

54:10A.5

LEGISLATIVE HISTORY CHECKLIST
Compiled by the NJ State Law Library

(Reduced corporate business tax rate)

NJSA: 54:10A-5

LAWS OF: 1995 **CHAPTER:** 246

BILL NO: A2927

SPONSOR(S): Asselta and others

DATE INTRODUCED: May 22, 1995

COMMITTEE: **ASSEMBLY** Appropriations
SENATE: ---

AMENDED DURING PASSAGE: Yes Amendments during passage
First reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** June 26, 1995
SENATE: June 26, 1995

DATE OF APPROVAL: October 11, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes
SENATE: No

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clipping:
"Whitman enacts laws worth \$233 million to businesses," 9-12-95, Asbury Park Press.

KBG:pp

[FIRST REPRINT]
ASSEMBLY, No. 2927

STATE OF NEW JERSEY

INTRODUCED MAY 22, 1995

By Assemblymen ASSELTA, OROS and Gibson

1 AN ACT providing a reduced corporation business tax rate for
2 certain lower income corporations, amending P.L.1945, c.162.

3

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

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

8 5. The franchise tax to be annually assessed to and paid by
9 each taxpayer shall be the sum of the amount computed under
10 subsection (a) hereof, or in the alternative to the amount
11 computed under subsection (a) hereof, the amount computed
12 under subsection (f) hereof, and the amount computed under
13 subsection (c) hereof:

14 (a) That portion of its entire net worth as may be allocable to
15 this State as provided in section 6, multiplied by the following
16 rates: 2 mills per dollar on the first \$100,000,000.00 of allocated
17 net worth; 4/10 of a mill per dollar on the second
18 \$100,000,000.00; 3/10 of a mill per dollar on the third
19 \$100,000,000.00; and 2/10 of a mill per dollar on all amounts of
20 allocated net worth in excess of \$300,000,000.00; provided,
21 however, that with respect to reports covering accounting or
22 privilege periods set forth below, the rate shall be that
23 percentage of the rate set forth in this subsection for the
24 appropriate year:

25

26 Accounting or Privilege	
27 Periods Beginning on or	The Percentage of the Rate
28 After:	to be Imposed Shall Be:
29 April 1, 1983	75%
30 July 1, 1984	50%
31 July 1, 1985	25%
32 July 1, 1986	0

33

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

35 (c) (1) For a taxpayer that is not a New Jersey S corporation,
36 3¼% of its entire net income or such portion thereof as may be
37 allocable to this State as provided in section 6 of P.L.1945, c.162
38 (C.54:10A-6); provided, however, that with respect to reports
39 covering accounting or privilege periods or parts thereof ending
40 after December 31, 1967, the rate shall be 4¼%; and that with
41 respect to reports covering accounting or privilege periods or
42 parts thereof ending after December 31, 1971, the rate shall be

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.

Matter enclosed in superscript numerals has been adopted as follows:
1 Assembly AAP committee amendments adopted June 22, 1995.

1 5½%; and that with respect to reports covering accounting or
2 privilege periods or parts thereof ending after December 31,
3 1974, the rate shall be 7½%; and that with respect to reports
4 covering accounting or privilege periods or parts thereof ending
5 after December 31, 1979, the rate shall be 9%; provided however,
6 that for a taxpayer that has entire net income of \$100,000 or less
7 for a privilege period the rate for that privilege period shall be
8 7½%.

9 (2) For a taxpayer that is a New Jersey S corporation, the rate
10 determined by subtracting the maximum tax bracket rate
11 provided under N.J.S.54A:2-1 for the [taxable] privilege period
12 from the tax rate that would otherwise be applicable to the
13 taxpayer's entire net income for the privilege period if the
14 taxpayer were not an S corporation provided under paragraph (1)
15 of this subsection for the [taxable] privilege period multiplied by
16 its entire net income that is not subject to federal income
17 taxation or such portion thereof as may be allocable to this State
18 pursuant to sections 6 through 10 of P.L.1945, c.162 (C.54:10A-6
19 through 54:10A-10); plus

20 (3) For a taxpayer that is a New Jersey S corporation, the tax
21 rate that would otherwise be applicable to the taxpayer's entire
22 net income for the privilege period if the taxpayer were not an S
23 corporation provided under paragraph (1) of this subsection for
24 the [taxable] privilege period multiplied by [any of] its entire net
25 income that is subject to federal income taxation or such portion
26 thereof as may be allocable to this State pursuant to sections 6
27 through 10 of P.L.1945, c.162 (C.54:10A-6 through 54:10A-10).

28 (d) Provided, however, that the franchise tax to be annually
29 assessed to and paid by any investment company or real estate
30 investment trust, which has elected to report as such and has
31 filed its return in the form and within the time provided in this
32 act and the rules and regulations promulgated in connection
33 therewith, shall, in the case of an investment company, be
34 measured by 25% of its entire net income and 25% of its entire
35 net worth, and in the case of a real estate investment trust, by
36 4% of its entire net income and 15% of its entire net worth, at
37 the rates hereinbefore set forth for the computation of tax on net
38 income and net worth, respectively, but in no case less than
39 \$250.00, and further provided, however, that the franchise tax to
40 be annually assessed to and paid by a regulated investment
41 company which for a period covered by its report satisfies the
42 requirements of Chapter 1, Subchapter M, Part I, Section 852(a)
43 of the federal Internal Revenue Code shall be \$250.00.

44 (e) The tax assessed to any taxpayer pursuant to this section
45 shall not be less than \$25.00 in the case of a domestic
46 corporation, \$50.00 in the case of a foreign corporation, or
47 \$250.00 in the case of an investment company or regulated
48 investment company. Provided however, that for accounting or
49 privilege periods beginning in calendar year 1994 and thereafter
50 the minimum taxes for taxpayers other than an investment
51 company or a regulated investment company shall be as provided
52 in the following schedule:

1	Period Beginning	Domestic	Foreign
2	In Calendar Year	Corporation	Corporation
3		Minimum Tax	Minimum Tax
4	1994	\$50	\$100
5	1995	\$100	\$200
6	1996	\$150	\$200
7	1997	\$200	\$200

8

9 and provided further that the director shall adjust the minimum
10 tax for accounting or privilege periods beginning in each fifth
11 year following calendar year 1997 and each fifth year thereafter
12 by multiplying the minimum tax for periods beginning in 1997 by
13 an amount equal to one plus 75% of the increase, if any, in the
14 annual average total producer price index for finished goods
15 published by the federal Department of Labor, Bureau of Labor
16 Statistics, for the year preceding the determination year over
17 such index for calendar year 1996.

18 (f) In lieu of the portion of the tax based on net worth and to
19 be computed under subsection (a) of this section, any taxpayer,
20 the value of whose total assets everywhere, less reasonable
21 reserves for depreciation, as of the close of the period covered by
22 its report, amounts to less than \$150,000.00, may elect to pay the
23 tax shown in a table which shall be promulgated by the director.

24 (cf: P.L.1993, c.173, s.2)

25 2. This act shall take effect immediately and apply to
26 privilege periods ¹[ending after June 30, 1995] beginning on or
27 after July 1, 1996¹.

28

29

30

31

32 Provides 7.5% corporation business tax rate for corporations with
33 \$100,000 or less annual income.

1	Period Beginning	Domestic	Foreign
2	In Calendar Year	Corporation	Corporation
3		Minimum Tax	Minimum Tax
4	1994	\$50	\$100
5	1995	\$100	\$200
6	1996	\$150	\$200
7	1997	\$200	\$200

8
9 and provided further that the director shall adjust the minimum
10 tax for accounting or privilege periods beginning in each fifth
11 year following calendar year 1997 and each fifth year thereafter
12 by multiplying the minimum tax for periods beginning in 1997 by
13 an amount equal to one plus 75% of the increase, if any, in the
14 annual average total producer price index for finished goods
15 published by the federal Department of Labor, Bureau of Labor
16 Statistics, for the year preceding the determination year over
17 such index for calendar year 1996.

18 (f) In lieu of the portion of the tax based on net worth and to
19 be computed under subsection (a) of this section, any taxpayer,
20 the value of whose total assets everywhere, less reasonable
21 reserves for depreciation, as of the close of the period covered by
22 its report, amounts to less than \$150,000.00, may elect to pay the
23 tax shown in a table which shall be promulgated by the director.
24 (cf: P.L.1993, c.173, s.2)

25 2. This act shall take effect immediately and apply to
26 privilege periods ending after June 30, 1995.

27
28

29 STATEMENT

30

31 This bill reduces the corporation business tax rate from 9% to
32 7.5% for corporations with income for the fiscal or calendar
33 accounting year of \$100,000 or less.

34

35

36

37

38 Provides 7.5% corporation business tax rate for corporations with
39 \$100,000 or less annual income.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2927

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 1995

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2927, with committee amendments.

Assembly Bill No. 2927, as amended, reduces the corporation business tax rate for general corporations from 9% to 7.5% for corporations with income, for the fiscal or calendar accounting year, of \$100,000 or less. For corporations qualifying for, and making an election to be taxed as a New Jersey S corporation, the bill reduces the tax rate from 2.42% to .92% for corporations with income, for the fiscal or calendar accounting year, of \$100,000 or less.

As amended, this bill is identical to Senate, No. 2164.

FISCAL IMPACT:

The Department of the Treasury has estimated that the bill will reduce State corporation business tax revenue by \$14 million annually for State fiscal years in which all taxpayers are able to take advantage of the rate reductions. This will have some affect on revenues for FY1997, but all changes will occur for FY1998.

COMMITTEE AMENDMENTS:

The amendments change the effective date of the bill. Instead of applying to privilege periods ending after June 30, 1995, the bill applies to privilege periods beginning on or after July 1, 1996.

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 2927

STATE OF NEW JERSEY

DATED: July 11, 1995

Assembly Bill No. 2927 of 1995 reduces the corporation business tax rate for general corporations from 9 percent to 7.5 percent for corporations with income for the fiscal or calendar accounting year of \$100,000 or less. For corporations qualifying for, and making an election to be taxed as, a New Jersey S corporation the bill reduces the tax rate from 2.42 percent to .92 percent for corporations with income for the fiscal or calendar accounting year of \$100,000 or less.

The Department of the Treasury has estimated that the bill will reduce State corporation business tax revenue by \$14 million annually for State fiscal years in which all taxpayers are able to take advantage of the rate reductions. The bill will have some effect on revenues for State fiscal year 1996, but the full effects will occur for State fiscal year 1997.

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

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

174.701
661



OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

JAYNE REBOVICH

TRENTON, NJ 08625

CONTACT: 609-777-2600

RELEASE: 9/11/95

Gov. Christie Whitman today signed two more tax-cutting measures, reducing the tax rate for small businesses and rewarding companies that invest in New Jersey and employ more New Jersey workers.

A-2927/S-2164 reduces the corporation business tax rate from 9% to 7.5% for corporations with a net income for the fiscal or calendar accounting year of \$100,000 or less. This bill provides an important tax break for small businesses in New Jersey and will encourage small business growth and formation.

“With the signing of this legislation, New Jersey now has the lowest tax rate in the region for small businesses,” said Gov. Whitman. “This is very important to a prosperous economy. Small business in this country employs more people than the Fortune 500 and creates the majority of new jobs.”

Sponsors of the bill were Assemblymen Nicholas Asselta (R-Cape May/Atlantic/Cumberland) and Ernest Oros (R-Middlesex) and Senator Robert Singer (R-Burlington/Monmouth/Ocean).

A-89/S-2163 changes the formula used to determine the portion of a multistate corporation’s total income that is subject to taxation in New Jersey. The new formula benefits companies that make a capital investment, increase employment, and/or increase wages in New Jersey. The three factors used in the current formula, the proportion of the corporation’s total sales, payroll wages and property that are located in the state, are given equal weight. The new formula doubles the weight given to the sales factor and reduces the weight given to the payroll wage and property factors. The revised formula was recommended by the Economic Master Plan Commission.

“This bill will encourage more businesses to invest capital and employ people in New Jersey, said Gov. Whitman. “It will make New Jersey’s corporate tax policy competitive with those of other states, and keep businesses in the state.”

According to State Treasurer Bryan Clymer, every major industrial state except New Jersey has adopted legislation to give extra weight to the sales factor to promote economic development. As a consequence, Clymer said, when a multistate corporation makes or increases a capital investment, hires additional workers or increases wages in New Jersey, a greater proportion of the corporation’s profits is subjected to state taxation here than in any other state. Changing the weights will make New Jersey competitive with the other states that have already revised their formulas.