

GOVERNOR MURPHY SIGNS FY 2021 BUDGET INTO LAW, PROTECTING CRUCIAL SERVICES AND PROGRAMS DURING COVID-19 PANDEMIC

Budget Plan Reinstates Millionaires Tax, Delivers Middle-Class Tax Relief

TRENTON – Governor Phil Murphy today signed the Fiscal Year 2021 (FY 2021) Appropriations Act into law ([S2021](#)), working together with legislative leadership to enact a revised spending plan that manages to protect core priorities and deliver middle-class tax relief during the historic fiscal crisis caused by the COVID-19 pandemic. The budget plan also fully reestablishes the millionaires tax that expired in 2010, instituting the existing 10.75% rate on income over \$5 million to income earned over \$1 million.

"As we continue to grapple with the effects of the pandemic, building a stronger New Jersey requires us to continue to bolster the middle-class families who are the backbone of our state," said Governor Murphy. "This revised budget not only recognizes the realities of the pandemic, offering much-needed tax fairness, including tax relief to the middle class, but also maintains our core principles so that we can emerge from this crisis stronger, fairer, and more resilient."

Governor Murphy originally laid out his FY 2021 budget proposal on February 25, 2020. Less than two weeks later, the COVID-19 pandemic took root, ravaging New Jersey from both a public health and an economic standpoint. The crisis prompted the State to follow the federal government in moving important April tax filing deadlines to July and extending the fiscal year from the traditional June 30th end date to September 30th. As a result, the budget signed today addresses spending for only the nine-month period from October 1, 2020 through June 30, 2021.

The revised budget the Governor unveiled last month laid out a series of solutions to help close a roughly \$5.28 billion budget gap and protect many shared priorities. Together, Governor Murphy and legislative leaders reached an agreement that builds upon that proposal while securing a significant victory for middle and working-class taxpayers by restoring the full millionaire's tax and delivering sizable tax rebates to approximately 800,000 New Jersey families.

"The pandemic has challenged people and government in unthinkable ways. This budget responsibly answers the calls for economic relief and recovery while simultaneously building up our middle class," said Lt. Governor Sheila Y. Oliver, who serves as Commissioner of the Department of Community Affairs. "By providing significant tax relief through updated tax codes and keeping the programs people need in place, the Murphy Administration and the legislature are demonstrating good governance by prioritizing working people, veterans, seniors, young adults and children in this budget."

"Our budget restores cuts and makes the investments we need in our state and county colleges, in Extraordinary Special Education Aid for our most vulnerable students, in our hospitals and direct care workers who provide critical healthcare, and in a wide range of other services that are more important than ever in this pandemic." said Senate President Steve Sweeney

"Together with the Governor and the Senate we put together a balanced plan that cut nearly a billion in spending, asked the wealthiest among us to share in the sacrifice and made the difficult decision to borrow," said Assembly Speaker Craig Coughlin. "Our budget delivers for our seniors and working-class families by fully funding the Senior Freeze and Homestead Rebate programs. Our schools and municipalities are receiving the same funding level as last year. Together, we made significant investments in hunger relief, anti-poverty, and health programs to continue helping struggling families through this crisis. Working, middle-class families will receive tangible relief in the form of a \$500 rebate next summer. This budget demonstrates our commitment to every New Jerseyan."

"This budget gives us the tools we need to help New Jerseyans meet the challenges of this pandemic, while still providing the resources necessary to better protect the state during these fiscally unprecedented and volatile times," said State Treasurer Elizabeth Maher Muoio.

"This is a coronavirus-response budget that is needed to contend with the crisis conditions created by the pandemic and its impact on the state's economy," said Senator Paul Sarlo, chairman of the Senate Budget and Appropriations Committee. "We were confronted with some of the most challenging fiscal conditions of our time that continue to have a profound impact on the lives and livelihoods of people throughout the state. This spending plan will help address problems created directly or indirectly by the COVID-caused shutdown, prepare for a potential second wave and provide for any other consequences that impact the lives and livelihoods of the people of New Jersey. As we move forward, we have to turn our attention to fiscal reforms that will help prevent future financial problems. This crisis should be taken as a tipping point that will spur action on needed structural reforms. "

"The COVID-19 pandemic, which has been crushing to so many New Jersey families, also had a devastating effect on our state's finances, and resulted in a multi-billion dollar loss in revenue. We knew going in that this would mean making some hard decisions. The document signed into law today builds on the three-month budget we passed previously by balancing careful reductions with responsible spending and reallocations where they can do the most good," said Assembly Budget Committee Chair Eliana Pintor Marin. "I am grateful to my colleagues on the Budget Committee and to all of the residents and advocates who shared thoughts, information, and concerns with us. With their assistance, and in spite of the significant challenges, we crafted a budget, based on our shared values, that protects our most vulnerable, assists the middle class families that are the core of our economy, and puts New Jersey in position to weather whatever comes next."

The final Appropriations Act signed today maintains funding for a wide range of critical programs, including K-12 education, municipal aid, direct property tax relief (including the Homestead Benefit and the Senior Freeze), the Child and Dependent Care Tax Credit, and postsecondary tuition assistance. It also makes new investments in the Clean Water and Drinking Water programs, the Children's System of Care, Regional Coordinator Hospitals and Federally Qualified Health Centers, extraordinary special education, early voting, and the State's Emergency Feeding Organizations.

The Governor is pleased to have worked with the Legislature to sustain funding for programs like school-based mental health services, higher education operating aid, and Charity Care and Graduate Medical Education. Without emergency borrowing or sustainable revenues, a wide range of shared priorities would have faced draconian cuts.

The Governor also signed legislation to increase Earned Income Tax Credit (EITC) eligibility to assist tens of thousands of more young adults and to exclude combat zone pay from the Gross Income Tax to assist soldiers serving abroad.

As part of the Governor's continued focus on tax fairness, the existing 10.75% rate on income over \$5 million will now be extended to income earned over \$1 million, which is expected to generate \$390 million for the nine-month budget. All told, the Appropriations Act includes \$750 million in revenue derived from new tax policy changes, including:

- * Restoring the 2.5 percent corporation surtax on corporations with taxable net income in excess of \$1 million, which will yield an estimated \$210 million during FY 2021; and

- * Increasing the current annual assessment on net written premiums of HMOs from three percent to five percent, raising an estimated \$102.7 million in FY 2021.

The budget also includes a nearly \$4.8 billion contribution to bolster the state pension system,

which represents the largest percentage of the Actuarially Determined Contribution (ADC) contributed in 25 years. Additionally, it includes a robust \$2.5 billion surplus, which represents 6.2 percent of appropriations over the 12-month period. This surplus is critical to addressing the very real possibility of another resurgence of the novel coronavirus.

The Appropriations Act also relies on the ability to issue up to \$4.5 billion in General Obligation bonds to help address the massive economic fallout created by COVID-19 and better position the State to weather any future public health and economic uncertainties. The type of borrowing facility that will be utilized, interest rates, and repayment schedules will all be determined based on market conditions when the state is ready to issue the bonds over the next several months.