

54:8A-60 ET AL.

LEGISLATIVE HISTORY CHECKLIST

NJSA 54:8A-60; 54:8A-70; 54:8A-73 et al.

Laws of 1974 Chapter 185

Bill No. A 1613

Sponsor(s) Florio

Date Introduced April 29

Committee: Assembly State Gov't., Federal & Interstate Relations
Senate -----

Amended during passage Yes

Amendments during passage denoted by asterisks

Date of passage: Assembly Dec. 19

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Following statements are attached if available:

Sponsor statement Yes

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ASSEMBLY, No. 1613

STATE OF NEW JERSEY

INTRODUCED APRIL 29, 1974

By Assemblyman FLORIO

Referred to Committee on State Government, Federal and
Interstate Relations

AN ACT to amend and supplement the "Transportation Benefits
Tax Act," approved June 17, 1971 (P. L. 1971, c. 222).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 3 of P. L. 1971, c. 222 (C. 54:8A-60) is amended to
2 read as follows:

3 3. Rate of tax. The tax imposed by this act shall be levied and
4 imposed annually upon each taxpayer at the rate of **[2.3%]** 2.0%
5 upon each of the classes of income hereinafter enumerated in section
6 16 (C. 54:8A-73).

1 2. Section 13 of P. L. 1971, c. 222 (C. 54:8A-70) is amended to
2 read as follows:

3 13. "Taxable year"; "annual accounting period" and "calendar
4 year" defined. (a) The term "taxable year" means:

5 (1) The taxpayer's *or claimant's* annual accounting period; if it
6 is a calendar year or a fiscal year;

7 (2) the calendar year;

8 (A) If the taxpayer keeps no books; or

9 (B) The taxpayer does not have an annual accounting
10 period; or

11 (C) The taxpayer has an annual accounting period but such
12 period does not qualify as a fiscal year; or

13 (3) The period for which the return is made, if the return is
14 made for a period of less than 12 months.

15 (b) The term "annual accounting period" means the annual
16 period on the basis of which the taxpayer regularly computes his
17 income in keeping his books.

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

18 (c) The term "calendar year" means a period of 12 months
19 ending on December 31.

20 (d) The term "fiscal year" means a period of 12 months ending
21 on the last day of any month other than December.

1 *3. Section 16 of P. L. 1971, c. 354 (C. 54:8A-73) is amended to
2 read as follows:

3 16. "Taxable income" defined. The classes of taxable income are
4 as follows:

5 (a) (1) *Compensation.* All salaries, wages, commissions, bonuses
6 and incentive payments whether based on profits or otherwise, fees,
7 tips and similar remuneration received for services rendered
8 whether directly or through an agent and whether in cash or in
9 property.

10 (2) *Net profits.* The net income from the operation of a business
11 profession, or other activity, after provision for all costs and ex-
12 penses incurred in the conduct thereof, determined either on a cash
13 or accrual basis in accordance with accepted accounting principles
14 and practices but without deduction of taxes based on income.

15 (3) *Net gains or income from disposition of property.* Net gains
16 or net income, less net losses, derived from the sale, exchange or
17 other disposition of property, including real or personal, whether
18 tangible or intangible but only to the extent that the amount of such
19 net gain or income exceeds the taxpayer's actual or attributed base
20 as determined in accordance with accepted accounting principles
21 and practices.

22 For the purpose of this act, for the determination of the basis of
23 any property, real and personal, if acquired prior to June 1, 1971,
24 the date of acquisition shall be adjusted to June 1, 1971 as if the
25 property had been acquired on that date. If the property was
26 acquired after June 1, 1971, the actual date of acquisition shall be
27 used in determination of the basis.

28 The term "net gains or income" shall not include gains or income
29 derived from obligations which are statutorily free from State or
30 local taxation under the laws of the taxpayer's State of residence
31 or under the laws of the United States.

32 (4) *Net gains or income derived from or in the form of rents,*
33 *royalties, patents and copyrights.*

34 (5) *Dividends.*

35 (6) *Interest derived from obligations which are not statutorily*
36 *free from state or local taxation under the laws of the taxpayer's*
37 *state of residence or under the laws of the United States.*

38 (7) *Gambling and lottery winnings, except prizes received pur-*
39 *suant to the provisions of the State Lottery Law, P. L. 1970, c. 13.*

40 (8) *Net gains or income derived through estates or trusts.*

41 (b) To the extent that income or gain is subject to tax under one
 42 of the classes of income enumerated in this section such income or
 43 gain shall not be subject to tax under another of such enumerated
 44 classes.

45 (c) The Director, Division of Taxation is empowered to issue
 46 rules and regulations governing the determination of items entering
 47 into the computations of taxable income pursuant to this section.*

1 ***[3.]*** *4.* (New section) Special tax provisions for poverty.

2 a. For the taxable year 1974 and each year thereafter any
 3 claimant as defined in subsection (e) hereof, who meets the follow-
 4 ing standards of eligibility established by this act as the test for
 5 poverty shall be entitled to the benefit of the special provisions of
 6 this section.

7 b. Any claim for special tax provisions hereunder shall be
 8 determined in accordance with the following:

9 (1) If the "poverty income" of the claimant during an entire
 10 taxable year is \$3,000.00 or less, the claimant shall be entitled to a
 11 refund or forgiveness of any moneys which have been paid (or
 12 would except for the provisions of this act be payable) under the
 13 provisions of this act, with an additional income allowance of
 14 \$1,200.00 for the first additional dependent and an additional
 15 income allowance of \$750.00 for each additional dependent of the
 16 claimant.

17 (2) If the "poverty income" of the claimant during an entire
 18 taxable year does not exceed the "poverty income" limitations
 19 prescribed by subsection b. (1) of this section by more than the
 20 dollar category contained in the following table, the claimant shall
 21 be entitled to a refund or forgiveness based on the percentage
 22 prescribed in such table of any moneys which have been paid (or
 23 would except for the provisions herein be payable) under this act:

	Dollar Category in Excess of Poverty Income	Percentage of Refund or Forgiveness
24	Not in excess of:	
25	\$100	90%
26	\$200	80%
27	\$300	70%
28	\$400	60%
29	\$500	50%
30	\$600	40%
31	\$700	30%
32	\$800	20%
33	\$900	10%

34 c. "Poverty" means an economic condition wherein the total
35 amount of poverty income is insufficient to adequately provide the
36 claimant, his spouse and dependent children with the necessities
37 of life.

38 d. "Poverty income" means for the purpose of determining
39 eligibility for special tax provisions all moneys or property
40 (including interest, gains or income derived from obligations which
41 are statutorily free from state or local taxation under the laws
42 of the taxpayer's state of residence or under the laws of the United
43 States) received of whatever nature and from whatever source
44 derived but not including (1) periodic payments for sickness and
45 disability other than regular wages received during a period of
46 sickness or disability; or (2) disability, retirement or other pay-
47 ments arising under workmen's compensation acts, occupational
48 disease acts and similar legislation by any government; or (3)
49 payments commonly recognized as old age or retirement benefits
50 paid to persons retired from service after reaching a specific age
51 or after a stated period of employment; or (4) payments commonly
52 known as public assistance, or unemployment compensation pay-
53 ments by any governmental agency; or (5) payments to reimburse
54 actual expenses; or (6) payments made by employers or labor
55 unions for programs covering hospitalization, sickness, disability
56 or death, supplemental unemployment benefits, strike benefits,
57 social security and retirement; or (7) any compensation received
58 by United States servicemen serving in a combat zone.

59 e. "Claimant" means a person who is subject to the tax imposed
60 under this act, is not a dependent of another person, but is entitled
61 to claim against such tax the poverty tax provisions as provided
62 by this act.

63 f. "Dependent" means a spouse or child who derives more than
64 one-half of his total support during the entire taxable year from
65 a claimant entitled to claim the poverty exemption. Any person
66 who is a dependent pursuant to the provisions of the Internal
67 Revenue Code during a taxable year shall prima facie be deemed
68 a dependent for purposes of this act.

1 ***[4.]*** *5.* (New section) Procedure for claiming special tax
2 provisions. The following procedures shall be employed for claim-
3 ing the special tax provisions:

4 a. The claimant may claim the special tax provisions upon
5 the expiration of his taxable year in connection with his filing of
6 an annual return under the provisions of this act. The director
7 shall have the power to promulgate such rules or regulations as

8 he may deem necessary to fairly and reasonably implement the
9 provisions of this section.

10 b. Proof of eligibility. The director shall prescribe such regula-
11 tions and require the submission of such forms and certifications
12 as may be necessary to establish the eligibility of persons applying
13 for the poverty tax exemption.

1 ***[5.]*** *6.* (New section) When withholding not required.
2 Notwithstanding any provision of this act to the contrary, an em-
3 ployer on and after January 1, 1975, shall not be required to with-
4 hold any tax upon payment of wages to an employee if such em-
5 ployee can certify: (1) that he incurred no personal income tax
6 liability in his state of residence or under this act for the preceding
7 tax year; and (2) that he anticipates no liability under this act for
8 the current taxable year.

1 ***[6.]*** *7.* This act shall take effect immediately and shall be
2 applicable with respect to classes of income specified in section 16
3 of P. L. 1971, c. 222 (C. 54:8A-73) received or accrued on or after
4 January 1, 1974*, *except with respect to the determination of the*
5 *basis of property as provided in subsection (a) (3) of section 16*
6 *of P. L. 1971, c. 354 (C. 54:8A-73), which shall be retroactively*
7 *applicable to June 1, 1971*.*

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10 b. Proof of eligibility. The director shall prescribe such regula-
11 tions and require the submission of such forms and certifications
12 as may be necessary to establish the eligibility of persons applying
13 for the poverty tax exemption.

1 5. (New section) When withholding not required. Notwith-
2 standing any provision of this act to the contrary, an employer on
3 and after January 1, 1975, shall not be required to withhold any
4 tax upon payment of wages to an employee if such employee can
5 certify: (1) that he incurred no personal income tax liability in his
6 state of residence or under this act for the preceding tax year; and
7 (2) that he anticipates no liability under this act for the current
8 taxable year.

1 6. This act shall take effect immediately and shall be applicable
2 with respect to classes of income specified in section 16 of P. L. 1971,
3 c. 222 (C. 54:8A-73) received or accrued on or after January 1, 1974.

STATEMENT

These amendments are designed to conform to the New Jersey Transportation Benefits Tax Act to recent income tax amendments adopted by the state of Pennsylvania.

This bill would reduce the rate tax upon taxable classes of income from 2.3% to 2%, retroactive to January 1, 1974. In addition, the bill establishes special provisions for certain taxpayers whose income falls within the "poverty income" definition as defined in the bill.