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July 2, 2018

## **SFY 2019 Budget Adopted**

Late Sunday evening, Governor Murphy signed a \$37.4 billion state budget. Included in the budget was an amendment to alter the funding source of Energy Tax Receipts. While the amount of the Energy Tax Receipts for this year will remain flat at \$788,492, the funding is split between the General Fund (\$355,492,000) and the Property Tax Relief Aid Fund (\$453,000,000). To fund energy tax receipts, the state intends to zero out the Property Tax Relief Aid Fund prior to using the revenues from the General Fund.

While this does not diminish the amount of funding your municipality will see this year, the League strenuously objected to this transfer. We are rightly concerned that the state may not view this action as a one-time bandage, but a recurring option to help address state budget funding issues. [History has taught local officials some hard lessons](#) about the erosion of dedicated municipal funds. If this reoccurs, it could jeopardize the most significant and reliable source of municipal revenues, other than the property tax, in future State budgets.

The budget projects \$705 million in new revenue from the Millionaire's Tax for those making over \$5 million by increasing income tax from 8.97% to 10.75% and a four-year surcharge on Corporate Business Tax, which imposes a surcharge on all companies earning more than \$1 million per year by increasing the current rate of 9% by 2.5% for two years with a two-year phase down. The budget also projects additional revenue from new levies by extending the tobacco products wholesale sales and use tax to liquid nicotine used in electronic cigarettes and similar devices, at the rate of \$0.10 per milliliter of liquid nicotine, and a \$0.50 rider surcharge, with the rider paying \$0.25, on transportation network companies. It also includes additional sale tax revenue from online sales as a result of the U.S. Supreme Court [Wayfair decision](#) (over \$120 million) and tax amnesty program for all state taxes payable to the New Jersey Division of Taxation, including the Corporation Business Tax, Sales and Use Tax, and Gross Income Tax.

The budget also restores funding for the Homestead property tax relief program, increases the state income tax deduction for property taxes from \$10,000 to \$15,000, includes a \$3.2 billion pension contribution, assumes savings from State Health Benefits plan design

reforms, and continues the Best Practice Inventory.

The legislation establishing the rider surcharge also included language increasing the Title 39 surcharge for “New Jersey Forensic DNA Laboratory Fund” from \$2 to \$3.

The budget did **not** include an increase of the State sales tax from 6.625% to 7% and the surcharge on plastic bags. While the “bag bill” awaits the Governor’s action, the projected revenues are not part of the state budget. The League opposes this bill and has asked the Governor to either veto the bill or, in the alternative, to conditionally veto it to remove the municipal preemption. [Please click here for more information.](#)

As part of the budget compromise, the Governor and legislative leadership agreed to revisions of the school funding formula as outlined in [S-2](#). At this time, S-2 has passed both houses and awaits the Governor’s signature.

We will continue to keep you posted.

**Contact:** Michael F. Cerra, Assistant Executive Director, [mcerra@njslom.org](mailto:mcerra@njslom.org), 609-695-3481, Ext. 120.



222 West State Street, Trenton, NJ 08608  
Phone: 609-695-3481 Web: [njslom.org](http://njslom.org)

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