) and runs for fewer days (60 days compared with 90 days), it is unlikely that this amnesty program would generate revenues in excess of the 1996 program.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill Nos. 16 and 404 of 2002 directs the Director of the Division of Taxation in the Department of the Treasury to establish a 60 day amnesty period, to end no later than June 10, 2002, for the payment of any outstanding State tax liability.

The bill provides that the amnesty would apply only to State tax liabilities for tax returns due on and after January 1, 1996 and prior to January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax could pay the tax without any interest that would otherwise have accrued, without any costs of collection, and without the imposition of any civil

or criminal penalties arising out of an obligation imposed under any State tax law. The amnesty would not be available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails to pay taxes during the period, a 5 percent penalty, which would not be subject to waiver or abatement, would be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law for failure to discharge the unpaid liability.

The bill includes an appropriation to the Division of Taxation from the proceeds collected under the amnesty in the amount of up to \$7 million to fund the implementation of the amnesty program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Office of Management and Budget (OMB) states that, "information is not available to estimate the additional revenue to the State; however, it is believed that the additional revenue would approximate \$150 million FY 2002." The OMB also states that the smaller 60 day amnesty window has no relationship to the amount of money that may be brought in, but that the 60 day period would be less expensive to run than the previous amnesty's 90 period.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) believes the Executive's estimate that the tax amnesty program would raise \$150 million in FY 2002 is not unreasonable, but notes that data are lacking for a confident forecast. The OLS has no independent data on how much outstanding individual or corporate taxpayer liabilities remain delinquent, and has received no explanation for the Executive's estimate.

As with any tax amnesty program, the *net* revenue impact will be determined by the balance between new tax revenues that are attracted through the amnesty offer and the revenue losses resulting from the forgiveness of interest and penalties owed by taxpayers who would otherwise have made full payment through the State's current tax compliance efforts, either during the amnesty payment period or at a later date. In addition, an amnesty may generate new recurring revenues to the extent that certain taxpayers are added to the taxpayer rolls.

Past experiences with amnesty programs have yielded a wide range of revenue collections. New Jersey's 1987 tax amnesty yielded \$68 million in additional revenues. The 1996 amnesty program generated \$359 million in additional *gross* revenue, or a *net* State increase of \$244 million, after accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. Treasury did not report an estimate of any foregone *future* tax compliance collections that may have been pushed forward into the amnesty period. The Treasury did report that over 2,000 taxpayers were added to the tax rolls due to the amnesty program, but did not report an estimated revenue impact from these additions.

The 1996 tax amnesty program targeted 658,882 delinquent or deficient taxpayers who had an outstanding balance of \$818 million. About \$416 million of the balance was tax liability, while \$402 million was penalties and interest. Over 63,000 individuals and 48,000 businesses participated in the program. Most of the money came from the State's three largest tax revenues -- 27 percent of collections came through the income tax, 39 percent through the sales tax, and another 27 percent through the corporation business tax. The remaining 7 percent came from a variety of smaller tax revenues. These distributions are similar to the Division of Taxation's regular tax compliance distributions.

Economic growth has expanded the base from which tax delinquencies could be drawn. Total State revenue grew by about one-third between FY 1996 and FY 2001, almost entirely due to the income tax and the sales tax. However, since the tax amnesty under this bill covers a shorter time period than the previous amnesty program (6 years compared with 9 years) and runs for fewer days (60 days compared with 90 days), it is unlikely that this amnesty program would generate revenues in excess of the 1996 program. In addition, the success of the last program was due in part to drawing over 2,000 new taxpayers to the tax rolls. That very success may limit the size of potential new delinquencies. The OLS also notes that economic conditions may influence the *ability* of tax delinquents to pay the State. The 1996 program took place in the middle of a decade of strong economic growth. The current national economic downturn may limit the number of individuals and businesses able to make tax amnesty payments.

Lastly, the OLS notes that the bill appropriates up to \$7 million of amnesty proceeds to carry out and administer the program. The 1996 amnesty legislation appropriated up to \$10 million for these purposes, and a reported \$7.8 million was expended. The advertising budget alone was \$4 million, and an effective advertising campaign could be crucial to the success of any tax amnesty program. Although the 60 day amnesty period is shorter than the 90 day period of the previous amnesty, it is unknown if the appropriation in the bill will be sufficient to successfully advertise and administer the program.

Section: *Revenue, Finance and Appropriations*

Analyst: *Martin Poethke*
Senior Fiscal Analyst

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

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

ASSEMBLY, No. 2001

STATE OF NEW JERSEY
210th LEGISLATURE

INTRODUCED FEBRUARY 11, 2002

Sponsored by:

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

Assemblywoman NELLIE POU

District 35 (Bergen and Passaic)

SYNOPSIS

Authorizes establishment of State tax amnesty.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT providing for a State tax amnesty period, supplementing Title
2 54 of the Revised Statutes and making an appropriation.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. a. In addition to the powers of the Director of the Division of
8 Taxation prescribed under the State Uniform Tax Procedure Law,
9 R.S.54:48-1 et seq., and notwithstanding the provisions of any other
10 laws to the contrary, the director shall establish a period not to exceed
11 60 days in duration, which period shall end no later than June 10,
12 2002, during which a taxpayer who has failed to pay any State tax on
13 or before the day on which the tax is required to be paid may pay to
14 the director on or before the last day of the period established by the
15 director the amount of that tax, without any interest that may
16 otherwise be due, without any costs of collection that may otherwise
17 be due, and without the imposition of any civil or criminal penalties
18 arising out of an obligation imposed under any State tax law. This
19 section shall apply only to State tax liabilities for tax returns due on or
20 after January 1, 1996 and prior to October 1, 2001 and shall not
21 extend to any taxpayer who at the time of the payment is under
22 criminal investigation or charge for any State tax matter, as certified
23 by a county prosecutor or the Attorney General to the director.

24 Notwithstanding the provisions of any other law to the contrary, no
25 taxpayer shall be entitled to a waiver of penalty, interest and cost of
26 collection pursuant to this subsection unless full payment of the tax
27 due is made in accordance with rules and procedures established by the
28 director. Further, notwithstanding any other law to the contrary, the
29 Director of the Division of Taxation shall not waive penalty with
30 respect to amnesty eligible liabilities that are not satisfied during the
31 amnesty period.

32 b. There shall be imposed a 5% penalty, which shall not be subject
33 to waiver or abatement, in addition to all other penalties, interest, or
34 costs of collection otherwise authorized by law, upon any State tax
35 liabilities eligible to be satisfied during the period established pursuant
36 to subsection a. of this section that are not satisfied during the amnesty
37 period.

38 c. Notwithstanding the provisions of any other law to the contrary,
39 if a taxpayer elects to participate in the program established pursuant
40 to this section, as that election shall be evidenced by full payment
41 pursuant to this section of a State tax liability to which this section
42 applies pursuant to subsection a. of this section, then that election shall
43 constitute an express and absolute relinquishment of all administrative
44 and judicial rights of appeal that have not run or otherwise expired as
45 of the date payment is made. The relinquishment of rights of appeal
46 pursuant to this subsection shall apply with respect to all rights of

1 appeal established pursuant to the State Uniform Tax Procedure Law,
2 R.S.54:48-1 et seq., and the specific statutory provisions of any State
3 tax. No tax payment made pursuant to this section shall be eligible for
4 refund or credit, whether claimed by administrative protest or judicial
5 appeal, except as may be permitted pursuant to R.S.54:49-16.

6 d. Notwithstanding the provisions of any other law to the contrary,
7 no amnesty payment shall be accepted without the express approval of
8 the director with respect to any State tax assessment which is the
9 subject of any administrative or judicial appeal as of the effective date
10 of this act.

11

12 2. There is appropriated to the Division of Taxation in the
13 Department of the Treasury a sum not to exceed \$7,000,000 from the
14 proceeds collected pursuant to subsection a. of section 1 of this act to
15 carry out and administer the tax amnesty program established pursuant
16 to the provisions of that section.

17

18 3. This act shall take effect immediately.

19

20

21

STATEMENT

22

23 This bill directs the Director of the Division of Taxation in the
24 Department of the Treasury to establish a 60-day amnesty period, to
25 end no later than June 10, 2002, for the payment of any outstanding
26 State tax liability.

27 The bill provides that the amnesty would apply only to State tax
28 liabilities for tax returns due on or after January 1, 1996 and prior to
29 October 1, 2001. During the amnesty period, a taxpayer who has
30 failed to pay any State tax could pay the tax without any interest that
31 would otherwise have accrued, without any costs of collection, and
32 without the imposition of any civil or criminal penalties arising out of
33 an obligation imposed under any State tax law. The amnesty would
34 not be available to a taxpayer who, at the time of payment, is under
35 criminal investigation or charge for any State tax matter.

36 If a taxpayer eligible for the amnesty fails to pay taxes during the
37 period, a 5% penalty, which would not be subject to waiver or
38 abatement, would be imposed in addition to all other penalties,
39 interest, or costs of collection otherwise authorized by law for failure
40 to discharge the unpaid liability.

41 The bill includes an appropriation to the Division of Taxation from
42 the proceeds collected under the amnesty in the amount of up to \$7
43 million to fund the implementation of the amnesty program.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2001

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MARCH 4, 2002

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2001, with committee amendments.

Assembly Bill No. 2001, as amended, requires the Director of the Division of Taxation in the Department of the Treasury to establish a 60-day tax amnesty period, to end no later than June 10, 2002, for the payment of any outstanding State tax liability.

The bill provides that the amnesty will apply only to State tax liabilities for tax returns due on and after January 1, 1996 (the day following termination of the period covered by the prior amnesty under section 4 of P.L.1996, c.2) and before January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax could pay the tax without being liable for (1) interest that would otherwise have accrued, (2) costs of collection, or (3) civil or criminal penalties arising out of an obligation imposed under State tax laws. The amnesty would not be available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails during the period to pay taxes owed, that taxpayer would be subject to a 5% penalty that would not be subject to waiver or abatement and would be in addition to all other penalties, interest, or costs of collection otherwise authorized by law for failure to discharge the unpaid liability.

FISCAL IMPACT:

(1) This legislation embodies a proposal by the Executive to address an anticipated imbalance in the FY2002 budget. In connection with the proposal, the Office of the Governor has indicated that the Executive expects the amnesty program to generate a net increase in FY2002 tax collections in the amount of \$150 million. The Office of Legislative Services (OLS) does not have the data on the amount of outstanding delinquent individual and corporate taxpayer liabilities required to permit development of an estimate providing confirmation of, or an alternative to, the Executive's projection. It is noted, however, that the 1996 amnesty program generated \$359 million in additional *gross* revenue, and *net* State revenue of \$244 million after

accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. As the tax amnesty under this bill covers a period of six years, compared to the nine-year period covered by the previous amnesty, it is unlikely that this amnesty program would generate revenues in excess of those collected under the 1996 program. If net collections under this bill were realized in proportion to the relative length of the periods covered by the two amnesties, those collections would amount to roughly \$160 million.

(2) The bill includes an appropriation to the Division of Taxation from the proceeds collected under the amnesty program in the amount of up to \$7 million to fund the implementation of the program. The OLS notes that the 1996 amnesty legislation appropriated up to \$10 million for these purposes. It was reported that \$7.8 million was expended, including \$4 million for advertising.

COMMITTEE AMENDMENTS:

The amendments change the termination date of returns eligible for the amnesty from those due before October 1, 2001 to those due before January 1, 2002, and delete a provision that would have disallowed application of the usual hardship penalty waiver provisions of the State Uniform Tax Procedure Law to amnesty-eligible liabilities.

FISCAL NOTE
[First Reprint]
ASSEMBLY, No. 2001
STATE OF NEW JERSEY
210th LEGISLATURE

DATED: MARCH 26, 2002

SUMMARY

Synopsis: Authorizes establishment of State tax amnesty.
Type of Impact: Increase in State revenues to various funds.
Agencies Affected: Department of the Treasury.

Executive Estimate

| Fiscal Impact | FY 2002 |
|----------------------|----------------|
| State Revenue | \$150,000,000 |

- ! The Office of Legislative Services (OLS) believes the Executive's estimate that the tax amnesty program would raise \$150 million in FY 2002 is not unreasonable, but notes that data are lacking for a confident forecast. The OLS has no independent data on how much outstanding individual or corporate taxpayer liabilities remain delinquent, and has received no explanation for the Executive's estimate.
- ! The 1996 amnesty program generated \$359 million in additional *gross* revenue, or a *net* State increase of \$244 million, after accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. Since the tax amnesty under this bill covers a shorter time period than the previous amnesty program (6 years compared with 9 years) and runs for fewer days (60 days compared with 90 days), it is unlikely that this amnesty program would generate revenues in excess of the 1996 program.

BILL DESCRIPTION

Assembly Bill No. 2001 (1R) of 2002 directs the Director of the Division of Taxation in the Department of the Treasury to establish a 60 day amnesty period, to end no later than June 10, 2002, for the payment of any outstanding State tax liability.

The bill provides that the amnesty would apply only to State tax liabilities for tax returns due on and after January 1, 1996 and prior to January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax could pay the tax without any interest that would otherwise have accrued, with any costs of collection, and without the imposition of any civil or

criminal penalties arising out of an obligation imposed under any State tax law. The amnesty would not be available to a taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible for the amnesty fails to pay taxes during the period, a 5 percent penalty, which would not be subject to waiver or abatement, would be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law for failure to discharge the unpaid liability.

The bill includes an appropriation to the Division of Taxation from the proceeds collected under the amnesty in the amount of up to \$7 million to fund the implementation of the amnesty program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Office of Management and Budget (OMB) states that, "information is not available to estimate the additional revenue to the State; however, it is believed that the additional revenue would approximate \$150 million FY 2002." The OMB also states that the smaller 60 day amnesty window has no relationship to the amount of money that may be brought in, but that the 60 day period would be less expensive to run than the previous amnesty's 90 period.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) believes the Executive's estimate that the tax amnesty program would raise \$150 million in FY 2002 is not unreasonable, but notes that data are lacking for a confident forecast. The OLS has no independent data on how much outstanding individual or corporate taxpayer liabilities remain delinquent, and has received no explanation for the Executive's estimate.

As with any tax amnesty program, the *net* revenue impact will be determined by the balance between new tax revenues that are attracted through the amnesty offer and the revenue losses resulting from the forgiveness of interest and penalties owed by taxpayers who would otherwise have made full payment through the State's current tax compliance efforts, either during the amnesty payment period or at a later date. In addition, an amnesty may generate new recurring revenues to the extent that certain taxpayers are added to the taxpayer rolls.

Past experiences with amnesty programs have yielded a wide range of revenue collections. New Jersey's 1987 tax amnesty yielded \$68 million in additional revenues. The 1996 amnesty program generated \$359 million in additional *gross* revenue, or a *net* State increase of \$244 million, after accounting for about \$115 million which the Department of the Treasury estimated would have been collected by tax compliance efforts under normal circumstances. Treasury did not report an estimate of any foregone *future* tax compliance collections that may have been pushed forward into the amnesty period. The Treasury did report that over 2,000 taxpayers were added to the tax rolls due to the amnesty program, but did not report an estimated revenue impact from these additions.

The 1996 tax amnesty program targeted 658,882 delinquent or deficient taxpayers who had an outstanding balance of \$818 million. About \$416 million of the balance was tax liability, while \$402 million was penalties and interest. Over 63,000 individuals and 48,000 businesses participated in the program. Most of the money came from the State's three largest tax revenues -- 27 percent of collections came through the income tax, 39 percent through the sales tax, and another 27 percent through the corporation business tax. The remaining 7 percent came from a variety of smaller tax revenues. These distributions are similar to the Division of Taxation's regular tax compliance distributions.

Economic growth has expanded the base from which tax delinquencies could be drawn. Total State revenue grew by about one-third between FY 1996 and FY 2001, almost entirely due to the income tax and the sales tax. However, since the tax amnesty under this bill covers a shorter time period than the previous amnesty program (6 years compared with 9 years) and runs for fewer days (60 days compared with 90 days), it is unlikely that this amnesty program would generate revenues in excess of the 1996 program. In addition, the success of the last program was due in part to drawing over 2,000 new taxpayers to the tax rolls. That very success may limit the size of potential new delinquencies. The OLS also notes that economic conditions may influence the *ability* of tax delinquents to pay the State. The 1996 program took place in the middle of a decade of strong economic growth. The current national economic downturn may limit the number of individuals and businesses able to make tax amnesty payments.

Lastly, the OLS notes that the bill appropriates up to \$7 million of amnesty proceeds to carry out and administer the program. The 1996 amnesty legislation appropriated up to \$10 million for these purposes, and a reported \$7.8 million was expended. The advertising budget alone was \$4 million, and an effective advertising campaign could be crucial to the success of any tax amnesty program. Although the 60 day amnesty period is shorter than the 90 day period of the previous amnesty, it is unknown if the appropriation in the bill will be sufficient to successfully advertise and administer the program.

Section: *Revenue, Finance and Appropriations*

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

■ **Press Releases**

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RELEASE: March 18, 2002

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McGreevey Signs into Law Six Budget Remedies for FY 2002
Governor credits bipartisan spirit as key to passage

(TRENTON)-Governor James E. McGreevey commended the bipartisan spirit of the Legislature today as he signed into law six pieces of legislation that constitute key components of his Fiscal Year 2002 budget proposal. McGreevey had outlined his proposal during an emergency address to the Legislature on February 11th.

"Today, I am proud to announce that a spirit of bipartisanship has prevailed," said McGreevey. "On February 11th, I announced a series of proposals requiring legislative approval to close the remainder of this year's \$3 billion shortfall. I urged the members of the Legislature to join me in setting aside partisan politics and in working together toward this common goal. Today, that goal was accomplished."

In February, McGreevey stood before a joint session of the Legislature and outlined his plan to balance the FY 2002 budget, which contained a deficit of nearly \$3 billion. In addition to announcing a broad range of executive actions to save the State approximately \$1 billion, McGreevey stated that in order to balance the remainder of the budget, legislative action on certain proposals would be necessary.

The six bills signed into law today will provide over \$287 million towards solving this year's \$3 billion problem. Four of these bills transfer money out of accounts in which it is not being used. The fifth bill extends by 15 days the deadline for distributing the Energy Tax Receipts Property Tax Relief Fund to municipalities operating on a calendar year budget. The sixth bill creates a tax amnesty program, which establishes a 60-day period for payment of any outstanding tax liability for returns due between January 1, 1996 and January 1, 2002.

These bills are:

- **NJ Housing and Mortgage Financing Authority Transfer:** Directs the NJHMFA to transfer funds from its reserves into the General Fund. This bill is expected to provide an additional \$25 million in revenues.

S-13 (Rice D-Essex)
A-2002 (Tucker D-Essex, Payne D-Essex, Union)

- Health Care Facilities Financing Authorities Transfer:** Provides for a transfer \$16.5 million of NJHCFFA reserves to the General Fund for the purposes of hospital charity care.

S-19 (Vitale D-Middlesex, Buono D-Middlesex)
A-2005 (Weinberg D-Bergen, Quigley D-Bergen, Hudson)
- Temporary Disability Insurance Fund Transfer:** Provides for a transfer of funds up to \$50 million from the State Temporary Disability Insurance Fund to the General Fund.

S-17 (Codey D-Essex)
A-2006 (Cohen D-Union, Wisniewski D-Middlesex)
- Second Injury Fund Surcharge Transfer:** Concerns the calculation of Second Injury Fund surcharges and would provide an additional \$20 million in revenues.

S-15 (Adler D-Camden)
A-2007 (Weinberg D-Bergen, Steele D-Bergen, Passaic)
- Energy Tax:** Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to municipalities on a calendar year budget. This bill is expected to provide an additional \$26 million in revenues.

S-12 (Suliga, D-Middlesex, Somerset, Union)
A-2004 (Caraballo (D-Essex, Union; Impreveduto D-Bergen, Hudson)
- Tax Amnesty:** Establishes a 60-day tax amnesty period for the payment of any outstanding tax liability for returns due between January 1, 1996 and January 1, 2002. Any taxpayer who failed to pay State taxes during this period has until June 10, 2002 to pay the due taxes without penalty. This bill is expected to raise an additional \$150 million in revenues.

S-16/ S-404 (Buono D-Middlesex; Kavanaugh R-Morris, Somerset; Lance R-Warren, Hunterdon)
A-2001 (Greenwald D-Camden; Pou D-Bergen, Passaic)

On March 26th, McGreevey will again address the Legislature on how he plans to close the \$6 billion budget gap facing the State in the next fiscal year. He said he will work to forge the same bipartisan spirit as his Administration works with the Legislature to provide a fiscally responsible budget.

"I am confident that the same spirit of cooperation that has led to the passage of these bills will continue to guide us as we complete this year's budget and work together to address the \$6 billion challenge that lies ahead for next year," said McGreevey.

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