

54:10A-5.40

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2006 **CHAPTER:** 38

NJSA: 54:10A-5.40 (Imposes 4% surcharge on liability and increases minimum tax under corporation business tax)

BILL NO: A4706 (Substituted for S1987)

SPONSOR(S) Roberts and others

DATE INTRODUCED: June 26, 2006

COMMITTEE: **ASSEMBLY:** Budget

SENATE:

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** July 8, 2006

SENATE: July 8, 2006

DATE OF APPROVAL: July 8, 2006

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) (Assembly Committee substitute enacted)

A4706

[SPONSOR'S STATEMENT](#): (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** Yes [6-28-2006](#) (Budget)
[7-7-2006](#) (Budget)

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL NOTE: No

S1987

[SPONSOR'S STATEMENT](#): (Begins on page 3 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes [7-7-2006](#) (Budget)
[6-30-2006](#) (Budget)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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HEARINGS: No

NEWSPAPER ARTICLES: No

RWH 3/27/08

P.L. 2006, CHAPTER 38, *approved July 8, 2006*
Assembly Committee Substitute for
Assembly, No. 4706

1 AN ACT imposing a surcharge on liability and increasing the
2 minimum tax under the corporation business tax, amending and
3 supplementing P.L.1945, c.162.
4

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

8 1 (New section). In addition to the franchise tax paid by each
9 taxpayer determined pursuant to section 5 of P.L.1945, c.162
10 (C.54:10A-5), for privilege periods ending on or after July 1, 2006
11 but before July 1, 2009, each taxpayer shall be assessed and shall
12 pay a surtax equal to 4% of the amount of the liability determined
13 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) remaining
14 after application of any credits allowed against that liability other
15 than credits for installment payments, estimated payments made
16 with a request for an extension of time for filing a return, or
17 overpayments from prior privilege periods. The surtax imposed
18 under this section shall be due and payable in accordance with
19 section 15 of P.L.1945, c.162 (C. 54:10A-15), and the surtax shall
20 be administered pursuant to the provisions of P.L.1945, c.162
21 (C.54:10A-1 et seq.). Notwithstanding the provisions of any other
22 law to the contrary, no credits shall be allowed against the surtax
23 liability computed under this section except for credits for
24 installment payments, estimated payments made with a request for
25 an extension of time for filing a return, or overpayments from prior
26 privilege periods.
27

28 2. Section 5 of P.L.1945, c.162 (C.54:10A-5) is amended to
29 read as follows:

30 5. The franchise tax to be annually assessed to and paid by
31 each taxpayer shall be the greater of the amount computed pursuant
32 to this section or the alternative minimum assessment computed
33 pursuant to section 7 of P.L.2002, c.40 (C.54:10A-5a); provided
34 however, that in the case of a taxpayer that is a New Jersey S
35 corporation, an investment company, a professional corporation
36 organized pursuant to P.L.1969, c. 232 (C.14A:17-1 et seq.) or a
37 similar corporation for profit organized for the purpose of rendering
38 professional services under the laws of another state, or a person
39 operating on a cooperative basis under Part I of Subchapter T of the
40 federal Internal Revenue Code of 1986, 26 U.S.C. s.1381 et seq.,
41 there shall be no alternative minimum assessment computed
42 pursuant to section 7 of P.L.2002, c.40 (C.54:10A-5a).

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

Matter underlined thus is new matter.

1 The amount computed pursuant to this section shall be the sum
 2 of the amount computed under subsection (a) hereof, or in the
 3 alternative to the amount computed under subsection (a) hereof, the
 4 amount computed under subsection (f) hereof, and the amount
 5 computed under subsection (c) hereof:

6 (a) That portion of its entire net worth as may be allocable to
 7 this State as provided in section 6, multiplied by the following
 8 rates: 2 mills per dollar on the first \$100,000,000.00 of allocated
 9 net worth; 4/10 of a mill per dollar on the second \$100,000,000.00;
 10 3/10 of a mill per dollar on the third \$100,000,000.00; and 2/10 of a
 11 mill per dollar on all amounts of allocated net worth in excess of
 12 \$300,000,000.00; provided, however, that with respect to reports
 13 covering accounting or privilege periods set forth below, the rate
 14 shall be that percentage of the rate set forth in this subsection for
 15 the appropriate year:

16	17 Accounting or Privilege	
18	18 Periods Beginning on or	18 The Percentage of the Rate
19	19 after:	19 to be Imposed Shall be:
20	20 April 1, 1983	20 75%
21	21 July 1, 1984	21 50%
22	22 July 1, 1985	22 25%
23	23 July 1, 1986	23 0

24
 25 (b) (Deleted by amendment, P.L.1968, c.250, s.2.)

26 (c) (1) For a taxpayer that is not a New Jersey S corporation, 3
 27 1/4% of its entire net income or such portion thereof as may be
 28 allocable to this State as provided in section 6 of P.L.1945, c.162
 29 (C.54:10A-6) plus such portion thereof as is specifically assigned to
 30 this State as provided in section 5 of P.L.1993, c.173 (C.54:10A-
 31 6.1); provided, however, that with respect to reports covering
 32 accounting or privilege periods or parts thereof ending after
 33 December 31, 1967, the rate shall be 4 1/4%; and that with respect
 34 to reports covering accounting or privilege periods or parts thereof
 35 ending after December 31, 1971, the rate shall be 5 1/2%; and that
 36 with respect to reports covering accounting or privilege periods or
 37 parts thereof ending after December 31, 1974, the rate shall be 7
 38 1/2%; and that with respect to reports covering privilege periods or
 39 parts thereof ending after December 31, 1979, the rate shall be 9%;
 40 provided however, that for a taxpayer that has entire net income of
 41 \$100,000 or less for a privilege period and is not a partnership the
 42 rate for that privilege period shall be 7 1/2% and provided further
 43 that for a taxpayer that has entire net income of \$50,000 or less for
 44 a privilege period and is not a partnership the rate for that privilege
 45 period shall be 6 1/2%.

46 (2) For a taxpayer that is a New Jersey S corporation:

47 (i) for privilege periods ending on or before June 30, 1998 the
 48 rate determined by subtracting the maximum tax bracket rate

1 provided under N.J.S.54A:2-1 for the privilege period from the tax
2 rate that would otherwise be applicable to the taxpayer's entire net
3 income for the privilege period if the taxpayer were not an S
4 corporation provided under paragraph (1) of this subsection for the
5 privilege period; and

6 (ii) For a taxpayer that has entire net income in excess of
7 \$100,000 for the privilege period, for privilege periods ending on or
8 after July 1, 1998, but on or before June 30, 2001, the rate shall be
9 2%,
10 for privilege periods ending on or after July 1, 2001, but on or
11 before June 30, 2006, the rate shall be 1.33%,
12 for privilege periods ending on or after July 1, 2006, but on or
13 before June 30, 2007, the rate shall be 0.67%, and
14 for privilege periods ending on or after July 1, 2007 there shall
15 be no rate of tax imposed under this paragraph, and

16 (iii) For a taxpayer that has entire net income of \$100,000 or less
17 for privilege periods ending on or after July 1, 1998, but on or
18 before June 30, 2001 the rate for that privilege period shall be 0.5%,
19 and for privilege periods ending on or after July 1, 2001 there shall
20 be no rate of tax imposed under this paragraph.

21 (iv) The taxpayer's rate determined under subparagraph (i), (ii)
22 or (iii) of this paragraph shall be multiplied by its entire net income
23 that is not subject to federal income taxation or such portion thereof
24 as may be allocable to this State pursuant to sections 6 through 10
25 of P.L.1945, c.162 (C.54:10A-6 through 54:10A-10) plus such
26 portion thereof as is specifically assigned to this State as provided
27 in section 5 of P.L.1993, c.173 (C.54:10A-6.1).

28 (3) For a taxpayer that is a New Jersey S corporation, in
29 addition to the amount, if any, determined under paragraph (2) of
30 this subsection, the tax rate that would otherwise be applicable to
31 the taxpayer's entire net income for the privilege period if the
32 taxpayer were not an S corporation provided under paragraph (1) of
33 this subsection for the privilege period multiplied by its entire net
34 income that is subject to federal income taxation or such portion
35 thereof as may be allocable to this State pursuant to sections 6
36 through 10 of P.L.1945, c.162 (C.54:10A-6 through 54:10A-10).

37 (d) Provided, however, that the franchise tax to be annually
38 assessed to and paid by any investment company or real estate
39 investment trust, which has elected to report as such and has filed
40 its return in the form and within the time provided in this act and
41 the rules and regulations promulgated in connection therewith,
42 shall, in the case of an investment company, be measured by 40% of
43 its entire net income and 40% of its entire net worth, and in the case
44 of a real estate investment trust, by 4% of its entire net income and
45 15% of its entire net worth, at the rates hereinbefore set forth for the
46 computation of tax on net income and net worth, respectively, but in
47 no case less than \$250, and further provided, however, that the
48 franchise tax to be annually assessed to and paid by a regulated

1 investment company which for a period covered by its report
 2 satisfies the requirements of Chapter 1, Subchapter M, Part I,
 3 Section 852(a) of the federal Internal Revenue Code shall be \$250.

4 (e) The tax assessed to any taxpayer pursuant to this section
 5 shall not be less than \$25 in the case of a domestic corporation, \$50
 6 in the case of a foreign corporation, or \$250 in the case of an
 7 investment company or regulated investment company. Provided
 8 however, that for privilege periods beginning in calendar year 1994
 9 and thereafter the minimum taxes for taxpayers other than an
 10 investment company or a regulated investment company shall be as
 11 provided in the following schedule:

12 Period Beginning	Domestic	Foreign
13 In Calendar Year	Corporation	Corporation
	Minimum Tax	Minimum Tax
15 1994	\$ 50	\$100
16 1995	\$100	\$200
17 1996	\$150	\$200
18 1997	\$200	\$200
19 1998	\$200	\$200
20 1999	\$200	\$200
21 2000	\$200	\$200
22 2001	\$210	\$210

23 and for calendar year 2002 ~~and thereafter~~ through 2005 the
 24 minimum tax for all taxpayers shall be \$500, ~~and for calendar year~~
 25 2006 and thereafter the minimum tax shall be based on the New
 26 Jersey gross receipts, as defined for the purposes of this section
 27 pursuant to section 7 of P.L.2002, c.40 (C.54:10A-5a), of the
 28 taxpayer pursuant to the following schedule;

29 <u>New Jersey Gross Receipts:</u>	<u>Minimum Tax:</u>
30 <u>Less than \$100,000</u>	<u>\$500</u>
31 <u>\$100,000 or more but</u>	
32 <u>less than \$250,000</u>	<u>\$750</u>
33 <u>\$250,000 or more but</u>	
34 <u>less than \$500,000</u>	<u>\$1,000</u>
35 <u>\$500,000 or more but</u>	
36 <u>less than \$1,000,000</u>	<u>\$1,500</u>
37 <u>\$1,000,000 or more</u>	<u>\$2,000</u>

38
 39 provided however, that for a taxpayer that is a member of an
 40 affiliated group or a controlled group pursuant to section 1504 or
 41 1563 of the federal Internal Revenue Code of 1986, 26 U.S.C.
 42 s.1504 or 1563, and whose group has total payroll of \$5,000,000 or
 43 more for the privilege period, the minimum tax shall be \$2,000 for
 44 the privilege period; and provided further that the director shall
 45 adjust the minimum tax amounts for privilege periods beginning in
 46 each fifth year following calendar year 2002 and each fifth year
 47 thereafter by multiplying the minimum tax for periods beginning in

1 2002 by an amount equal to one plus 75% of the increase, if any, in
2 the annual average total producer price index for finished goods
3 published by the federal Department of Labor, Bureau of Labor
4 Statistics, for the year preceding the determination year over such
5 index for calendar year 2001, which adjusted minimum tax amount
6 shall be rounded to the next highest multiple of \$10].

7 (f) In lieu of the portion of the tax based on net worth and to be
8 computed under subsection (a) of this section, any taxpayer, the
9 value of whose total assets everywhere, less reasonable reserves for
10 depreciation, as of the close of the period covered by its report,
11 amounts to less than \$150,000, may elect to pay the tax shown in a
12 table which shall be promulgated by the director.

13 (g) Provided however, that for privilege periods beginning on or
14 after January 1, 2001 but before January 1, 2002 the franchise tax
15 annually assessed to and paid by a taxpayer:

16 (1) that is a limited liability company or foreign limited liability
17 company classified as a partnership for federal income tax purposes
18 shall be the amount determined pursuant to the provisions of section
19 3 of P.L.2001, c.136 (C.54:10A-15.6); or

20 (2) that is a limited partnership or foreign limited partnership
21 classified as a partnership for federal income tax purposes shall be
22 the amount determined pursuant to the provisions of section 4 of
23 P.L.2001, c.136 (C.54:10A-15.7).

24 (h) Provided however, that for privilege periods beginning on or
25 after January 1, 2002 the franchise tax annually assessed to and paid
26 by a taxpayer that is a partnership shall be the amount determined
27 pursuant to the provisions of section 12 of P.L.2002, c.40
28 (C.54:10A-15.11).

29 (i) Notwithstanding the provisions of subsection c. of this
30 section to the contrary, and notwithstanding the provisions of
31 subsection (B) of section 6 of P.L.1945, c.162 (C.54:10A-6) to the
32 contrary, the amount by which the exclusion of receipts from the
33 denominator of the sales fraction pursuant to subsection (B) of
34 section 6 of P.L.1945, c.162 (C.54:10A-6) increases the liability of
35 all of the members of an affiliated group or a controlled group
36 pursuant to section 1504 or 1563 of the federal Internal Revenue
37 Code of 1986, 26 U.S.C. s.1504 or 1563, over that liability
38 calculated without application of the exclusion for a privilege
39 period shall not exceed \$5,000,000. If the exclusion of receipts
40 from the denominator of the sales fraction pursuant to subsection
41 (B) would otherwise increase the liability of all of the members of
42 an affiliated group or a controlled group by more than \$5,000,000
43 for a privilege period, then the amount of liability in excess of
44 \$5,000,000 due to the exclusion of receipts from the denominator
45 shall be abated, and the abated liability shall be allocated among the
46 members of the affiliated group or the controlled group in
47 proportion to each member's increase in liability due to the
48 exclusion of such receipts; provided however, that the director may

1 allow a single corporation within the affiliated group or controlled
2 group to act as the key corporation for the abatement, in such
3 manner as the director may prescribe.
4 (cf: P.L.2002 c.40, s.6).

5

6 3. This act shall take effect immediately.

7

8

9

10

11 Imposes 4% surcharge on liability and increases minimum tax
12 under corporation business tax.

ASSEMBLY, No. 4706

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JUNE 26, 2006

Sponsored by:

Assemblyman JOSEPH J. ROBERTS, JR.

District 5 (Camden and Gloucester)

Assemblywoman BONNIE WATSON COLEMAN

District 15 (Mercer)

SYNOPSIS

Imposes a 3.5% surcharge on corporation business tax liability.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT imposing a surcharge on corporation business tax liability,
2 supplementing P.L.1945, c.162 (C.5410A-1 et seq.).

3

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

6

7 1. In addition to the franchise tax paid by each taxpayer
8 determined pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5),
9 for privilege periods ending on or after July 1, 2006 but before July
10 1, 2009, each taxpayer shall be assessed and shall pay a surtax equal
11 to 3.5% of the amount of the liability determined pursuant to
12 section 5 of P.L.1945, c.162 (C.54:10A-5). The surtax imposed
13 under this section shall be due and payable in accordance with
14 section 15 of P.L.1945, c.162 (C. 54:10A-15), and the surtax shall
15 be administered pursuant to the provisions of P.L.1945, c.162
16 (C.54:10A-1 et seq.). Notwithstanding the provisions of any other
17 law to the contrary, no credits shall be allowed against the surtax
18 liability computed under this section except for credits for
19 installment payments, estimated payments made with a request for
20 an extension of time for filing a return, or overpayments from prior
21 privilege periods.

22

23 2. This act shall take effect immediately.

24

25

26

STATEMENT

27

28 This bill imposes a 3.5% surcharge on corporation business tax
29 liability for corporation tax years ending in State fiscal years 2007,
30 2008 and 2009.

31 This bill imposes the surcharge on the liability of corporations,
32 determined prior to the allowance of the various business incentive
33 credits. This method of surcharge calculation, although differently
34 calculated, parallels the result of the method that was used to
35 determine the corporation business tax surtax in effect from 1987 to
36 1993.

37 The bill disallows the application of the various business incentive
38 credits against the surtax, but allows application of credits for
39 prepayment of tax liability.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4706

STATE OF NEW JERSEY

DATED: JUNE 28, 2006

The Assembly Budget Committee reports favorably Assembly Bill No. 4706.

Assembly Bill No. 4706 imposes a 3.5% surcharge on corporation business tax liability for corporation tax years ending in State fiscal years 2007, 2008 and 2009.

This bill imposes the surcharge on the liability of corporations, determined prior to the allowance of the various business incentive credits. This method of surcharge calculation, although differently calculated, parallels the result of the method that was used to determine the corporation business tax surtax in effect from 1987 to 1993.

The bill disallows the application of the various business incentive credits against the surtax, but allows application of credits for prepayment of tax liability.

FISCAL IMPACT:

It has been estimated that the surtax, as calculated, will increase corporation business tax revenues by approximately \$95 million in State Fiscal Year 2006-2007.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 4706

STATE OF NEW JERSEY

DATED: JULY 7, 2006

The Assembly Budget Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 4706.

This Assembly Committee Substitute for Assembly Bill No. 4706, imposes a 4% surcharge on corporation business tax liability for corporation business tax years ending in State fiscal years 2007, 2008 and 2009.

The substitute imposes the surcharge on the liability of corporations, determined after the allowance of the various business incentive credits. The substitute disallows the application of the various business incentive credits against the surtax, but allows application of credits for prepayment of tax liability.

The substitute increases the corporation business tax minimum payment for taxpayers with New Jersey gross receipts of \$100,000 or more. Currently, the minimum corporation business tax is \$500 annually, except for corporations that are members of affiliated or controlled groups with total payrolls of \$5 million or more, whose minimum tax is \$2,000 annually. The substitute bases the new minimum tax on the New Jersey gross receipts of the taxpayer as follows:

New Jersey Gross Receipts:	Minimum Tax:
Less than \$100,000	\$500
\$100,000 or more but less than \$250,000	\$750
\$250,000 or more but less than \$500,000	\$1,000
\$500,000 or more but less than \$1,000,000	\$1,500
\$1,000,000 or more	\$2,000

The minimum tax of corporations that are members of affiliated or controlled groups with total payrolls of \$5 million or more will remain \$2,000 annually.

The substitute deletes a provision of current law that would otherwise have required another increase in the minimum tax in calendar year 2007.

FISCAL IMPACT:

It has been estimated that the surcharge will increase corporation business tax revenues by approximately \$96 million in State Fiscal Year 2006-2007.

It has been estimated that the increase in the minimum tax will increase corporation business tax revenues by approximately \$25.5 million in State Fiscal Year 2006-2007.

SENATE, No. 1987

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JUNE 26, 2006

Sponsored by:

Senator BERNARD F. KENNY, JR.

District 33 (Hudson)

SYNOPSIS

Imposes a 2.5% surcharge on corporation business tax liability.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT imposing a surcharge on corporation business tax liability,
2 supplementing P.L.1945, c.162 (C.5410A-1 et seq.).

3

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

6

7 1. In addition to the franchise tax paid by each taxpayer
8 determined pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5),
9 for privilege periods ending on or after July 1, 2006 but before July
10 1, 2009, each taxpayer shall be assessed and shall pay a surtax equal
11 to 2.5% of the amount of the liability determined pursuant to
12 section 5 of P.L.1945, c.162 (C.54:10A-5). The surtax imposed
13 under this section shall be due and payable in accordance with
14 section 15 of P.L.1945, c.162 (C. 54:10A-15), and the surtax shall
15 be administered pursuant to the provisions of P.L.1945, c.162
16 (C.54:10A-1 et seq.). Notwithstanding the provisions of any other
17 law to the contrary, no credits shall be allowed against the surtax
18 liability computed under this section except for credits for
19 installment payments, estimated payments made with a request for
20 an extension of time for filing a return, or overpayments from prior
21 privilege periods.

22

23 2. This act shall take effect immediately.

24

25

26

STATEMENT

27

28 This bill imposes a 2.5% surcharge on corporation business tax
29 liability for corporation tax years ending in State fiscal years 2007,
30 2008 and 2009.

31 This bill imposes the surcharge on the liability of corporations,
32 determined prior to the allowance of the various business incentive
33 credits. This method of surcharge calculation, although differently
34 calculated, parallels the result of the method that was used to
35 determine the corporation business tax surtax in effect from 1987 to
36 1993.

37 The bill disallows the application of the various business incentive
38 credits against the surtax, but allows application of credits for
39 prepayment of tax liability.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1987**

STATE OF NEW JERSEY

DATED: JULY 7, 2006

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 1987.

The Senate Committee Substitute for Senate Bill No. 1987 imposes a 4% surcharge on corporation business tax liability for corporation business tax years ending in State fiscal years 2007, 2008 and 2009.

The substitute imposes the surcharge on the liability of corporations, determined after the allowance of the various business incentive credits. The substitute disallows the application of the various business incentive credits against the surtax, but allows application of credits for prepayment of tax liability.

The substitute increases the corporation business tax minimum payment for taxpayers with New Jersey gross receipts of \$100,000 or more. Currently, the minimum corporation business tax is \$500 annually, except for corporations that are members of affiliated or controlled groups with total payrolls of \$5 million or more, whose minimum tax is \$2,000 annually. The substitute bases the new minimum tax on the New Jersey gross receipts of the taxpayer as follows:

New Jersey Gross Receipts:	Minimum Tax:
Less than \$100,000	\$500
\$100,000 or more but less than \$250,000	\$750
\$250,000 or more but less than \$500,000	\$1,000
\$500,000 or more but less than \$1,000,000	\$1,500
\$1,000,000 or more	\$2,000

The minimum tax of corporations that are members of affiliated or controlled groups with total payrolls of \$5 million or more will remain \$2,000 annually.

The substitute deletes a provision of current law that would otherwise have required another increase in the minimum tax in calendar year 2007.

FISCAL IMPACT:

It has been estimated that the 4% surcharge will increase corporation business tax revenues by approximately \$96 million in State Fiscal Year 2006-2007.

It has been estimated that the increase in the minimum tax will increase corporation business tax revenues by approximately \$25.5 million in State Fiscal Year 2006-2007.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1987

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 30, 2006

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1987.

Senate Bill No. 1987, with committee amendments, imposes a 3.5% surcharge on corporation business tax liability for corporation tax years ending in State fiscal years 2007, 2008 and 2009.

This bill imposes the surcharge on the liability of corporations, determined prior to the allowance of the various business incentive credits. This method of surcharge calculation, although differently calculated, parallels the result of the method that was used to determine the corporation business tax surtax in effect from 1987 to 1993.

The bill disallows the application of the various business incentive credits against the surtax, but allows application of credits for prepayment of tax liability.

The committee amendments make this bill identical to Assembly Bill No. 4706.

COMMITTEE AMENDMENTS:

The committee amendments increase the surcharge rate from 2.5% to 3.5%.

FISCAL IMPACT:

It has been estimated that the surtax, as calculated, will increase corporation business tax revenues by approximately \$95 million in State Fiscal Year 2006-2007.