



State of New Jersey

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June 23, 2022

Mr. Thomas Koenig
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625-0068

Dear Mr. Koenig:

In your letter dated May 25, 2022 it was requested that I provide a written response to certain questions posed by members during the May 16, 2022 hearing of the Senate Budget and Appropriations Committee. The questions and their subsequent answers are as follows:

Senator Testa:

New Jersey's gross income tax brackets are not indexed for inflation. As a result, a higher income can bump a taxpayer into the next tax bracket, even if that higher income is merely keeping up with inflation. What is the total amount of additional gross income taxes that will be collected due to inflation-induced "bracket creep"?

Response: OREA has simulated the potential impact of indexing Gross Income Tax brackets for CPI inflation. There is an approximate 0.4 ratio between the CPI rate and the impact on GIT revenue collections in any given year, as some taxpayers are moved into a higher marginal tax bracket due to inflation. In other words, a 2.0% CPI rate yields an approximate 0.8% revenue impact, a 4.0% CPI rate yields a 1.6% revenue impact, and a 6.0% CPI rate yields a 2.4% revenue impact. Accordingly, for the current FY2022 GIT collections estimated at \$20.3 billion, and an average Calendar Year 2021 US CPI inflation rate of 4.7% according to IHS Markit and Moody's, the revenue impact would be approximately 1.9%, or an estimated \$386 million. For the FY2023 GIT forecast of \$20.1 billion and a projected US CPI inflation rate of 6.8% in CY2022, again according to IHS Markit and Moody's, the revenue impact would be approximately 2.7%, or an estimated \$543 million. US CPI inflation rates are projected to decline to 2.6% in CY2023, so the future annual revenue impact would decline to approximately 1.0%.

What are the estimated increases in the unemployment insurance tax rates and contributions for employers and employees in calendar year 2023?

Response: Pursuant to P.L.2020, c.150, the calendar year 2023 Unemployment Insurance (UI) tax rate will move to column D in the employer tax table. The New Jersey Department of Labor projects that this will generate \$2.14 billion in total contributions from employers. The employee UI tax rate of 0.3825%, which is set by the NJ Unemployment Compensation Law, has remained unchanged since July 1, 2004. The Law also directs that both employers and employees pay taxes on a wage base that is adjusted annually, and is based on 28 times the statewide average weekly wage paid to workers during the prior year.

Senator Oroho:

Please provide an update on the rebidding process for the Enhanced Vehicle Inspection Contract currently held by Parsons Environment and Infrastructure Group, Inc.

Response: Treasury's Division of Purchase & Property successfully awarded one contract to Opus Inspection, Inc. (Opus) on May 20, 2022, to implement the next generation Motor Vehicle Inspection and Maintenance Program to commence on August 6, 2022. The award follows separate protests filed by Parsons Environmental and Infrastructure Group, Inc. (Parsons) and the Service Employees International Union (SEIU). Final Agency Decisions on the protests were issued on May 20, 2022 upholding the award to Opus. Parsons and SEIU have 45 days to appeal the final agency decisions.

Sincerely,



Elizabeth Maher Muoio
State Treasurer

c: Kim Clemmensen, Assistant Legislative Budget and Finance Officer
Lynn Azarchi, Office of Management and Budget
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