

54:10B-2 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA. 54:10B-2 et al.

Laws of 1975 Chapter 171

Bill No. A3339

Sponsor(s) Perakie

Date Introduced April 21, 1975

Committee: Assembly Taxation

Senate -

Amended during passage Yes ~~No~~

Date of passage: Assembly August 1, 1975

Senate August 4, 1975

Date of approval August 4, 1975

Following statements are attached if available:

Sponsor statement Yes ~~No~~

Committee Statement: Assembly Yes ~~No~~

Senate ~~Yes~~ ~~No~~

Fiscal Note Yes ~~No~~

Veto message ~~Yes~~ ~~No~~

Message on signing Yes ~~No~~

Following were printed:

Reports ~~Yes~~ ~~No~~

Hearings ~~Yes~~ ~~No~~

1977
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[OFFICIAL COPY REPRINT]
ASSEMBLY, No. 3339

STATE OF NEW JERSEY

INTRODUCED APRIL 21, 1975

By Assemblyman PERSKIE

Referred to Committee on Taxation

AN ACT to amend the "Financial Business Tax Law (1946)," approved April 26, 1946 (P. L. 1946, c. 174) and to amend and supplement the "Corporation Business Tax Act (1945)," approved April 13, 1945 (P. L. 1945, c. 162) and repealing sections 7, 20 and 21 of P. L. 1946, c. 174.

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

1 1. Section 2 of P. L. 1946, c. 174 (C. 54:10B-2) is amended to
2 read as follows:

3 2. Definitions. For the purposes of this act, unless the context
4 otherwise requires:

5 (a) "Director" shall mean the Director of the Division of Tax-
6 ation of the State Department of the Treasury.

7 (b) "Financial business" shall mean all business enterprise
8 *except those organized or operating in a corporate capacity* which
9 is (1) in substantial competition with the business of national
10 banks and which (2) employs moneyed capital with the object of
11 making profit by its use as money, through discounting and negotiat-
12 ing promissory notes, drafts, bills of exchange and other evidences
13 of debt; buying and selling exchange; making of or dealing in
14 secured or unsecured loans and discounts; dealing in securities and
15 shares of corporate stock by purchasing and selling such securities
16 and stock without recourse, solely upon the order and for the
17 account of customers; or investing and reinvesting in marketable
18 obligations evidencing indebtedness of any person, copartnership,
19 association or corporation in the form of bonds, notes or debentures
20 commonly known as investment securities; or dealing in or under-
21 writing obligations of the United States, any State or any political
22 subdivision thereof, or of a corporate instrumentality of any of

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.

23 them. This shall include, without limitation of the foregoing busi-
 24 ness commonly known as industrial banks, dealers in commercial
 25 paper and acceptances, sales finance, personal finance, small loan
 26 and mortgage financing businesses, as well as any other enterprise
 27 employing moneyed capital coming into competition with the busi-
 28 ness of national banks; provided, that the holding of bonds, notes,
 29 or other evidences of indebtedness by individual persons not em-
 30 ployed or engaged in the banking or investment business and rep-
 31 resenting merely personal investments not made in competition
 32 with the business of national banks, shall not be deemed financial
 33-34 business. Nor shall "financial business" include national banks,
 35 production credit associations organized under the Farm Credit
 36 Act of 1933, stock and mutual insurance companies duly autho-
 37 rized to transact business in this State, security brokers or dealers
 38 or investment companies or bankers not employing moneyed capital
 39 coming into competition with the business of national banks, real
 40 estate investment trusts, or any of the following entities organized
 41 under the laws of this State: credit unions, savings banks, savings
 42 and loan and building and loan associations, pawnbrokers, and
 43 State banks and trust companies.

44 (c) "Net worth" shall mean:

45 **[(1)** In the case of a corporation—the aggregate of the values
 46 disclosed by the books of the corporation for (1) issued and out-
 47 standing capital stock, (2) paid-in or capital surplus, (3) earned
 48 surplus and undivided profits, (4) surplus reserves which can
 49 reasonably be expected to accrue to holders or owners of equita-
 50 ble shares, excluding reasonable valuation reserves and (5) the
 51 amount of all indebtedness owing directly or indirectly to holders
 52 of 10% or more of the aggregate outstanding shares of the tax-
 53 payer's capital stock of all classes, as of the close of a tax year.]

54 **[(2)]** In the case of a partnership, individual proprietorship,
 55 joint venture or any other unincorporated association—the aggre-
 56 gate of the values disclosed by the books of the taxpayer for capital
 57 and undivided profits; provided, that there shall be no deduction
 58 from assets of debts owing to partners, proprietors or members,
 59 as of the close of a tax year.

60 (d) "Tax year" shall mean the calendar year with respect to
 61 which a tax is measured pursuant to this act.

62 (e) "Taxpayer" shall mean any person, copartnership**[.]** or as-
 63 sociation **[or corporation]** subject to taxation under this act.

1 2. Section 3 of P. L. 1946, c. 174 (C. 54:10B-3) is amended to
 2 read as follows:

3 3. There is hereby imposed upon every person, copartnership~~[,]~~
 4 *and* association ~~[and corporation]~~ doing a financial business in
 5 this State, an annual excise tax, payable in the year 1970 and in
 6 each year thereafter, at the rate of 1½% upon its net worth, less
 7 the deductions hereinafter allowed, as of the close of the preceding
 8 calendar year, but in no event less than \$25.00. Such tax shall also
 9 be in lieu of any State franchise tax or of any State or local taxation
 10 of, upon or measured by personal property entering into the de-
 11 termination of net worth.

1 3. Section 4 of P. L. 1946, c. 174 (C. 54:10B-4) is amended to
 2 read as follows:

3 4. A person, partnership~~[,]~~ *or* association ~~[or corporation]~~
 4 shall not be deemed to be doing financial business, by reason of (1)
 5 the maintenance of cash balances with banks or trust companies
 6 in this State, or (2) the ownership of shares of stock or securities
 7 in this State if such shares or securities are pledged as collateral
 8 security, or deposited with one or more banks or trust companies,
 9 or brokers who are members of a recognized security exchange,
 10 in safe-keeping or custody accounts, or kept in safe deposit boxes,
 11 or (3) the taking of any action by any such bank or trust company
 12 or broker, which is incidental to the rendering of safe-keeping or
 13 custodian service.

1 4. Section 8 of P. L. 1946, c. 174 (C. 54:10B-8) is amended to
 2 read as follows:

3 8. A taxpayer doing business in more than one state ~~[directly or~~
 4 ~~through a wholly-owned subsidiary having capital stock with a~~
 5 ~~par value or stated value of \$5,000.00 or less]~~ shall allocate the
 6 value of its net worth (after allowable deductions) within this
 7 State, which allocated value shall be the measure of its tax pursuant
 8 to this act, according to the proportion of its gross business in this
 9 State to its gross business everywhere during the tax year,
 10 determined as the sum of:

11 (a) Fees, commissions or other compensation for financial ser-
 12 vices rendered within this State;

13 (b) Gross profits from trading in stocks, bonds, or other securi-
 14 ties managed within this State;

15 (c) Interest and dividends received on loans, stocks, bonds and
 16 other securities managed within this State;

17 (d) Interest charged to customers, at places of business main-
 18 tained within this State, for carrying debit balances of margin
 19 accounts, without deduction of any costs incurred in carrying
 20 such accounts; and

21 (e) Any other gross income resulting from the operation of
22 financial business within this State;
23 divided by the aggregate amount of such items of the taxpayer
24 everywhere.

1 5. Section 12 of P. L. 1946, c. 174 (C. 54:10B-12) is amended to
2 read as follows:

3 12. No taxpayer shall dissolve, liquidate or distribute any assets
4 in dissolution or liquidation~~],~~ nor shall any foreign corporation
5 withdraw from the State,~~]~~ without having first duly filed its return
6 under this act and paid or secured the tax, interest and penalties
7 due thereon for the preceding tax year and for the year in which
8 such dissolution~~],~~ or liquidation ~~]~~or withdrawal~~]~~ occurs, as well
9 as all delinquent taxes, interest, and penalties then due. For the
10 purpose of determining the tax due with respect to the year in
11 which dissolution~~],~~ or liquidation ~~]~~or withdrawal~~]~~ occurs, the tax
12 year shall be deemed to have closed on the last day of the month
13 in which the taxpayer ceases to do business in this State; and the
14 amount of tax due hereunder shall be such proportion of the tax
15 for a full tax year as the number of months in the tax year so
16 determined is to 12; provided, that in no event shall the last day
17 of doing business be deemed to have occurred more than 30 days
18 prior to the filing of a duly executed tax return and the payment
19 of the tax due as shown therein for the tax year in which such
20 dissolution~~],~~ or liquidation~~],~~ or withdrawal~~]~~ occurs.

1 6. Section 17 of P. L. 1946, c. 174 (C. 54:10B-17) is amended to
2 read as follows:

3 17. The director shall design a form of return and forms for such
4 additional statements or schedules as he may require to be filed
5 therewith. Such forms shall provide for the setting forth of such
6 facts as the director may deem necessary for the proper enforce-
7 ment of this act. He shall cause a supply thereof to be printed and
8 shall furnish appropriate blank forms to each taxpayer upon
9 application or otherwise as he may deem necessary. Failure to
10 receive a form shall not relieve any taxpayer from the obligation
11 to file a return under the provisions of this act. Each such return
12 shall be made upon the oath or affirmation ~~]~~of the president, vice-
13 president, or secretary or treasurer of a corporation, or~~]~~ of a
14 partner or proprietor ~~]~~in the case of other taxpayers,~~]~~ and in the
15 case of a taxpayer in liquidation or in the hands of a receiver or
16 trustee, shall be made on the oath or affirmation of the person
17 responsible for the conduct of the affairs of such taxpayer.

1 7. Section 4 of P. L. 1945, c. 162 (C. 54:10A-4) is amended to
2 read as follows:

3 4. For the purposes of this act, unless the context requires a
4 different meaning:

5 (a) "Commissioner" shall mean the Director of the Division
6 of Taxation of the State Department of the Treasury.

7 (b) "Allocation factor" shall mean the proportionate part of
8 a taxpayer's net worth or entire net income used to determine a
9 measure of its tax under this act.

10 (c) "Corporation" shall mean any corporation, joint-stock com-
11 pany or association and any business conducted by a trustee or
12 trustees wherein interest or ownership is evidenced by a certificate
13 of interest or ownership or similar written instrument.

14 (d) "Net worth" shall mean the aggregate of the values dis-
15 closed by the books of the corporation for (1) issued and outstand-
16 ing capital stock, (2) paid-in or capital surplus, (3) earned surplus
17 and undivided profits, (4) surplus reserves which can reasonably
18 be expected to accrue to holders or owners of equitable shares, not
19 including reasonable valuation reserves, such as reserves for de-
20 preciation or obsolescence or depletion, and (5) the amount of all
21 indebtedness owing directly or indirectly to holders of 10% or more
22 of the aggregate outstanding shares of the taxpayer's capital stock
23 of all classes, as of the close of a calendar or fiscal year. The fore-
24 going aggregate of values shall be reduced by 50% of the amount
25 disclosed by the books of the corporation for investment in the
26 capital stock of one or more subsidiaries, which investment is de-
27 fined as ownership (1) of at least 80% of the total combined voting
28 power of all classes of stock of the subsidiary entitled to vote and
29 (2) of at least 80% of each class, if any, of nonvoting stock. In
30 the case of investment in an entity organized under the laws of a
31 foreign country, the foregoing requisite degree of ownership shall
32 effect a like reduction of such investment from net worth of the
33 taxpayer, if the foreign entity is considered a corporation for any
34 purpose under the United States Federal income tax laws, such as
35 (but not by way of sole examples) for the purpose of supplying
36 deemed-paid foreign tax credits or for the purpose of status as a
37 controlled foreign corporation. In calculating the net worth of a
38 taxpayer entitled to reduction for investment in subsidiaries, the
39 amount of liabilities of the taxpayer shall be reduced by such pro-
40 portion of the liabilities as corresponds to the ratio which the ex-
41 cluded portion of the subsidiary values bears to the total assets
42 of the taxpayer.

43 If in the opinion of the commissioner, the corporation's books
44 do not disclose fair valuations the commissioner may make a rea-
45 sonable determination of the net worth which, in his opinion, would
46 reflect the fair value of the assets, exclusive of subsidiary invest-
47 ments as defined aforesaid, carried on the books of the corporation,
48 in accordance with sound accounting principles, and such determi-
49 nation shall be used as net worth for the purpose of this act.

50 (e) "Indebtedness owing directly or indirectly" shall include,
51 without limitation thereto, all indebtedness owing to any stock-
52 holder or shareholder and to members of his immediate family
53 where a stockholder and members of his immediate family to-
54 gether or in the aggregate own 10% or more of the aggregate
55 outstanding shares of the taxpayer's capital stock of all classes.

56 (f) "Investment company" shall mean any corporation whose
57 business during the period covered by its report consisted, to the
58 extent of at least 90% thereof of holding, investing and reinvesting
59 in stocks, bonds, notes, mortgages, debentures, patents, patent
60 rights and other securities for its own account, but this shall not
61 include any corporation which: (1) is a merchant or a dealer of
62 stocks, bonds and other securities, regularly engaged in buying the
63 same and selling the same to customers; or (2) had less than 90%
64 of its average gross assets in New Jersey, at cost, invested in
65 stocks, bonds, debentures, mortgages, notes, patents, patent rights
66 or other securities or consisting of cash on deposit during the period
67 covered by its report or (3) is a banking corporation or a financial
68 business corporation as defined in the Corporation Business Tax
69 Act.

70 (g) "Regulated investment company" shall mean any corpora-
71 tion which for a period covered by its report, is registered and
72 regulated under the Investment Company Act of 1940 (54 Stat.
73 789), as amended.

74-75 (h) "Taxpayer" shall mean any corporation required to report
76 or to pay taxes, interest or penalties under this act.

77 (i) "Fiscal year" shall mean an accounting period ending on
78 any day other than the last day of December on the basis of which
79 the taxpayer is required to report for Federal income tax purposes.

80 (j) Except as herein provided, "privilege period" shall mean
81 the calendar or fiscal accounting period for which a tax is payable
82 under this act.

83 (k) "Entire net income" shall mean total net income from all
84 sources, whether within or without the United States, and shall
85 include the gain derived from the employment of capital or labor,

86 or from both combined, as well as profit gained through a sale or
87 conversion of capital assets. For the purpose of this act, the
88 amount of a taxpayer's entire net income shall be deemed prima
89 facie to be equal in amount to the taxable income, before net op-
90 erating loss deduction and special deductions, which the taxpayer
91 is required to report to the United States Treasury Department
92 for the purpose of computing its Federal income tax; provided,
93 however, that in the determination of such entire net income,

94 (1) Entire net income shall exclude 100% of dividends which
95 were included in computing such taxable income for Federal income
96 tax purposes, paid to the taxpayer by one or more subsidiaries
97 owned by the taxpayer to the extent of the 80% or more owner-
98 ship of investment described in subsection (d) of this section. With
99 respect to other dividends, entire net income shall not exclude 50%
100 of the total included in computing such taxable income for Federal
101 income tax purposes;

102 (2) Entire net income shall be determined without the exclusion,
103 deduction or credit of:

104 (A) the amount of any specific exemption or credit allowed in
105 any law of the United States imposing any tax on or measured by
106 the income of corporations;

107 (B) any part of any income from dividends or interest on any
108 kind of stock, securities or indebtedness, except as provided in
109 subsection (k)(1) of this section;

110 (C) taxes paid or accrued to the United States on or measured
111 by profits or income, or the tax imposed by this act, or any tax
112 paid or accrued with respect to subsidiary dividends excluded from
113 entire net income as provided in subsection (k)(1) of this section;

114 (D) net operating losses sustained during any year or period
115 other than that covered by the report;

116 (E) 90% of interest on indebtedness owing directly or indirectly
117 to holders of 10% or more of the aggregate outstanding shares of
118 the taxpayer's capital stock of all classes; except that such interest
119 may, in any event, be deducted

120 (i) up to an amount not exceeding \$1,000.00,

121 (ii) in full to the extent that it relates to bonds or other
122 evidences of indebtedness issued, with stock, pursuant to a
123 bona fide plan of reorganization, to persons, who, prior to
124 such reorganization, were bona fide creditors of the corpora-
125 tion or its predecessors, but were not stockholders or share-
126 holders thereof;

127 (3) The commissioner may, whenever necessary to properly

128 reflect the entire net income of any taxpayer, determine the year or
129 period in which any item of income or deduction shall be included,
130 without being limited to the method of accounting employed by
131 the taxpayer.

132 (l) "Real estate investment trust" shall mean any unincor-
133 porated trust or unincorporated association qualifying and electing
134 to be taxed as a real estate investment trust under Federal law.

135 (m) "*Financial business corporation*" shall mean any corporate
136 enterprise which is (1) in substantial competition with the business
137 of national banks and which (2) employs moneyed capital with the
138 object of making profit by its use as money, through discounting and
139 negotiating promissory notes, drafts, bills of exchange and other
140 evidences of debt; buying and selling exchange; making of or deal-
141 ing in secured or unsecured loans and discounts; dealing in securities
142 and shares of corporate stock by purchasing and selling such secu-
143 rities and stock without recourse, solely upon the order and for the
144 account of customers; or investing and reinvesting in marketable
145 obligations evidencing indebtedness of any person, copartnership,
146 association or corporation in the form of bonds, notes or debentures
147 commonly known as investment securities; or dealing in or under-
148 writing obligations of the United States, any State or any political
149 subdivision thereof, or of a corporate instrumentality of any of
150 them. This shall include, without limitation of the foregoing busi-
151 ness commonly known as industrial banks, dealers in commercial
152 paper and acceptances, sales finance, personal finance, small loan
153 and mortgage financing businesses, as well as any other enterprise
154 employing moneyed capital coming into competition with the busi-
155 ness of national banks; provided, that the holding of bonds, notes,
156 or other evidences of indebtedness by individual persons not em-
157 ployed or engaged in the banking or investment business and rep-
158 resenting merely personal investments not made in competition
159 with the business of national banks, shall not be deemed financial
160 business. Nor shall "financial business" include national banks,
161 production credit associations organized under the Farm Credit
162 Act of 1933, stock and mutual insurance companies duly autho-
163 rized to transact business in this State, security brokers or dealers
164 or investment companies or bankers not employing moneyed capital
165 coming into competition with the business of national banks, real
166 estate investment trusts, or any of the following entities organized
167 under the laws of this State: credit unions, savings banks, savings
168 and loan and building and loan associations, pawnbrokers, and
169 State banks and trust companies.

1 8. (New section) The aggregate amount of tax, penalty and
2 interest payable by financial business corporations pursuant to this
3 act shall upon payment be distributable among the State, the
4 various taxing districts and counties in which taxpayers hereunder
5 have maintained places of business at any time during the tax year.
6 On or before November 1 in each year the director shall determine
7 from receipts allocations contained in tax returns filed subsequent
8 to June 30 of the previous calendar year and prior to July 1 of the
9 current year the aggregate amount of tax, penalty and interest
10 attributable to places of business located in each of the various
11 taxing districts of this State during the tax year. The tax, penalty
12 and interest collected by the director shall be apportioned one-half
13 to the State, one-quarter to such county and one-quarter to the
14 taxing districts in which the financial business corporation has an
15 office or offices. Each county shall be entitled to receive out of the
16 one-quarter allocated to the counties that proportion thereof which
17 the receipts at all offices of such financial business corporations in
18 such county during the taxpayers' fiscal or calendar year accounting
19 period bear to the total receipts of all offices of such financial
20 business corporations in this State during the taxpayers' fiscal or
21 calendar year accounting period. Each taxing district is entitled
22 to that proportion of one-quarter of the tax collected by the
23 director as the receipts at all offices of such financial business
24 corporations in such district during the taxpayers' fiscal or calendar
25 year accounting period bear to the total receipts of all offices of
26 such financial business corporations in such county during the tax-
27 payers' fiscal or calendar year accounting period. The director
28 shall forthwith certify such apportionment to the State Treasurer
29 who shall upon proper audit transmit to each county treasurer
30 a certificate showing the amounts allocated to the taxing district
31 therein and shall on or before November 10 of the year in which
32 the taxes are payable draw and transmit his warrant upon the
33 State Treasurer in favor of the several county treasurers for the
34 amounts allotted to their several counties. Each county treasurer
35 shall forthwith and not later than December 15 pay to the collector
36 or other proper officer of each taxing district the amount allotted
37 thereto deducting, however, the amount due for county taxes from
38 the taxing district. The amount thus paid to the county and taxing
39 district shall be at the disposal of the proper authorities for public
40 purposes.

1 9. (New section) None of the taxes, penalties and interest col-
2 lected from financial business corporations pursuant to this act

3 shall be distributable to municipalities pursuant to P. L. 1966, c. 135
4 as amended and supplemented (C. 54:11D-1 et seq.).

1 10. (New section) During each of the years 1976, 1977 and 1978,
2 each financial business corporation shall pay as taxes under the
3 provisions of the act to which this act is a supplement, the greater
4 of a sum equal to the amount such financial business corpora-
5 tion paid pursuant to the "Financial Business Tax Law" P. L. 1946,
6 c. 174 (C. 54:10B-1, et seq.) in the calendar year 1975, or a sum
7 equal to the total of the taxes payable by such financial business
8 corporation pursuant to the "Corporation Business Tax Act,"
9 P. L. 1945, c. 162 (C. 54:10A-1 et seq.).

1 11. Sections 7 (C. 54:10B-7), 20 (C. 54:10B-20) and
2 21 (C. 54:10B-21) of P. L. 1946, c. 174 are repealed.

1 12. This act shall take effect immediately **but shall remain*
2 *inoperative until Assembly Bill No. 1915 now pending before the*
3 *Legislature is enacted and becomes operative** and shall be appli-
4 cable to all fiscal and calendar accounting periods ending after
5 December 31, 1974.

3 shall be distributable to municipalities pursuant to P. L. 1966, c. 135
4 as amended and supplemented (C. 54:11D-1 et seq.).

1 10. (New section) During each of the years 1976, 1977 and 1978,
2 each financial business corporation shall pay as taxes under the
3 provisions of the act to which this act is a supplement, the greater
4 of a sum equal to the amount such financial business corpora-
5 tion paid pursuant to the "Financial Business Tax Law" P. L. 1946,
6 c. 174 (C. 54:10B-1, et seq.) in the calendar year 1975, or a sum
7 equal to the total of the taxes payable by such financial business
8 corporation pursuant to the "Corporation Business Tax Act,"
9 P. L. 1945, c. 162 (C. 54:10A-1 et seq.).

1 11. Sections 7 (C. 54:10B-7), 20 (C. 54:10B-20) and
2 21 (C. 54:10B-21) of P. L. 1946, c. 174 are repealed.

1 12. This act shall take effect immediately and shall be applicable
2 to all fiscal and calendar accounting periods ending after Decem-
3 ber 31, 1974.

STATEMENT

This bill is presented as part of the business tax reform package of the Assembly Taxation Committee. It replaces an unfair tax with a fairer one, and does not cost the State any revenue.

ASSEMBLY COMMITTEE AMENDMENT TO
ASSEMBLY, No. 3339

STATE OF NEW JERSEY

ADOPTED APRIL 28, 1975

Amend page 10, section 12, line 1, after "immediately" omit balance of sentence, insert "but shall remain inoperative until Assembly Bill No. 1915 now pending before the Legislature is enacted and becomes operative."

ASSEMBLY TAXATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3339

STATE OF NEW JERSEY

DATED: APRIL 28, 1975

This bill proposes to bring corporations now taxed under the Financial Business Tax Act under the provisions of the Corporation Franchise Tax Act. It is in keeping with the action of the committee in releasing Assembly Bill No. 1915 (OCR) favorably which brings Banking Corporations under the Corporation Franchise Tax Act, but remains inoperative until Assembly Bill No. 1915 is enacted.

Provision is made in the bill for the apportionment of receipts under this act among the counties and municipalities in the same account and same proportion as is presently made under the Financial Business Tax Act.

Furthermore, a "save harmless" provision is incorporated in the bill to insure that the revenues under this bill are equal to or greater than those due in 1975 under the Financial Business Tax Act.

The committee believes this to be a bill which should be acted upon favorably by the Legislature as a further step in restructuring business taxes in the State.

STATEMENT BY GOVERNOR BRENDAN BYRNE

August 4, 1975

A-3557

I have signed into law the supplemental appropriations bill and the tax and other revenue bills to finance it. These revenues will keep the buses and trains in operation and will restore the other programs that a majority of the Legislature adjudged to be vital to the public welfare.

Even with these restorations, New Jersey remains the most tight-fisted state in the nation. We will spend in this fiscal year about \$75 million less than we spent last year, despite the toll of continuing inflation which falls as heavily on government as it does on household budgets. And this Administration will continue its effort to cut corners and realize further economies wherever possible to make stretch every tax dollar as far as it will go.

The new taxes included in this revenue package are far less regressive than some of the taxes that the Legislature considered and wisely rejected. For the most part, the burden falls most heavily on segments of the economy that are able to bear that additional burden. And one of them -- the capital gains or earned income tax -- is truly progressive.

Nevertheless, I take no particular pride in signing these taxes into law. And I noticed that few members of the Legislature exhibited much pride in enacting them. For this is strictly a stopgap revenue program and we must not lose sight of what it fails to do, as well as what it accomplishes.

This revenue package does nothing to meet our commitment -- the Legislature's promise -- to fund the new education formula under which the State is to assume a greater portion of the costs of operating our public schools. The State Supreme Court has ordered that this be done and the Legislature has publicly declared its intention to deal with that commitment beginning on November 10.

A-1915

A-3339

A-3556

A-3593

A-3609

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This revenue package does nothing to reform New Jersey's patchwork tax structure and provide relief from rising and too often confiscatory property taxes, a goal to which I remain personally committed. The most we can say for these new taxes is that they will not make that tax structure measurably more regressive than it is.

And several of the bills I signed today are, by design, temporary sources of revenue. The funds they provide will, of necessity, have to be replaced from some other source next year if the programs they finance are to continue. These temporary measures, together with other fiscal facts of life, increase the already inevitable need for substantial new revenues next year.

The Legislature has demonstrated dramatically in the past several months that there are no easy taxes -- nor should there be. The true test of a potential new tax or tax increase should not be whether it will be easy to pass, but how equitably its burden will be distributed on those who will pay it.

I am confident that the Legislature will work for true tax reform in addressing our unmet obligations in the months ahead. I will, as always, be ready to work with it in a pursuit of that goal.

###

The following bills were signed by Governor Byrne:

S-3170* - Sponsored by Senator Joseph Merlino, D-Mercer, which increases the interest and penalties to be assessed in conjunction with the administration and enforcement of certain state tax laws.

A-1915 - Sponsored by Assemblyman Robert Shelton, D-Sussex, which provides for the taxation of banks under the same laws pursuant to which business corporations are taxed.

A-3339 - Sponsored by Assemblyman Steven Perskie, D-Atlantic, which prescribes the amount of excise taxes each "financial business corporation" shall pay during each of the years 1976, 1977 and 1978.

A-3556 - Sponsored by Assemblyman William Hamilton, D-Middlesex, which designated the "Tax on Capital Gains and Other Unearned Income Act," imposes a tax on capital gains and other unearned income.

A-3557 - Sponsored by Assemblyman George Barbour, D-Burlington, which supplements and amends the appropriations act for the support of the state government for the fiscal year ending June 30, 1976 (P.L. 1975, c.128)

A-3593 - Sponsored by Assemblyman Kenneth Gewertz, D-Gloucester, which transfers to the General State Fund amounts in the Unsatisfied Claim and Judgment Fund certified by the Board to exceed that necessary to meet pending claims and anticipated claims during the succeeding 12 months.

A-3609 - Sponsored by Assemblyman Kenneth Gewertz, D-Gloucester, which repeals P.L. 1952, c. 175, the Motor Vehicle Liability Security Fund Act, transferring all amounts remaining therein to the General State fund.

A-3625 - Sponsored by Assemblyman George Barbour, D-Burlington, which increases realty transfer fee from \$.50 to \$1.75 per \$500 consideration with certain exemptions.

A-3627 - Sponsored by Assemblyman William Hamilton, D-Middlesex, which