

Governor Phil Murphy

Governor Murphy Proposes Bipartisan Legislation to Confront the Unjust Taxation of New Jersey Residents by Other States

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Proposals Would Provide Taxpayer Relief, Address Forgone Revenue, and Provide Grants to Incentivize In-State Employment

TRENTON – Governor Phil Murphy today announced the proposal of bipartisan legislation (https://urldefense.com/v3/_https://t.e2ma.net/click/fdlr0h/bufvrclb/b2h2kz_!!J30X0ZmC1oQtBAiN69cA-9v2lVKG265sgP_r9WUfKaf0Y-VJf9qq-eOS8rsJafPrAZc8rnVVNxEAe9zkIL9Ovzw9or8i5sbag4gw\$) designed to provide relief to New Jersey residents facing unjust taxation from other states where their employer is based. The legislation is designed to confront the long-standing issue of tax credits New Jersey provides to residents who pay taxes to other jurisdictions, which has cost the State billions in foregone revenue. The proposals announced by the Governor would promote long-term fiscal stability and provide relief to taxpayers while combating aggressive taxation from other states and providing grants to incentivize employment in New Jersey.

"This is an issue that warrants no debate; on both sides of the aisle, we can all agree that we must protect our residents from unfair and inordinate taxation from other states," said Governor Murphy. "The proposals I'm announcing today, while supporting our hard-working residents in their efforts to dispute such taxation, will help promote employment in New Jersey and counteract lost tax revenue to our neighbors. Amid profound political divisions across the country, I look forward to achieving bipartisan support for legislation that will ensure a fiscally healthier and fairer New Jersey."

"We've been working hard to find solutions so that New Jersey residents, many of whom have been working from home since the pandemic began, won't face an unfair disadvantage financially," said Deputy State Treasurer Aaron Binder. "A significant amount of time and consideration went into developing these well thought out proposals to help ensure tax fairness and spur employment in New Jersey."

Three proposals were drafted to take concrete steps toward addressing the resident credits for taxes paid to other jurisdictions (COJ) issue, which the Murphy Administration has been working on since the pandemic first laid the issue bare. The Murphy Administration filed a U.S. Supreme Court amicus brief in late 2020 in support of New Hampshire's effort to challenge a similar situation with Massachusetts. The Supreme Court ultimately declined to take up the case, and the Administration has been working to develop viable relief options since.

Under the first initiative, New Jersey would adopt its own "Convenience of Employer" provision, which would allow the State to tax employees of New Jersey firms if they work at home in other states for their own convenience (instead of the employer's need). This will start the process of creating parity with New York, which has its own provision that it uses to tax New Jersey residents working for New York firms who work at home for their own convenience, and with all other states that maintain the same legal rule.

Under the second initiative, the State would award tax credits to incentivize New Jersey residents to file legal actions against other states that collect taxes from them for services they perform while physically located in New Jersey.

Finally, the third initiative would establish a one-time \$10 million pilot program, to be administered by the New Jersey Economic Development Authority (EDA), which would provide grants to certain businesses that assign their employees to New Jersey locations, incentivizing job growth and capital investments throughout the state.

"I'm proud to support the Governor's proposed legislation in the spirit of bipartisanship and the best interest of our hard-working residents," said Senator Jon Bramnick. "These proposals will help stop, once and for all, the unjust taxation of New Jersey taxpayers while further boosting our fiscal health and burgeoning economy."

"Recent actions by neighboring states to add exorbitant congestion fees, on top of what New Jerseyans already pay in other states' taxes, makes the need for this initiative indisputable," said Senator Joseph Lagana. "New Jersey is already fighting an uphill battle when it comes to drawing back federal tax dollars; we cannot afford to continue losing revenue to neighboring states too. These proposals will help NJ residents reap the full benefits of what our own state has to offer."

"The COVID-19 pandemic showed us that, for those who were able to, working from home or on a hybrid schedule maximized valuable time spent with loved ones, reduced commuting costs, and benefited local businesses," said Assemblywoman Lisa Swain. "This program allows for New Jersey workers to maintain the benefits of living and working in New Jersey, without subsidizing the unmet needs of other states."

"This proposal is a win for every New Jerseyan," said Assemblyman P. Christopher Tully. "Incentivizing outside businesses to assign employees to New Jersey locations will also fast-track the innovative development of our entire state. Tax dollars will stay in Jersey to reinvigorate our local economies and downtowns. With these bipartisan initiatives, New Jersey is officially on a clear path toward a fiscally fairer future."

Governor Phil Murphy

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