

54:18A-1a

LEGISLATIVE HISTORY CHECKLIST

HJSA: 54:18A-1a (County and municipal phase-out program for revenue losses due to relocation of insurance companies)

LAWS OF: 1983 CHAPTER: 390

Bill No: S1924

Sponsor(s): DiFrancesco

Date introduced: November 23, 1982

Committee: Assembly: -----

Senate: Revenue, Finance and Appropriations; County and Municipal Government

Amended during passage: YES Amendments denoted by asterisks according to Governor's recommendations

Date of Passage: Assembly: July 11, 1983 Re-enacted 12/12/83
Senate: June 27, 1983 Re-enacted 12/8/83

Date of Approval: December 14, 1983

Following statements are attached if available:

Sponsor statement:		YES	
Committee statement:	Assembly	NO	
	Senate	YES	3/7/83 + 6/23/83
Fiscal Note:		NO	
Veto Message:		YES	
Message on Signing:		NO	
Following were printed:			
Reports:		NO	
Hearings:		NO	

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SENATE, No. 1924

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 23, 1982

By Senator DiFRANCESCO

Referred to Committee on County and Municipal Government

AN ACT concerning State payments and amending P. L. 1981, c. 183.

1 *BE IT ENACTED by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 3 of P. L. 1981, c. 183 (C. 54:18A-1a) is amended
2 to read as follows:

3 3. a. To ensure that no county or municipality will experience
4 a loss of revenue as a result of the repeal of the franchise tax on
5 domestic insurance companies, the State Treasurer, upon warrant
6 of the State Comptroller, shall, on or before August 1, 1982 and
7 on or before August 1 annually thereafter, pay to the collector of
8 the municipality and to the county treasurer of a county in which
9 a domestic insurance company's principal office was situated on
10 January 1, 1981, an amount determined by increasing the total
11 amount of franchise taxes received by the municipality or county
12 in the prior calendar year by the percentage rate of change of all
13 taxes paid by all insurance companies pursuant to P. L. 1945, c. 132
14 (C. 54:18A-1 et seq.) for the current and the immediately preced-
15 ing tax years.

16 The payments shall continue to be made so long as the principal
17 office of the domestic insurance company remains at the location
18 established on January 1, 1981. No liability for payment under
19 this section shall arise by virtue of the relocation of the principal
20 office of a domestic insurance company to another municipality,
21 whether or not within the same county.

22 *b. To ensure that no municipality will experience an abrupt loss*
23 *of revenue as a result of a domestic insurance company relocating*

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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

*—Senate amendments adopted in accordance with Governor's recommenda-
tions November 23, 1983.

24 its principal office from the municipality wherein it was established
 25 on January 1, 1981, the State Treasurer, upon warrant of the State
 26 Comptroller, shall, on or before August 1 of each year, pay to the
 27 collector of the municipality from which the principal office was
 28 removed, an amount as hereinafter provided:

29 (1) For the first ~~and second years~~ *year* after reloca-
 30 tion, an amount equal to 80% of the amount the municipality
 31 *would have received had the principal office not been relo-
 31A cated;]* *received in the year in which the relocation oc-
 31B curred;*

32 (2) For the ~~third and fourth years~~ *second year* after
 33 relocation, an amount equal to 60% of the amount the munici-
 34 pality *would have received had the principal office not been
 34A relocated;]* *received in the year in which the relocation oc-
 34B curred;*

35 (3) For the ~~fifth and sixth years~~ *third year* after
 36 relocation, an amount equal to 40% of the amount the munici-
 37 pality *would have received had the principal office not been
 37A relocated;]* *received in the year in which the relocation oc-
 37B curred;*

38 (4) For the ~~seventh and eighth years~~ *fourth year*
 39 after relocation, an amount equal to 30% of the amount the
 40 municipality *would have received had the principal office
 40A not been relocated; and]* *received in the year in which the
 40B relocation occurred; and*

41 (5) For the ~~ninth and tenth years~~ *fifth year* after
 42 relocation, an amount equal to 15% of the amount the munici-
 43 pality *would have received had the principal office not been
 43A relocated;]* *received in the year in which the relocation oc-
 43B curred.*

44 No municipality shall be entitled to any payment under this
 45 subsection for any year following the ~~tenth~~ *fifth* year
 46 after relocation.

47 c. To ensure that no county will experience an abrupt loss of
 48 revenue as a result of a domestic insurance company relocating its
 49 principal office from the county wherein it was established on
 50 January 1, 1981, the State Treasurer, upon warrant of the State
 51 Comptroller, shall, on or before August 1 of each year, pay to the
 52 treasurer of the county from which the principal office was removed,
 53 an amount as hereinafter provided:

54 (1) For the first ~~and second years~~ *year* after reloca-
 55 tion, an amount equal to 80% of the amount the county *would
 56 have received had the principal office not been relocated;]*
 57 *received in the year in which the relocation occurred;*

58 (2) For the **["third and fourth years"]** **"second year"** after
59 relocation, an amount equal to 60% of the amount the county
60 **["would have received had the principal office not been relo-**
61 **cated;"]** **"received in the year in which the relocation oc-**
62 **curring;"**

63 (3) For the **["fifth and sixth years"]** **"third year"** after
64 relocation, an amount equal to 40% of the amount the county
65 **["would have received had the principal office not been relo-**
66 **cated;"]** **"received in the year in which the relocation oc-**
67 **curring;"**

68 (4) For the **["seventh and eighth years"]** **"fourth year"**
69 after relocation, an amount equal to 30% of the amount the
70 county **["would have received had the principal office not been**
71 **relocated; and,"]** **"received in the year in which the relocation**
72 **occurred; and"**

73 (5) For the **["ninth and tenth years"]** **"fifth year"** after
74 relocation, an amount equal to 15% of the amount the county
75 **["would have received had the principal office not been relo-**
76 **cated."]** **"received in the year in which the relocation occurred."**

77 No county shall be entitled to any payment under this subsection
78 for any year following the **["tenth"]** **"fifth"** year after relocation.

1 2. This act shall take effect immediately.

**SENATE REVENUE, FINANCE AND APPROPRIATIONS
COMMITTEE**

STATEMENT TO

SENATE, No. 1924

STATE OF NEW JERSEY

DATED: JUNE 23, 1983

The purpose of this bill is to provide a "phase-out" program for counties and municipalities which lose revenues as a result of a domestic insurance company relocating its principal office.

Under the provisions of this bill, an eligible local unit would receive the following:

1. For the first and second years after relocation, an amount equal to 80% of the amount the affected local unit would have received had the principal office not been relocated;

2. For the third and fourth years after relocation, an amount equal to 60% of the amount the affected local unit would have received had the principal office not been relocated;

3. For the fifth and sixth years after relocation, an amount equal to 40% of the amount the affected local unit would have received had the principal office not be relocated;

4. For the seventh and eighth years after relocation, an amount equal to 30% of the amount the affected local unit would have received had the principal office not been relocated; and

5. For the ninth and tenth years after relocation, an amount equal to 15% of the amount the affected local unit would have received had the principal office not been relocated.

The bill also provides that no payments are to be made after the tenth year.

SENATE COUNTY AND MUNICIPAL GOVERNMENT
COMMITTEE

STATEMENT TO
SENATE, No. 1924

(Without Reference)

STATE OF NEW JERSEY

DATED: MARCH 7, 1983

Senate Bill No. 1924 provides that a county or municipality, which is currently receiving a payment from the State as the result of the location of the principal office of a domestic insurance company within its boundaries, shall continue to receive that payment over a 10 year "phase-out" period if that principal office is relocated.

When the Legislature repealed the franchise tax on domestic insurance companies in 1981, it provided for payments to those counties and municipalities which had been receiving franchise tax payments in order to safeguard those local governments against a loss of revenue. The Legislature provided that the payments would continue to be made only so long as the principal office of the domestic insurance company remained at the location established on January 1, 1981. No State liability for payment could arise to another municipality or county as a result of a relocation. It appears that some 28 municipalities and 13 counties are currently receiving these payments.

Senate Bill No. 1924 provides for a phase-out of the loss of these payments in the instance of the relocation of the principal office of a domestic insurance company according to the following schedule:

First and second year after relocation	80%
Third and fourth year after relocation	60%
Fifth and sixth year after relocation	40%
Seventh and eighth year after relocation	30%
Ninth and tenth year after relocation	15%

The percentage is of the amount the local government would have received in the year if the relocation had not occurred. Since the payments grow annually according to the annual percentage rate of change in taxes paid by all insurance companies, the local government is likely to receive a payment in each year which will be greater in percentage of the payment received immediately prior to the relocation than shown in the schedule set forth above.

The Senate committee released this bill at the request of the sponsor, but without recommendation. The Senate committee questioned whether or not a 10 year "phase-out" period may be too long to continue the State's financial obligation in these cases, and whether or not the "phase-out" schedule should be modified to reflect the local government's relative financial ability to absorb the loss of the State payments. The committee noted that under the schedule the State's obligation continues for 10 years, even if the local government has an relatively high ratable base compared to other communities in the State, or has a local purposes tax rate that is extremely low or nonexistent. The sponsor indicated his desire to review these questions at a later time in the process of legislative consideration of the bill.

Cond Vite - 8/29/83

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6 of the State Comptroller, shall, on or before August 1, 1982 and
7 on or before August 1 annually thereafter, pay to the collector of
8 the municipality and to the county treasurer of a county in which
9 a domestic insurance company's principal office was situated on
10 January 1, 1981, an amount determined by increasing the total
11 amount of franchise taxes received by the municipality or county
12 in the prior calendar year by the percentage rate of change of all
13 taxes paid by all insurance companies pursuant to P. L. 1945, c. 132
14 (C. 54:18A-1 et seq.) for the current and the immediately preced-
15 ing tax years.

16 The payments shall continue to be made so long as the principal
17 office of the domestic insurance company remains at the location
18 established on January 1, 1981. No liability for payment under
19 this section shall arise by virtue of the relocation of the principal
20 office of a domestic insurance company to another municipality,
21 whether or not within the same county.

22 *b.* To ensure that no municipality will experience an abrupt loss
23 of revenue as a result of a domestic insurance company relocating

Matter printed in italics *thus is new matter.*

24 *its principal office from the municipality wherein it was established*
 25 *on January 1, 1981, the State Treasurer, upon warrant of the State*
 26 *Comptroller, shall, on or before August 1 of each year, pay to the*
 27 *collector of the municipality from which the principal office was*
 28 *removed, an amount as hereinafter provided:*

29 *(1) For the first and second years after relocation, an*
 30 *amount equal to 80% of the amount the municipality would*
 31 *have received had the principal office not been relocated;*

32 *(2) For the third and fourth years after relocation, an*
 33 *amount equal to 60% of the amount the municipality would*
 34 *have received had the principal office not been relocated;*

35 *(3) For the fifth and sixth years after relocation, an amount*
 36 *equal to 40% of the amount the municipality would have re-*
 37 *ceived had the principal office not been relocated;*

38 *(4) For the seventh and eighth years after relocation, an*
 39 *amount equal to 30% of the amount the municipality would*
 40 *have received had the principal office not been relocated; and*

41 *(5) For the ninth and tenth years after relocation, an amount*
 42 *equal to 15% of the amount the municipality would have re-*
 43 *ceived had the principal office not been relocated.*

44 *No municipality shall be entitled to any payment under this*
 45 *subsection for any year following the tenth year after reloca-*
 46 *tion.*

47 *c. To ensure that no county will experience an abrupt loss of*
 48 *revenue as a result of a domestic insurance company relocating its*
 49 *principal office from the county wherein it was established on*
 50 *January 1, 1981, the State Treasurer, upon warrant of the State*
 51 *Comptroller, shall, on or before August 1 of each year, pay to the*
 52 *treasurer of the county from which the principal office was removed,*
 53 *an amount as hereinafter provided:*

54 *(1) For the first and second years after relocation, an*
 55 *amount equal to 80% of the amount the county would have*
 56 *received had the principal office not been relocated;*

57 *(2) For the third and fourth years after relocation, an*
 58 *amount equal to 60% of the amount the county would have*
 59 *received had the principal office not been relocated;*

60 *(3) For the fifth and sixth years after relocation, an amount*
 61 *equal to 40% of the amount the county would have received*
 62 *had the principal office not been relocated;*

63 *(4) For the seventh and eighth years after relocation, an*
 64 *amount equal to 30% of the amount the county would have re-*
 65 *ceived had the principal office not been relocated; and,*

- 66 (5) *For the ninth and tenth years after relocation, an amount*
67 *equal to 15% of the amount the county would have received*
68 *had the principal office not been relocated.*
69 *No county shall be entitled to any payment under this subsection*
70 *for any year following the tenth year after relocation.*
1 2. This act shall take effect immediately.

STATEMENT

The purpose of this bill is to provide a "phase-out" program for counties and municipalities which lose revenues as a result of a domestic insurance company relocating its principal office.

Under the provisions of this bill, an eligible local unit would receive the following:

1. For the first and second years after relocation, an amount equal to 80% of the amount the affected local unit would have received had the principal office not been relocated;
 2. For the third and fourth years after relocation, an amount equal to 60% of the amount the affected local unit would have received had the principal office not been relocated;
 3. For the fifth and sixth years after relocation, an amount equal to 40% of the amount the affected local unit would have received had the principal office not been relocated;
 4. For the seventh and eighth years after relocation, an amount equal to 30% of the amount the affected local unit would have received had the principal office not been relocated;
- and
5. For the ninth and tenth years after relocation, an amount equal to 15% of the amount the affected local unit would have received had the principal office not been relocated.

The bill also provides that no payments are to be made after the tenth year.
