# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

# ASSEMBLY, No. 5371

# STATE OF NEW JERSEY
# 221st LEGISLATURE

DATED: JANUARY 14, 2026

## SUMMARY

**Synopsis:** Concerns administration of employer payroll tax and permits disclosures of certain State taxpayer information.

**Type of Impact:** Annual net revenue impact to cities of Newark and Jersey City and Jersey City Public Schools; potential shift of financial resources from Jersey City Public Schools to City of Jersey City.

**Agencies Affected:** City of Jersey City; City of Newark; Department of the Treasury; Jersey City Public Schools.

**Office of Legislative Services Estimate**

| Fiscal Impact | Annual |
|---|---|
| **Revenue Net Impact to City of Newark and City of Jersey City and Jersey City Public Schools** | Indeterminate |
| **Potential Shift of Financial Resources from Jersey City Public Schools to City of Jersey City** | $2.5 million |

- The Office of Legislative Services (OLS) concludes that the bill will have two countervailing effects on employer payroll taxes collected by the City of Newark and the City of Jersey City. On the one hand, annual revenues will increase because the bill supports these municipalities in their payroll tax enforcement and collection activities by requiring the State to share certain tax return information and authorizing the use of up to three percent of collections for tax administration and enforcement.

- On the other hand, a certain amount of employer payroll tax revenue will be forgone from the bill exempting from the tax renumeration paid to New Jersey resident employees who are already subject to an employer payroll tax in another state.

- The bill will potentially shift financial resources from Jersey City Public Schools to the City of Jersey City since the bill permits Jersey City to retain, through an ordinance, up to three percent of employer payroll tax collections for the administration of the tax. The OLS has calculated this potential annual revenue shift at $2.5 million for Jersey City.

## BILL DESCRIPTION

The bill strengthens the enforcement of the employer payroll tax in municipalities authorized to collect such a tax (the City of Newark and the City of Jersey City). Notably, the bill provides that a municipality may elect to retain up to three percent of employer payroll taxes collected annually to administer and enforce the employer payroll tax. In addition, the bill provides for the furnishing of certain tax information by the State to concerned municipalities to assist with the enforcement of the employer payroll tax law.

Lastly, the bill also exempts from the employer payroll tax renumeration paid to New Jersey resident employees who are already subject to an employer payroll tax in another state.

By way of background, current law requires the City of Jersey City to transfer any employer payroll tax collections to Jersey City Public Schools. The City of Newark on the other hand is not subject to this requirement and uses employer payroll taxes for municipal purposes.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS concludes that the bill will have two countervailing effects on employer payroll taxes collected by the City of Newark and the City of Jersey City. On the one hand, annual revenues will increase because the bill supports these municipalities in their payroll tax enforcement and collection activities by requiring the State to share certain tax return information and authorizing the use of up to three percent of collections for tax administration and enforcement. On the other hand, a certain amount of employer payroll tax revenue will be forgone from the bill exempting from the tax renumeration paid to New Jersey resident employees who are already subject to an employer payroll tax in another state. Under current law, the cities of Jersey City and Newark are the only municipalities in the State that are permitted to impose local employer payroll taxes at a rate of up to one percent. Both municipalities currently impose and collect the maximum rate of one percent of an employer's payroll. Current law requires the City of Jersey City to transfer any employer payroll tax collections to Jersey City Public Schools. The City of Newark on the other hand is not subject to this requirement and uses employer payroll taxes for municipal purposes.

The bill will also potentially shift financial resources from Jersey City Public Schools to Jersey City Public Schools since the bill permits Jersey City to retain, through an ordinance, up to three percent of employer payroll tax collections for the administration of the tax. The OLS has calculated this potential annual revenue shift at $2.5 million for Jersey City. This 3 percent authority has no impact on the City of Newark because its employer payroll tax collections are already used for general municipal purposes.

| Employer Payroll Tax Collections ($000s) | | | | | |
|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 3-Year Average | 3% of 3-Year Average |
| Jersey City | $103,713 | $67,538 | $76,838 | $82,696 | **$2,481** |
| Newark | $79,973 | $70,764 | $64,945 | $71,894 | **$2,157** |

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| *Section:* | *Local Government* |
| *Analyst:* | *Abigail Stoyer*<br>*Senior Fiscal Analyst* |
| *Approved:* | *Thomas Koenig*<br>*Legislative Budget and Finance Officer* |

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).