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REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

Yes

"Corzine signs, praises \$29B state budget," Courier-Post, 6-30-09, p.1B

"Tax amnesty nets \$725M, restores rebates," Asbury Park Press, 6-30-09, p.A3

"Gov. cites savings, GOP slams spending in \$29B budget," Asbury Park Press, 6-30-09, p.A1

"Corzine signs \$29B budget," Burlington County Times, 6-30-09

"Guv inks budget," The Trentonian, 6-30-09

"State budget reduces property tax rebates," Courier News, 6-30-09

"Corzine signs \$29B budget," The Record, 6-30-09, p. A04

"Jersey's \$29B budget takes effect," The Times, 6-30-09, p. A01

"Governor approves \$29B tab," The Star-Ledger, 6-30-09, p. 012

"Corzine signs \$28.9B state budget, while Republicans warn of future problems, The Press of Atlantic city, 6-30-09, p. A1

"'Proud' Corzine signs budget," The Philadelphia Inquirer, 6-30-09, p.B01

"Governor Corzine signs off on state budget cut to rebates, vice tax hikes," Gloucester County Times, 6-30-09

LAW/IS 5/10/10

[First Reprint]

ASSEMBLY, No. 4102

STATE OF NEW JERSEY

213th LEGISLATURE

INTRODUCED JUNE 11, 2009

Sponsored by:

Assemblywoman BONNIE WATSON COLEMAN

District 15 (Mercer)

Co-Sponsored by:

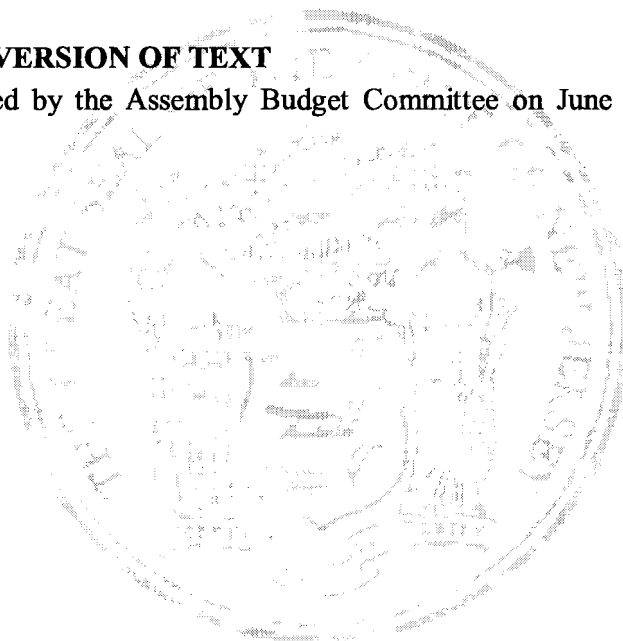
Senator Buono

SYNOPSIS

Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily adjusts property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000.

CURRENT VERSION OF TEXT

As reported by the Assembly Budget Committee on June 22, 2009, with amendments.



(Sponsorship Updated As Of: 6/26/2009)

1 AN ACT modifying the New Jersey gross income tax in response to
2 the severe economic downturn, supplementing and amending
3 Title 54A of the New Jersey Statutes and amending P.L.1996,
4 c.60.

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

8
9 1. (New section) a. Notwithstanding the taxable income tables
10 and tax rates provided in N.J.S.54A:2-1 or any other provision of
11 law to the contrary, for taxable years beginning on or after January
12 1, 2009 but before January 1, 2010, the amount of tax due pursuant
13 to the "New Jersey Gross Income Tax Act," N.J.S.54A1-1 et seq.,
14 for a taxpayer whose taxable income exceeds \$400,000 shall be
15 determined pursuant to subsections b. and c. of this section as is
16 applicable.

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

20	21	21	21
	If the taxable income is:		The tax is:
22			
23	Over \$400,000.00 but not		
24	over \$500,000.00	\$21,437.50 plus 8.0% of the	excess over \$400,000.00
25			
26	Over \$500,000.00 but not		
27	over \$1,000,000.00	\$29,437.50 plus 10.25% of the	excess over \$500,000.00
28			
29			
30	Over \$1,000,000.00	\$80,687.50 plus 10.75% of the	excess over \$1,000,000.00
31			
32			

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

37	38	38	38
	If the taxable income is:		The tax is:
39			
40	Over \$400,000.00 but not		
41	over \$500,000.00	\$23,353.75 plus 8.0% of the	excess over \$400,000.00
42			
43	Over \$500,000.00 but not		
44	over \$1,000,000.00	\$31,353.75 plus 10.25% of the	excess over \$1,000,000.00
45			

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 ABU committee amendments adopted June 22, 2009.

A4102 [1R] WATSON COLEMAN

1 Over \$1,000,000.00 \$82,603.75 plus 10.75% of the
2 excess over \$1,000,000.00
3

4 d. No additions to tax or penalty shall be imposed under
5 N.J.S.54:9-6 for insufficient payment of estimated tax that may
6 otherwise be due on salaries, wages and other remuneration
7 received before October 1, 2009 upon which there is a rate of tax
8 imposed pursuant to subsections b. and c. of this section.

9 e. An employer maintaining an office or transacting business
10 within this State and making payment of any salaries, wages and
11 remuneration subject to New Jersey gross income tax or making
12 payment of any remuneration for employment subject to
13 contribution under the New Jersey "unemployment compensation
14 law," pursuant to R.S.43:21-1 et seq., that is subject to New Jersey
15 gross income tax shall not be subject to interest, penalties or other
16 costs that may otherwise be imposed for insufficient withholding of
17 salaries, wages and other remuneration made before October 1,
18 2009 that is directly attributable to the enactment of the taxable
19 income tables and tax rates in subsections b. and c. of this section.
20

21 2. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to
22 read as follows:

23 3. a. A resident taxpayer under the "New Jersey Gross Income
24 Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from
25 gross income for property taxes not in excess of \$10,000, subject to
26 the limitations of subsection f. of this section, due and paid for the
27 calendar year in which the taxes are due and payable on the
28 taxpayer's homestead.

29 b. A deduction for property taxes shall be allowed pursuant to
30 this section in relation to the amount of the property taxes actually
31 paid by or allocable to a resident taxpayer who has more than one
32 homestead, but the aggregate amount of the property taxes claimed
33 shall not exceed the total of the proportionate amounts of property
34 taxes assessed and levied against or allocable to each homestead for
35 the portion of the taxable year for which the taxpayer occupied it as
36 the taxpayer's principal residence.

37 c. If title to a homestead is held by more than one individual as
38 joint tenants or tenants in common, each individual shall be allowed
39 a deduction pursuant to this section only in relation to the
40 individual's proportionate share of the property taxes assessed and
41 levied against the homestead. The proportionate share shall be
42 equal to that of all other individuals who hold the title, but if the
43 conveyance under which the title is held provides for unequal
44 interests therein, a taxpayer's share of the property taxes shall be in
45 proportion to the taxpayer's interest in the title.

46 d. If title to a homestead is held by a husband and wife who
47 own the homestead as tenants by the entirety, or if that husband and
48 wife are both residential shareholders of a cooperative or mutual

1 housing corporation and occupy the same homestead therein, and
2 who elect to file separate income tax returns pursuant to the "New
3 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., that husband
4 and wife shall each be entitled to one-half of the deduction for
5 property taxes for which they may be jointly eligible pursuant to
6 this section.

7 e. If the homestead is a dwelling house consisting of more than
8 one unit, that taxpayer shall be allowed a deduction for property
9 taxes only in relation to the proportionate share of the property
10 taxes assessed and levied against the residential unit occupied by
11 the taxpayer, as determined by the local tax assessor.

12 f. Notwithstanding the provisions of subsection a. of this
13 section to the contrary: (1) a resident taxpayer shall be allowed a
14 deduction for a taxpayer's taxable year beginning during 1996 based
15 on 50% of the property taxes not in excess of \$5,000 paid on the
16 taxpayer's homestead; and (2) a resident taxpayer shall be allowed a
17 deduction for a taxpayer's taxable year beginning during 1997 based
18 on 75% of the property taxes not in excess of \$7,500 paid on the
19 taxpayer's homestead.

20 g. Notwithstanding any other provision of this section, the
21 deduction allowed under this section to a resident taxpayer eligible
22 to receive a homestead property tax reimbursement pursuant to
23 P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident
24 taxpayer's base year property tax liability as determined pursuant to
25 P.L.1997, c.348 (C.54:4-8.67 et al.).

26 h. Notwithstanding any other provision of this section, for the
27 taxable year beginning January 1, 2009, a taxpayer who has gross
28 income for the taxable year of more than ¹[\$150,000] \$250,000¹
29 and is not:

30 (1) 65 years of age or older at the close of the taxable year; or
31 (2) allowed to claim a personal deduction as a blind or disabled
32 taxpayer pursuant to subsection b. of N.J.S.54A:3-1,
33 shall not be allowed a deduction pursuant to this section¹;

34 provided however, the deduction for a taxpayer who has gross
35 income for the taxable year of more than \$150,000 but not
36 exceeding \$250,000 and is not:

37 (1) 65 years of age or older at the close of the taxable year; or
38 (2) allowed to claim a personal deduction as a blind or disabled
39 taxpayer pursuant to subsection b. of N.J.S.54A:3-1,
40 shall not exceed \$5,000¹.

41 (cf: P.L.1997, c.348, s.8)

42

43 3. N.J.S.54A:6-11 is amended to read as follows:

44 N.J.S.54A:6-11. Lottery Winnings. Gross income shall not
45 include lottery winnings from the New Jersey Lottery, except that
46 New Jersey Lottery winnings from a prize in an amount exceeding
47 \$10,000 shall be included in gross income.

48 (cf: N.J.S.54A:6-11)

1 4. N.J.S.54A:7-1 is amended to read as follows:

2 54A:7-1. Requirement of withholding tax from wages.

3 (a) General.--From and after September 1, 1976, every
4 employer maintaining an office or transacting business within this
5 State and making payment of any wages subject to New Jersey
6 personal income tax or making payment of any remuneration for
7 employment subject to contribution under the New Jersey
8 "unemployment compensation law" pursuant to R.S.43:21-1 et seq.
9 that is subject to New Jersey personal income tax to a resident or
10 nonresident individual shall deduct and withhold from such wages
11 for each payroll period a tax computed in such manner as to result,
12 so far as practicable, in withholding from the employee's wages
13 during each calendar year an amount substantially equivalent to the
14 tax reasonably estimated to be due resulting from the inclusion in
15 the employee's New Jersey income of his wages received during
16 such calendar year. The method of determining the amount to be
17 withheld shall be prescribed by regulations of the director, with due
18 regard to the withholding exemptions of the employee.

19 (b) Withholding exemptions.--For purposes of this section:

20 An employee shall be entitled to the equivalent of the same
21 number of New Jersey withholding exemptions as the number of
22 withholding exemptions to which he is entitled for Federal income
23 tax withholding purposes. An employer may rely upon the number
24 of Federal withholding exemptions claimed by the employee.

25 (c) The payor of New Jersey gambling winnings shall withhold
26 New Jersey gross income tax on those winnings at a rate of 3% in
27 all instances where the payor is required to withhold for federal
28 income tax purposes under subsection (q) of section 3402 of the
29 federal Internal Revenue Code of 1986 (26 U.S.C. s.3402), as
30 amended, except that this subsection shall not apply to the New
31 Jersey State Lottery, except if winnings paid by the New Jersey
32 State Lottery are included in gross income pursuant to N.J.S.54A:6-
33 11. The rate of withholding for gambling winnings paid by the
34 New Jersey State Lottery shall be determined by director.

35 (cf: P.L.2006, c.85, s.1)

36

37 5. This act shall take effect immediately and apply to taxable
38 years beginning on or after January 1, 2009.

1 "unemployment compensation law" pursuant to R.S.43:21-1 et seq.
2 that is subject to New Jersey personal income tax to a resident or
3 nonresident individual shall deduct and withhold from such wages
4 for each payroll period a tax computed in such manner as to result,
5 so far as practicable, in withholding from the employee's wages
6 during each calendar year an amount substantially equivalent to the
7 tax reasonably estimated to be due resulting from the inclusion in
8 the employee's New Jersey income of his wages received during
9 such calendar year. The method of determining the amount to be
10 withheld shall be prescribed by regulations of the director, with due
11 regard to the withholding exemptions of the employee.

12 (b) Withholding exemptions.--For purposes of this section:

13 An employee shall be entitled to the equivalent of the same
14 number of New Jersey withholding exemptions as the number of
15 withholding exemptions to which he is entitled for Federal income
16 tax withholding purposes. An employer may rely upon the number
17 of Federal withholding exemptions claimed by the employee.

18 (c) The payor of New Jersey gambling winnings shall withhold
19 New Jersey gross income tax on those winnings at a rate of 3% in
20 all instances where the payor is required to withhold for federal
21 income tax purposes under subsection (q) of section 3402 of the
22 federal Internal Revenue Code of 1986 (26 U.S.C. s.3402), as
23 amended, except that this subsection shall not apply to the New
24 Jersey State Lottery, except if winnings paid by the New Jersey
25 State Lottery are included in gross income pursuant to N.J.S.54A:6-
26 11. The rate of withholding for gambling winnings paid by the
27 New Jersey State Lottery shall be determined by director.

28 (cf: P.L.2006, c.85, s.1)

29

30 5. This act shall take effect immediately and apply to taxable
31 years beginning on or after January 1, 2009.

32

33

34 SPONSOR'S STATEMENT

35

36 This bill, a component of the Governor's current budget plan for
37 fiscal year 2010, makes various revisions to the New Jersey gross
38 income tax to address the unprecedented fiscal challenges
39 confronting New Jersey.

40 This bill provides a temporary adjustment to the rate of the gross
41 income tax for taxpayers with taxable incomes exceeding \$400,000
42 in taxable years beginning on or after January 1, 2009 but before
43 January 1, 2010. The bill provides for adjusted income taxation of
44 the following brackets at the following rates: over \$400,000 but not
45 over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not
46 over \$1,000,000 is adjusted from 8.97% to 10.25%; and over
47 \$1,000,000 is adjusted from 8.97% to 10.75%.

A4102 WATSON COLEMAN

6

1 This bill also suspends for the 2009 taxable year the New Jersey
2 gross income tax property tax deduction for taxpayers who have
3 gross income for that taxable year of more than \$150,000 and are
4 not: (1) 65 years of age or older; or (2) allowed a personal
5 exemption as a blind or disabled individual. According to the
6 Administration, over 80% of New Jersey taxpayers will still be
7 eligible for full property tax deductions during this one year
8 suspension.

9 Lastly, the bill provides that New Jersey Lottery winnings from
10 prizes exceeding \$10,000 are taxable under the gross income tax.
11 The bill also authorizes the New Jersey State Lottery to withhold a
12 percentage of such winnings for gross income tax, at a rate
13 determined by the Director of the Division of Taxation. The
14 Administration expects that this part of the bill will generate \$8
15 million in fiscal year 2010.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4102

STATE OF NEW JERSEY

DATED: JUNE 15, 2009

The Assembly Budget Committee reports favorably Assembly Bill No. 4102.

The bill makes various modifications to the New Jersey gross income tax.

The first component of this bill is a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not over \$1,000,000 is adjusted from 8.97% to 10.25%; and over \$1,000,000 is adjusted from 8.97% to 10.75%.

Secondly, this bill suspends for the 2009 taxable year the property tax deduction for taxpayers who have gross income for that taxable year of more than \$150,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

FISCAL IMPACT:

The Treasurer has indicated in testimony before the Budget Committees of each House that the provisions included in this bill would increase State gross income tax revenues by \$1,071,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$160 million from the one year suspension of the property tax deduction for certain non-seniors; and \$8 million from the

application of the gross income tax to certain lottery prize winnings, which will recur annually.

Though the fiscal note prepared by the Office of Legislative Services on this bill concurs with the Executive estimate, the fiscal note also indicates that there is a certain amount of uncertainty regarding any estimates of the gross income tax under current economic conditions.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4102

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2009

The Assembly Budget Committee reports favorably Assembly Bill No. 4102, with committee amendments.

The bill, as amended, makes various modifications to the New Jersey gross income tax.

The first component of this bill is a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not over \$1,000,000 is adjusted from 8.97% to 10.25%; and over \$1,000,000 is adjusted from 8.97% to 10.75%.

Secondly, this bill suspends for the 2009 taxable year the property tax deduction for taxpayers who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual. Additionally, the bill caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

COMMITTEE AMENDMENTS:

The committee amendments allow a property tax deduction for non-senior and non-disabled taxpayers with gross income of more than \$150,000, but not exceeding \$250,000, but limit the deduction to a maximum of \$5,000. Under the committee amendments non-senior and non-disabled taxpayers with gross income in excess of \$250,000 are precluded from taking the property tax deduction.

FISCAL IMPACT:

The Treasurer has indicated that the provisions included in this bill would increase State gross income tax revenues by \$1,011,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$100 million from the one year suspension of the property tax deduction for certain non-seniors; and \$8 million from the application of the gross income tax to certain lottery prize winnings, which will recur annually.

The Office of Legislative Services notes that there is a certain amount of volatility regarding any estimates of the gross income tax under current economic conditions.

FISCAL NOTE
[First Reprint]
ASSEMBLY, No. 4102
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 30, 2009

SUMMARY

- Synopsis:** Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily adjusts property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000.
- Type of Impact:** Temporary increase of revenues deposited in the Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Executive Estimate

Fiscal Impact	FY 2010	FY 2011 and thereafter
State Revenue	\$1,011,000,000	\$8,000,000

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate of the potential revenue increase from this bill.
- However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax under current economic conditions.

BILL DESCRIPTION

Assembly Bill No. 4102 (1R) of 2009 makes various revisions to the New Jersey gross income tax. This bill provides a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37 percent to 8 percent; over \$500,000 but not over \$1,000,000 is adjusted from 8.97 percent to 10.25 percent; and over \$1,000,000 is adjusted from 8.97 percent to 10.75 percent.

This bill also suspends for the 2009 taxable year the property tax deduction for taxpayers who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual. Additionally, the bill caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Treasurer has indicated in testimony before the Budget Committees of each House and through budget discussions that the provisions included in this bill would increase State gross income tax revenues by \$1,011,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$100 million from the one year adjustment of the property tax deduction for certain non-seniors; and \$8 million from the application of the gross income tax to certain lottery prize winnings, which will recur annually.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate of the potential revenue increase from this bill. In discussions with the Division of Taxation, the OLS believes the estimates are based on reasonable extrapolations of the most recently available data from the Division's statistics of income. However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax (GIT) under current economic conditions. The GIT has been unusually volatile during the economic recession and financial crisis, resulting in a sharp revenue decline of nearly 20 percent in Fiscal Year 2008. Much of this revenue volatility derives from income declines among higher-income taxpayers, precisely the group most impacted by this bill. In addition, recently enacted income tax rate increases on high-income taxpayers in New York State further add to the forecasting uncertainty, to the extent that some New Jersey taxpayers also claim tax credits for taxes paid to New York State. Such economic volatility combined with cross-state tax interactions make accurate GIT forecasting more problematic, even if the methodology is reasonable.

Section: Revenue, Finance and Appropriations

*Analyst: Martin Poethke
Lead Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

1 "unemployment compensation law" pursuant to R.S.43:21-1 et seq.
2 that is subject to New Jersey personal income tax to a resident or
3 nonresident individual shall deduct and withhold from such wages
4 for each payroll period a tax computed in such manner as to result,
5 so far as practicable, in withholding from the employee's wages
6 during each calendar year an amount substantially equivalent to the
7 tax reasonably estimated to be due resulting from the inclusion in
8 the employee's New Jersey income of his wages received during
9 such calendar year. The method of determining the amount to be
10 withheld shall be prescribed by regulations of the director, with due
11 regard to the withholding exemptions of the employee.

12 (b) Withholding exemptions.--For purposes of this section:

13 An employee shall be entitled to the equivalent of the same
14 number of New Jersey withholding exemptions as the number of
15 withholding exemptions to which he is entitled for Federal income
16 tax withholding purposes. An employer may rely upon the number
17 of Federal withholding exemptions claimed by the employee.

18 (c) The payor of New Jersey gambling winnings shall withhold
19 New Jersey gross income tax on those winnings at a rate of 3% in
20 all instances where the payor is required to withhold for federal
21 income tax purposes under subsection (q) of section 3402 of the
22 federal Internal Revenue Code of 1986 (26 U.S.C. s.3402), as
23 amended, except that this subsection shall not apply to the New
24 Jersey State Lottery, except if winnings paid by the New Jersey
25 State Lottery are included in gross income pursuant to N.J.S.54A:6-
26 11. The rate of withholding for gambling winnings paid by the
27 New Jersey State Lottery shall be determined by director.

28 (cf: P.L.2006, c.85, s.1)

29
30 5. This act shall take effect immediately and apply to taxable
31 years beginning on or after January 1, 2009.

32

33

34

SPONSOR'S STATEMENT

35

36 This bill, a component of the Governor's current budget plan for
37 fiscal year 2010, makes various revisions to the New Jersey gross
38 income tax to address the unprecedented fiscal challenges
39 confronting New Jersey.

40 This bill provides a temporary adjustment to the rate of the gross
41 income tax for taxpayers with taxable incomes exceeding \$400,000
42 in taxable years beginning on or after January 1, 2009 but before
43 January 1, 2010. The bill provides for adjusted income taxation of
44 the following brackets at the following rates: over \$400,000 but not
45 over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not
46 over \$1,000,000 is adjusted from 8.97% to 10.25%; and over
47 \$1,000,000 is adjusted from 8.97% to 10.75%.

S2015 BUONO

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1 This bill also suspends for the 2009 taxable year the New Jersey
2 gross income tax property tax deduction for taxpayers who have
3 gross income for that taxable year of more than \$150,000 and are
4 not: (1) 65 years of age or older; or (2) allowed a personal
5 exemption as a blind or disabled individual. According to the
6 Administration, over 80% of New Jersey taxpayers will still be
7 eligible for full property tax deductions during this one year
8 suspension.

9 Lastly, the bill provides that New Jersey Lottery winnings from
10 prizes exceeding \$10,000 are taxable under the gross income tax.
11 The bill also authorizes the New Jersey State Lottery to withhold a
12 percentage of such winnings for gross income tax, at a rate
13 determined by the Director of the Division of Taxation. The
14 Administration expects that this part of the bill will generate \$8
15 million in fiscal year 2010.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2015

STATE OF NEW JERSEY

DATED: JUNE 15, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2015.

This bill makes various modifications to the New Jersey gross income tax.

The first component of this bill is a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not over \$1,000,000 is adjusted from 8.97% to 10.25%; and over \$1,000,000 is adjusted from 8.97% to 10.75%.

Secondly, this bill suspends for the 2009 taxable year the property tax deduction for taxpayers who have gross income for that taxable year of more than \$150,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

FISCAL IMPACT:

The Treasurer has indicated in testimony before the Budget Committees of each House that the provisions included in this bill would increase State gross income tax revenues by \$1,071,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$160 million from the one year suspension of the property tax deduction for certain non-seniors; and \$8 million from the

application of the gross income tax to certain lottery prize winnings, which will recur annually.

Though the fiscal note prepared by the Office of Legislative Services on this bill concurs with the Executive estimate, the fiscal note also indicates that there is a certain amount of uncertainty regarding any estimates of the gross income tax under current economic conditions.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2015

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 22, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2015, with committee amendments.

Senate Bill No. 2015 makes various modifications to the New Jersey gross income tax.

The first component of this bill is a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37% to 8%; over \$500,000 but not over \$1,000,000 is adjusted from 8.97% to 10.25%; and over \$1,000,000 is adjusted from 8.97% to 10.75%.

Secondly, this bill suspends for the 2009 taxable year the property tax deduction for taxpayers who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual. Additionally, the bill caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

COMMITTEE AMENDMENTS:

The committee amendments allow a property tax deduction for non-senior and non-disabled taxpayers with gross income of more than \$150,000, but not exceeding \$250,000, but limit the deduction to a maximum of \$5,000. Under the committee amendments non-senior and non-disabled taxpayers with gross income in excess of \$250,000 are precluded from taking the property tax deduction.

FISCAL IMPACT:

The Treasurer has indicated that the provisions included in this bill would increase State gross income tax revenues by \$1,011,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$100 million from the one year suspension and adjustments of the property tax deduction for certain non-seniors; and \$8 million from the application of the gross income tax to certain lottery prize winnings, which will recur annually.

The Office of Legislative Services notes that there is a certain amount of volatility regarding any estimates of the gross income tax under current economic conditions.

FISCAL NOTE
SENATE, No. 2015
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 24, 2009

SUMMARY

- Synopsis:** Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily suspends of property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000.
- Type of Impact:** Temporary increase of revenues deposited in the Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Executive Estimate

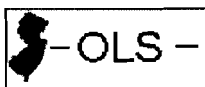
Fiscal Impact	FY 2010	FY 2011 and thereafter
State Revenue	\$1,071,000,000	\$8,000,000

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate of the potential revenue increase from this bill.
- However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax under current economic conditions.

BILL DESCRIPTION

Senate Bill No. 2015 of 2009 makes various revisions to the New Jersey gross income tax. This bill provides a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37 percent to 8 percent; over \$500,000 but not over \$1,000,000 is adjusted from 8.97 percent to 10.25 percent; and over \$1,000,000 is adjusted from 8.97 percent to 10.75 percent.

This bill also suspends for the 2009 taxable year the New Jersey gross income tax property tax deduction for taxpayers who have gross income for that taxable year of more than \$150,000



and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Treasurer has indicated in testimony before the Budget Committees of each House that the provisions included in this bill would increase State gross income tax revenues by \$1,071,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$160 million from the one year suspension of the property tax deduction for certain non-seniors; and \$8 million from the application of the gross income tax to certain lottery prize winnings, which will recur annually.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate of the potential revenue increase from this bill. In discussions with the Division of Taxation, the OLS believes the estimates are based on reasonable extrapolations of the most recently available data from the Division's statistics of income. However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax (GIT) under current economic conditions. The GIT has been unusually volatile during the economic recession and financial crisis, resulting in a sharp revenue decline of nearly 20% in Fiscal Year 2008. Much of this revenue volatility derives from income declines among higher-income taxpayers, precisely the group most impacted by this bill. In addition, recently enacted income tax rate increases on high-income taxpayers in New York State further add to the forecasting uncertainty, to the extent that some New Jersey taxpayers also claim tax credits for taxes paid to New York State. Such economic volatility combined with cross-state tax interactions make accurate GIT forecasting more problematic, even if the methodology is reasonable.

Section: Revenue, Finance and Appropriations

*Analyst: Martin Poethke
Lead Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

FISCAL NOTE
[First Reprint]
SENATE, No. 2015
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 30, 2009

SUMMARY

- Synopsis:** Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily adjusts property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000.
- Type of Impact:** Temporary increase of revenues deposited in the Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Executive Estimate

Fiscal Impact	FY 2010	FY 2011 and thereafter
State Revenue	\$1,011,000,000	\$8,000,000

- The Office of Legislative Services (OLS) **concurs** with the Executive estimate of the potential revenue increase from this bill.
- However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax under current economic conditions.

BILL DESCRIPTION

Senate Bill No. 2015 (1R) of 2009 makes various revisions to the New Jersey gross income tax. This bill provides a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding \$400,000 in taxable years beginning on or after January 1, 2009 but before January 1, 2010. The bill provides for adjusted income taxation of the following brackets at the following rates: over \$400,000 but not over \$500,000 is adjusted from 6.37 percent to 8 percent; over \$500,000 but not over \$1,000,000 is adjusted from 8.97 percent to 10.25 percent; and over \$1,000,000 is adjusted from 8.97 percent to 10.75 percent.

This bill also suspends for the 2009 taxable year the property tax deduction for taxpayers

who have gross income for that taxable year of more than \$250,000 and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual. Additionally, the bill caps the maximum property tax deduction to \$5,000 for taxpayers who have gross income for that taxable year of more than \$150,000, but not exceeding \$250,000, and are not: (1) 65 years of age or older; or (2) allowed a personal exemption as a blind or disabled individual.

Lastly, the bill provides that New Jersey Lottery winnings from prizes exceeding \$10,000 are taxable under the gross income tax. The bill also authorizes the New Jersey State Lottery to withhold a percentage of such winnings for gross income tax, at a rate determined by the Director of the Division of Taxation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Treasurer has indicated in testimony before the Budget Committees of each House and through budget discussions that the provisions included in this bill would increase State gross income tax revenues by \$1,011,000,000 in Fiscal Year 2010. These revenues would be deposited into the Property Tax Relief Fund. For Fiscal Years 2011 and thereafter, only \$8,000,000 would recur annually, fluctuating with annual changes in prize winnings.

Specifically, this estimate assumes revenues of: \$200 million from the one year increased marginal rate on income greater than \$1,000,000; \$620 million from the one year increased marginal rate on incomes between \$500,000 and \$1,000,000; \$83 million from the one year increased marginal rate on incomes between \$400,000 and \$500,000; \$100 million from the one year adjustment of the property tax deduction for certain non-seniors; and \$8 million from the application of the gross income tax to certain lottery prize winnings, which will recur annually.

OFFICE OF LEGISLATIVE SERVICES

The OLS concurs with the Executive estimate of the potential revenue increase from this bill. In discussions with the Division of Taxation, the OLS believes the estimates are based on reasonable extrapolations of the most recently available data from the Division's statistics of income. However, the OLS notes that there is a higher level of uncertainty regarding any estimates of the gross income tax (GIT) under current economic conditions. The GIT has been unusually volatile during the economic recession and financial crisis, resulting in a sharp revenue decline of nearly 20 percent in Fiscal Year 2008. Much of this revenue volatility derives from income declines among higher-income taxpayers, precisely the group most impacted by this bill. In addition, recently enacted income tax rate increases on high-income taxpayers in New York State further add to the forecasting uncertainty, to the extent that some New Jersey taxpayers also claim tax credits for taxes paid to New York State. Such economic volatility combined with cross-state tax interactions make accurate GIT forecasting more problematic, even if the methodology is reasonable.

S2015 [1R]

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Section: Revenue, Finance and Appropriations

*Analyst: Martin Poethke
Lead Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

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JON S. CORZINE
Governor

For Immediate Release:
Date: June 29, 2009

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Governor Corzine Signs \$29 Billion State Budget That Reflects Ethic of Shared Responsibility

Amid deep national recession, FY2010 budget makes the right choices: It prioritizes education, health care and seniors at the same time it provides unprecedented relief from property taxes to all New Jerseyans and direct tax rebates to 1 million working families.

TRENTON – Governor Jon S. Corzine today signed legislation adopting a \$29 billion budget for FY2010 that is \$1.8 billion less than the first budget he signed four years ago.

"For over six decades, New Jersey Governors and Legislators have talked about the need to make state government leaner," Governor Corzine said. "But for over six decades, the size and cost have government have continued to grow – until now. The budget I signed is \$1.8 billion smaller than the first budget I signed in 2006 and is \$4 billion smaller than last year's budget, yet we have expanded my administration's unequalled investment in direct property tax relief for working families – \$7 billion in four years. We have proven that government can do more with less."

The bare-bones appropriations act (A-4100/S-2010) is an unprecedented reduction in the size of State government. Every department, agency and authority was ordered to make cuts. There were more than 850 line items eliminated or reduced – everything from \$300 million saved by renegotiating state worker union contracts to cutting up gas cards to consolidating office space and reducing the number of cars in the state motor pool.

Scarce resources presented tough choices, but the governor and Democratic lawmakers prioritized funding for education, health care and senior citizens. The budget also provides much-needed property tax relief for homeowners, including 1 million who will receive direct relief through rebate checks of as much as \$900 per household.

"Today, we can be proud of a budget that honors our commitment to our children, seniors, and the most vulnerable," Governor Corzine said. "It's a budget that protects the working-class taxpayer and one which asks a little more of those who can afford it. This budget reflects an ethic of shared responsibility."

The Governor thanked Democratic leaders in the Senate and the General Assembly for their efforts in holding public hearings and securing passage of the final spending plan.

"Everyone involved in crafting this year's budget should be commended for the level of civility and cooperation employed in a year that could have easily devolved into chaos," said Senate President Richard J. Codey (D-Essex). "Instead, what we have is a budget that is \$4 billion leaner, yet still provides vital services to our residents, and is being signed into law well before our deadline."

"We have always said that we would seek to provide as much property tax relief as possible, and this budget honors that commitment to put property taxpayers first," said Assembly Speaker Joseph J. Roberts, Jr. (D-Camden).

"Even with historic cuts, this budget focuses on our core mission as a state – educating our children, improving public health, keeping residents safe and providing vital property tax relief to middle-class families," said Assemblyman Louis Greenwald (D-Camden), chairman of the Assembly Budget Committee. "As other states continue to make unconscionable cuts to their residents' core values, we continue to strengthen ours."

More Information

[Ten Good Things in the FY2010 Budget](#)

[Video: What's in the FY2010 Budget?](#)

[FY2010 Budget Documents](#)

[Governor Recommends Restoration of Property Tax Relief](#)

The Governor earlier signed other budget related measures including:

- A-4101/S-2011 (Greenwald/Buono) – Makes FY 2009 supplemental appropriations totaling \$20,768,000 reduces FY 2009 appropriations by \$27,500,000 and amends and supplements various language provisions affecting appropriations in FY 2009
- A-4102/S-2015 (Watson Coleman/Buono) – Temporarily increases income tax rates for taxpayers with income exceeding \$400,000, temporarily adjusts property tax deduction for certain taxpayers with income exceeding \$150,000 and taxes New Jersey Lottery Prizes exceeding \$10,000
- A-4103/S-2012 (Diegnan/Codey) – Raises cigarette tax rate from \$2.575 to \$2.70 per pack and dedicates additional revenue to the Health Care Subsidy Fund
- A-4104/S-2013 (Wisniewski/Weinberg) – Increase tax rates on liquor and wines, vermouth, sparkling wines and hard cider and dedicates additional revenue to the Health Care Subsidy Fund
- A-4105/S-2014 (Pou, Evans/Sweeney) – Provides one year extension of 4% surcharge on corporation business tax liability and decouples corporation business tax from federal Internal Revenue Code deferral of certain discharge of indebtedness income
- A-4106/S-2018 (Green, Jasey/Sweeney) – Directs NJHMFA to transfer up to \$12 million in unencumbered reserves to the State for rental assistance program and makes appropriation
- A-4107/S-2017 (Quigley, Chivukula, Coutinho/Sweeney) – Directs EDA to transfer up to \$22 million in unencumbered reserves to qualifying capital investment grant component of InvestNJ Business Grant Program
- A-4108/S-2016 (Cryan, Coutinho/Sweeney) – Concerns taxation of certain lines of insurance and dedicates certain additional revenues to the Health Care Subsidy Fund
- S-2020/S-A-4109 (Codey/McKeon, Chivukula) – Provides for the allocation of the State's annual bond volume limits on certain bonds in accordance with the federal American Recovery and Reinvestment Act of 2009
- A-3973/S-2797 (McKeon, Gusciora/Beach, O'Toole) – Appropriates funds to DEP for clean water environmental infrastructure projects

Budget charts can be viewed on the New Jersey State Treasury web page,
<http://www.state.nj.us/treasury/omb/publications/10budget/index.shtml>

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