

54:10A-5

LEGISLATIVE HISTORY CHECKLIST

NJSA: 54:10A-5 (Corporate business tax—eliminates on regulated investment companies)

LAWS OF: 1983

CHAPTER: 75

Bill No: A3107

Sponsor(s): Watson and others

Date Introduced: Jan. 27, 1983

Committee: Assembly: \_\_\_\_\_

Senate: \_\_\_\_\_

Amended during passage: /// No Substituted for S3074 (not attached since identical to A3107)

Date of Passage: Assembly: Jan. 31, 1983

Senate: Feb. 9, 1983

Date of Approval: Feb. 24, 1983

Following statements are attached if available:

Sponsor statement: Yes ///

Committee statement: Assembly /// No

Senate /// No

Fiscal Note: /// No

Veto Message: /// No

Message on Signing: Yes ///

Following were printed:

Reports: /// No

Hearings: /// No

See newspaper clipping (attached)

ASSEMBLY, No. 3107  
STATE OF NEW JERSEY

INTRODUCED JANUARY 27, 1983

By Assemblymen WATSON, NAPLES, PATERO, DOYLE and  
JANISZEWSKI

AN ACT to amend the "Corporation Business Tax Act (1945)," approved April 13, 1945 (P. L. 1945, c. 162).

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

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

3 5. The franchise tax to be annually assessed to and paid by each  
4 taxpayer shall be the sum of the amount computed under subsec-  
5 tion (a) hereof, or, in the alternative to the amount computed under  
6 subsection (a) hereof, the amount computed under subsection (f)  
7 hereof, and the amount computed under subsection (c) hereof:

8 (a) That portion of its entire net worth as may be allocable to  
9 this State as provided in section 6 multiplied by the following  
10 rates: 2 mills per dollar on the first \$100,000,000.00 of allocated net  
11 worth;  $\frac{1}{10}$  of a mill per dollar on the second \$100,000,000.00;  
12  $\frac{1}{10}$  of a mill per dollar on the third \$100,000,000.00; and  $\frac{1}{10}$  of a  
13 mill per dollar on all amounts of allocated net worth in excess of  
14 \$300,000,000.00; provided, however, that with respect to reports  
15 covering accounting or privilege periods set forth below, the rate  
16 shall be that percentage of the rate set forth in this subsection for  
17 the appropriate year:

Accounting or Privilege Periods Beginning on or After:	The Percentage of the Rate to be Imposed Shall Be:
18 April 1, 1983	75%
19 July 1, 1984	50%
20 July 1, 1985	25%
21 July 1, 1986	0

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.

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

23 (c)  $3\frac{1}{4}\%$  of its entire net income or such portion thereof as may  
24 be allocable to this State as provided in section 6; provided, how-  
25 ever, that with respect to reports covering accounting or privilege  
26 periods or parts thereof ending after December 31, 1967, the rate  
27 shall be  $4\frac{1}{4}\%$ ; and, that with respect to reports covering account-  
28 ing or privilege periods or parts thereof ending after December 31,  
29 1971, the rate shall be  $5\frac{1}{2}\%$ ; and, that with respect to reports cov-  
30 ering accounting or privilege periods or parts thereof ending after  
31 December 31, 1974, the rate shall be  $7\frac{1}{2}\%$ ; and, that with respect  
32 to reports covering accounting or privilege periods or parts thereof  
33 ending after December 31, 1979, the rate shall be 9%.

34 (d) Provided, however, that the franchise tax to be annually  
35 assessed to and paid by any investment company [or regulated  
36 investment company] or real estate investment trust which has  
37 elected to report as such and has filed its return in the form and  
38 within the time provided in this act and the rules and regulations  
39 promulgated in connection therewith, shall, in the case of an invest-  
40 ment company, be measured by 25% of its entire net income and  
41 25% of its entire net worth, and, in the case of [a regulated  
42 investment company or] a real estate investment trust, by 4% of its  
43 entire net income and 15% of its entire net worth, at the rates here-  
44 inbefore set forth for the computation of tax on net income and  
45 net worth, respectively, but in no case less than \$250.00, *and further*  
46 *provided, however, that the franchise tax to be annually assessed*  
47 *to and paid by a regulated investment company which for a period*  
48 *covered by its report satisfies the requirements of Chapter 1, Sub-*  
49 *chapter M, Part I, Section 852(a) of the Federal Internal Revenue*  
50 *Code shall be \$250.00.*

51 (e) The tax assessed to any taxpayer pursuant to this section  
52 shall not be less than \$25.00 in the case of a domestic corporation,  
53 \$50.00 in the case of a foreign corporation, or \$250.00 in the case  
54 of an investment company or regulated investment company.

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

1 2. This act shall take effect immediately and shall be applicable  
2 to taxpayers whose accounting periods end on or after December  
3 31, 1982.

## STATEMENT

This bill would amend the Corporation Business Tax Act (1945) to make the tax treatment of regulated investment companies in New Jersey competitive with that in New York and under the Internal Revenue Code.

Presently, regulated investment companies in New Jersey are taxed on both entire net worth and entire net income, unlike those situated in New York. This bill would eliminate those taxes and impose a set fee of \$250.00 per year. The change would mean that a regulated investment company would not suffer adverse tax consequences as a result of its New Jersey location, and, in fact, would encourage the location of more such entities in New Jersey.

New Jersey now scares away such companies from locating in New Jersey. It is estimated that the short-run Corporation Business Tax loss will be less than \$.5 million. This will be more than offset by gains in the Gross Income Tax and other taxes by virtue of more jobs being created in the State.

---

## STATEMENT

This bill would amend the Corporation Business Tax Act (1945) to make the tax treatment of regulated investment companies in New Jersey competitive with that in New York and under the Internal Revenue Code.

Presently, regulated investment companies in New Jersey are taxed on both entire net worth and entire net income, unlike those situated in New York. This bill would eliminate those taxes and impose a set fee of \$250.00 per year. The change would mean that a regulated investment company would not suffer adverse tax consequences as a result of its New Jersey location, and, in fact, would encourage the location of more such entities in New Jersey.

New Jersey now scares away such companies from locating in New Jersey. It is estimated that the short-run Corporation Business Tax loss will be less than \$.5 million. This will be more than offset by gains in the Gross Income Tax and other taxes by virtue of more jobs being created in the State.

A3107(1983)

OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATELY

CONTACT: PAUL WOLCOTT

THURSDAY, FEBRUARY 24, 1983

Governor Thomas H. Kean today signed a measure designed to make New Jersey competitive with New York in attracting regulated investment companies to the State.

The bill, A-3107, was sponsored in the Assembly by Assemblyman John S. Watson, (D-Mercer), and in the Senate by State Senator Gerald Cardinale, (R-Bergen).

Before enactment of the law, security companies in New Jersey were taxed on both entire net worth and entire net income, unlike New York. Under the terms of the bill, those taxes will be eliminated and replaced by a set fee of \$250 per year, thus making New Jersey competitive with New York in attracting securities businesses.

"This is an important opportunity to make New Jersey a more attractive place to do business without imposing any substantial burden on the State Treasury," Kean said. "We are confident that the relatively small amount of immediate tax income this bill will cost will be offset by the new jobs it is bound to attract to our State."

The Department of the Treasury has estimated that the total immediate short-run loss to State coffers will be under \$500,000, and will eventually be more than offset by the increased revenue that will come from expansion in the securities business.

# # # #