

54:48-4.2

LEGISLATIVE HISTORY CHECKLIST  
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(Tax amnesty)

NJSA: 54:48-4.2 et al

LAWS OF: 1996 CHAPTER: 2

BILL NO: S675 (substituted for A1420)

SPONSOR(S): Littell

DATE INTRODUCED: January 29, 1996

COMMITTEE: ASSEMBLY: ---

SENATE: Budget

AMENDED DURING PASSAGE: No Senate committee substitute enacted

DATE OF PASSAGE: ASSEMBLY: February 29, 1996

SENATE: February 26, 1996

DATE OF APPROVAL: February 29, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No

SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clippings--attached:

"Tax delinquents to get a break thanks to state," 3-1-96, Philadelphia Inquirer.

"Senate Oks amnesty for tax deadbeats," 2-27-96, Asbury Park Press.

KBP:pp

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SENATE COMMITTEE SUBSTITUTE FOR  
SENATE, No. 675

STATE OF NEW JERSEY

ADOPTED FEBRUARY 15, 1996

Sponsored by Senators LITTELL and DiFRANCESCO

1 AN ACT authorizing the Director of the Division of Taxation to  
2 establish a State tax payment system by credit card, debit card or  
3 electronic funds transfer, providing for a State tax amnesty period,  
4 supplementing Title 54 of the Revised Statutes, and making an  
5 appropriation.

6

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

9

10 1. As used in this act:

11 "Cardholder" means the person or organization named on the face  
12 of a credit card or debit card to whom or for whose benefit the credit  
13 card or debit card is issued by an issuer.

14 "Card payment system" means a technical procedure by which tax  
15 obligations owed the State may be paid by credit card or debit card.

16 "Credit card" means any instrument or device linked to an  
17 established line of credit, whether known as a credit card, charge card,  
18 credit plate, or by any other name, issued with or without fee by an  
19 issuer for the use of the cardholder in satisfying outstanding financial  
20 obligations, obtaining money, goods, services or anything else of value  
21 on credit.

22 "Debit card" means any instrument or device, whether known as a  
23 debit card, automated teller machine card, or by any other name,  
24 issued with or without fee by an issuer for the use of the cardholder in  
25 obtaining money, goods, services or anything else of value through the  
26 electronic authorization of a financial institution to debit the  
27 cardholder's account.

28 "Electronic funds transfer" means any transfer of funds, other than  
29 a transaction originated by check, draft, or similar paper instrument,  
30 that is initiated through an electronic terminal, telephone, or computer  
31 or magnetic tape for the purpose of ordering, instructing or  
32 authorizing a financial institution to debit or credit an account.

33 "Electronic funds transfer system" means a technical procedure by  
34 which tax obligations owed the State may be paid by an electronic

1 transaction between the financial institution of the person or  
2 organization owing the obligation and the financial institution of the  
3 State.

4 "Issuer" means the business organization or financial institution  
5 that issues a credit card or debit card, or its duly authorized agent.

6 "Service charge" means a mandatory fee to be charged by the  
7 Division of Taxation in excess of the total obligation under this act  
8 owed by a person or organization to offset processing charges or  
9 discount fees for the use of a card payment system or an electronic  
10 funds transfer system.

11  
12 2. Subject to the provisions of section 3 of P.L. , c. (C. )  
13 (now pending before the Legislature as this bill), the director may  
14 establish a card payment system or electronic funds transfer system for  
15 payments of State taxes.

16  
17 3. Notwithstanding the provisions of any other law to the contrary  
18 and if not legally prohibited by an issuer or by an organization whose  
19 members are issuers, the director shall assess and collect service  
20 charges related to the payment of obligations owed to or collected by  
21 the Division of Taxation when credit cards, debit cards or electronic  
22 funds transfer systems are utilized.

23  
24 4. a. In addition to the powers of the director prescribed under  
25 the State Tax Uniform Procedure Law, R.S.54:48-1 et seq., and  
26 notwithstanding the provisions of any other laws to the contrary, the  
27 director shall establish a period not to exceed three months in  
28 duration, which period shall end no later than one year after the date  
29 of enactment of this act, during which a taxpayer who has failed to pay  
30 any State tax on or before the day on which the tax is required to be  
31 paid may pay to the director on or before the last day of the period  
32 established by the director the amount of that tax, without any interest  
33 that may otherwise be due, without any costs of collection that may  
34 otherwise be due, and without the imposition of any civil or criminal  
35 penalties arising out of an obligation imposed under any State tax law.  
36 This section shall apply only to State tax liabilities for tax returns due  
37 on and after January 1, 1987 and prior to January 1, 1996 and shall not  
38 extend to any taxpayer who at the time of the payment is under  
39 criminal investigation or charge for any State tax matter, as certified  
40 by a county prosecutor or the Attorney General to the director.

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

1 period.

2 c. Notwithstanding the provisions of any other law to the  
3 contrary, if a taxpayer elects to participate in the program established  
4 pursuant to this section, as that election shall be evidenced by full  
5 payment pursuant to this section of a State tax liability to which this  
6 section applies pursuant to subsection a. of this section, then that  
7 election shall constitute an express and absolute relinquishment of all  
8 administrative and judicial rights of appeal that have not run or  
9 otherwise expired as of the date payment is made. The relinquishment  
10 of rights of appeal pursuant to this subsection shall apply with respect  
11 to all rights of appeal established pursuant to the State Tax Uniform  
12 Procedure Law, R.S.54:48-1 et seq., and the specific statutory  
13 provisions of any State tax. No tax payment made pursuant to this  
14 section shall be eligible for refund or credit, whether claimed by  
15 administrative protest or judicial appeal, except as may be permitted  
16 pursuant to R.S.54:49-16.

17 d. Notwithstanding the provisions of any other law to the  
18 contrary, no amnesty payment shall be accepted without the express  
19 approval of the director with respect to any State tax assessment  
20 which is the subject of any administrative or judicial appeal as of the  
21 effective date of this act.

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

27

28 5. There is appropriated to the Division of Taxation in the  
29 Department of the Treasury a sum not to exceed \$10,000,000 from  
30 the proceeds collected pursuant to subsection a. of section 4 of this act  
31 to carry out and administer the tax amnesty program established by  
32 that section.

33

34 6. This act shall take effect immediately.

35

36

37

38

39 Provides for State tax amnesty period; authorizes establishment of  
40 credit card, debit card or electronic funds transfer State tax payments;  
41 appropriates an amount not to exceed \$10,000,000.

SENATE, No. 675

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1996

By Senators LITTELL and DiFRANCESCO

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17 credit plate, or by any other name, issued with or without fee by an  
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19 obligations, obtaining money, goods, services or anything else of value  
20 on credit.

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22 debit card, automated teller machine card, or by any other name,  
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24 obtaining money, goods, services or anything else of value through the  
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26 cardholder's account.

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33 which tax obligations owed the State may be paid by an electronic  
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35 organization owing the obligation and the financial institution of the  
36 State.

1 "Issuer" means the business organization or financial institution that  
2 issues a credit card or debit card, or its duly authorized agent.

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4 in excess of the total obligation under this act owed by a person or  
5 organization to offset processing charges or discount fees for the use  
6 of a card payment system or an electronic funds transfer system  
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8 2. Subject to the provisions of section 3 of P.L. , c. (C. )  
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10 establish a card payment system or electronic funds transfer system for  
11 payments of State taxes.  
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13 3. Notwithstanding the provisions of any other law to the contrary  
14 and if not legally prohibited by an issuer, the director is authorized to  
15 assess and collect service charges related to the payment of obligations  
16 owed to or collected by the Division of Taxation when credit cards,  
17 debit cards or electronic funds transfer systems are utilized.  
18

19 4. This act shall take effect immediately.  
20

21  
22 *SPONSOR'S* STATEMENT  
23

24 This bill authorizes the Director of the Division of Taxation to  
25 establish a system for the payment of State taxes by credit card, debit  
26 card or electronic funds transfer.  
27

28  
29 \_\_\_\_\_  
30  
31 Authorizes establishment of State tax payment system by credit card,  
32 debit card or electronic funds transfer.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR SENATE, No. 675

# STATE OF NEW JERSEY

DATED: FEBRUARY 15, 1996

The Senate Budget and Appropriations Committee reports favorably the Senate Committee Substitute for Senate Bill No. 675 of 1996.

This Senate Committee Substitute for Senate Bill No. 675 requires the Director of the Division of Taxation to offer a tax amnesty program for a period of up to 90 days. The program must be offered within the 12 months after the enactment of this substitute. The substitute also authorizes the director to establish a system for the payment of State taxes by credit card, debit card or electronic funds transfer.

During the period of amnesty, a taxpayer who has failed to pay any State tax may pay the tax without any interest that may otherwise be due, without any costs of collection that may otherwise be due, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. This amnesty program will apply only to State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996. The amnesty provisions do not extend to any taxpayer under criminal investigation or charge for any State tax matter.

If a taxpayer eligible to pay taxes during the amnesty program fails to pay during the period, a 5% penalty will be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law, on the unpaid liability.

The State Treasurer has stated publicly that a taxpayer will be allowed "partial" amnesty, that is, a taxpayer may pay a portion of an outstanding eligible liability and will be granted amnesty for the amount paid. However, the taxpayer will be subject to the bill's penalties for taxes not paid. The Treasurer has also stated that the bill's penalties will not be applied to deficiencies assessed due to a question of law or fact uncovered through routine audits of taxpayers otherwise in compliance with filing and payment requirements of State taxes.

The State last offered a tax amnesty program in 1987. During that 90-day amnesty, the State collected \$68 million in additional revenue which would not have been collected but for the amnesty program,

according to the State Treasurer.

At the request of this committee, the State Treasurer has agreed to provide within 60 days following the last day of the tax amnesty program a written report to the Joint Budget and Oversight Committee detailing the results of the program. The report will contain: (a) the total amount of tax revenue collected during the period; (b) the amount of tax revenue collected during the period as compared to the amount that would have otherwise been collected by the State through compliance and enforcement efforts during the same period; (c) the amount of interest and penalties forgone by the State due to payment of tax liabilities during the period assuming all interest and penalties would have been collected and not abated by the State, on these liabilities; and (d) the total amount of tax revenue collected in a category in which the range of individual payments was \$5,000 or less; over \$5,000 but \$10,000 or less; over \$10,000 but \$25,000 or less; over \$25,000 but \$50,000 or less; over \$50,000 but \$100,000 or less; over \$100,000 but \$250,000 or less; and over \$250,000.

As reported, this committee substitute is identical to the Assembly Committee Substitute for Assembly Bill 1420 (1R) of 1996 (Kavanaugh/Lance).

#### FISCAL IMPACT

The State Treasurer has estimated that a 90-day tax amnesty program may result in net tax revenue collections for the General Fund of \$70 million. The State Treasurer anticipates that this program will result in the collection of approximately \$35 million in sales and use taxes, \$18 million in corporate business taxes, and \$17 million in gross income taxes. The taxes collected during this amnesty program will be accounted for as Fiscal Year 1996 revenues.

The substitute appropriates \$10 million to the Division of Taxation for the costs of advertising, implementing and administering the tax amnesty program.



LEGISLATIVE FISCAL ESTIMATE TO

SENATE COMMITTEE SUBSTITUTE FOR  
SENATE, No. 675

**STATE OF NEW JERSEY**

DATED: April 1, 1996

The Senate Committee Substitute for Senate Bill No. 675 requires the Director of the Division of Taxation to establish a tax amnesty period of up to three months that will end no later than one year after the date of enactment of this legislation and also authorizes the director to establish a system for the payment of State taxes by credit card, debit card or electronic funds transfer.

Based upon the State Treasurer's public testimony, the amnesty period will take place during the remainder of the current fiscal year that ends on June 30, 1996.

During the amnesty period a taxpayer who has failed to pay any State tax may pay the tax without any interest that may otherwise be due, without any costs of collection that may otherwise be due, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. This amnesty period applies only to State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996. The amnesty provisions do not extend to any taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible to use the amnesty period fails to pay taxes during the period, a 5% penalty, which is not subject to waiver or abatement, will be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law, on the unpaid liability.

The bill provides an appropriation of up to \$10 million for the costs of advertising, developing and administering the amnesty program. The Treasurer estimates that the program will increase tax payments by \$80 million; allowing for the appropriation in the bill, Treasury's expectation is for a net revenue increase of \$70 million in FY 1996. This amount, which has been incorporated into the Administration's FY 1996 revised revenue estimates, includes \$35 million for the sales and use tax, \$18 million for the corporation business tax and \$17 for the gross income tax.

To date, the Department of the Treasury has not furnished any data to explain or support the \$70 million revenue estimate. The department has noted that a prior amnesty program conducted late in 1987 yielded \$68 million in additional revenues, although that program operated with a partial, rather than complete, interest abatement.

The Office of Legislative Services (OLS) believes that a series of

considerations make it very difficult to accurately forecast the revenue impact of the amnesty program. However, the net revenue impact of the amnesty program 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 current State tax compliance efforts.

According to the Division of Taxation, if there were no amnesty program this year, approximately \$280 million in "normal" tax compliance revenue would be received from February to June of 1996. All or most of these payments will now be made through the amnesty program, but they will be reduced by the value of interest and penalties that would otherwise be collected during this period. The most recent annual report of the Division of Taxation indicates that interest and penalties comprised approximately 42 percent of the total value of assessments for delinquent taxes imposed by the division in FY 1994. If amnesty results in the loss of 42 percent of that \$280 million, the State would be forgoing almost \$118 million in revenue it would otherwise have expected to collect. Even if it is assumed that interest and penalties comprise only 25 percent of normal tax compliance payments (due to permissive abatements that may be granted by the Director of Taxation under current tax law), the State could still expect a tax loss of \$70 million from this component.

Therefore, to offset this interest and penalty loss and generate an additional \$80 million in "new" money, the amnesty program will need to raise between \$150 million (\$70 million loss coverage plus \$80 million) and \$198 million (\$118 million loss coverage plus \$80 million) from delinquent taxpayers who would not have come forward in FY 1996 except for the amnesty program. These are primarily individuals and businesses whose delinquencies are as yet unknown to the Division of Taxation.

The Department of the Treasury has not provided information on the estimated number of such "new" taxpayers nor the portion of their overall tax liability likely to be captured through an amnesty program. OLS has no independent access to data that would support a prediction that \$150 million or \$198 million will come from taxpayers who would not have otherwise come forward.

With any amnesty program, there exists the probability that anticipated compliance collections in the months following the close of the amnesty period will be less than they normally would be, due to some portion of those payments being pushed forward into the amnesty program under more favorable terms. For instance, in both FY 1995 and 1996, approximately \$80 million in tax payments attributed to compliance activity have been collected in the months of July and August. With the proposed amnesty program likely to end by June, OLS believes that some of the new money that will be received

during the amnesty period in FY 1996 will be from taxpayers who would have made compliance payments in the first quarter of FY 1997. Accordingly, a revenue gain from tax amnesty in FY 1996 may be offset, in whole or part, by a corresponding reduction in FY 1997 compliance revenues. The State Treasurer has indicated that he does not think this will be the case.

Finally, there should be some increase in FY 1997 and subsequent year's regular tax revenues as the result of the capturing of first time taxpayers who have responded to the amnesty program and will make timely payments in the future. Neither the Treasurer or OLS have developed an estimate of the amount of additional ongoing revenue that might result from these new taxpayers.

The aspect of this bill that allows for the payment of State taxes by credit card, debit card or electronic funds transfer may encourage the more timely payment of taxes, but it is not possible to quantify the revenue impact, if any, until more details of the program are developed.

Senate, No. 675 (SCS) is identical to Assembly, No. 1420 (SCS) (1R).

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

[First Reprint]

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 1420

**STATE OF NEW JERSEY**

ADOPTED FEBRUARY 5, 1996

Sponsored by Assemblymen KAVANAUGH, LANCE, Augustine,  
Blee, Gregg, Malone, Assemblywomen Murphy, J. Smith  
and Assemblyman Bateman

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2 establish a State tax payment system by credit card, debit card or  
3 electronic funds transfer, providing for a State tax amnesty period,  
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25 obtaining money, goods, services or anything else of value through the  
26 electronic authorization of a financial institution to debit the

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

**Matter underlined thus is new matter.**

**Matter enclosed in superscript numerals has been adopted as follows:**

**<sup>1</sup> Assembly floor amendments adopted February 8, 1996.**

1 cardholder's account.

2 "Electronic funds transfer" means any transfer of funds, other than  
3 a transaction originated by check, draft, or similar paper instrument,  
4 that is initiated through an electronic terminal, telephone, or computer  
5 or magnetic tape for the purpose of ordering, instructing or  
6 authorizing a financial institution to debit or credit an account.

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10 organization owing the obligation and the financial institution of the  
11 State.

12 "Issuer" means the business organization or financial institution  
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15 Division of Taxation in excess of the total obligation under this act  
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[IR] ACS for A1420

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ASSEMBLY, No. 1420

STATE OF NEW JERSEY

INTRODUCED JANUARY 29, 1996

By Assemblyman KAVANAUGH

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14 and if not legally prohibited by an issuer, the director is authorized to  
15 assess and collect service charges related to the payment of obligations  
16 owed to or collected by the Division of Taxation when credit cards,  
17 debit cards or electronic funds transfer systems are utilized.  
18

19 4. This act shall take effect immediately.  
20  
21

22 *SPONSOR'S* STATEMENT  
23

24 This bill authorizes the Director of the Division of Taxation to  
25 establish a system for the payment of State taxes by credit card, debit  
26 card or electronic funds transfer.  
27  
28

29 \_\_\_\_\_  
30  
31 Authorizes establishment of State tax payment system by credit card,  
32 debit card or electronic funds transfer.

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY, No. 1420

STATE OF NEW JERSEY

ADOPTED FEBRUARY 5, 1996

Sponsored by Assemblymen KAVANAUGH, LANCE, Augustine, Blee,  
Gregg, Malone, Assemblywomen Murphy and J. Smith

1 AN ACT authorizing the Director of the Division of Taxation to  
2 establish a State tax payment system by credit card, debit card or  
3 electronic funds transfer, providing for a State tax amnesty period,  
4 supplementing Title 54 of the Revised Statutes, and making an  
5 appropriation.

6

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

9

10 1. As used in this act:

11 "Cardholder" means the person or organization named on the face  
12 of a credit card or debit card to whom or for whose benefit the credit  
13 card or debit card is issued by an issuer.

14 "Card payment system" means a technical procedure by which tax  
15 obligations owed the State may be paid by credit card or debit card.

16 "Credit card" means any instrument or device linked to an  
17 established line of credit, whether known as a credit card, charge card,  
18 credit plate, or by any other name, issued with or without fee by an  
19 issuer for the use of the cardholder in satisfying outstanding financial  
20 obligations, obtaining money, goods, services or anything else of value  
21 on credit.

22 "Debit card" means any instrument or device, whether known as a  
23 debit card, automated teller machine card, or by any other name,  
24 issued with or without fee by an issuer for the use of the cardholder in  
25 obtaining money, goods, services or anything else of value through the  
26 electronic authorization of a financial institution to debit the  
27 cardholder's account.

28 "Electronic funds transfer" means any transfer of funds, other than  
29 a transaction originated by check, draft, or similar paper instrument,  
30 that is initiated through an electronic terminal, telephone, or computer  
31 or magnetic tape for the purpose of ordering, instructing or  
32 authorizing a financial institution to debit or credit an account.

33 "Electronic funds transfer system" means a technical procedure by  
34 which tax obligations owed the State may be paid by an electronic

1 transaction between the financial institution of the person or  
2 organization owing the obligation and the financial institution of the  
3 State.

4 "Issuer" means the business organization or financial institution  
5 that issues a credit card or debit card, or its duly authorized agent.

6 "Service charge" means a mandatory fee to be charged by the  
7 Division of Taxation in excess of the total obligation under this act  
8 owed by a person or organization to offset processing charges or  
9 discount fees for the use of a card payment system or an electronic  
10 funds transfer system.

11

12 2. Subject to the provisions of section 3 of P.L. , c.  
13 (C. ) (now pending before the Legislature as this bill), the director  
14 may establish a card payment system or electronic funds transfer  
15 system for payments of State taxes.

16

17 3. Notwithstanding the provisions of any other law to the contrary  
18 and if not legally prohibited by an issuer or by an organization whose  
19 members are issuers, the director shall assess and collect service  
20 charges related to the payment of obligations owed to or collected by  
21 the Division of Taxation when credit cards, debit cards or electronic  
22 funds transfer systems are utilized.

23

24 4. a. In addition to the powers of the director prescribed under  
25 the State Tax Uniform Procedure Law, R.S.54:48-1 et seq., and  
26 notwithstanding the provisions of any other laws to the contrary, the  
27 director shall establish a period not to exceed three months in  
28 duration, which period shall end no later than one year after the date  
29 of enactment of this act, during which a taxpayer who has failed to pay  
30 any State tax on or before the day on which the tax is required to be  
31 paid may pay to the director on or before the last day of the period  
32 established by the director the amount of that tax, without any interest  
33 that may otherwise be due, without any costs of collection that may  
34 otherwise be due, and without the imposition of any civil or criminal  
35 penalties arising out of an obligation imposed under any State tax law.  
36 This section shall apply only to State tax liabilities for tax returns due  
37 on and after January 1, 1987 and prior to January 1, 1996 and shall not  
38 extend to any taxpayer under criminal investigation for any State tax  
39 matter, as certified by a county prosecutor or the Attorney General to  
40 the director.

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

47 c. Notwithstanding the provisions of any other law to the

1 contrary, if a taxpayer elects to participate in the program established  
2 pursuant to this section, as that election shall be evidenced by full  
3 payment pursuant to this section of a State tax liability to which this  
4 section applies pursuant to subsection a. of this section, then that  
5 election shall constitute an express and absolute relinquishment of all  
6 administrative and judicial rights of appeal that have not run or  
7 otherwise expired as of the date payment is made. The relinquishment  
8 of rights of appeal pursuant to this subsection shall apply with respect  
9 to all rights of appeal established pursuant to the State Tax Uniform  
10 Procedure Law, R.S.54:48-1 et seq., and the specific statutory  
11 provisions of any State tax. No tax payment made pursuant to this  
12 section shall be eligible for refund or credit, whether claimed by  
13 administrative protest or judicial appeal, except as may be permitted  
14 pursuant to R.S.54:49-16.

15 d. Notwithstanding the provisions of any other law to the  
16 contrary, no amnesty payment shall be accepted without the express  
17 approval of the director with respect to any State tax assessment  
18 which is the subject of any administrative or judicial appeal as of the  
19 effective date of this act.

20 e. Notwithstanding the provisions of any other law to the  
21 contrary, no taxpayer shall be entitled to the waiver of penalty, interest  
22 and cost of collection set forth in subsection a. of this section unless  
23 full payment of the tax due is made in accordance with the rules and  
24 procedures established by the director.

25

26 5. There is appropriated to the Division of Taxation in the  
27 Department of the Treasury a sum not to exceed \$10,000,000 from  
28 the proceeds collected pursuant to subsection a. of section 4 of this act  
29 to carry out and administer the tax amnesty program established by  
30 that section.

31

32 6. This act shall take effect immediately.

33

34

35

36

37 Provides for State tax amnesty period; authorizes establishment of  
38 credit card, debit card or electronic funds transfer State tax payments;  
39 appropriates an amount not to exceed \$10,000,000.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 1420**

**STATE OF NEW JERSEY**

DATED: FEBRUARY 5, 1996

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 1420.

This Assembly Committee Substitute for Assembly Bill No. 1420 requires the Director of the Division of Taxation to establish a tax amnesty period of up to three months that will end no later than one year after the date of enactment of the substitute and also authorizes the director to establish a system for the payment of State taxes by credit card, debit card or electronic funds transfer.

During the amnesty period a taxpayer that has failed to pay any State tax may pay the tax without any interest that may otherwise be due, without any costs of collection that may otherwise be due, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. This amnesty period applies only to State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996. The amnesty provisions do not extend to any taxpayer under criminal investigation for any State tax matter.

If a taxpayer eligible to use the amnesty period fails to pay taxes during the period, a 5% penalty, which is not subject to waiver or abatement, will be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law, on the unpaid liability.

The State Treasurer testified, and it is the understanding of the committee, that under the bill a taxpayer will be allowed "partial" amnesty, that is, a taxpayer paying a portion of an outstanding eligible liability will be allowed the amnesty provisions as to the amount paid and will be subject to the bill's penalties as to amounts not paid; and that the bill's penalties will not be applied to deficiencies assessed pursuant to a question of law or fact uncovered through routine audits of taxpayers otherwise in compliance with filing and payment requirements of State taxes.

FISCAL IMPACT:

The substitute provides an appropriation of \$10 million for the costs of advertising, implementing and administering the amnesty

program. This program is estimated to increase collections by \$80 million, for a net revenue increase among several taxes of \$70 million.

STATEMENT TO  
ASSEMBLY COMMITTEE SUBSTITUTE FOR  
**ASSEMBLY, No. 1420**

with Assembly Floor Amendments  
(Proposed By Assemblyman Kavanaugh)

ADOPTED: FEBRUARY 8, 1996

These amendments clarify a limitation on the availability of the tax amnesty provided under the bill, disallowing the amnesty otherwise available for State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996 for a taxpayer who, at the time of the payment, is under criminal investigation or charge for any State tax matter.

# LEGISLATIVE FISCAL ESTIMATE TO

[FIRST REPRINT]

## ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 1420

# STATE OF NEW JERSEY

DATED: April 10, 1996

The Assembly Committee Substitute (1R) for Assembly Bill No. 1420 requires the Director of the Division of Taxation to establish a tax amnesty period of up to three months that will end no later than one year after the date of enactment of this legislation and also authorizes the director to establish a system for the payment of State taxes by credit card, debit card or electronic funds transfer.

Based upon the State Treasurer's public testimony, the amnesty period will take place during the remainder of the current fiscal year that ends on June 30, 1996.

During the amnesty period a taxpayer who has failed to pay any State tax may pay the tax without any interest that may otherwise be due, without any costs of collection that may otherwise be due, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. This amnesty period applies only to State tax liabilities for tax returns due on and after January 1, 1987 and prior to January 1, 1996. The amnesty provisions do not extend to any taxpayer who, at the time of payment, is under criminal investigation or charge for any State tax matter.

If a taxpayer eligible to use the amnesty period fails to pay taxes during the period, a 5% penalty, which is not subject to waiver or abatement, will be imposed in addition to all other penalties, interest, or costs of collection otherwise authorized by law, on the unpaid liability.

The bill provides an appropriation of up to \$10 million for the costs of advertising, developing and administering the amnesty program. The Treasurer estimates that the program will increase tax payments by \$80 million; allowing for the appropriation in the bill, Treasury's expectation is for a net revenue increase of \$70 million in FY 1996. This amount, which has been incorporated into the Administration's FY 1996 revised revenue estimates, includes \$35 million for the sales and use tax, \$18 million for the corporation business tax and \$17 for the gross income tax.

To date, the Department of the Treasury has not furnished any data to explain or support the \$70 million revenue estimate. The department has noted that a prior amnesty program conducted late in



1987 yielded \$68 million in additional revenues, although that program operated with a partial, rather than complete, interest abatement.

The Office of Legislative Services (OLS) believes that a series of considerations make it very difficult to accurately forecast the revenue impact of the amnesty program. However, the net revenue impact of the amnesty program 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 current State tax compliance efforts.

According to the Division of Taxation, if there were no amnesty program this year, approximately \$280 million in "normal" tax compliance revenue would be received from February to June of 1996. All or most of these payments will now be made through the amnesty program, but they will be reduced by the value of interest and penalties that would otherwise be collected during this period. The most recent annual report of the Division of Taxation indicates that interest and penalties comprised approximately 42 percent of the total value of assessments for delinquent taxes imposed by the division in FY 1994. If amnesty results in the loss of 42 percent of that \$280 million, the State would be forgoing almost \$118 million in revenue it would otherwise have expected to collect. Even if it is assumed that interest and penalties comprise only 25 percent of normal tax compliance payments (due to permissive abatements that may be granted by the Director of Taxation under current tax law), the State could still expect a tax loss of \$70 million from this component.

Therefore, to offset this interest and penalty loss and generate an additional \$80 million in "new" money, the amnesty program will need to raise between \$150 million (\$70 million loss coverage plus \$80 million) and \$198 million (\$118 million loss coverage plus \$80 million) from delinquent taxpayers who would not have come forward in FY 1996 except for the amnesty program. These are primarily individuals and businesses whose delinquencies are as yet unknown to the Division of Taxation.

The Department of the Treasury has not provided information on the estimated number of such "new" taxpayers nor the portion of their overall tax liability likely to be captured through an amnesty program. OLS has no independent access to data that would support a prediction that \$150 million or \$198 million will come from taxpayers who would not have otherwise come forward.

With any amnesty program, there exists the probability that anticipated compliance collections in the months following the close of the amnesty period will be less than they normally would be, due to some portion of those payments being pushed forward into the amnesty program under more favorable terms. For instance, in both FY 1995 and 1996, approximately \$80 million in tax payments attributed to compliance activity have been collected in the months of

July and August. With the proposed amnesty program likely to end by June, OLS believes that some of the new money that will be received during the amnesty period in FY 1996 will be from taxpayers who would have made compliance payments in the first quarter of FY 1997. Accordingly, a revenue gain from tax amnesty in FY 1996 may be offset, in whole or part, by a corresponding reduction in FY 1997 compliance revenues. The State Treasurer has indicated that he does not think this will be the case.

Finally, there should be some increase in FY 1997 and subsequent year's regular tax revenues as the result of the capturing of first time taxpayers who have responded to the amnesty program and will make timely payments in the future. Neither the Treasurer or OLS have developed an estimate of the amount of additional ongoing revenue that might result from these new taxpayers.

The aspect of this bill that allows for the payment of State taxes by credit card, debit card or electronic funds transfer may encourage the more timely payment of taxes, but it is not possible to quantify the revenue impact, if any, until more details of the program are developed.

Assembly, No. 1420 (ACS) (IR) is identical to Senate, No. 675 (SCS).

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