

Office of the Governor
NEWS RELEASE

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**Small Businesses to Reap Benefits of Tax Cut
DiFrancesco Sets Tone With First Bill Signing**

Acting Governor Donald T. DiFrancesco today signed legislation giving small businesses in New Jersey a tax break. Noting that this is the first bill he has signed since becoming Acting Governor, DiFrancesco said the bill will phase-out the 2 percent corporate-level tax on the regular income of S corporations with incomes in excess of \$100,000 and eliminate it for those with incomes of \$100,000 or less this year.

"A Governor's first bill signing can set the tone for the administration," said DiFrancesco. "I certainly intend for mine to do that. The bill I sign today will put money back into the pockets of job-creating small businesses. This will mark the 52nd tax cut to become law since I became Senate President. This tax cut is a matter of fairness. It is also a matter of economic wisdom. We need small businesses to stay in New Jersey, creating jobs, and helping our economy grow."

"This legislation removes one headache for shareholders of small businesses known by the federal code as S corporations," said DiFrancesco. "These business people deserve credit for the jobs they have created and the opportunities they have given to hard-working New Jerseyans. These business people also deserve an end to the system of double taxation they now face: taxed once on their corporate income and then once again on their own income."

About 73,000 S corporations pay taxes in New Jersey. S corporations are corporations with 75 or fewer shareholders with each shareholder holding an equal share in the company. This bill, A-1846, sponsored by Assemblymen Gregg (R-Sussex/Hunterdon/Morris) and Talarico (R-Bergen) and Senators Bucco (R-Morris) and Inverso (R-Mercer/ Middlesex), will prevent them from being double taxed. Under the provisions of the bill the current 2 percent tax on regular income of New Jersey S corporations with income in excess of \$100,000 will be phased out over three years. For periods ending after July 1, 2001 the tax will be lowered to 1.33 percent and to .67 percent for periods ending on or after July 1, 2002. For periods ending on or after July 1, 2003 the tax will be eliminated completely. For those S corporations who have an income of \$100,000 or less, the bill signed today eliminates the tax on regular income for tax years beginning on or after July 1, 2001.