New Jersey Legislative Update
JUNE 2018

State News:
NJ Budget Down to the Wire
The N.J. Constitution requires the State legislature to pass and the Governor to sign and certify the number in the budget. Without this action the State must shutdown all non-essential activities at Midnight on June 30. A budget shutdown came close, very close, for the second year in a row. So how did we get here with the same party controlling the legislature and the Governor’s office?

Gov. Phil Murphy’s proposed spending a spending package of $37.4 billion, with newly proposed $1.6 billion in revenue-raising tax increases through a millionaire tax and raising the sales tax back to 7 cents.

The legislature and Senate President Sweeney announced a revised budget proposal that would raise an additional $360 million in new taxes including an increase in the Corporation Business Tax (CBT). New Jersey’s CBT rate is currently nine percent. Under the legislative budget proposal the CBT will jump to 11.5 percent - an increase of 28 percent - on businesses with more than $1 million in annual net income, and 13 percent on companies with net income in excess of $25 million annually - a 44.4 percent increase. These increases will sunset in four years.

The legislature’s latest proposal also:
• Expands the sales tax to include short-term property rentals of fewer than 90 days. This newly proposed tax is in addition to expanding the sales tax to include ride sharing services, such as Uber and Lyft, transient accommodations, such as AirBNB and Home Away, and tobacco/e-cigarettes;
• Doubles the Realty Transfer Fee on sales of homes and businesses of $1 million or more. Currently, these properties are subject to a 1 percent tax. Under the new proposal, they will be subject to a 2 percent fee - a 100 percent increase.
• A new fee on single use carry out bags of 5 cents per bag.

Notably missing from this proposal was an increase in the top rate of the gross income tax - otherwise known as the Millionaire’s Tax - which Governor Murphy is adamant the budget should include. Throughout negotiations, the Legislature has resisted increasing this tax choosing instead to raise the bulk of revenue needed to balance the budget with the CBT increase.

All of this fight is over the manner in which the State raises additional revenue; however the budget is roughly 2 billion more than last years. If we held the State spending level to last year, possibly all of this debate could have been over.

Questions?
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