

54:48-1.4

LEGISLATIVE HISTORY CHECKLIST  
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(Tax collection--require major  
tappayers to use electronic funds  
transfer for payments)

NJSA: 54:48-1.4

LAWS OF: 1992 CHAPTER: 140

BILL NO: A1473

SPONSOR(S) DiGaetano and others

DATE INTRODUCED: May 21, 1992

COMMITTEE: ASSEMBLY: Appropriations

SENATE: Budget

AMENDED DURING PASSAGE: Yes Amendments during passage  
denoted by asterisks

DATE OF PASSAGE: ASSEMBLY: June 4, 1992

SENATE: November 9, 1992

DATE OF APPROVAL: November 16, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[FIRST REPRINT]  
ASSEMBLY, No. 1473

STATE OF NEW JERSEY

INTRODUCED MAY 21, 1992

By Assemblymen DiGAETANO, KAMIN, Kavanaugh,  
Assemblywoman Derman, Assemblymen Penn,  
Gibson, Bagger and Frelinghuysen

1 AN ACT requiring the use of electronic funds transfer for tax  
2 payments made by certain taxpayers, supplementing Title 54 of  
3 the Revised Statutes.

4

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

7 1. a. All tax payments described in subsection b. of this  
8 section, other than those payments enumerated in subsection c.  
9 of this section, shall be made by electronic funds transfer to such  
10 depositories as the State Treasurer shall designate pursuant to  
11 section 1 of P.L.1956, c.174 (C.52:18-16.1). A payment by  
12 electronic funds transfer shall be deemed to be made on the date  
13 the payment is received by the designated depository. The  
14 acceptable method of transfer; the method, form and content of  
15 the electronic funds transfer message, giving due regard to  
16 developing uniform standards for formats among the several  
17 states; the circumstances under which an electronic funds  
18 transfer shall serve as a substitute for the filing of another form  
19 of return; and the means, if any, by which taxpayers will be  
20 provided with acknowledgements of payments shall be as  
21 prescribed by the Director of the Division of Taxation in the  
22 Department of the Treasury.

23 b. Payments subject to the electronic funds transfer  
24 requirement of subsection a. of this section are:

25 (1) those payments due in the first twelve calendar months for  
26 which this section is operative made by a taxpayer that had a  
27 prior year liability of \$200,000 or more;

28 (2) those payments due in the thirteenth through  
29 twenty-fourth calendar months for which this section is operative  
30 made by a taxpayer that had a prior year liability of \$100,000 or  
31 more; <sup>1</sup>[and]<sup>1</sup>

32 (3) those payments due in the twenty-fifth <sup>1</sup>through the  
33 thirty-sixth<sup>1</sup> calendar <sup>1</sup>[month] months<sup>1</sup> for which this section is  
34 operative <sup>1</sup>[and thereafter]<sup>1</sup> made by <sup>1</sup>[taxpayers] a taxpayer<sup>1</sup>  
35 that had a prior year liability of \$50,000 or more<sup>1</sup>; and

36 (4) those payments due in the thirty-seventh calendar month  
37 for which this section is operative and thereafter made by a  
38 taxpayer that had a prior year liability of \$20,000 or more<sup>1</sup>.

39 c. Subsection a. of this section shall not apply to a payment of  
40 estimated tax made pursuant to N.J.S.54A:8-5 or a payment of  
41 final taxpayer liability pursuant to the "New Jersey Gross Income  
42 Tax Act," N.J.S.54A:1-1 et seq.; provided however, that the  
43 restriction of this subsection shall not apply to payment over 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:

<sup>1</sup> Assembly AAP committee amendments adopted May 28, 1992.

1 the director of taxes withheld pursuant to N.J.S.54A:7-1 or  
2 section 1 of P.L.1989, c.328 (C.54A:7-1.1). Subsection a. of this  
3 section shall not apply to a payment of the transfer inheritance  
4 tax imposed pursuant to R.S.54:33-1 et seq. or to a payment of  
5 the estate tax imposed pursuant to R.S.54:38-1 et seq.

6 d. If the availability of funds in payment of tax required to be  
7 made through electronic funds transfer is delayed, and the delay  
8 of availability is explained to the satisfaction of the director to  
9 be due to reasons beyond the control of the taxpayer, the director  
10 shall, notwithstanding any provision of R.S.54:49-11 to the  
11 contrary, abate up to the entire amount of penalty or interest  
12 that would otherwise be assessed.

13 e. As used in this section:

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

20 "Prior year liability" means the total liability for any tax  
21 imposed on, collected by or withheld by the taxpayer in the  
22 calendar year or the fiscal or calendar privilege period, as  
23 determined under the specific law regarding that tax, ending  
24 before the calendar year or fiscal or calendar privilege period for  
25 which an electronic funds transfer payment is to be determined  
26 to be required pursuant to subsection b. of this section.

27 2. This act shall take effect immediately but section 1 shall  
28 remain inoperative until the first day of the fourth month after  
29 enactment.

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34 Requires certain tax payments be made by electronic funds  
35 transfer.

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2 of availability is explained to the satisfaction of the director to  
3 be due to reasons beyond the control of the taxpayer, the director  
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23 enactment.

24

#### 25 STATEMENT

26

27 This bill requires that certain taxpayers make their tax  
28 payments by electronic funds transfer. Electronic funds transfer  
29 is a process by which the taxpayer's depository can make  
30 instantaneous transfer of credit to the interest generating  
31 depositories of the State. This process cuts down on the time lag  
32 between, for example, the time at which a check is written and  
33 the time a check is deposited and can be drawn against. The  
34 process can also cut taxpayer processing costs.

35 The bill requires taxpayers that make substantial tax payments  
36 to use electronic funds transfer. The requirement is phased in  
37 over three years. In the first year, taxpayers that had a total  
38 prior year liability for any tax of \$200,000 or more are required  
39 to use electronic funds transfer for all tax payments. In the  
40 second year that threshold is lowered to \$100,000, and the  
41 threshold is lowered to \$50,000 for the third year and thereafter.  
42 Payers of individual gross income tax, transfer inheritance tax  
43 and estate tax are exempted from the electronic funds transfer  
44 requirement.

45 The Director of the Division of Taxation will determine the  
46 form and content of the electronic funds transfer message, the  
47 circumstances under which an electronic funds transfer shall  
48 serve as a substitute for the filing of another form of return and  
49 the means by which taxpayers will be provided with  
50 acknowledgements of payments. The director is also given the  
51 authority to waive the payment of interest and penalties on late  
52 payments of taxes required to be made by electronic funds  
53 transfer if the delay of availability is explained to be due to  
54 reasons beyond the control of the taxpayer.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 1473**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 28, 1992

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1473, with committee amendments.

Assembly Bill No. 1473, as amended, requires that certain taxpayers make their tax payments by electronic funds transfer. Electronic funds transfer is a process by which the taxpayer's depository can make instantaneous transfer of credit to the interest generating depositories of the State. This process cuts down on the time lag between, for example, the time at which a check is written and the time a check is deposited and can be drawn against. The process can also cut taxpayer processing costs.

The bill requires taxpayers that make substantial tax payments to use electronic funds transfer. The requirement is phased in over four years. In the first year, taxpayers that had a total prior year liability for any tax of \$200,000 or more are required to use electronic funds transfer for all tax payments. In the second year that threshold is lowered to \$100,000, in the third year to \$50,000 and the threshold is lowered to \$20,000 for the fourth year and thereafter. Payers of individual gross income tax, transfer inheritance tax and estate tax are exempted from the electronic funds transfer requirement.

The Director of the Division of Taxation will determine the form and content of the electronic funds transfer message, the circumstances under which an electronic funds transfer shall serve as a substitute for the filing of another form of return and the means by which taxpayers will be provided with acknowledgements of payments. The director is also given the authority to waive the payment of interest and penalties on late payments of taxes required to be made by electronic funds transfer if the delay of availability is explained to be due to reasons beyond the control of the taxpayer.

FISCAL IMPACT:

The Office of Legislative Services, using information supplied by the Division of Taxation in the Department of Treasury that the electronics fund transfer requirement would apply in the first year of its operation to approximately 50% of the taxes paid and in its fourth year and thereafter to approximately 90% of the taxes paid and comparison data from other states reported by the Council of State Governments, has estimated that the bill would increase State revenue by approximately \$4 million in its first year of operation and by approximately \$7.2 million by the fourth year and thereafter.

COMMITTEE AMENDMENTS:

The amendments change the phase-in of the electronic funds transfer requirement from a three year to a four year process with a final requirement threshold of \$20,000 of prior year liability.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 1473

STATE OF NEW JERSEY

DATED: OCTOBER 8, 1992

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1473 (1R).

Assembly Bill No. 1473 (1R), as amended, requires that certain taxpayers make their tax payments by electronic funds transfer. Electronic funds transfer is a process by which the taxpayer's depository can make instantaneous transfer of credit to the interest generating depositories of the State. This process cuts down on the time lag between, for example, the time at which a check is written and the time a check is deposited and can be drawn against. The process can also cut taxpayer processing costs.

The bill requires taxpayers that make substantial tax payments to use electronic funds transfer. The requirement is phased in over four years. In the first year, taxpayers that had a total prior year liability for any tax of \$200,000 or more are required to use electronic funds transfer for all tax payments. In the second year that threshold is lowered to \$100,000, in the third year to \$50,000 and the threshold is lowered to \$20,000 for the fourth year and thereafter. Payers of individual gross income tax, transfer inheritance tax and estate tax are exempted from the electronic funds transfer requirement.

The Director of the Division of Taxation will determine the form and content of the electronic funds transfer message, the circumstances under which an electronic funds transfer shall serve as a substitute for the filing of another form of return and the means by which taxpayers will be provided with acknowledgements of payments. The director is also given the authority to waive the payment of interest and penalties on late payments of taxes required to be made by electronic funds transfer if the delay of availability is explained to be due to reasons beyond the control of the taxpayer.

This bill is identical to Senate, No. 1102.

FISCAL IMPACT

The Office of Legislative Services, using information supplied by the Division of Taxation in the Department of Treasury that the electronics fund transfer requirement would apply in the first year of its operation to approximately 50% of the taxes paid and in its fourth year and thereafter to approximately 90% of the taxes paid and comparison data from other states reported by the Council of State Governments, has estimated that the bill would increase State revenue by approximately \$4 million in its first year of operation and by approximately \$7.2 million by the fourth year and thereafter.