

VETO MESSAGE: Yes

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LAW/JA

P.L.2015, CHAPTER 73, *approved July 6, 2015*
Assembly, No. 4602 (*First Reprint*)

1 AN ACT ¹raising the gross income tax rate on taxable income
2 exceeding \$1,000,000 temporarily and restoring] concerning¹
3 the earned income tax credit, amending ¹[N.J.S.54A:2-1 and]¹
4 P.L.2000, c.80 ¹[and supplementing Title 54A of the New Jersey
5 Statutes]¹.
6

7 BE IT ENACTED by the Senate and General Assembly of the State
8 of New Jersey:
9

10 ¹[1. N.J.S.54A:2-1 is amended to read as follows:

11 54A:2-1. Imposition of tax. There is hereby imposed a tax for
12 each taxable year (which shall be the same as the taxable year for
13 federal income tax purposes) on the New Jersey gross income as
14 herein defined of every individual, estate or trust (other than a
15 charitable trust or a trust forming part of a pension or profit-sharing
16 plan), subject to the deductions, limitations and modifications
17 hereinafter provided, determined in accordance with the following
18 tables with respect to taxpayers' taxable income:

19 a. For married individuals filing a joint return and individuals
20 filing as head of household or as surviving spouse for federal
21 income tax purposes:

22 (1) for taxable years beginning on or after January 1, 1991 but
23 before January 1, 1994:

24		
25	If the taxable income is:	The tax is:
26		
27	Not over \$20,000.00.....	2% of taxable income
28		
29	Over \$20,000.00 but not	
30	over \$50,000.00.....	\$400.00 plus 2.5% of the
31		excess over \$20,000.00
32	Over \$50,000.00 but not	
33	over \$70,000.00.....	\$1,150.00 plus 3.5% of the
34		excess over \$50,000.00
35		
36	Over \$70,000.00 but not	
37	over \$80,000.00.....	\$1,850.00 plus 5.0% of the
38		excess over \$70,000.00

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly amendments adopted in accordance with Governor's recommendations June 29, 2015.

A4602 [1R]

1 Over \$80,000.00 but not
2 over \$150,000.00..... \$2,350.00 plus 6.5% of the
3 excess over \$80,000.00
4 Over \$150,000.00..... \$6,900.00 plus 7.0% of the
5 excess over \$150,000.00
6
7 (2) for taxable years beginning on or after January 1, 1994 but
8 before January 1, 1995:
9

10 If the taxable income is: The tax is:
11
12 Not over \$20,000.00..... 1.900% of taxable income
13
14 Over \$20,000.00 but not
15 over \$50,000.00..... \$380.00 plus 2.375% of the
16 excess over \$20,000.00
17
18 Over \$50,000.00 but not
19 over \$70,000.00..... \$1,092.50 plus 3.325% of the
20 excess over \$50,000.00
21
22 Over \$70,000.00 but not
23 over \$80,000.00..... \$1,757.50 plus 4.750% of the
24 excess over \$70,000.00
25
26 Over \$80,000.00 but not
27 over \$150,000.00..... \$2,232.50 plus 6.175% of the
28 excess over \$80,000.00
29
30 Over \$150,000.00 \$6,555.00 plus 6.650% of the
31 excess over \$150,000.00
32

33 (3) for taxable years beginning on or after January 1, 1995 but
34 before January 1, 1996:
35

36 If the taxable income is: The tax is:
37
38 Not over \$20,000.00..... 1.700% of taxable income
39
40 Over \$20,000.00 but not
41 over \$50,000.00..... \$340.00 plus 2.125% of the
42 excess over \$20,000.00
43
44 Over \$50,000.00 but not
45 over \$70,000.00..... \$977.50 plus 2.975% of the
46 excess over \$50,000.00
47
48 Over \$70,000.00 but not

A4602 [1R]

1	over \$80,000.00.....	\$1,572.50 plus 4.250% of the
2		excess over \$70,000.00
3	Over \$80,000.00 but not	
4	over \$150,000.00.....	\$1,997.50 plus 6.013% of the
5		excess over \$80,000.00
6		
7	Over \$150,000.00	\$6,206.60 plus 6.580% of the
8		excess over \$150,000.00
9		

10 (4) for taxable years beginning on or after January 1, 1996 but
11 before January 1, 2004:

12		
13	If the taxable income is:	The tax is:
14		
15	Not over \$20,000.00.....	1.400% of taxable income
16		
17	Over \$20,000.00 but not	
18	over \$50,000.00.....	\$280.00 plus 1.750% of the
19		excess over \$20,000.00
20		
21	Over \$50,000.00 but not	
22	over \$70,000.00.....	\$805.00 plus 2.450% of the
23		excess over \$50,000.00
24		
25	Over \$70,000.00 but not	
26	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
27		excess over \$70,000.00
28		
29	Over \$80,000.00 but not	
30	over \$150,000.00.....	\$1,645.00 plus 5.525% of the
31		excess over \$80,000.00
32		
33	Over \$150,000.00	\$5,512.50 plus 6.370% of the
34		excess over \$150,000.00
35		

36 (5) for taxable years beginning on or after January 1, 2004 but
37 before January 1, 2015 (except as provided in section 1 of P.L.2009,
38 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,
39 2009 but before January 1, 2010):

40		
41	If the taxable income is:	The tax is:
42		
43	Not over \$20,000.00	1.400% of taxable income
44		
45	Over \$20,000.00 but not	
46	over \$50,000.00	\$280.00 plus 1.750% of the
47		excess over \$20,000.00
48	Over \$50,000.00 but not	

A4602 [1R]

1	over \$70,000.00	\$805.00 plus 2.450% of the
2		excess over \$50,000.00
3		
4	Over \$70,000.00 but not	
5	over \$80,000.00	\$1,295.50 plus 3.500% of the
6		excess over \$70,000.00
7		
8	Over \$80,000.00 but not	
9	over \$150,000.00	\$1,645.00 plus 5.525% of the
10		excess over \$80,000.00
11		
12	Over \$150,000.00 but not	
13	over \$500,000.00	\$5,512.50 plus 6.370% of the
14		excess over \$150,000.00
15		
16	Over \$500,000.00	\$27,807.50 plus 8.970% of the
17		excess over \$500,000.00
18		

19 (6) for taxable years beginning on or after January 1, 2015 but
20 before January 1, 2019:

21
22 If the taxable income is: The tax is:

23
24 Not over \$20,000.00 1.400% of taxable income

25
26 Over \$20,000.00 but not
27 over \$50,000.00 \$280.00 plus 1.750% of the
28 excess over \$20,000.00

29
30 Over \$50,000.00 but not
31 over \$70,000.00 \$805.00 plus 2.450% of the
32 excess over \$50,000.00

33
34 Over \$70,000.00 but not
35 over \$80,000.00 \$1,295.50 plus 3.500% of the
36 excess over \$70,000.00

37
38 Over \$80,000.00 but not
39 over \$150,000.00 \$1,645.00 plus 5.525% of the
40 excess over \$80,000.00

41
42 Over \$150,000.00 but not
43 over \$500,000.00 \$5,512.50 plus 6.370% of the
44 excess over \$150,000.00

45 Over \$500,000.00 but not
46 over \$1,000,000.00 \$27,807.50 plus 8.970% of the
47 excess over \$500,000.00

A4602 [1R]

1	<u>Over \$1,000,000.00</u>	<u>\$72,567.50 plus 10.750% of the</u>
2		<u>excess over \$1,000,000.00</u>
3		
4	<u>(7) for taxable years beginning on or after January 1, 2019:</u>	
5	<u>If the taxable income is:</u>	<u>The tax is:</u>
6		
7	<u>Not over \$20,000.00</u>	<u>1.400% of taxable income</u>
8		
9	<u>Over \$20,000.00 but not</u>	
10	<u>over \$50,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
11		<u>excess over \$20,000.00</u>
12		
13	<u>Over \$50,000.00 but not</u>	
14	<u>over \$70,000.00</u>	<u>\$805.00 plus 2.450% of the</u>
15		<u>excess over \$50,000.00</u>
16		
17	<u>Over \$70,000.00 but not</u>	
18	<u>over \$80,000.00</u>	<u>\$1,295.50 plus 3.500% of the</u>
19		<u>excess over \$70,000.00</u>
20		
21	<u>Over \$80,000.00 but not</u>	
22	<u>over \$150,000.00</u>	<u>\$1,645.00 plus 5.525% of the</u>
23		<u>excess over \$80,000.00</u>
24		
25	<u>Over \$150,000.00 but not</u>	
26	<u>over \$500,000.00</u>	<u>\$5,512.50 plus 6.370% of the</u>
27		<u>excess over \$150,000.00</u>
28		
29	<u>Over \$500,000.00</u>	<u>\$27,807.50 plus 8.970% of the</u>
30		<u>excess over \$500,000.00</u>
31		

32 b. For married individuals filing separately, unmarried
33 individuals other than individuals filing as head of household or as
34 a surviving spouse for federal income tax purposes, and estates and
35 trusts:

36
37 (1) for taxable years beginning on or after January 1, 1991 but
38 before January 1, 1994:

39		
40	<u>If the taxable income is:</u>	<u>The tax is:</u>
41		
42	<u>Not over \$20,000.00.....</u>	<u>2% of taxable income</u>
43		
44	<u>Over \$20,000.00 but not</u>	
45	<u>over \$35,000.00.....</u>	<u>\$400.00 plus 2.5% of the</u>
46		<u>excess over \$20,000.00</u>
47		
48	<u>Over \$35,000.00 but not</u>	

A4602 [1R]

1	over \$40,000.00.....	\$775.00 plus 5.0% of the
2		excess over \$35,000.00
3		
4	Over \$40,000.00 but not	
5	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
6		excess over \$40,000.00
7		
8	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
9		excess over \$75,000.00
10		
11	(2) for taxable years beginning on or after January 1, 1994 but	
12	before January 1, 1995:	
13		
14	If the taxable income is:	The tax is:
15		
16	Not over \$20,000.00.....	1.900% of taxable income
17		
18	Over \$20,000.00 but not	
19	over \$35,000.00.....	\$380.00 plus 2.375% of the
20		excess over \$20,000.00
21		
22	Over \$35,000.00 but not	
23	over \$40,000.00.....	\$736.25 plus 4.750% of the
24		excess over \$35,000.00
25		
26	Over \$40,000.00 but not	
27	over \$75,000.00.....	\$973.75 plus 6.175% of the
28		excess over \$40,000.00
29		
30	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
31		excess over \$75,000.00
32		
33	(3) for taxable years beginning on or after January 1, 1995 but	
34	before January 1, 1996:	
35		
36	If the taxable income is:	The tax is:
37		
38	Not over \$20,000.00.....	1.700% of taxable income
39		
40	Over \$20,000.00 but not	
41	over \$35,000.00.....	\$340.00 plus 2.125% of the
42		excess over \$20,000.00
43	Over \$35,000.00 but not	
44	over \$40,000.00.....	\$658.75 plus 4.250% of the
45		excess over \$35,000.00
46		
47	Over \$40,000.00 but not	
48	over \$75,000.00.....	\$871.25 plus 6.013% of the

A4602 [1R]

1 excess over \$40,000.00
2
3 Over \$75,000.00..... \$2,975.80 plus 6.580% of the
4 excess over \$75,000.00
5
6 (4) for taxable years beginning on or after January 1, 1996 but
7 before January 1, 2004:
8
9 If the taxable income is: The tax is:
10
11 Not over \$20,000.00..... 1.400% of taxable income
12
13 Over \$20,000.00 but not
14 over \$35,000.00..... \$280.00 plus 1.750% of the
15 excess over \$20,000.00
16
17 Over \$35,000.00 but not
18 over \$40,000.00..... \$542.50 plus 3.500% of the
19 excess over \$35,000.00
20
21 Over \$40,000.00 but not
22 over \$75,000.00..... \$717.50 plus 5.525% of the
23 excess over \$40,000.00
24
25 Over \$75,000.00..... \$2,651.25 plus 6.370% of the
26 excess over \$75,000.00
27
28 (5) for taxable years beginning on or after January 1, 2004 but
29 before January 1, 2015 (except as provided in section 1 of P.L.2009,
30 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,
31 2009 but before January 1, 2010):
32
33 If the taxable income is: The tax is:
34
35 Not over \$20,000.00 1.400% of taxable income
36
37 Over \$20,000.00 but not
38 over \$35,000.00 \$280.00 plus 1.750% of the
39 excess over \$20,000.00
40 Over \$35,000.00 but not
41 over \$40,000.00 \$542.50 plus 3.500% of the
42 excess over \$35,000.00
43
44 Over \$40,000.00 but not
45 over \$75,000.00 \$717.50 plus 5.525% of the
46 excess over \$40,000.00
47
48 Over \$75,000.00 but not

1	<u>Over \$40,000.00 but not</u>	
2	<u>over \$75,000.00</u>	<u>\$717.50 plus 5.525% of the</u>
3		<u>excess over \$40,000.00</u>
4		
5	<u>Over \$75,000.00 but not</u>	
6	<u>over \$500,000.00</u>	<u>\$2,651.25 plus 6.370% of the</u>
7		<u>excess over \$75,000.00</u>
8		
9	<u>Over \$500,000.00</u>	<u>\$29,723.75 plus 8.970% of the</u>
10		<u>excess over \$500,000.00</u>
11		

12 c. For the purposes of this section, an individual who would be
 13 eligible to file as a head of household for federal income tax
 14 purposes but for the fact that such taxpayer is a nonresident alien,
 15 shall determine tax pursuant to subsection a. of this section.

16 (cf: P.L.2004, c.40, s.17)]¹

17
 18 ¹[2. (New section) a. For purposes of the amendments to
 19 N.J.S.54A:2-1 made by section 1 of P.L. , c. (pending before the
 20 Legislature as this bill), this section shall apply for taxable years
 21 beginning in 2015.

22 b. No additions to tax or penalty shall be imposed upon a
 23 taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of
 24 increased estimated tax on taxable income received before October
 25 1, 2015 for which the increased estimated tax due is attributable to
 26 the rate imposed on taxable income over \$1,000,000 by the
 27 amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c.
 28 (pending before the Legislature as this bill).

29 c. No interest, penalties, or other costs shall be imposed upon an
 30 employer maintaining an office or transacting business within this
 31 State and making payment of any salaries, wages and remuneration
 32 subject to the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1
 33 et seq., or making payment of any remuneration for employment
 34 subject to contribution under the New Jersey “unemployment
 35 compensation law,” pursuant to R.S.43:21-1 et seq., for insufficient
 36 withholding of salaries, wages, and other remuneration paid before
 37 October 1, 2015 that is attributable to an increase in the amount of
 38 tax due pursuant to the rate imposed on taxable income over
 39 \$1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1
 40 of P.L. , c. (pending before the Legislature as this bill).]¹

41
 42 ¹[3.] 1.¹ Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to
 43 read as follows:

44 2. There is established the New Jersey Earned Income Tax
 45 Credit program in the Division of Taxation in the Department of the
 46 Treasury.

47 a. (1) A resident individual who is eligible for a credit under
 48 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.

1 s.32) shall be allowed a credit for the taxable year equal to a
2 percentage, as provided in paragraph (2) of this subsection, of the
3 federal earned income tax credit that would be allowed to the
4 individual or the married individuals filing a joint return under
5 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
6 s.32) for the same taxable year for which a credit is claimed
7 pursuant to this section, subject to the restrictions of this subsection
8 and subsections b., c., d. and e. of this section.

9 (2) For the purposes of the calculation of the New Jersey earned
10 income tax credit, the percentage of the federal earned income tax
11 credit referred to in paragraph (1) of this subsection shall be:

12 (a) 10% for the taxable year beginning on or after January 1,
13 2000, but before January 1, 2001;

14 (b) 15% for the taxable year beginning on or after January 1,
15 2001, but before January 1, 2002;

16 (c) 17.5% for the taxable year beginning on or after January 1,
17 2002, but before January 1, 2003;

18 (d) 20% for taxable years beginning on or after January 1, 2003,
19 but before January 1, 2008;

20 (e) 22.5% for taxable years beginning on or after January 1,
21 2008 but before January 1, 2009;

22 (f) 25% for taxable years beginning on or after January 1, 2009
23 but before January 1, 2010; **and**

24 (g) 20% for taxable years beginning on or after January 1, 2010,
25 but before January 1, 2015; and

26 (h) **'[25%] 30%'** for taxable years beginning on or after
27 January 1, 2015.

28 (3) To qualify for the New Jersey earned income tax credit, if
29 the claimant is married, except for a claimant who files as a head of
30 household or surviving spouse for federal income tax purposes for
31 the taxable year, the claimant shall file a joint return or claim for
32 the credit.

33 b. In the case of a part-year resident claimant, the amount of
34 the credit allowed pursuant to this section shall be pro-rated, based
35 upon that proportion which the total number of months of the
36 claimant's residency in the taxable year bears to 12 in that period.
37 For this purpose, 15 days or more shall constitute a month.

38 c. The amount of the credit allowed pursuant to this section
39 shall be applied against the tax otherwise due under N.J.S.54A:1-1
40 et seq., after all other credits and payments. If the credit exceeds the
41 amount of tax otherwise due, that amount of excess shall be an
42 overpayment for the purposes of N.J.S.54A:9-7; provided however,
43 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
44 provided under this section as a credit against the tax otherwise due
45 and the amount of the credit treated as an overpayment shall be
46 treated as a credit towards or overpayment of gross income tax,
47 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
48 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

1 d. The Director of the Division of Taxation in the Department
2 of the Treasury shall have discretion to establish a program for the
3 distribution of earned income tax credits pursuant to the provisions
4 of this section.

5 e. Any earned income tax credit pursuant to this section shall
6 not be taken into account as income or receipts for purposes of
7 determining the eligibility of an individual for benefits or assistance
8 or the amount or extent of benefits or assistance under any State
9 program and, to the extent permitted by federal law, under any State
10 program financed in whole or in part with federal funds.

11 (cf: P.L.2010, c.27, s.1)

12

13 ¹**[4.]** 2.¹ This act shall take effect immediately and apply to
14 taxable years beginning on or after January 1, 2015.

15

16

17

18

19 Increases State earned income tax credit from 20% to 30% of
20 federal earned income tax credit for taxable years 2015 and
21 thereafter.

ASSEMBLY, No. 4602

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED JUNE 22, 2015

Sponsored by:

Assemblyman VINCENT PRIETO

District 32 (Bergen and Hudson)

Assemblyman LOUIS D. GREENWALD

District 6 (Burlington and Camden)

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

Co-Sponsored by:

Assemblywoman Mosquera and Senator Ruiz

SYNOPSIS

Raises the gross income tax rate on taxable income exceeding \$1,000,000 to 10.75 percent for a temporary four-year-period and restores the State earned income tax credit to 25 percent of the federal credit.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/26/2015)

1 AN ACT raising the gross income tax rate on taxable income
2 exceeding \$1,000,000 temporarily and restoring the earned
3 income tax credit, amending N.J.S.54A:2-1 and P.L.2000, c.80
4 and supplementing Title 54A of the New Jersey Statutes.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. N.J.S.54A:2-1 is amended to read as follows:

10 54A:2-1. Imposition of tax. There is hereby imposed a tax for
11 each taxable year (which shall be the same as the taxable year for
12 federal income tax purposes) on the New Jersey gross income as
13 herein defined of every individual, estate or trust (other than a
14 charitable trust or a trust forming part of a pension or profit-sharing
15 plan), subject to the deductions, limitations and modifications
16 hereinafter provided, determined in accordance with the following
17 tables with respect to taxpayers' taxable income:

18 a. For married individuals filing a joint return and individuals
19 filing as head of household or as surviving spouse for federal
20 income tax purposes:

21 (1) for taxable years beginning on or after January 1, 1991 but
22 before January 1, 1994:

23	24	25
	If the taxable income is:	The tax is:
26	Not over \$20,000.00.....	2% of taxable income
27		
28	Over \$20,000.00 but not	
29	over \$50,000.00.....	\$400.00 plus 2.5% of the
30		excess over \$20,000.00
31	Over \$50,000.00 but not	
32	over \$70,000.00.....	\$1,150.00 plus 3.5% of the
33		excess over \$50,000.00
34		
35	Over \$70,000.00 but not	
36	over \$80,000.00.....	\$1,850.00 plus 5.0% of the
37		excess over \$70,000.00
38		
39	Over \$80,000.00 but not	
40	over \$150,000.00.....	\$2,350.00 plus 6.5% of the
41		excess over \$80,000.00
42		
43	Over \$150,000.00.....	\$6,900.00 plus 7.0% of the
44		excess over \$150,000.00

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

A4602 PRIETO, GREENWALD

1 (2) for taxable years beginning on or after January 1, 1994 but
2 before January 1, 1995:

3

4	If the taxable income is:	The tax is:
5		
6	Not over \$20,000.00.....	1.900% of taxable income
7		
8	Over \$20,000.00 but not	
9	over \$50,000.00.....	\$380.00 plus 2.375% of the
10		excess over \$20,000.00
11		
12	Over \$50,000.00 but not	
13	over \$70,000.00.....	\$1,092.50 plus 3.325% of the
14		excess over \$50,000.00
15		
16	Over \$70,000.00 but not	
17	over \$80,000.00.....	\$1,757.50 plus 4.750% of the
18		excess over \$70,000.00
19		
20	Over \$80,000.00 but not	
21	over \$150,000.00.....	\$2,232.50 plus 6.175% of the
22		excess over \$80,000.00
23		
24	Over \$150,000.00	\$6,555.00 plus 6.650% of the
25		excess over \$150,000.00

26

27 (3) for taxable years beginning on or after January 1, 1995 but
28 before January 1, 1996:

29

30	If the taxable income is:	The tax is:
31		
32	Not over \$20,000.00.....	1.700% of taxable income
33		
34	Over \$20,000.00 but not	
35	over \$50,000.00.....	\$340.00 plus 2.125% of the
36		excess over \$20,000.00
37		
38	Over \$50,000.00 but not	
39	over \$70,000.00.....	\$977.50 plus 2.975% of the
40		excess over \$50,000.00
41		
42	Over \$70,000.00 but not	
43	over \$80,000.00.....	\$1,572.50 plus 4.250% of the
44		excess over \$70,000.00
45		
46	Over \$80,000.00 but not	
47	over \$150,000.00.....	\$1,997.50 plus 6.013% of the
48		excess over \$80,000.00

A4602 PRIETO, GREENWALD

1 Over \$150,000.00 \$6,206.60 plus 6.580% of the
2 excess over \$150,000.00
3

4 (4) for taxable years beginning on or after January 1, 1996 but
5 before January 1, 2004:

6
7 If the taxable income is: The tax is:
8
9 Not over \$20,000.00..... 1.400% of taxable income

10
11 Over \$20,000.00 but not
12 over \$50,000.00..... \$280.00 plus 1.750% of the
13 excess over \$20,000.00

14
15 Over \$50,000.00 but not
16 over \$70,000.00..... \$805.00 plus 2.450% of the
17 excess over \$50,000.00

18
19 Over \$70,000.00 but not
20 over \$80,000.00..... \$1,295.50 plus 3.500% of the
21 excess over \$70,000.00

22
23 Over \$80,000.00 but not
24 over \$150,000.00..... \$1,645.00 plus 5.525% of the
25 excess over \$80,000.00

26
27 Over \$150,000.00 \$5,512.50 plus 6.370% of the
28 excess over \$150,000.00
29

30 (5) for taxable years beginning on or after January 1, 2004 but
31 before January 1, 2015 (except as provided in section 1 of P.L.2009,
32 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,
33 2009 but before January 1, 2010):

34
35 If the taxable income is: The tax is:
36
37 Not over \$20,000.00 1.400% of taxable income

38
39 Over \$20,000.00 but not
40 over \$50,000.00 \$280.00 plus 1.750% of the
41 excess over \$20,000.00

42
43 Over \$50,000.00 but not
44 over \$70,000.00 \$805.00 plus 2.450% of the
45 excess over \$50,000.00

46
47 Over \$70,000.00 but not
48 over \$80,000.00 \$1,295.50 plus 3.500% of the

A4602 PRIETO, GREENWALD

1		excess over \$70,000.00
2		
3	Over \$80,000.00 but not	
4	over \$150,000.00	\$1,645.00 plus 5.525% of the
5		excess over \$80,000.00
6	Over \$150,000.00 but not	
7	over \$500,000.00	\$5,512.50 plus 6.370% of the
8		excess over \$150,000.00
9		
10	Over \$500,000.00	\$27,807.50 plus 8.970% of the
11		excess over \$500,000.00
12		
13	<u>(6) for taxable years beginning on or after January 1, 2015 but</u>	
14	<u>before January 1, 2019:</u>	
15		
16	<u>If the taxable income is:</u>	<u>The tax is:</u>
17		
18	<u>Not over \$20,000.00</u>	<u>1,400% of taxable income</u>
19		
20	<u>Over \$20,000.00 but not</u>	
21	<u>over \$50,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
22		<u>excess over \$20,000.00</u>
23		
24	<u>Over \$50,000.00 but not</u>	
25	<u>over \$70,000.00</u>	<u>\$805.00 plus 2.450% of the</u>
26		<u>excess over \$50,000.00</u>
27		
28	<u>Over \$70,000.00 but not</u>	
29	<u>over \$80,000.00</u>	<u>\$1,295.50 plus 3.500% of the</u>
30		<u>excess over \$70,000.00</u>
31		
32	<u>Over \$80,000.00 but not</u>	
33	<u>over \$150,000.00</u>	<u>\$1,645.00 plus 5.525% of the</u>
34		<u>excess over \$80,000.00</u>
35		
36	<u>Over \$150,000.00 but not</u>	
37	<u>over \$500,000.00</u>	<u>\$5,512.50 plus 6.370% of the</u>
38		<u>excess over \$150,000.00</u>
39		
40	<u>Over \$500,000.00 but not</u>	
41	<u>over \$1,000,000.00</u>	<u>\$27,807.50 plus 8.970% of the</u>
42		<u>excess over \$500,000.00</u>
43		
44	<u>Over \$1,000,000.00</u>	<u>\$72,567.50 plus 10.750% of the</u>
45		<u>excess over \$1,000,000.00</u>
46		
47	<u>(7) for taxable years beginning on or after January 1, 2019:</u>	

A4602 PRIETO, GREENWALD

<u>If the taxable income is:</u>	<u>The tax is:</u>
Not over \$20,000.00	<u>1.400% of taxable income</u>
<u>Over \$20,000.00 but not</u>	
<u>over \$50,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
	<u>excess over \$20,000.00</u>
<u>Over \$50,000.00 but not</u>	
<u>over \$70,000.00</u>	<u>\$805.00 plus 2.450% of the</u>
	<u>excess over \$50,000.00</u>
<u>Over \$70,000.00 but not</u>	
<u>over \$80,000.00</u>	<u>\$1,295.50 plus 3.500% of the</u>
	<u>excess over \$70,000.00</u>
<u>Over \$80,000.00 but not</u>	
<u>over \$150,000.00</u>	<u>\$1,645.00 plus 5.525% of the</u>
	<u>excess over \$80,000.00</u>
<u>Over \$150,000.00 but not</u>	
<u>over \$500,000.00</u>	<u>\$5,512.50 plus 6.370% of the</u>
	<u>excess over \$150,000.00</u>
<u>Over \$500,000.00</u>	<u>\$27,807.50 plus 8.970% of the</u>
	<u>excess over \$500,000.00</u>

b. For married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts:

(1) for taxable years beginning on or after January 1, 1991 but before January 1, 1994:

<u>If the taxable income is:</u>	<u>The tax is:</u>
Not over \$20,000.00.....	2% of taxable income
<u>Over \$20,000.00 but not</u>	
<u>over \$35,000.00.....</u>	<u>\$400.00 plus 2.5% of the</u>
	<u>excess over \$20,000.00</u>
<u>Over \$35,000.00 but not</u>	
<u>over \$40,000.00.....</u>	<u>\$775.00 plus 5.0% of the</u>
	<u>excess over \$35,000.00</u>
<u>Over \$40,000.00 but not</u>	

A4602 PRIETO, GREENWALD

7

1	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
2		excess over \$40,000.00
3		
4	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
5		excess over \$75,000.00
6		
7	(2) for taxable years beginning on or after January 1, 1994 but	
8	before January 1, 1995:	
9		
10	If the taxable income is:	The tax is:
11		
12	Not over \$20,000.00.....	1.900% of taxable income
13		
14	Over \$20,000.00 but not	
15	over \$35,000.00.....	\$380.00 plus 2.375% of the
16		excess over \$20,000.00
17		
18	Over \$35,000.00 but not	
19	over \$40,000.00.....	\$736.25 plus 4.750% of the
20		excess over \$35,000.00
21		
22	Over \$40,000.00 but not	
23	over \$75,000.00.....	\$973.75 plus 6.175% of the
24		excess over \$40,000.00
25		
26	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
27		excess over \$75,000.00
28		
29	(3) for taxable years beginning on or after January 1, 1995 but	
30	before January 1, 1996:	
31		
32	If the taxable income is:	The tax is:
33		
34	Not over \$20,000.00.....	1.700% of taxable income
35		
36	Over \$20,000.00 but not	
37	over \$35,000.00.....	\$340.00 plus 2.125% of the
38		excess over \$20,000.00
39		
40	Over \$35,000.00 but not	
41	over \$40,000.00.....	\$658.75 plus 4.250% of the
42		excess over \$35,000.00
43		
44	Over \$40,000.00 but not	
45	over \$75,000.00.....	\$871.25 plus 6.013% of the
46		excess over \$40,000.00
47		
48	Over \$75,000.00.....	\$2,975.80 plus 6.580% of the

A4602 PRIETO, GREENWALD

1 excess over \$75,000.00
2
3 (4) for taxable years beginning on or after January 1, 1996 but
4 before January 1, 2004:
5
6 If the taxable income is: The tax is:
7
8 Not over \$20,000.00..... 1.400% of taxable income
9
10 Over \$20,000.00 but not
11 over \$35,000.00..... \$280.00 plus 1.750% of the
12 excess over \$20,000.00
13
14 Over \$35,000.00 but not
15 over \$40,000.00..... \$542.50 plus 3.500% of the
16 excess over \$35,000.00
17
18 Over \$40,000.00 but not
19 over \$75,000.00..... \$717.50 plus 5.525% of the
20 excess over \$40,000.00
21
22 Over \$75,000.00..... \$2,651.25 plus 6.370% of the
23 excess over \$75,000.00
24
25 (5) for taxable years beginning on or after January 1, 2004 but
26 before January 1, 2015 (except as provided in section 1 of P.L.2009,
27 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,
28 2009 but before January 1, 2010):
29
30 If the taxable income is: The tax is:
31
32 Not over \$20,000.00 1.400% of taxable income
33
34 Over \$20,000.00 but not
35 over \$35,000.00 \$280.00 plus 1.750% of the
36 excess over \$20,000.00
37
38 Over \$35,000.00 but not
39 over \$40,000.00 \$542.50 plus 3.500% of the
40 excess over \$35,000.00
41
42 Over \$40,000.00 but not
43 over \$75,000.00 \$717.50 plus 5.525% of the
44 excess over \$40,000.00
45
46 Over \$75,000.00 but not
47 over \$500,000.00 \$2,651.25 plus 6.370% of the
48 excess over \$75,000.00

A4602 PRIETO, GREENWALD

1	Over \$500,000.00	\$29,723.75 plus 8.970% of the
2		excess over \$500,000.00
3		
4	<u>(6) for taxable years beginning on or after January 1, 2015 but</u>	
5	<u>before January 1, 2019:</u>	
6		
7	<u>If the taxable income is:</u>	<u>The tax is:</u>
8		
9	<u>Not over \$20,000.00</u>	<u>1.400% of taxable income</u>
10		
11	<u>Over \$20,000.00 but not</u>	
12	<u>over \$35,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
13		<u>excess over \$20,000.00</u>
14		
15	<u>Over \$35,000.00 but not</u>	
16	<u>over \$40,000.00</u>	<u>\$542.50 plus 3.500% of the</u>
17		<u>excess over \$35,000.00</u>
18		
19	<u>Over \$40,000.00 but not</u>	
20	<u>over \$75,000.00</u>	<u>\$717.50 plus 5.525% of the</u>
21		<u>excess over \$40,000.00</u>
22		
23	<u>Over \$75,000.00 but not</u>	
24	<u>over \$500,000.00</u>	<u>\$2,651.25 plus 6.370% of the</u>
25		<u>excess over \$75,000.00</u>
26		
27	<u>Over \$500,000.00 but not</u>	
28	<u>over \$1,000,000.00</u>	<u>\$29,723.75 plus 8.970% of the</u>
29		<u>excess over \$500,000.00</u>
30		
31	<u>Over \$1,000,000.00</u>	<u>\$74,573.75 plus 10.750% of the</u>
32		<u>excess over \$1,000,000.00</u>
33		
34	<u>(7) for taxable years beginning on or after January 1, 2019:</u>	
35		
36	<u>If the taxable income is:</u>	<u>The tax is:</u>
37		
38	<u>Not over \$20,000.00</u>	<u>1.400% of taxable income</u>
39		
40	<u>Over \$20,000.00 but not</u>	
41	<u>over \$35,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
42		<u>excess over \$20,000.00</u>
43		
44	<u>Over \$35,000.00 but not</u>	
45	<u>over \$40,000.00</u>	<u>\$542.50 plus 3.500% of the</u>
46		<u>excess over \$35,000.00</u>
47		
48	<u>Over \$40,000.00 but not</u>	

1	<u>over \$75,000.00</u>	<u>\$717.50 plus 5.525% of the</u>
2		<u>excess over \$40,000.00</u>
3		
4	<u>Over \$75,000.00 but not</u>	
5	<u>over \$500,000.00</u>	<u>\$2,651.25 plus 6.370% of the</u>
6		<u>excess over \$75,000.00</u>
7		
8	<u>Over \$500,000.00</u>	<u>\$29,723.75 plus 8.970% of the</u>
9		<u>excess over \$500,000.00</u>
10		

11 c. For the purposes of this section, an individual who would be
12 eligible to file as a head of household for federal income tax
13 purposes but for the fact that such taxpayer is a nonresident alien,
14 shall determine tax pursuant to subsection a. of this section.
15 (cf: P.L.2004, c.40, s.17)

16
17 2. (New section) a. For purposes of the amendments to
18 N.J.S.54A:2-1 made by section 1 of P.L. , c. (pending before the
19 Legislature as this bill), this section shall apply for taxable years
20 beginning in 2015.

21 b. No additions to tax or penalty shall be imposed upon a
22 taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of
23 increased estimated tax on taxable income received before October
24 1, 2015 for which the increased estimated tax due is attributable to
25 the rate imposed on taxable income over \$1,000,000 by the
26 amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c.
27 (pending before the Legislature as this bill).

28 c. No interest, penalties, or other costs shall be imposed upon an
29 employer maintaining an office or transacting business within this
30 State and making payment of any salaries, wages and remuneration
31 subject to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1
32 et seq., or making payment of any remuneration for employment
33 subject to contribution under the New Jersey "unemployment
34 compensation law," pursuant to R.S.43:21-1 et seq., for insufficient
35 withholding of salaries, wages, and other remuneration paid before
36 October 1, 2015 that is attributable to an increase in the amount of
37 tax due pursuant to the rate imposed on taxable income over
38 \$1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1
39 of P.L. , c. (pending before the Legislature as this bill).

40
41 3. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
42 as follows:

43 2. There is established the New Jersey Earned Income Tax
44 Credit program in the Division of Taxation in the Department of the
45 Treasury.

46 a. (1) A resident individual who is eligible for a credit under
47 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
48 s.32) shall be allowed a credit for the taxable year equal to a

1 percentage, as provided in paragraph (2) of this subsection, of the
2 federal earned income tax credit that would be allowed to the
3 individual or the married individuals filing a joint return under
4 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
5 s.32) for the same taxable year for which a credit is claimed
6 pursuant to this section, subject to the restrictions of this subsection
7 and subsections b., c., d. and e. of this section.

8 (2) For the purposes of the calculation of the New Jersey earned
9 income tax credit, the percentage of the federal earned income tax
10 credit referred to in paragraph (1) of this subsection shall be:

11 (a) 10% for the taxable year beginning on or after January 1,
12 2000, but before January 1, 2001;

13 (b) 15% for the taxable year beginning on or after January 1,
14 2001, but before January 1, 2002;

15 (c) 17.5% for the taxable year beginning on or after January 1,
16 2002, but before January 1, 2003;

17 (d) 20% for taxable years beginning on or after January 1, 2003,
18 but before January 1, 2008;

19 (e) 22.5% for taxable years beginning on or after January 1,
20 2008 but before January 1, 2009;

21 (f) 25% for taxable years beginning on or after January 1, 2009
22 but before January 1, 2010; **and**

23 (g) 20% for taxable years beginning on or after January 1, 2010,
24 but before January 1, 2015; and

25 (h) 25% for taxable years beginning on or after January 1, 2015.

26 (3) To qualify for the New Jersey earned income tax credit, if
27 the claimant is married, except for a claimant who files as a head of
28 household or surviving spouse for federal income tax purposes for
29 the taxable year, the claimant shall file a joint return or claim for
30 the credit.

31 b. In the case of a part-year resident claimant, the amount of
32 the credit allowed pursuant to this section shall be pro-rated, based
33 upon that proportion which the total number of months of the
34 claimant's residency in the taxable year bears to 12 in that period.
35 For this purpose, 15 days or more shall constitute a month.

36 c. The amount of the credit allowed pursuant to this section
37 shall be applied against the tax otherwise due under N.J.S.54A:1-1
38 et seq., after all other credits and payments. If the credit exceeds the
39 amount of tax otherwise due, that amount of excess shall be an
40 overpayment for the purposes of N.J.S.54A:9-7; provided however,
41 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
42 provided under this section as a credit against the tax otherwise due
43 and the amount of the credit treated as an overpayment shall be
44 treated as a credit towards or overpayment of gross income tax,
45 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
46 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

47 d. The Director of the Division of Taxation in the Department
48 of the Treasury shall have discretion to establish a program for the

1 distribution of earned income tax credits pursuant to the provisions
2 of this section.

3 e. Any earned income tax credit pursuant to this section shall
4 not be taken into account as income or receipts for purposes of
5 determining the eligibility of an individual for benefits or assistance
6 or the amount or extent of benefits or assistance under any State
7 program and, to the extent permitted by federal law, under any State
8 program financed in whole or in part with federal funds.

9 (cf: P.L.2010, c.27, s.1)

10

11 4. This act shall take effect immediately and apply to taxable
12 years beginning on or after January 1, 2015.

13

14

15

STATEMENT

16

17 This bill raises the gross income tax rate on taxable income
18 exceeding \$1,000,000 to 10.75% for a temporary four-year-period
19 and restores the State earned income tax credit to 25% of the federal
20 credit. The purpose of this bill is to raise revenue from New
21 Jersey's wealthiest taxpayers while restoring supplemental income
22 assistance for the working poor.

23 The bill raises the gross income tax rate on annual income
24 exceeding \$1,000,000 to 10.75% for taxable years 2015, 2016,
25 2017, and 2018.

26 The bill also increases the State earned income tax credit from
27 20% to 25% of the federal earned income tax credit for taxable
28 years 2015 and thereafter.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4602

STATE OF NEW JERSEY

DATED: JUNE 23, 2015

The Assembly Budget Committee reports favorably Assembly Bill No. 4602.

This bill raises the gross income tax rate on taxable income exceeding \$1,000,000 to 10.75 percent for a temporary four-year-period and restores the State earned income tax credit to 25 percent of the federal credit. The purpose of this bill is to raise revenue from high-income generating activities while maintaining supplemental income assistance for the working poor.

The bill raises the gross income tax rate on annual income exceeding \$1,000,000 to 10.75% for taxable years 2015, 2016, 2017, and 2018.

The bill also increases the State earned income tax credit from 20 percent to 25 percent of the federal earned income tax credit for taxable years 2015 and thereafter.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill would increase gross income tax revenue deposited in the Property Tax Relief Fund (PTRF) for FY 2016, FY 2017, FY 2018, and FY 2019, followed by an annual loss of revenue deposited into the PTRF beginning in FY 2020. The revenue increases are due to the higher 10.75% marginal tax rate, while the revenue decreases are due to the greater Earned Income Tax Credit. The estimates are described separately below.

Gross Income Tax Rate Increase (Four Year Impact):

Precise figures are not available. The OLS uses New Jersey gross income tax (GIT) statistics for Tax Year 2011 rather than Tax Year 2012 (due to the income shifting behavior occurring in 2012 induced by certain federal tax changes), extrapolates those figures for high income tax payers by assuming annual growth of between 4% and 6%, and allocates those revenues by fiscal years. The fiscal year revenue distributions will differ from the tax year amounts.

There will be no receipts in FY 2015, which will be complete before implementation can begin. In FY 2016 the OLS estimates an approximately 15% bonus due to the retroactive implementation of the bill, in which the tax rates are effective beginning January 1, 2015. FY

2016 will collect 100% of the TY 2015 tax liability plus an estimated 15% of the TY 2016 liability from the first six months of withholding and two quarterly estimated payments in 2016. Accordingly, **the total collection in FY 2016 is estimated between \$650 million - \$700 million. FY 2017 is estimated to raise between \$590 million - \$650 million. FY 2018 is estimated to raise between \$615 million - \$690 million. FY 2019, the final year of receipts, is estimated to raise between \$540 million - \$615 million (85% of TY 2018).**

The OLS notes that the revenue gain under this bill will be highly volatile and subject to significant annual change. High-income taxpayers are far more dependent on volatile income sources such as capital gains, bonuses, and certain types of business income than other taxpayers. For example, GIT revenue from taxpayers with more than \$1.0 million income rose by 25% in TY 2007, the year before the Great Recession, but fell 25% in TY 2008 at the onset of the Great Recession.

Earned Income Tax Credit (Permanent Annual Impact):

The OLS additionally estimates the annual incremental revenue loss of increasing the State Earned Income Tax Credit (EITC) from 20 percent of the federal credit amount to 25 percent at **\$61.0 million in FY 2016 (TY 2015), \$62.5 million in FY 2017 (TY 2016), \$64.0 million in FY 2018 (TY 2017), \$65.7 million in FY 2019 (TY 2018), \$67.3 million in FY 2020 (TY 2019) and growing annually by about 2.5% thereafter.**

The OLS estimate is based on the New Jersey Division of Taxation's February 2015 publication, *A Report on Tax Expenditures in New Jersey*. According to the division's estimates, the current 20 percent EITC will reduce State GIT revenues by \$244.2 million in FY 2016. The bill increases the annual benefit to 25 percent of the federal credit amount, an additional estimated cost of \$61.0 million in FY 2016. The State benefit amount is increased annually thereafter reflecting annual indexing in the federal income eligibility limits and credit amounts. Should the participation rate in the State program increase or decrease, the OLS estimate would need to be adjusted accordingly.

SENATE, No. 3109

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED JULY 24, 2015

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

SYNOPSIS

Increases State earned income tax credit from 20 percent to 30 percent of federal earned income tax credit for taxable years 2015 and thereafter.

CURRENT VERSION OF TEXT

As introduced.



S3109 TURNER

2

1 AN ACT concerning the earned income tax credit, amending
2 P.L.2000, c.80.

3

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
9 as follows:

10 2. There is established the New Jersey Earned Income Tax
11 Credit program in the Division of Taxation in the Department of the
12 Treasury.

13 a. (1) A resident individual who is eligible for a credit under
14 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
15 s.32) shall be allowed a credit for the taxable year equal to a
16 percentage, as provided in paragraph (2) of this subsection, of the
17 federal earned income tax credit that would be allowed to the
18 individual or the married individuals filing a joint return under
19 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
20 s.32) for the same taxable year for which a credit is claimed
21 pursuant to this section, subject to the restrictions of this subsection
22 and subsections b., c., d. and e. of this section.

23 (2) For the purposes of the calculation of the New Jersey earned
24 income tax credit, the percentage of the federal earned income tax
25 credit referred to in paragraph (1) of this subsection shall be:

26 (a) 10% for the taxable year beginning on or after January 1,
27 2000, but before January 1, 2001;

28 (b) 15% for the taxable year beginning on or after January 1,
29 2001, but before January 1, 2002;

30 (c) 17.5% for the taxable year beginning on or after January 1,
31 2002, but before January 1, 2003;

32 (d) 20% for taxable years beginning on or after January 1, 2003,
33 but before January 1, 2008;

34 (e) 22.5% for taxable years beginning on or after January 1,
35 2008 but before January 1, 2009;

36 (f) 25% for taxable years beginning on or after January 1, 2009
37 but before January 1, 2010; **[and]**

38 (g) 20% for taxable years beginning on or after January 1, 2010,
39 but before January 1, 2015; and

40 (h) 30% for taxable years beginning on or after January 1, 2015.

41 (3) To qualify for the New Jersey earned income tax credit, if
42 the claimant is married, except for a claimant who files as a head of
43 household or surviving spouse for federal income tax purposes for
44 the taxable year, the claimant shall file a joint return or claim for
45 the credit.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus] in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

S3109 TURNER

1 b. In the case of a part-year resident claimant, the amount of
2 the credit allowed pursuant to this section shall be pro-rated, based
3 upon that proportion which the total number of months of the
4 claimant's residency in the taxable year bears to 12 in that period.
5 For this purpose, 15 days or more shall constitute a month.

6 c. The amount of the credit allowed pursuant to this section
7 shall be applied against the tax otherwise due under N.J.S.54A:1-1
8 et seq., after all other credits and payments. If the credit exceeds the
9 amount of tax otherwise due, that amount of excess shall be an
10 overpayment for the purposes of N.J.S.54A:9-7; provided however,
11 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
12 provided under this section as a credit against the tax otherwise due
13 and the amount of the credit treated as an overpayment shall be
14 treated as a credit towards or overpayment of gross income tax,
15 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
16 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

17 d. The Director of the Division of Taxation in the Department
18 of the Treasury shall have discretion to establish a program for the
19 distribution of earned income tax credits pursuant to the provisions
20 of this section.

21 e. Any earned income tax credit pursuant to this section shall
22 not be taken into account as income or receipts for purposes of
23 determining the eligibility of an individual for benefits or assistance
24 or the amount or extent of benefits or assistance under any State
25 program and, to the extent permitted by federal law, under any State
26 program financed in whole or in part with federal funds.

27 (cf: P.L.2010, c.27, s.1)

28

29 2. This act shall take effect immediately and apply to taxable
30 years beginning on or after January 1, 2015.

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STATEMENT

34

35 This bill increases the State earned income tax credit from 20
36 percent to 30 percent of the federal earned income tax credit for
37 taxable years 2015 and thereafter.

ASSEMBLY BILL NO. 4602

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4602 with my recommendations for reconsideration.

This bill would temporarily increase the tax rate imposed on taxable income exceeding \$1,000,000 from the current rate of 8.97% to a new rate of 10.75% for tax years 2015, 2016, 2017, and 2018. The bill also would increase the State earned income tax credit ("EITC") on a permanent basis, beginning in tax year 2015, from 20 percent to 25 percent of the federal earned income tax credit.

For the fifth time in six years, the Legislature has passed a massive income tax increase and included the proposed revenue from this misguided initiative as an essential component of its budget bill. Because the foundation of the Legislature's proposal is unsound, I must again object.

As I have said many times before, I strongly believe that punitively raising taxes on our already overtaxed residents and small business owners is not the answer to the State's short- or long-term fiscal challenges. The tax increase proposed in this bill would accomplish nothing more than to repeat the failed, irresponsible, and unsustainable policies that were commonplace in Trenton for years before my administration. Simply stated, I do not accept the premise that we can tax our way to prosperity in this manner. Nor do I accept the notion that a four-year income tax increase is an appropriate tool to address legacy pension and health benefit obligations that reflect decades of underfunding, the irresponsible adoption of unfunded benefit enhancements, and investment underperformance during the first decade of the 2000s.

Instead, we should be lowering taxes for all New Jerseyans to more appropriately and responsibly stimulate New Jersey's economy

and improve our already uncompetitive tax climate. Increasing taxes on the businesses and highly productive taxpayers we need in New Jersey to create jobs and grow our economy will only serve to drive them out in search of states with lower tax burdens.

With regard to the EITC, I have previously expressed my strong support for lowering the tax burden on all beleaguered New Jersey taxpayers, most especially the working poor. Unfortunately, the legislative majority's addiction to taxation and aversion to reform seem to foreclose entirely the possibility of broad-based tax cuts during my administration. I will not let them stand in the way of providing some tax reduction for some of our citizens. I have always stated that I would reduce taxes for the working poor as soon as the budget allowed. Now is that time. Therefore, I am recommending that this bill be amended to eliminate the proposed income tax hike while maintaining the increase in the EITC from 20 to 30 percent of the federal credit.

It is evident that there exists a fundamental disagreement between the Legislature's strongly held opinion that constantly raising taxes is best for the State and my conviction that incentivizing already overtaxed individuals and businesses to flee our State is foolish and counterproductive.

Accordingly, I herewith return Assembly Bill No. 4602 and recommend that it be amended as follows:

<u>Page 2, Title, Lines 1-2:</u>	Delete "raising the gross income tax rate on taxable income exceeding \$1,000,000 temporarily and restoring" and insert "concerning"
<u>Page 2, Title, Line 3:</u>	Delete "N.J.S.54A:2-1 and"
<u>Page 2, Title, Line 4:</u>	Delete "and supplementing Title 54A of the New Jersey Statutes"
<u>Page 2, Section 1, Lines 9-44:</u>	Delete in their entirety
<u>Page 3, Section 1, Lines 1-48:</u>	Delete in their entirety
<u>Page 4, Section 1, Lines 1-48:</u>	Delete in their entirety
<u>Page 5, Section 1, Lines 1-47:</u>	Delete in their entirety

Page 6, Section 1, Lines 1-48: Delete in their entirety
Page 7, Section 1, Lines 1-48: Delete in their entirety
Page 8, Section 1, Lines 1-48: Delete in their entirety
Page 9, Section 1, Lines 1-48: Delete in their entirety
Page 10, Section 1, Lines 1-15: Delete in their entirety
Page 10, Section 2, Lines 17-39: Delete in their entirety
Page 10, Section 3, Line 41: Delete "3." and insert "1."
Page 11, Section 3, Line 25: Delete "25%" and insert "30%"
Page 12, Section 4, Line 11: Delete "4." and insert "2."

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Christopher S. Porrino

Chief Counsel to the Governor

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Governor Chris Christie Delivers 50% Tax Cut for New Jersey Working Families

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Signs Earned Income Tax Credit Increase Into Law, Rewarding Work and Delivering Direct Tax Relief

Trenton, NJ – Governor Christie took action to reward the value of work and deliver long-awaited relief to New Jersey’s working families by signing into law a tax cut proposal sent to the legislature at the end of June. The new law, A-4602 wGR/S-2918 (Prieto, Greenwald/Sweeney), which received bipartisan support in both houses of the legislature, increases the Earned Income Tax Credit from 20 percent to 30 percent, resulting in a 50 percent tax cut for the working families of New Jersey.

Approximately 500,000 Garden State households will benefit from the tax relief, with the credit for an average working family rising by 50% from approximately \$420 to \$630.

“This is something that those families need now more than ever. They need more money in their own pocket and less in the pockets of politicians for them to spend on their special interest friends here in Trenton, and so this will put us in line with New York’s State Earned Income Tax Credit at 30 percent and will allow the working families of our state to know that when I said I want to cut taxes for everyone I want to cut taxes for everyone,” Governor Christie said.

“The Legislature is preventing me from cutting taxes for everyone, but we’re now going to cut taxes for the working poor in this state and increase the Earned Income Tax Credit from 20 percent to 30 percent, something I’m both proud and happy to do. Working families in New Jersey will know that they’re going to have more money in their pocket to spend on their families and less money here in Trenton for politicians to spend,” he added.

Working families with incomes up to \$52,000 per year and single adults with incomes up to \$47,000, may be eligible for the credit depending on the number of dependent children in their household.

The Governor’s action makes New Jersey one of the most generous states in the country at delivering working class relief through a state EITC. Under the new law, this expanded level of relief will be provided beginning in taxable year 2015 and thereafter.

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