

54A: 7-2

LEGISLATIVE HISTORY CHECKLIST
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(Gross income tax--
ride sharing)

NJSA: 54A:7-2 et al

LAWS OF: 1993 CHAPTER: 108

BILL NO: A1996

SPONSOR(S) DeCroce and Martin

DATE INTRODUCED: November 9, 1992

COMMITTEE: ASSEMBLY: Transportation and Communication;
Appropriations

SENATE: ---

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

DATE OF PASSAGE: ASSEMBLY: March 18, 1993

SENATE: March 22, 1993

DATE OF APPROVAL: April 16, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 1-11-93 & 2-22-93

SENATE: ~~Yes~~ No

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clipping--attached:

"Tax incentives to spur ride-sharing..." 4-17-93 Star-Ledger

P.L.1993, CHAPTER 108, *approved April 16, 1993*
1992 Assembly No. 1996 (*Second Reprint*)

1 **AN ACT** providing for employee tax incentives for participation
2 in ride-sharing programs, amending N.J.S.54A:7-2 and
3 supplementing Title 54A of the New Jersey Statutes.

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

7 1. (New section) a. For the purposes of the "New Jersey
8 Gross Income Tax Act," N.J.S.54A:1 1 et seq., "gross income"
9 shall not include employer provided commuter transportation
10 benefits as defined pursuant to section 3 of P.L.1992, c.32
11 (C.27:26A-3), up to and including the limit per taxable year per
12 employee pursuant to subsection b. of this section. Should an
13 employee receive commuter transportation benefits in excess of
14 those limits in a taxable year, only the amount in excess of those
15 limits shall be included in gross income. If an employee receives
16 money towards commuter transportation benefits from the
17 employee's employer, as an advance, a reimbursement, or both,
18 the employee shall furnish suitable proof to the employer in the
19 form of receipts, ticket stubs or the like that the employee used
20 the employer provided money for alternative means of
21 commuting as defined pursuant to section 3 of P.L.1992, c.32
22 (C.27:26A-3).

23 b. The limit per taxable year per employee shall be \$720 for
24 the taxable years beginning on and after January 1, 1993 but
25 before January 1, 1994. For taxable years thereafter, the
26 director shall adjust the limit, rounded ¹[up] down¹ to the nearest
27 ¹[\$10] \$5¹, in proportion to the change in the average consumer
28 price index for all urban consumers in the New York and
29 Northeastern New Jersey and the Philadelphia areas, as reported
30 by the United States Department of Labor, from calendar year
31 1993 to the calendar year ending immediately before the taxable
32 year.

33 ²c. The exclusion provided by subsection a. of this section
34 shall not apply to any commuter transportation benefit unless
35 such benefit is provided in addition to and not in lieu of any
36 compensation otherwise payable to the employee.²

37 2. N.J.S.54A:7-2 is amended to read as follows:

38 54A:7-2. Information statement for employee or recipient of
39 other payments. Every employer or payor of a pension or annuity
40 required to deduct and withhold tax under this act from the
41 wages of an employee or from the payment of a pension or
42 annuity, or an employer who would have been required so to

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 ATC committee amendments adopted January 11, 1993.

² Assembly AAP committee amendments adopted February 22, 1993.

1 deduct and withhold tax if an employee had claimed no more than
2 one withholding exemption, shall furnish to each such employee,
3 or pension or annuity recipient or the estate thereof, in respect
4 of the wages or pension or annuity payments paid by such
5 employer or payor to such employee or pension or annuity
6 recipient during the calendar year on or before February 15 of
7 the succeeding year, or, if his employment or pension or annuity
8 is terminated before the close of such calendar year, within 30
9 days from the date on which the last payment of the wages or
10 pension or annuity is made, a written statement as prescribed by
11 the director showing the amount of wages or pension or annuity
12 payments paid by the employer or payor to the employee or
13 pension or annuity recipient, the cost of commuter transportation
14 benefits, as defined pursuant to section 3 of P.L.1992, c.32,
15 (C.27:26A-5), excludable by the employee pursuant to section 1
16 of P.L. , c. (C.) (now before the Legislature as this bill),
17 and the cost of such benefits not so excludable, provided by the
18 employer to the employee, the amount deducted and withheld as
19 tax, the amount deducted and withheld as worker contributions
20 for unemployment and disability insurance as provided under the
21 New Jersey Unemployment Compensation Law, and such other
22 information as the director shall prescribe.
23 (cf: P.L.1989, c.328, s.2)

24 3. This act shall take effect immediately, and the gross
25 income tax exclusion authorized in section 1 shall be applicable
26 to taxable years beginning on and after January 1, 1993.

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31 Provides employee tax incentives for ride-sharing programs.

1 recipient during the calendar year on or before February 15 of
2 the succeeding year, or, if his employment or pension or annuity
3 is terminated before the close of such calendar year, within 30
4 days from the date on which the last payment of the wages or
5 pension or annuity is made, a written statement as prescribed by
6 the director showing the amount of wages or pension or annuity
7 payments paid by the employer or payor to the employee or
8 pension or annuity recipient, the cost of commuter transportation
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13 employer to the employee, the amount deducted and withheld as
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19 3. This act shall take effect immediately, and the gross
20 income tax exclusion authorized in section 1 shall be applicable
21 to taxable years beginning on and after January 1, 1993.
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24 STATEMENT

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26 This bill provides employee tax incentives for participation in
27 the ride-sharing program to be instituted under the "New Jersey
28 Traffic Congestion and Air Pollution Control Act" (P.L.1992, c.32
29 (C.27:26A-1 et seq.). Specifically, the bill requires that up to
30 \$720 per year in employee commuter benefits, provided by an
31 employer, be excluded from the employee's income for the
32 purposes of the State income tax. The amount is keyed to
33 allowances set forth in the proposed "National Energy Policy
34 Act."
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39 Provides employee tax incentives for ride-sharing programs.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 1996

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 22, 1993

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1996 (1R), with committee amendments.

Assembly Bill No. 1996 (1R), as amended, provides a gross income tax exclusion for certain employer provided commuter transportation benefits as an incentive for compliance with the "New Jersey Traffic Congestion and Air Pollution Control Act," P.L.1992, c.32 (C.27:26A-1 et seq.). Commuter transportation benefits include employer provided alternative means of transportation such as public transportation, carpools, vanpools, buspools, ferries, bicycling, telecommuting and walking, which may be used in conjunction with such strategies as flextime, staggered work hours, compressed work weeks and like measures, employer provided services and facilities which would encourage or facilitate use of alternative means of transportation and include the costs of parking by employees at park-and-ride lots. The bill allows an employee to exclude up to \$720 per year in employer provided commuter transportation benefits from gross income subject to the gross income tax. That dollar amount is annually adjusted for inflation.

FISCAL IMPACT:

Based on the amount of the maximum benefit, the number of affected employees and current benefit use rates, the decrease in gross income tax revenues that would be expected from the exclusion of benefits in the first year of implementation would be between \$7 million and \$10.5 million. Those revenues, however, would otherwise be due only because of employers beginning to provide commuter transportation benefits in response to the traffic reduction mandates of the "New Jersey Traffic Congestion and Air Pollution Control Act.

COMMITTEE AMENDMENTS:

The committee amendments provide that an employee's commuter transportation benefits will only be excluded from gross income if they are in addition to, and not in place of, any compensation otherwise payable to the employee.

**ASSEMBLY TRANSPORTATION AND COMMUNICATIONS
COMMITTEE**

STATEMENT TO

ASSEMBLY, No. 1996

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 11, 1993

The Assembly Transportation and Communications Committee favorably reports Assembly Bill No. 1996 with committee amendments.

As amended by the committee, this bill provides employee tax incentives for participation in the ride-sharing program to be instituted under the "New Jersey Traffic Congestion and Air Pollution Control Act," P.L.1992, c.32 (C.27:26A-1 et seq.). Specifically, the bill requires that up to \$720 per year in employer provided commuter benefits be excluded from the employee's income for the purposes of the State gross income tax. The dollar amount, which is subject to inflationary adjustments, is keyed to allowances set forth in the "National Energy Policy Act," Pub.L. 102-486.

The committee adopted amendments conforming the bill to the federal law with regard to rounding off of increases in the excludable amount because of inflation.

As released by the committee, this bill is identical to Senate Bill No. 1321 (1R).

LEGISLATIVE FISCAL ESTIMATE TO

[SECOND REPRINT]

ASSEMBLY, No. 1996

STATE OF NEW JERSEY

DATED: March 26, 1993

Assembly Bill No. 1996 (2R) of 1992 provides employee tax incentives for participation in the ride-sharing program to be instituted under the "New Jersey Traffic Congestion and Air Pollution Control Act," P.L.1992, c.32 (C.27:26A-1 et seq.). Under the provisions of the bill, up to \$720 per year in employer provided commuter benefits may be excluded from the employee's income for the purposes of the State gross income tax. The dollar amount, which is subject to inflationary adjustments, is keyed to allowances set forth in the "National Energy Policy Act," Pub.L. 102-486.

The Division of Taxation and the Office of Management and Budget did not provide a fiscal estimate of this bill.

The Office of Legislative Services (OLS) estimates that this bill's maximum cost to the State would be between \$7,000,000 and \$10,500,000 in the first year and would increase annually by the rate of inflation and the number of additional employees receiving employer provided commuter benefits.

This estimate is based on the following data and assumptions. New Jersey private and public non-farm payroll employment in November 1992 was 3,412,000. According to the U.S. Census survey of business, about 47 percent of New Jersey employees work for companies having 100 or more employees at one location, so that approximately 1,604,000 employees could be eligible for employer provided commuter transportation benefits. However, national Census data indicate that only 19 percent of workers used carpooling or public transportation in 1990, down from 26 percent in 1980. Applying the 19 percent rate and the 26 percent rate, as an estimate of increased use of commuting alternatives, results in a range of between 305,000 and 417,000 employees who may receive commuter transportation benefits in the first year. In future years this percentage could increase as more employees are induced to use alternative transportation in commuting to work. However, the magnitude of future participation is unknown because average vehicle occupancy targets and individual employer compliance plans under P.L.1992, c.32, are not required until November 1994.

National data for 1990 indicate that the typical consumer in the Northeast United States spends about \$2,893 for transportation each year (excluding the cost of vehicle purchases). Only about 22.7 percent of all mileage is to and from work, so that commuting costs can be reduced to approximately \$657 per consumer per year. The bill caps the exclusion for commuter transportation benefits at \$720 in the first year. Employer provided transportation benefits, which this estimate assumes will be paid to comply with P.L.1992, c.32, are estimated at between \$200,400,000 and \$300,200,000 if \$657 and \$720 are multiplied by 305,000 and 417,000 employees respectively. Applying a 3.5 percent tax rate to \$200,400,000 and \$300,200,000 yields an estimate of between \$7,000,000 and \$10,500,000 in reduced State income tax revenue from the income exclusion in this bill.

This OLS estimate is a maximum for the first year because, as the ride-sharing policy is in the initial stages of implementation, the number of employees who might receive transportation benefits and apply the exclusion may be less than the number of current commuters who use alternative means of transportation. If the transportation benefits and tax exclusion induce increased participation, the revenue loss to the State would increase in future years.

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.