

January 31, 2019

**SENATE BILL NO. 784**  
**(First Reprint)**

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Senate Bill No. 784 (First Reprint) without my approval.

This bill would create a new exclusion from the Gross Income Tax for attorney's fees and costs received by a State taxpayer in connection with unlawful discrimination and retaliation lawsuits. The bill also would provide a gross income tax exclusion for attorney's fees and costs received by a State taxpayer as part of an award recovered under the federal False Claims Act, the "New Jersey False Claims Act," or any other similar *qui tam* action.

As I noted last summer when signing the annual State budget law and supporting revenue bills, and on numerous other occasions thereafter, I was, and continue to be, very pleased to have reached a comprehensive deal with my partners in the Legislature concerning the State's spending plan for Fiscal Year 2019. Our agreed-upon budget for the year ending at midnight on June 30, 2019, satisfies our shared constitutional obligations to enact a single appropriations law governing overall State spending needs for the year, as determined through the legislative process. See Article VIII, Section 2, Paragraph 2 of the New Jersey Constitution.

While I endorse the policy goals that this bill seeks to achieve, I also believe that the long term fiscal implications of this bill, and others that directly affect the State's finances, must be carefully considered. At this point, midway through the Fiscal Year, the State of New Jersey confronts uncertain income tax collections. As its name suggests, the Gross Income Tax was originally conceived as a tax on gross income, without numerous

exclusions or deductions. In any event, I am advised by the Department of the Treasury that this legislation is likely to result in a tax revenue loss to the State of approximately \$245 million over the next four years, including a loss of approximately \$56 million for the current Fiscal Year.

I am also concerned that funding the enactment of this bill could lead to reduced property tax relief or increased property taxes to account for the Property Tax Relief Fund revenue lost due to the gross income tax exclusions contemplated under the bill. The State Constitution dedicates revenues from the Gross Income Tax to "offsetting property taxes," which is a major source of funding for New Jersey's public schools. See Article VIII, Section I, Paragraph 7 of the New Jersey Constitution. Any significant, new exclusions allowed against the income tax would directly lead to a reduction of available State aid for public schools and other property tax relief programs relied upon by the State's local governments and their residents.

I campaigned in support of, and remain committed to, building a stronger and fairer New Jersey. Incentivizing whistleblowers and the victims of workplace discrimination and retaliation to confront injustices is certainly part of that commitment. However, I believe that matters of tax policy and State revenues should be considered as part of the overall annual budget negotiation process. I look forward to working collaboratively with legislative leadership on the budget for the upcoming State Fiscal Year to ensure that the State's overall tax policy is established and maintained in a coordinated manner so that we can continue to meet our obligations to the State of New Jersey and its residents now and in the future.

Accordingly, I herewith return Senate Bill No. 784  
(First Reprint) without my approval.

[seal]

Respectfully,  
/s/ Philip D. Murphy  
Governor

Attest:

/s/ Matthew J. Platkin  
Chief Counsel to the Governor