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**REPORTS:** No

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**NEWSPAPER ARTICLES:** Yes

"Murphy signs \$32.7B budget taxing millionaires, businesses", Associated Press State Wire: New Jersey (online), 29 Sep 2020.

"BORROWING, TAX HIKES AND MORE: WHAT'S IN THE 2021 NJ BUDGET?", The Record (online), 30 Sep 2020 A6

"Murphy signs COVID-hit \$32.7B budget", NJBIZ (online), 29 Sep 2020.

"Smooth operators", NJBIZ (online), 28 Sep 2020

"NJ Legislature set to approve \$4.5B of debt Monday. Here's how it'll be spent", NJBIZ (online), 28 Sep 2020

RWH/CL

§2 - T&E & Note  
to N.J.S.54A:2-1  
§3 - C.54A:9-30  
§5 - Note

P.L. 2020, CHAPTER 94, *approved September 29, 2020*  
Assembly, No. 10

1 **AN ACT** increasing the gross income tax rate on income between  
2 \$1,000,000 and \$5,000,000 and providing a tax rebate, amending  
3 N.J.S.54A:2-1 and P.L.1981, c.239 and supplementing Title 54A  
4 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 income  
20 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 |                           |                             |
| 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     |
| 39 |                           |                             |

**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.

|    |   |                               |
|----|---|-------------------------------|
| 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  |   |                               |
| 5  | Over \$150,000.00 .....   | \$6,900.00 plus 7.0% of the   |
| 6  |   | excess over \$150,000.00      |
| 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  |                               |

|    |   |                               |
|----|---|-------------------------------|
| 1  | over \$80,000.00.....   | \$1,572.50 plus 4.250% of the |
| 2  |   | excess over \$70,000.00       |
| 3  |   |                               |
| 4  | Over \$80,000.00 but not  |                               |
| 5  | over \$150,000.00.....  | \$1,997.50 plus 6.013% of the |
| 6  |   | excess over \$80,000.00       |
| 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, 2018:   |                               |
| 38 |   |                               |
| 39 | If the taxable income is:                                       | The tax is:                   |
| 40 |   |                               |
| 41 | Not over \$20,000.00.....                                       | 1.400% of taxable income      |
| 42 |   |                               |
| 43 | Over \$20,000.00 but not  |                               |
| 44 | over \$50,000.00.....   | \$280.00 plus 1.750% of the   |
| 45 |   | excess over \$20,000.00       |
| 46 |   |                               |
| 47 | Over \$50,000.00 but not  |                               |
| 48 | over \$70,000.00.....   | \$805.00 plus 2.450% of the   |

|    |   |                                     |
|----|---|-------------------------------------|
| 1  |   | excess over \$50,000.00             |
| 2  |   |                                     |
| 3  | Over \$70,000.00 but not  |                                     |
| 4  | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the       |
| 5  |   | excess over \$70,000.00             |
| 6  | Over \$80,000.00 but not  |                                     |
| 7  | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the       |
| 8  |   | excess over \$80,000.00             |
| 9  |   |                                     |
| 10 | Over \$150,000.00 but not   |                                     |
| 11 | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the       |
| 12 |   | excess over \$150,000.00            |
| 13 |   |                                     |
| 14 | Over \$500,000.00 .....   | \$27,807.50 plus 8.970% of the      |
| 15 |   | excess over \$500,000.00            |
| 16 |   |                                     |
| 17 | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                     |
| 18 | <u>before January 1, 2020:</u>  |                                     |
| 19 |   |                                     |
| 20 | If the taxable income is:   | The tax is:                         |
| 21 |   |                                     |
| 22 | Not over \$20,000.00.....   | 1.400% of taxable income            |
| 23 |   |                                     |
| 24 | Over \$20,000.00 but not  |                                     |
| 25 | over \$50,000.00.....   | \$280.00 plus 1.750% of the         |
| 26 |   | excess over \$20,000.00             |
| 27 |   |                                     |
| 28 | Over \$50,000.00 but not  |                                     |
| 29 | over \$70,000.00.....   | \$805.00 plus 2.450% of the         |
| 30 |   | excess over \$50,000.00             |
| 31 |   |                                     |
| 32 | Over \$70,000.00 but not  |                                     |
| 33 | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the       |
| 34 |   | excess over \$70,000.00             |
| 35 |   |                                     |
| 36 | Over \$80,000.00 but not  |                                     |
| 37 | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the       |
| 38 |   | excess over \$80,000.00             |
| 39 |   |                                     |
| 40 | Over \$150,000.00 but not   |                                     |
| 41 | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the       |
| 42 |   | excess over \$150,000.00            |
| 43 |   |                                     |
| 44 | Over \$500,000.00 but not   |                                     |
| 45 | over \$5,000,000.00..   | \$27,807.50 plus 8.970% of the      |
| 46 |   | excess over \$500,000.00 <b>【.】</b> |
| 47 |   |                                     |
| 48 | Over \$5,000,000.00 .....   | \$431,457.50 plus 10.75% of the     |

1 excess over \$5,000,000.00[.]

2  
3 (7) for taxable years beginning on or after January 1, 2020:

| 4  | 5                                | 6                                      |
|----|----------------------------------|--|
|    | <u>If the taxable income is:</u> | <u>The tax is:</u>                     |
| 7  | <u>Not over \$20,000.00.....</u> | <u>1.400% of taxable income</u>        |
| 8  | <u>Over \$20,000.00 but not</u>  |  |
| 9  | <u>over \$50,000.00....</u>      | <u>\$280.00 plus 1.750% of the</u>     |
| 10 |                                  | <u>excess over \$20,000.00</u>         |
| 11 |                                  |  |
| 12 | <u>Over \$50,000.00 but not</u>  |  |
| 13 | <u>over \$70,000.00....</u>      | <u>\$805.00 plus 2.450% of the</u>     |
| 14 |                                  | <u>excess over \$50,000.00</u>         |
| 15 |                                  |  |
| 16 | <u>Over \$70,000.00 but not</u>  |  |
| 17 | <u>over \$80,000.00...</u>       | <u>\$1,295.50 plus 3.500% of the</u>   |
| 18 |                                  | <u>excess over \$70,000.00</u>         |
| 19 |                                  |  |
| 20 | <u>Over \$80,000.00 but not</u>  |  |
| 21 | <u>over \$150,000.00..</u>       | <u>\$1,645.00 plus 5.525% of the</u>   |
| 22 |                                  | <u>excess over \$80,000.00</u>         |
| 23 |                                  |  |
| 24 | <u>Over \$150,000.00 but not</u> |  |
| 25 | <u>over \$500,000.00..</u>       | <u>\$5,512.50 plus 6.370% of the</u>   |
| 26 |                                  | <u>excess over \$150,000.00</u>        |
| 27 |                                  |  |
| 28 | <u>Over \$500,000.00 but not</u> |  |
| 29 | <u>over \$1,000,000.00..</u>     | <u>\$27,807.50 plus 8.970% of the</u>  |
| 30 |                                  | <u>excess over \$500,000.00</u>        |
| 31 |                                  |  |
| 32 | <u>Over \$1,000,000.00...</u>    | <u>\$72,657.50 plus 10.750% of the</u> |
| 33 |                                  | <u>excess over \$1,000,000.00</u>      |

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

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

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

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



|    |   |                               |
|----|---|-------------------------------|
| 1  | Over \$40,000.00 but not  |                               |
| 2  | over \$75,000.00.....   | \$871.25 plus 6.013% of the   |
| 3  |   | excess over \$40,000.00       |
| 4  |   |                               |
| 5  | Over \$75,000.00 .....  | \$2,975.80 plus 6.580% of the |
| 6  |   | excess over \$75,000.00       |
| 7  |   |                               |
| 8  | (4) for taxable years beginning on or after January 1, 1996 but |                               |
| 9  | before January 1, 2004:   |                               |
| 10 |   |                               |
| 11 | If the taxable income is:                                       | The tax is:                   |
| 12 |   |                               |
| 13 | Not over \$20,000.00.....                                       | 1.400% of taxable income      |
| 14 |   |                               |
| 15 | Over \$20,000.00 but not  |                               |
| 16 | over \$35,000.00.....   | \$280.00 plus 1.750% of the   |
| 17 |   | excess over \$20,000.00       |
| 18 |   |                               |
| 19 | Over \$35,000.00 but not  |                               |
| 20 | over \$40,000.00.....   | \$542.50 plus 3.500% of the   |
| 21 |   | excess over \$35,000.00       |
| 22 |   |                               |
| 23 | Over \$40,000.00 but not  |                               |
| 24 | over \$75,000.00.....   | \$717.50 plus 5.525% of the   |
| 25 |   | excess over \$40,000.00       |
| 26 |   |                               |
| 27 | Over \$75,000.00.....   | \$2,651.25 plus 6.370% of the |
| 28 |   | excess over \$75,000.00       |
| 29 |   |                               |
| 30 | (5) for taxable years beginning on or after January 1, 2004 but |                               |
| 31 | before January 1, 2018:   |                               |
| 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 |   |                               |
| 41 | Over \$35,000.00 but not  |                               |
| 42 | over \$40,000.00.....   | \$542.50 plus 3.500% of the   |
| 43 |   | excess over \$35,000.00       |
| 44 |   |                               |
| 45 | Over \$40,000.00 but not  |                               |
| 46 | over \$75,000.00.....   | \$717.50 plus 5.525% of the   |
| 47 |   | excess over \$40,000.00       |

|    |   |                                    |
|----|---|------------------------------------|
| 1  | Over \$75,000.00 but not  |                                    |
| 2  | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the      |
| 3  |   | excess over \$75,000.00            |
| 4  |   |                                    |
| 5  | Over \$500,000.00 .....   | \$29,723.75 plus 8.970% of the     |
| 6  |   | excess over \$500,000.00           |
| 7  |   |                                    |
| 8  | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                    |
| 9  | <u>before January 1, 2020:</u>  |                                    |
| 10 |   |                                    |
| 11 | If the taxable income is:   | The tax is:                        |
| 12 |   |                                    |
| 13 | Not over \$20,000.00.....   | 1.400% of taxable income           |
| 14 |   |                                    |
| 15 | Over \$20,000.00 but not  |                                    |
| 16 | over \$35,000.00.....   | \$280.00 plus 1.750% of the        |
| 17 |   | excess over \$20,000.00            |
| 18 |   |                                    |
| 19 | Over \$35,000.00 but not  |                                    |
| 20 | over \$40,000.00.....   | \$542.50 plus 3.500% of the        |
| 21 |   | excess over \$35,000.00            |
| 22 |   |                                    |
| 23 | Over \$40,000.00 but not  |                                    |
| 24 | over \$75,000.00.....   | \$717.50 plus 5.525% of the        |
| 25 |   | excess over \$40,000.00            |
| 26 |   |                                    |
| 27 | Over \$75,000.00 but not  |                                    |
| 28 | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the      |
| 29 |   | excess over \$75,000.00            |
| 30 |   |                                    |
| 31 | Over \$500,000.00 but not   |                                    |
| 32 | over \$5,000,000.00...  | \$29,723.75 plus 8.970% of the     |
| 33 |   | excess over \$500,000.00           |
| 34 |   |                                    |
| 35 | Over \$5,000,000.00 .....   | \$433,373.75 plus 10.75% of the    |
| 36 |   | excess over \$5,000,000.00         |
| 37 |   |                                    |
| 38 | <u>(7) for taxable years beginning on or after January 1, 2020:</u>     |                                    |
| 39 |   |                                    |
| 40 | <u>If the taxable income is:</u>  | <u>The tax is:</u>                 |
| 41 |   |                                    |
| 42 | <u>Not over \$20,000.00.....</u>  | <u>1.400% of taxable income</u>    |
| 43 |   |                                    |
| 44 | <u>Over \$20,000.00 but not</u>   |                                    |
| 45 | <u>over \$35,000.00.....</u>  | <u>\$280.00 plus 1.750% of the</u> |
| 46 |   | <u>excess over \$20,000.00</u>     |
| 47 |   |                                    |
| 48 | <u>Over \$35,000.00 but not</u>   |                                    |

|    |                                  |  |
|----|----------------------------------|--|
| 1  | <u>over \$40,000.00.....</u>     | <u>\$542.50 plus 3.500% of the</u>     |
| 2  |                                  | <u>excess over \$35,000.00</u>         |
| 3  |                                  |  |
| 4  | <u>Over \$40,000.00 but not</u>  |  |
| 5  | <u>over \$75,000.00.....</u>     | <u>\$717.50 plus 5.525% of the</u>     |
| 6  |                                  | <u>excess over \$40,000.00</u>         |
| 7  |                                  |  |
| 8  | <u>Over \$75,000.00 but not</u>  |  |
| 9  | <u>over \$500,000.00...</u>      | <u>\$2,651.25 plus 6.370% of the</u>   |
| 10 |                                  | <u>excess over \$75,000.00</u>         |
| 11 |                                  |  |
| 12 | <u>Over \$500,000.00 but not</u> |  |
| 13 | <u>over \$1,000,000.00..</u>     | <u>\$29,723.75 plus 8.970% of the</u>  |
| 14 |                                  | <u>excess over \$500,000.00</u>        |
| 15 |                                  |  |
| 16 | <u>Over \$1,000,000.00....</u>   | <u>\$74,573.75 plus 10.750% of the</u> |
| 17 |                                  | <u>excess over \$1,000,000.00</u>      |

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

22 d. For the purposes of this section, for taxable year 2018,  
23 withholding by every employer from salaries, wages and other  
24 remuneration paid by an employer for services rendered described in  
25 subsections a. and b. of this section, in excess of \$5,000,000 during  
26 that taxable year, shall be at the rate of 15.6% as soon as practicable  
27 but no later than September 1, 2018. The Director of the Division of  
28 Taxation is authorized to do all things necessary to implement the  
29 withholding tax prescribed by this section for taxable year 2018.

30 e. No additions to tax or penalty shall be imposed under  
31 N.J.S.54A:9-6 for insufficient payment of estimated tax that may  
32 otherwise be due on salaries, wages and other remuneration received  
33 before September 1, 2018, on which there is a rate of tax imposed  
34 pursuant to subsections a. and b. of this section.

35 f. An employer maintaining an office or transacting business  
36 within this State and making payment of any salaries, wages and  
37 remuneration subject to New Jersey gross income tax or making  
38 payment of any remuneration for employment subject to contribution  
39 under the New Jersey "unemployment compensation law," pursuant  
40 to R.S.43:21-1 et seq., that is subject to New Jersey gross income tax  
41 shall not be subject to interest, penalties or other costs that may  
42 otherwise be imposed for insufficient withholding of salaries, wages  
43 and other remuneration made before September 1, 2018, that is  
44 directly attributable to the enactment of the taxable income tables and  
45 tax rates in subsections a. and b. of this section.

46 (cf: P.L.2018, c.45, s.10)

1       2. (New section) a. For taxable year 2020, withholding by an  
2 employer from salaries, wages, and other remuneration paid by an  
3 employer for services rendered over \$1,000,000, but not over  
4 \$5,000,000, shall be at the rate of 21.3 percent as soon as practicable,  
5 but not later than November 1, 2020. The director is authorized to  
6 implement the withholding rate prescribed by this subsection for  
7 taxable year 2020.

8       b. For taxable year 2020, no additions to tax or penalty shall be  
9 imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for  
10 underpayment of increased estimated tax on taxable income received  
11 before November 1, 2020 for which the increased estimated tax due  
12 is attributable to the rate imposed on gross income in excess of  
13 \$1,000,000, but not in excess of \$5,000,000.

14       c. For taxable year 2020, no interest, penalties, or other costs shall  
15 be imposed upon an employer maintaining an office or transacting  
16 business within this State and making payment of any salaries,  
17 wages, and remuneration subject to the “New Jersey Gross Income  
18 Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any  
19 remuneration for employment subject to contribution under the New  
20 Jersey “unemployment compensation law,” pursuant to R.S.43:21-1  
21 et seq., for insufficient withholding of salaries, wages, and other  
22 remuneration paid before November 1, 2020 that is attributable to an  
23 increase in the rate imposed on gross income in excess of \$1,000,000,  
24 but not in excess of \$5,000,000.

25  
26       3. (New section) a. Beginning with taxable year 2020, and  
27 subject to appropriation by the Legislature, a qualified taxpayer shall  
28 be eligible for a tax rebate based on the requirements set forth in this  
29 section.

30       b. The rebate shall be the lesser of \$500 or an amount equal to  
31 the amount of tax paid after credits for the taxable year pursuant to  
32 the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. In  
33 the case of a qualified taxpayer who is a part-year resident during the  
34 taxable year, the amount of the rebate shall be pro-rated, based upon  
35 the total number of months of the taxpayer’s residency during the  
36 taxable year.

37       c. The director shall issue rebates to qualified taxpayers between  
38 July 1 and July 31 of the subsequent taxable year, provided however,  
39 in the case of a qualified taxpayer who is granted an extension of time  
40 for filing a return, the director may issue the rebate between July 1  
41 and December 31 of the subsequent taxable year.

42       d. The director is authorized to issue rules and regulations as  
43 necessary to implement this section.

44       e. The director may recover rebates issued in error or as a result  
45 of misrepresentation in the same manner as a deficiency with respect  
46 to a payment of a State tax in accordance with the State Uniform Tax  
47 Procedure Law, R.S.54:48-1 et seq.

1 f. Any rebate issued pursuant to this section shall not be  
2 considered gross income for purposes of the New Jersey Gross  
3 Income Tax Act.

4 g. As used in this section

5 "Qualified taxpayer" means an individual who has timely filed a  
6 resident return, is a resident of this State during the taxable year, and  
7 who had during the taxable year: (1) at least one qualifying child; (2)  
8 gross income not exceeding \$150,000 for married individuals filing  
9 a joint return and an individual filing as a head of household or as a  
10 surviving spouse, or \$75,000 for married individuals filing separately  
11 and an individual filing as a single taxpayer; and (3) a gross income  
12 tax liability greater than zero.

13 "Qualifying child" means the same as defined in section 152 of  
14 the Internal Revenue Code (26 U.S.C. s.152), where claimed as a  
15 dependent on a resident return under the New Jersey Gross Income  
16 Tax Act.

17  
18 4. Section 1 of P.L.1981, c.239 (C.54A:9-8.1) is amended to  
19 read as follows:

20 1. a. Whenever any taxpayer or resident shall be entitled to any  
21 refund of taxes pursuant to the "New Jersey Gross Income Tax Act"  
22 (N.J.S.54A:1-1 et seq.), including an earned income tax credit  
23 provided as a refund pursuant to P.L.2000, c.80 (C.54A:4-6 et al.), or  
24 whenever any individual is eligible to receive a rebate pursuant to  
25 section 3 of P.L. , c. (C. ) (pending before the Legislature as  
26 this bill), or a homestead rebate or credit pursuant to P.L.1990, c.61  
27 (C.54:4-8.57 et al.), P.L.1999, c.63 (C.54:4-8.58a et al.), P.L.2004,  
28 c.40 or P.L.2007, c.62 (C.18A:7F-37 et al.), and if the rebate or credit  
29 is not required to be paid over to the municipal tax collector under  
30 the provisions of section 8 of P.L.1990, c.61 (C.54:4-8.64), and at the  
31 same time the taxpayer or resident shall be indebted to any agency or  
32 institution of State Government, to the Victims of Crime  
33 Compensation Board for the portion of an assessment ordered  
34 pursuant to section 2 of P.L.1979, c.396 (2C:43-3.1) for deposit in  
35 the Victims of Crime Compensation Board Account or restitution  
36 ordered to be paid to the board pursuant to N.J.S.2C:44-2 for deposit  
37 in the Victims of Crime Compensation Board Account, or for child  
38 support under Title IV-A, Title IV-D, or Title IV-E of the federal  
39 Social Security Act (42 U.S.C. s.601 et seq.), or other indebtedness  
40 in accordance with section 1 of P.L.1995, c.290 (C.2A:17-56.11b)  
41 the Department of the Treasury shall apply or cause to be applied the  
42 refund, homestead rebate or credit, or all, or so much of any or all as  
43 shall be necessary, to satisfy the indebtedness. Child support  
44 indebtedness shall take precedence over all other indebtedness. The  
45 Department of the Treasury shall retain a percentage of the proceeds  
46 of any collection setoff as shall be necessary to provide for any  
47 expenses of the collection effort.

1       b. A State department or agency which is owed a debt shall  
2 notify the Department of the Treasury of the existence of the debt and  
3 shall request that the Department of the Treasury execute a setoff as  
4 provided for in this section.  
5 (cf: P.L.2007, c.62, s.38)

6  
7       5. This act shall take effect immediately and sections 1 and 2  
8 shall apply retroactively to taxable years beginning on and after  
9 January 1, 2020.

10

11

12

STATEMENT

13

14       This bill increases the gross income tax rate applicable to  
15 taxpayers with gross income exceeding \$1,000,000 in taxable years  
16 beginning on or after January 1, 2020.

17       The gross income tax rate under current law is 8.97 percent for  
18 income between \$1,000,000 and \$5,000,000, and 10.75 percent for  
19 income over \$5,000,000. This bill applies the 10.75 percent rate to  
20 gross income exceeding \$1,000,000.

21       The bill also provides to eligible gross income taxpayers a tax  
22 rebate of either \$500 or, if the taxpayer paid less than that for the tax  
23 year, the amount of actual tax paid. The rebate is subject to annual  
24 appropriation by the Legislature.

25       To be eligible for the rebate the taxpayer must be a resident of the  
26 State, have at least one dependent child, have a gross income tax  
27 liability greater than zero, and have gross income not exceeding:

28       \$150,000 if (1) married and filing jointly, (2) filing as a head of  
29 household, or (3) filing as a surviving spouse; or

30       \$75,000 if (1) married and filing separately, or (2) individuals  
31 filing as a single taxpayer.

32       The director of the Division of Taxation will issue rebates to  
33 eligible taxpayers between July 1 and July 31, or between July 1 and  
34 the end of the year for taxpayers who were granted gross income tax  
35 return extensions.

36

37

38

39

40       Increases gross income tax rate from 8.97 percent to 10.75 percent  
41 on income between \$1,000,000 and \$5,000,000, and provides up to  
42 \$500 tax rebate to eligible taxpayers.

**ASSEMBLY, No. 10**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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INTRODUCED SEPTEMBER 21, 2020

**Sponsored by:**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Assemblyman THOMAS P. GIBLIN**

**District 34 (Essex and Passaic)**

**Senator DAWN MARIE ADDIEGO**

**District 8 (Atlantic, Burlington and Camden)**

**Senator LINDA R. GREENSTEIN**

**District 14 (Mercer and Middlesex)**

**Co-Sponsored by:**

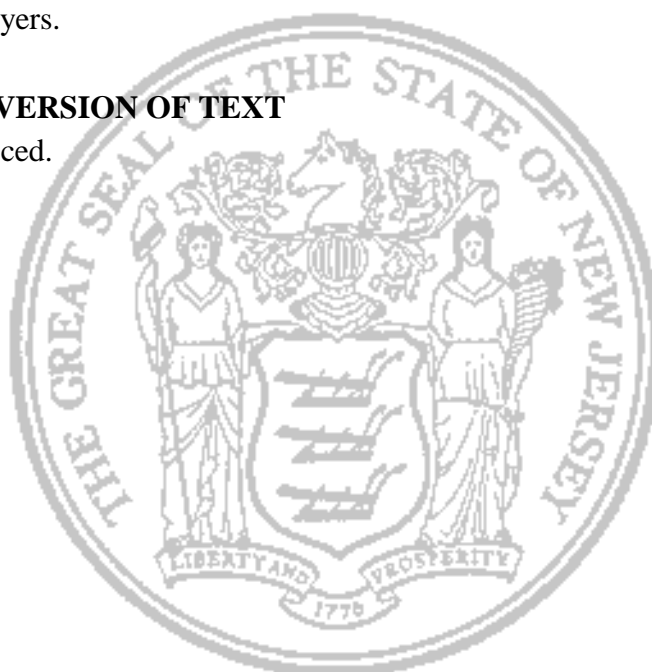
**Senators Turner and Ruiz**

**SYNOPSIS**

Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 9/24/2020)**

1 AN ACT increasing the gross income tax rate on income between  
2 \$1,000,000 and \$5,000,000 and providing a tax rebate, amending  
3 N.J.S.54A:2-1 and P.L.1981, c.239 and supplementing Title 54A  
4 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 income  
20 tax purposes:

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

| 23 | 24   | 25 | 26  | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 |
|----|--|----|---|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
|    | If the taxable income is:                          |    | The tax is:   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Not over \$20,000.00.....                          |    | 2% of taxable income                                    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Over \$20,000.00 but not<br>over \$50,000.00.....  |    | \$400.00 plus 2.5% of the<br>excess over \$20,000.00    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Over \$50,000.00 but not<br>over \$70,000.00.....  |    | \$1,150.00 plus 3.5% of the<br>excess over \$50,000.00  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Over \$70,000.00 but not<br>over \$80,000.00.....  |    | \$1,850.00 plus 5.0% of the<br>excess over \$70,000.00  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Over \$80,000.00 but not<br>over \$150,000.00..... |    | \$2,350.00 plus 6.5% of the<br>excess over \$80,000.00  |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|    | Over \$150,000.00 .....                            |    | \$6,900.00 plus 7.0% of the<br>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.



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

| 3  | 4                         | 5 | 6                             |
|----|---------------------------|---|-------------------------------|
|    | If the taxable income is: |   | The tax is:                   |
| 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                        | 31 | 32                            |
|----|---------------------------|----|-------------------------------|
|    | If the taxable income is: |    | The tax is:                   |
| 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       |

A10 COUGHLIN, GIBLIN

|    |   |                               |
|----|---|-------------------------------|
| 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, 2018:   |                               |
| 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 \$50,000.00.....   | \$280.00 plus 1.750% of the   |
| 39 |   | excess over \$20,000.00       |
| 40 |   |                               |
| 41 | Over \$50,000.00 but not  |                               |
| 42 | over \$70,000.00.....   | \$805.00 plus 2.450% of the   |
| 43 |   | excess over \$50,000.00       |
| 44 |   |                               |
| 45 | Over \$70,000.00 but not  |                               |
| 46 | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the |
| 47 |   | excess over \$70,000.00       |

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|    |   |                                       |
|----|---|---------------------------------------|
| 1  | Over \$80,000.00 but not  |                                       |
| 2  | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the         |
| 3  |   | excess over \$80,000.00               |
| 4  |   |                                       |
| 5  | Over \$150,000.00 but not   |                                       |
| 6  | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the         |
| 7  |   | excess over \$150,000.00              |
| 8  |   |                                       |
| 9  | Over \$500,000.00 .....   | \$27,807.50 plus 8.970% of the        |
| 10 |   | excess over \$500,000.00              |
| 11 |   |                                       |
| 12 | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                       |
| 13 | <u>before January 1, 2020:</u>  |                                       |
| 14 |   |                                       |
| 15 | If the taxable income is:   | The tax is:                           |
| 16 |   |                                       |
| 17 | Not over \$20,000.00.....   | 1.400% of taxable income              |
| 18 |   |                                       |
| 19 | Over \$20,000.00 but not  |                                       |
| 20 | over \$50,000.00.....   | \$280.00 plus 1.750% of the           |
| 21 |   | excess over \$20,000.00               |
| 22 |   |                                       |
| 23 | Over \$50,000.00 but not  |                                       |
| 24 | over \$70,000.00.....   | \$805.00 plus 2.450% of the           |
| 25 |   | excess over \$50,000.00               |
| 26 |   |                                       |
| 27 | Over \$70,000.00 but not  |                                       |
| 28 | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the         |
| 29 |   | excess over \$70,000.00               |
| 30 |   |                                       |
| 31 | Over \$80,000.00 but not  |                                       |
| 32 | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the         |
| 33 |   | excess over \$80,000.00               |
| 34 |   |                                       |
| 35 | Over \$150,000.00 but not   |                                       |
| 36 | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the         |
| 37 |   | excess over \$150,000.00              |
| 38 |   |                                       |
| 39 | Over \$500,000.00 but not   |                                       |
| 40 | over \$5,000,000.00..   | \$27,807.50 plus 8.970% of the        |
| 41 |   | excess over \$500,000.00 <b>[.]</b>   |
| 42 |   |                                       |
| 43 | Over \$5,000,000.00 .....   | \$431,457.50 plus 10.75% of the       |
| 44 |   | excess over \$5,000,000.00 <b>[.]</b> |
| 45 |   |                                       |

46 (7) for taxable years beginning on or after January 1, 2020:

47

48 If the taxable income is:      The tax is:

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|    |                                  |  |
|----|----------------------------------|--|
| 1  | <u>Not over \$20,000.00.....</u> | <u>1.400% of taxable income</u>        |
| 2  |                                  |  |
| 3  | <u>Over \$20,000.00 but not</u>  |  |
| 4  | <u>over \$50,000.00....</u>      | <u>\$280.00 plus 1.750% of the</u>     |
| 5  |                                  | <u>excess over \$20,000.00</u>         |
| 6  |                                  |  |
| 7  | <u>Over \$50,000.00 but not</u>  |  |
| 8  | <u>over \$70,000.00....</u>      | <u>\$805.00 plus 2.450% of the</u>     |
| 9  |                                  | <u>excess over \$50,000.00</u>         |
| 10 |                                  |  |
| 11 | <u>Over \$70,000.00 but not</u>  |  |
| 12 | <u>over \$80,000.00...</u>       | <u>\$1,295.50 plus 3.500% of the</u>   |
| 13 |                                  | <u>excess over \$70,000.00</u>         |
| 14 |                                  |  |
| 15 | <u>Over \$80,000.00 but not</u>  |  |
| 16 | <u>over \$150,000.00..</u>       | <u>\$1,645.00 plus 5.525% of the</u>   |
| 17 |                                  | <u>excess over \$80,000.00</u>         |
| 18 |                                  |  |
| 19 | <u>Over \$150,000.00 but not</u> |  |
| 20 | <u>over \$500,000.00..</u>       | <u>\$5,512.50 plus 6.370% of the</u>   |
| 21 |                                  | <u>excess over \$150,000.00</u>        |
| 22 |                                  |  |
| 23 | <u>Over \$500,000.00 but not</u> |  |
| 24 | <u>over \$1,000,000.00..</u>     | <u>\$27,807.50 plus 8.970% of the</u>  |
| 25 |                                  | <u>excess over \$500,000.00</u>        |
| 26 |                                  |  |
| 27 | <u>Over \$1,000,000.00...</u>    | <u>\$72,657.50 plus 10.750% of the</u> |
| 28 |                                  | <u>excess over \$1,000,000.00</u>      |

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

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

|    |                           |                           |
|----|---------------------------|---------------------------|
| 35 |                           |                           |
| 36 | If the taxable income is: | The tax is:               |
| 37 |                           |                           |
| 38 | Not over \$20,000.00..... | 2% of taxable income      |
| 39 |                           |                           |
| 40 | Over \$20,000.00 but not  |                           |
| 41 | over \$35,000.00.....     | \$400.00 plus 2.5% of the |
| 42 |                           | excess over \$20,000.00   |
| 43 |                           |                           |
| 44 | Over \$35,000.00 but not  |                           |
| 45 | over \$40,000.00.....     | \$775.00 plus 5.0% of the |
| 46 |                           | excess over \$35,000.00   |
| 47 |                           |                           |
| 48 | Over \$40,000.00 but not  |                           |

A10 COUGHLIN, GIBLIN

|    |   |                               |
|----|---|-------------------------------|
| 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 |

A10 COUGHLIN, GIBLIN

|    |   |                                |
|----|---|--------------------------------|
| 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, 2018:   |                                |
| 27 |   |                                |
| 28 | If the taxable income is:                                       | The tax is:                    |
| 29 |   |                                |
| 30 | Not over \$20,000.00.....                                       | 1.400% of taxable income       |
| 31 |   |                                |
| 32 | Over \$20,000.00 but not  |                                |
| 33 | over \$35,000.00.....   | \$280.00 plus 1.750% of the    |
| 34 |   | excess over \$20,000.00        |
| 35 |   |                                |
| 36 | Over \$35,000.00 but not  |                                |
| 37 | over \$40,000.00.....   | \$542.50 plus 3.500% of the    |
| 38 |   | excess over \$35,000.00        |
| 39 |   |                                |
| 40 | Over \$40,000.00 but not  |                                |
| 41 | over \$75,000.00.....   | \$717.50 plus 5.525% of the    |
| 42 |   | excess over \$40,000.00        |
| 43 |   |                                |
| 44 | Over \$75,000.00 but not  |                                |
| 45 | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the  |
| 46 |   | excess over \$75,000.00        |
| 47 |   |                                |
| 48 | Over \$500,000.00 .....   | \$29,723.75 plus 8.970% of the |

A10 COUGHLIN, GIBLIN

|    |   |                                 |
|----|---|---------------------------------|
| 1  |   | excess over \$500,000.00        |
| 2  |   |                                 |
| 3  | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                 |
| 4  | <u>before January 1, 2020:</u>  |                                 |
| 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 but not  |                                 |
| 23 | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the   |
| 24 |   | excess over \$75,000.00         |
| 25 |   |                                 |
| 26 | Over \$500,000.00 but not   |                                 |
| 27 | over \$5,000,000.00...  | \$29,723.75 plus 8.970% of the  |
| 28 |   | excess over \$500,000.00        |
| 29 |   |                                 |
| 30 | Over \$5,000,000.00 .....   | \$433,373.75 plus 10.75% of the |
| 31 |   | excess over \$5,000,000.00      |
| 32 |   |                                 |

33 (7) for taxable years beginning on or after January 1, 2020:

|    |                                  |                                    |
|----|----------------------------------|------------------------------------|
| 34 |                                  |                                    |
| 35 | <u>If the taxable income is:</u> | <u>The tax is:</u>                 |
| 36 |                                  |                                    |
| 37 | <u>Not over \$20,000.00.....</u> | <u>1.400% of taxable income</u>    |
| 38 |                                  |                                    |
| 39 | <u>Over \$20,000.00 but not</u>  |                                    |
| 40 | <u>over \$35,000.00.....</u>     | <u>\$280.00 plus 1.750% of the</u> |
| 41 |                                  | <u>excess over \$20,000.00</u>     |
| 42 |                                  |                                    |
| 43 | <u>Over \$35,000.00 but not</u>  |                                    |
| 44 | <u>over \$40,000.00.....</u>     | <u>\$542.50 plus 3.500% of the</u> |
| 45 |                                  | <u>excess over \$35,000.00</u>     |
| 46 |                                  |                                    |
| 47 | <u>Over \$40,000.00 but not</u>  |                                    |
| 48 | <u>over \$75,000.00.....</u>     | <u>\$717.50 plus 5.525% of the</u> |

A10 COUGHLIN, GIBLIN

10

|    |                                  |  |
|----|----------------------------------|--|
| 1  |                                  | <u>excess over \$40,000.00</u>         |
| 2  |                                  |  |
| 3  | <u>Over \$75,000.00 but not</u>  |  |
| 4  | <u>over \$500,000.00...</u>      | <u>\$2,651.25 plus 6.370% of the</u>   |
| 5  |                                  | <u>excess over \$75,000.00</u>         |
| 6  |                                  |  |
| 7  | <u>Over \$500,000.00 but not</u> |  |
| 8  | <u>over \$1,000,000.00..</u>     | <u>\$29,723.75 plus 8.970% of the</u>  |
| 9  |                                  | <u>excess over \$500,000.00</u>        |
| 10 |                                  |  |
| 11 | <u>Over \$1,000,000.00....</u>   | <u>\$74,573.75 plus 10.750% of the</u> |
| 12 |                                  | <u>excess over \$1,000,000.00</u>      |

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

17 d. For the purposes of this section, for taxable year 2018,  
18 withholding by every employer from salaries, wages and other  
19 remuneration paid by an employer for services rendered described in  
20 subsections a. and b. of this section, in excess of \$5,000,000 during  
21 that taxable year, shall be at the rate of 15.6% as soon as practicable  
22 but no later than September 1, 2018. The Director of the Division of  
23 Taxation is authorized to do all things necessary to implement the  
24 withholding tax prescribed by this section for taxable year 2018.

25 e. No additions to tax or penalty shall be imposed under  
26 N.J.S.54A:9-6 for insufficient payment of estimated tax that may  
27 otherwise be due on salaries, wages and other remuneration received  
28 before September 1, 2018, on which there is a rate of tax imposed  
29 pursuant to subsections a. and b. of this section.

30 f. An employer maintaining an office or transacting business  
31 within this State and making payment of any salaries, wages and  
32 remuneration subject to New Jersey gross income tax or making  
33 payment of any remuneration for employment subject to contribution  
34 under the New Jersey "unemployment compensation law," pursuant  
35 to R.S.43:21-1 et seq., that is subject to New Jersey gross income tax  
36 shall not be subject to interest, penalties or other costs that may  
37 otherwise be imposed for insufficient withholding of salaries, wages  
38 and other remuneration made before September 1, 2018, that is  
39 directly attributable to the enactment of the taxable income tables and  
40 tax rates in subsections a. and b. of this section.

41 (cf: P.L.2018, c.45, s.10)

42

43 2. (New section) a. For taxable year 2020, withholding by an  
44 employer from salaries, wages, and other remuneration paid by an  
45 employer for services rendered over \$1,000,000, but not over  
46 \$5,000,000, shall be at the rate of 21.3 percent as soon as practicable,  
47 but not later than November 1, 2020. The director is authorized to



1 implement the withholding rate prescribed by this subsection for  
2 taxable year 2020.

3 b. For taxable year 2020, no additions to tax or penalty shall be  
4 imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for  
5 underpayment of increased estimated tax on taxable income received  
6 before November 1, 2020 for which the increased estimated tax due  
7 is attributable to the rate imposed on gross income in excess of  
8 \$1,000,000, but not in excess of \$5,000,000.

9 c. For taxable year 2020, no interest, penalties, or other costs shall  
10 be imposed upon an employer maintaining an office or transacting  
11 business within this State and making payment of any salaries,  
12 wages, and remuneration subject to the “New Jersey Gross Income  
13 Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any  
14 remuneration for employment subject to contribution under the New  
15 Jersey “unemployment compensation law,” pursuant to R.S.43:21-1  
16 et seq., for insufficient withholding of salaries, wages, and other  
17 remuneration paid before November 1, 2020 that is attributable to an  
18 increase in the rate imposed on gross income in excess of \$1,000,000,  
19 but not in excess of \$5,000,000.

20

21 3. (New section) a. Beginning with taxable year 2020, and  
22 subject to appropriation by the Legislature, a qualified taxpayer shall  
23 be eligible for a tax rebate based on the requirements set forth in this  
24 section.

25 b. The rebate shall be the lesser of \$500 or an amount equal to  
26 the amount of tax paid after credits for the taxable year pursuant to  
27 the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. In  
28 the case of a qualified taxpayer who is a part-year resident during the  
29 taxable year, the amount of the rebate shall be pro-rated, based upon  
30 the total number of months of the taxpayer’s residency during the  
31 taxable year.

32 c. The director shall issue rebates to qualified taxpayers between  
33 July 1 and July 31 of the subsequent taxable year, provided however,  
34 in the case of a qualified taxpayer who is granted an extension of time  
35 for filing a return, the director may issue the rebate between July 1  
36 and December 31 of the subsequent taxable year.

37 d. The director is authorized to issue rules and regulations as  
38 necessary to implement this section.

39 e. The director may recover rebates issued in error or as a result  
40 of misrepresentation in the same manner as a deficiency with respect  
41 to a payment of a State tax in accordance with the State Uniform Tax  
42 Procedure Law, R.S.54:48-1 et seq.

43 f. Any rebate issued pursuant to this section shall not be  
44 considered gross income for purposes of the New Jersey Gross  
45 Income Tax Act.

46 g. As used in this section

47 “Qualified taxpayer” means an individual who has timely filed a  
48 resident return, is a resident of this State during the taxable year, and

1 who had during the taxable year: (1) at least one qualifying child; (2)  
2 gross income not exceeding \$150,000 for married individuals filing  
3 a joint return and an individual filing as a head of household or as a  
4 surviving spouse, or \$75,000 for married individuals filing separately  
5 and an individual filing as a single taxpayer; and (3) a gross income  
6 tax liability greater than zero.

7 "Qualifying child" means the same as defined in section 152 of  
8 the Internal Revenue Code (26 U.S.C. s.152), where claimed as a  
9 dependent on a resident return under the New Jersey Gross Income  
10 Tax Act.

11

12 4. Section 1 of P.L.1981, c.239 (C.54A:9-8.1) is amended to  
13 read as follows:

14 1. a. Whenever any taxpayer or resident shall be entitled to any  
15 refund of taxes pursuant to the "New Jersey Gross Income Tax Act"  
16 (N.J.S.54A:1-1 et seq.), including an earned income tax credit  
17 provided as a refund pursuant to P.L.2000, c.80 (C.54A:4-6 et al.), or  
18 whenever any individual is eligible to receive a rebate pursuant to  
19 section 3 of P.L. , c. (C. ) (pending before the Legislature as  
20 this bill), or a homestead rebate or credit pursuant to P.L.1990, c.61  
21 (C.54:4-8.57 et al.), P.L.1999, c.63 (C.54:4-8.58a et al.), P.L.2004,  
22 c.40 or P.L.2007, c.62 (C.18A:7F-37 et al.), and if the rebate or credit  
23 is not required to be paid over to the municipal tax collector under  
24 the provisions of section 8 of P.L.1990, c.61 (C.54:4-8.64), and at the  
25 same time the taxpayer or resident shall be indebted to any agency or  
26 institution of State Government, to the Victims of Crime  
27 Compensation Board for the portion of an assessment ordered  
28 pursuant to section 2 of P.L.1979, c.396 (2C:43-3.1) for deposit in  
29 the Victims of Crime Compensation Board Account or restitution  
30 ordered to be paid to the board pursuant to N.J.S.2C:44-2 for deposit  
31 in the Victims of Crime Compensation Board Account, or for child  
32 support under Title IV-A, Title IV-D, or Title IV-E of the federal  
33 Social Security Act (42 U.S.C. s.601 et seq.), or other indebtedness  
34 in accordance with section 1 of P.L.1995, c.290 (C.2A:17-56.11b)  
35 the Department of the Treasury shall apply or cause to be applied the  
36 refund, homestead rebate or credit, or all, or so much of any or all as  
37 shall be necessary, to satisfy the indebtedness. Child support  
38 indebtedness shall take precedence over all other indebtedness. The  
39 Department of the Treasury shall retain a percentage of the proceeds  
40 of any collection setoff as shall be necessary to provide for any  
41 expenses of the collection effort.

42 b. A State department or agency which is owed a debt shall  
43 notify the Department of the Treasury of the existence of the debt and  
44 shall request that the Department of the Treasury execute a setoff as  
45 provided for in this section.

46 (cf: P.L.2007, c.62, s.38)

1       5. This act shall take effect immediately and sections 1 and 2  
2 shall apply retroactively to taxable years beginning on and after  
3 January 1, 2020.

4

5

6

STATEMENT

7

8       This bill increases the gross income tax rate applicable to  
9 taxpayers with gross income exceeding \$1,000,000 in taxable years  
10 beginning on or after January 1, 2020.

11       The gross income tax rate under current law is 8.97 percent for  
12 income between \$1,000,000 and \$5,000,000, and 10.75 percent for  
13 income over \$5,000,000. This bill applies the 10.75 percent rate to  
14 gross income exceeding \$1,000,000.

15       The bill also provides to eligible gross income taxpayers a tax  
16 rebate of either \$500 or, if the taxpayer paid less than that for the tax  
17 year, the amount of actual tax paid. The rebate is subject to annual  
18 appropriation by the Legislature.

19       To be eligible for the rebate the taxpayer must be a resident of the  
20 State, have at least one dependent child, have a gross income tax  
21 liability greater than zero, and have gross income not exceeding:

22       \$150,000 if (1) married and filing jointly, (2) filing as a head of  
23 household, or (3) filing as a surviving spouse; or

24       \$75,000 if (1) married and filing separately, or (2) individuals  
25 filing as a single taxpayer.

26       The director of the Division of Taxation will issue rebates to  
27 eligible taxpayers between July 1 and July 31, or between July 1 and  
28 the end of the year for taxpayers who were granted gross income tax  
29 return extensions.

# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 10

# STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Assembly Budget Committee reports favorably Assembly Bill No. 10.

This bill increases the gross income tax rate applicable to taxpayers with gross income exceeding \$1,000,000 in taxable years beginning on or after January 1, 2020. The gross income tax rate under current law is 8.97 percent for income between \$1,000,000 and \$5,000,000, and 10.75 percent for income over \$5,000,000. This bill applies the 10.75 percent rate to gross income exceeding \$1,000,000.

The bill also provides to eligible gross income taxpayers a tax rebate of either \$500 or, if the taxpayer paid less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriation by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

\$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

\$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31, or between July 1 and the end of the year for taxpayers who were granted gross income tax return extensions.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) projects additional FY 2021 revenues of \$395 million to \$427 million from increasing the gross income tax (GIT) marginal rate on incomes in excess of \$1 million, but below \$5 million, from 8.97% to 10.75%. As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the GIT marginal rate to yield \$390 million in additional revenue for FY 2021.

The OLS estimates that the rebate program will cost the State roughly \$300 million annually, starting in FY 2022. Based on information shared by the Executive with the OLS, the Executive is projecting the cost of the program at roughly \$335 million annually.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 10**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: SEPTEMBER 28, 2020

**SUMMARY**

**Synopsis:** Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers.

**Type of Impact:** Annual State revenue gain to Property Tax Relief Fund;  
Annual State expenditure increase from General Fund.

**Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

| <b>Fiscal Impact</b>              | <b><u>FY 2021</u></b>          | <b><u>FY 2022 and Thereafter</u></b> |
|-----------------------------------|--------------------------------|--------------------------------------|
| <b>Annual State Revenue Gain</b>  | \$414 million to \$427 million | \$390 million to \$450 million       |
| <b>Annual State Cost Increase</b> | \$0                            | At least \$300 million               |

- The Office of Legislative Services (OLS) estimates that this bill will increase FY 2021 gross income tax revenue by \$414 million to \$427 million; however, the bill’s revenue impact in fiscal years thereafter will be partially offset by the cost of the rebate program established by the bill. Gross income tax revenue in FY 2022 and FY 2023 is expected to increase by \$390 million to \$450 million annually, and the rebate program is anticipated to cost at least \$300 million annually.
- The OLS notes that gross income tax revenue is dedicated to the State’s Property Tax Relief Fund. Appropriations from the State’s General Fund will be necessary to support the rebate program.

**BILL DESCRIPTION**

This bill increases the marginal gross income tax rate applicable to taxpayers with gross income exceeding \$1 million in taxable years beginning on or after January 1, 2020.

The marginal gross income tax rate under current law is 8.97 percent for income between \$1 million and \$5 million, and 10.75 percent for income over \$5 million. This bill applies the 10.75 percent rate to gross income exceeding \$1 million.

The bill also provides to eligible gross income taxpayers a tax rebate of either \$500 or, if the taxpayer had a gross income tax liability less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriations by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

\$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

\$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31 of the subsequent taxable year, or between July 1 and December 31 of the subsequent taxable year for taxpayers who were granted gross income tax return extensions.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the GIT rate for income between \$1 million and \$5 million would yield \$390 million in additional revenue for FY 2021. Based on information shared informally by the Executive with the OLS, the Executive is projecting the cost of the rebate program at \$335 million annually.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill will increase FY 2021 gross income tax revenue by \$414 million to \$427 million; however, the bill's revenue impact in fiscal years thereafter will be offset by the cost of the rebate program established by the bill. Gross income tax revenue in FY 2022 and FY 2023 is expected to increase by \$390 million to \$450 million annually, and the rebate program is anticipated to cost at least \$300 million annually. The OLS notes that gross income tax revenue is dedicated to the State's Property Tax Relief Fund; thus, an appropriation from the State's General Fund is necessary to support the rebate program.

The OLS is projecting additional FY 2021 revenues of \$414 million to \$427 million from the increasing the gross income tax (GIT) marginal rate on incomes in excess of \$1 million, but below \$5 million, from 8.97 percent to 10.75 percent. Based on the Department of the Treasury's TY 2016 Statistics of Income data, roughly 19,500 taxpayers had gross income in excess of \$1 million. Part of that income is already subject to a 10.75 percent marginal rate if that income exceeds \$5 million. Thus, the OLS extracted out income for those taxpayers that would not be subject to the higher rate (less than \$1 million) and income that is already subjected to a 10.75 percent marginal rate. After accounting for growth in income since TY 2016 and recent economic conditions, factoring in non-resident returns and the credit allowed for taxes paid to other jurisdictions, and a boost from imposing the increased marginal rate retroactively to January 1, 2020, the OLS projects the marginal rate increase to yield additional FY 2021 revenue between \$414 million to \$427 million. FY 2022, FY 2023, and each fiscal year thereafter will not benefit from retroactivity as FY 2021 did. Thus, the OLS is projecting additional revenue for FY 2022 and FY 2023 between \$390 million to \$450 million annually.

The OLS estimates that the rebate program will cost the State at least \$300 million annually, starting in FY 2022. Based on information available in the TY 2016 Statistics of Income report and information provided by the Executive, up to 800,000 qualified taxpayers will be eligible for

the rebate program established by the bill. A little more than half of those qualified taxpayers would likely receive a maximum rebate of \$500. The other qualified taxpayers are assumed to have gross income tax liabilities of less than \$500 and receive a partial rebate.

*Section: Revenue, Finance and Appropriations*  
*Analyst: Jordan M. DiGiovanni*  
*Revenue Analyst*  
*Approved: Frank W. Haines III*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# SENATE, No. 2949

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED SEPTEMBER 21, 2020

**Sponsored by:**

**Senator DAWN MARIE ADDIEGO**  
**District 8 (Atlantic, Burlington and Camden)**  
**Senator LINDA R. GREENSTEIN**  
**District 14 (Mercer and Middlesex)**

**Co-Sponsored by:**

**Senators Turner and Ruiz**

**SYNOPSIS**

Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 9/24/2020)**



S2949 ADDIEGO, GREENSTEIN

1 AN ACT increasing the gross income tax rate on income between  
2 \$1,000,000 and \$5,000,000 and providing a tax rebate, amending  
3 N.J.S.54A:2-1 and P.L.1981, c.239 and supplementing Title 54A  
4 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 income  
20 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 |                           |                             |
| 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     |
| 39 |                           |                             |
| 40 | Over \$80,000.00 but not  |                             |
| 41 | over \$150,000.00.....    | \$2,350.00 plus 6.5% of the |
| 42 |                           | excess over \$80,000.00     |
| 43 |                           |                             |
| 44 | Over \$150,000.00 .....   | \$6,900.00 plus 7.0% of the |
| 45 |                           | 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.



**S2949 ADDIEGO, GREENSTEIN**

|    |   |                               |
|----|---|-------------------------------|
| 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, 2018:   |                               |
| 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 \$50,000.00.....   | \$280.00 plus 1.750% of the   |
| 39 |   | excess over \$20,000.00       |
| 40 |   |                               |
| 41 | Over \$50,000.00 but not  |                               |
| 42 | over \$70,000.00.....   | \$805.00 plus 2.450% of the   |
| 43 |   | excess over \$50,000.00       |
| 44 |   |                               |
| 45 | Over \$70,000.00 but not  |                               |
| 46 | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the |
| 47 |   | excess over \$70,000.00       |

S2949 ADDIEGO, GREENSTEIN

|    |   |                                       |
|----|---|---------------------------------------|
| 1  | Over \$80,000.00 but not  |                                       |
| 2  | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the         |
| 3  |   | excess over \$80,000.00               |
| 4  |   |                                       |
| 5  | Over \$150,000.00 but not   |                                       |
| 6  | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the         |
| 7  |   | excess over \$150,000.00              |
| 8  |   |                                       |
| 9  | Over \$500,000.00 .....   | \$27,807.50 plus 8.970% of the        |
| 10 |   | excess over \$500,000.00              |
| 11 |   |                                       |
| 12 | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                       |
| 13 | <u>before January 1, 2020:</u>  |                                       |
| 14 |   |                                       |
| 15 | If the taxable income is:   | The tax is:                           |
| 16 |   |                                       |
| 17 | Not over \$20,000.00.....   | 1.400% of taxable income              |
| 18 |   |                                       |
| 19 | Over \$20,000.00 but not  |                                       |
| 20 | over \$50,000.00.....   | \$280.00 plus 1.750% of the           |
| 21 |   | excess over \$20,000.00               |
| 22 |   |                                       |
| 23 | Over \$50,000.00 but not  |                                       |
| 24 | over \$70,000.00.....   | \$805.00 plus 2.450% of the           |
| 25 |   | excess over \$50,000.00               |
| 26 |   |                                       |
| 27 | Over \$70,000.00 but not  |                                       |
| 28 | over \$80,000.00.....   | \$1,295.50 plus 3.500% of the         |
| 29 |   | excess over \$70,000.00               |
| 30 |   |                                       |
| 31 | Over \$80,000.00 but not  |                                       |
| 32 | over \$150,000.00.....  | \$1,645.00 plus 5.525% of the         |
| 33 |   | excess over \$80,000.00               |
| 34 |   |                                       |
| 35 | Over \$150,000.00 but not   |                                       |
| 36 | over \$500,000.00.....  | \$5,512.50 plus 6.370% of the         |
| 37 |   | excess over \$150,000.00              |
| 38 |   |                                       |
| 39 | Over \$500,000.00 but not   |                                       |
| 40 | over \$5,000,000.00..   | \$27,807.50 plus 8.970% of the        |
| 41 |   | excess over \$500,000.00 <b>[.]</b>   |
| 42 |   |                                       |
| 43 | Over \$5,000,000.00 .....   | \$431,457.50 plus 10.75% of the       |
| 44 |   | excess over \$5,000,000.00 <b>[.]</b> |
| 45 |   |                                       |

46 (7) for taxable years beginning on or after January 1, 2020:

47

48 If the taxable income is:      The tax is:

S2949 ADDIEGO, GREENSTEIN

|    |                                  |  |
|----|----------------------------------|--|
| 1  |                                  |  |
| 2  | <u>Not over \$20,000.00.....</u> | <u>1.400% of taxable income</u>        |
| 3  |                                  |  |
| 4  | <u>Over \$20,000.00 but not</u>  |  |
| 5  | <u>over \$50,000.00....</u>      | <u>\$280.00 plus 1.750% of the</u>     |
| 6  |                                  | <u>excess over \$20,000.00</u>         |
| 7  |                                  |  |
| 8  | <u>Over \$50,000.00 but not</u>  |  |
| 9  | <u>over \$70,000.00....</u>      | <u>\$805.00 plus 2.450% of the</u>     |
| 10 |                                  | <u>excess over \$50,000.00</u>         |
| 11 |                                  |  |
| 12 | <u>Over \$70,000.00 but not</u>  |  |
| 13 | <u>over \$80,000.00...</u>       | <u>\$1,295.50 plus 3.500% of the</u>   |
| 14 |                                  | <u>excess over \$70,000.00</u>         |
| 15 |                                  |  |
| 16 | <u>Over \$80,000.00 but not</u>  |  |
| 17 | <u>over \$150,000.00..</u>       | <u>\$1,645.00 plus 5.525% of the</u>   |
| 18 |                                  | <u>excess over \$80,000.00</u>         |
| 19 |                                  |  |
| 20 | <u>Over \$150,000.00 but not</u> |  |
| 21 | <u>over \$500,000.00..</u>       | <u>\$5,512.50 plus 6.370% of the</u>   |
| 22 |                                  | <u>excess over \$150,000.00</u>        |
| 23 |                                  |  |
| 24 | <u>Over \$500,000.00 but not</u> |  |
| 25 | <u>over \$1,000,000.00..</u>     | <u>\$27,807.50 plus 8.970% of the</u>  |
| 26 |                                  | <u>excess over \$500,000.00</u>        |
| 27 |                                  |  |
| 28 | <u>Over \$1,000,000.00...</u>    | <u>\$72,657.50 plus 10.750% of the</u> |
| 29 |                                  | <u>excess over \$1,000,000.00</u>      |

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

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

|    |                           |                           |
|----|---------------------------|---------------------------|
| 36 |                           |                           |
| 37 | If the taxable income is: | The tax is:               |
| 38 |                           |                           |
| 39 | Not over \$20,000.00..... | 2% of taxable income      |
| 40 |                           |                           |
| 41 | Over \$20,000.00 but not  |                           |
| 42 | over \$35,000.00.....     | \$400.00 plus 2.5% of the |
| 43 |                           | excess over \$20,000.00   |
| 44 |                           |                           |
| 45 | Over \$35,000.00 but not  |                           |
| 46 | over \$40,000.00.....     | \$775.00 plus 5.0% of the |
| 47 |                           | excess over \$35,000.00   |
| 48 |                           |                           |

S2949 ADDIEGO, GREENSTEIN

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

**S2949 ADDIEGO, GREENSTEIN**

8

|    |   |                               |
|----|---|-------------------------------|
| 1  | Over \$75,000.00 .....  | \$2,975.80 plus 6.580% of the |
| 2  |   | excess over \$75,000.00       |
| 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 \$35,000.00.....   | \$280.00 plus 1.750% of the   |
| 13 |   | excess over \$20,000.00       |
| 14 |   |                               |
| 15 | Over \$35,000.00 but not  |                               |
| 16 | over \$40,000.00.....   | \$542.50 plus 3.500% of the   |
| 17 |   | excess over \$35,000.00       |
| 18 |   |                               |
| 19 | Over \$40,000.00 but not  |                               |
| 20 | over \$75,000.00.....   | \$717.50 plus 5.525% of the   |
| 21 |   | excess over \$40,000.00       |
| 22 |   |                               |
| 23 | Over \$75,000.00.....   | \$2,651.25 plus 6.370% of the |
| 24 |   | excess over \$75,000.00       |
| 25 |   |                               |
| 26 | (5) for taxable years beginning on or after January 1, 2004 but |                               |
| 27 | before January 1, 2018:   |                               |
| 28 |   |                               |
| 29 | If the taxable income is:                                       | The tax is:                   |
| 30 |   |                               |
| 31 | Not over \$20,000.00.....                                       | 1.400% of taxable income      |
| 32 |   |                               |
| 33 | Over \$20,000.00 but not  |                               |
| 34 | over \$35,000.00.....   | \$280.00 plus 1.750% of the   |
| 35 |   | excess over \$20,000.00       |
| 36 |   |                               |
| 37 | Over \$35,000.00 but not  |                               |
| 38 | over \$40,000.00.....   | \$542.50 plus 3.500% of the   |
| 39 |   | excess over \$35,000.00       |
| 40 |   |                               |
| 41 | Over \$40,000.00 but not  |                               |
| 42 | over \$75,000.00.....   | \$717.50 plus 5.525% of the   |
| 43 |   | excess over \$40,000.00       |
| 44 |   |                               |
| 45 | Over \$75,000.00 but not  |                               |
| 46 | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the |
| 47 |   | excess over \$75,000.00       |
| 48 |   |                               |

S2949 ADDIEGO, GREENSTEIN

|    |   |                                 |
|----|---|---------------------------------|
| 1  | Over \$500,000.00 .....   | \$29,723.75 plus 8.970% of the  |
| 2  |   | excess over \$500,000.00        |
| 3  |   |                                 |
| 4  | (6) for taxable years beginning on or after January 1, 2018, <u>but</u> |                                 |
| 5  | <u>before January 1, 2020:</u>  |                                 |
| 6  |   |                                 |
| 7  | <u>If the taxable income is:</u>  | <u>The tax is:</u>              |
| 8  |   |                                 |
| 9  | Not over \$20,000.00.....   | 1.400% of taxable income        |
| 10 |   |                                 |
| 11 | Over \$20,000.00 but not  |                                 |
| 12 | over \$35,000.00.....   | \$280.00 plus 1.750% of the     |
| 13 |   | excess over \$20,000.00         |
| 14 |   |                                 |
| 15 | Over \$35,000.00 but not  |                                 |
| 16 | over \$40,000.00.....   | \$542.50 plus 3.500% of the     |
| 17 |   | excess over \$35,000.00         |
| 18 |   |                                 |
| 19 | Over \$40,000.00 but not  |                                 |
| 20 | over \$75,000.00.....   | \$717.50 plus 5.525% of the     |
| 21 |   | excess over \$40,000.00         |
| 22 |   |                                 |
| 23 | Over \$75,000.00 but not  |                                 |
| 24 | over \$500,000.00.....  | \$2,651.25 plus 6.370% of the   |
| 25 |   | excess over \$75,000.00         |
| 26 |   |                                 |
| 27 | Over \$500,000.00 but not   |                                 |
| 28 | over \$5,000,000.00...  | \$29,723.75 plus 8.970% of the  |
| 29 |   | excess over \$500,000.00        |
| 30 |   |                                 |
| 31 | Over \$5,000,000.00 .....   | \$433,373.75 plus 10.75% of the |
| 32 |   | excess over \$5,000,000.00      |
| 33 |   |                                 |

34 (7) for taxable years beginning on or after January 1, 2020:

|    |                                  |                                    |
|----|----------------------------------|------------------------------------|
| 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>  |                                    |



**S2949 ADDIEGO, GREENSTEIN**

10

|    |                                  |  |
|----|----------------------------------|--|
| 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 but not</u> |  |
| 9  | <u>over \$1,000,000.00..</u>     | <u>\$29,723.75 plus 8.970% of the</u>  |
| 10 |                                  | <u>excess over \$500,000.00</u>        |
| 11 |                                  |  |
| 12 | <u>Over \$1,000,000.00....</u>   | <u>\$74,573.75 plus 10.750% of the</u> |
| 13 |                                  | <u>excess over \$1,000,000.00</u>      |

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

18 d. For the purposes of this section, for taxable year 2018,  
19 withholding by every employer from salaries, wages and other  
20 remuneration paid by an employer for services rendered described in  
21 subsections a. and b. of this section, in excess of \$5,000,000 during  
22 that taxable year, shall be at the rate of 15.6% as soon as practicable  
23 but no later than September 1, 2018. The Director of the Division of  
24 Taxation is authorized to do all things necessary to implement the  
25 withholding tax prescribed by this section for taxable year 2018.

26 e. No additions to tax or penalty shall be imposed under  
27 N.J.S.54A:9-6 for insufficient payment of estimated tax that may  
28 otherwise be due on salaries, wages and other remuneration received  
29 before September 1, 2018, on which there is a rate of tax imposed  
30 pursuant to subsections a. and b. of this section.

31 f. An employer maintaining an office or transacting business  
32 within this State and making payment of any salaries, wages and  
33 remuneration subject to New Jersey gross income tax or making  
34 payment of any remuneration for employment subject to contribution  
35 under the New Jersey "unemployment compensation law," pursuant  
36 to R.S.43:21-1 et seq., that is subject to New Jersey gross income tax  
37 shall not be subject to interest, penalties or other costs that may  
38 otherwise be imposed for insufficient withholding of salaries, wages  
39 and other remuneration made before September 1, 2018, that is  
40 directly attributable to the enactment of the taxable income tables and  
41 tax rates in subsections a. and b. of this section.

42 (cf: P.L.2018, c.45, s.10)

43

44 2. (New section) a. For taxable year 2020, withholding by an  
45 employer from salaries, wages, and other remuneration paid by an  
46 employer for services rendered over \$1,000,000, but not over  
47 \$5,000,000, shall be at the rate of 21.3 percent as soon as practicable,  
48 but not later than November 1, 2020. The director is authorized to

1 implement the withholding rate prescribed by this subsection for  
2 taxable year 2020.

3 b. For taxable year 2020, no additions to tax or penalty shall be  
4 imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for  
5 underpayment of increased estimated tax on taxable income received  
6 before November 1, 2020 for which the increased estimated tax due  
7 is attributable to the rate imposed on gross income in excess of  
8 \$1,000,000, but not in excess of \$5,000,000.

9 c. For taxable year 2020, no interest, penalties, or other costs shall  
10 be imposed upon an employer maintaining an office or transacting  
11 business within this State and making payment of any salaries,  
12 wages, and remuneration subject to the “New Jersey Gross Income  
13 Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any  
14 remuneration for employment subject to contribution under the New  
15 Jersey “unemployment compensation law,” pursuant to R.S.43:21-1  
16 et seq., for insufficient withholding of salaries, wages, and other  
17 remuneration paid before November 1, 2020 that is attributable to an  
18 increase in the rate imposed on gross income in excess of \$1,000,000,  
19 but not in excess of \$5,000,000.

20

21 3. (New section) a. Beginning with taxable year 2020, and  
22 subject to appropriation by the Legislature, a qualified taxpayer shall  
23 be eligible for a tax rebate based on the requirements set forth in this  
24 section.

25 b. The rebate shall be the lesser of \$500 or an amount equal to  
26 the amount of tax paid after credits for the taxable year pursuant to  
27 the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. In  
28 the case of a qualified taxpayer who is a part-year resident during the  
29 taxable year, the amount of the rebate shall be pro-rated, based upon  
30 the total number of months of the taxpayer’s residency during the  
31 taxable year.

32 c. The director shall issue rebates to qualified taxpayers between  
33 July 1 and July 31 of the subsequent taxable year, provided however,  
34 in the case of a qualified taxpayer who is granted an extension of time  
35 for filing a return, the director may issue the rebate between July 1  
36 and December 31 of the subsequent taxable year.

37 d. The director is authorized to issue rules and regulations as  
38 necessary to implement this section.

39 e. The director may recover rebates issued in error or as a result  
40 of misrepresentation in the same manner as a deficiency with respect  
41 to a payment of a State tax in accordance with the State Uniform Tax  
42 Procedure Law, R.S.54:48-1 et seq.

43 f. Any rebate issued pursuant to this section shall not be  
44 considered gross income for purposes of the New Jersey Gross  
45 Income Tax Act.

46 g. As used in this section

47 “Qualified taxpayer” means an individual who has timely filed a  
48 resident return, is a resident of this State during the taxable year, and

1 who had during the taxable year: (1) at least one qualifying child; (2)  
2 gross income not exceeding \$150,000 for married individuals filing  
3 a joint return and an individual filing as a head of household or as a  
4 surviving spouse, or \$75,000 for married individuals filing separately  
5 and an individual filing as a single taxpayer; and (3) a gross income  
6 tax liability greater than zero.

7 "Qualifying child" means the same as defined in section 152 of  
8 the Internal Revenue Code (26 U.S.C. s.152), where claimed as a  
9 dependent on a resident return under the New Jersey Gross Income  
10 Tax Act.

11

12 4. Section 1 of P.L.1981, c.239 (C.54A:9-8.1) is amended to  
13 read as follows:

14 1. a. Whenever any taxpayer or resident shall be entitled to any  
15 refund of taxes pursuant to the "New Jersey Gross Income Tax Act"  
16 (N.J.S.54A:1-1 et seq.), including an earned income tax credit  
17 provided as a refund pursuant to P.L.2000, c.80 (C.54A:4-6 et al.), or  
18 whenever any individual is eligible to receive a rebate pursuant to  
19 section 3 of P.L. , c. (C. ) (pending before the Legislature as  
20 this bill), or a homestead rebate or credit pursuant to P.L.1990, c.61  
21 (C.54:4-8.57 et al.), P.L.1999, c.63 (C.54:4-8.58a et al.), P.L.2004,  
22 c.40 or P.L.2007, c.62 (C.18A:7F-37 et al.), and if the rebate or credit  
23 is not required to be paid over to the municipal tax collector under  
24 the provisions of section 8 of P.L.1990, c.61 (C.54:4-8.64), and at the  
25 same time the taxpayer or resident shall be indebted to any agency or  
26 institution of State Government, to the Victims of Crime  
27 Compensation Board for the portion of an assessment ordered  
28 pursuant to section 2 of P.L.1979, c.396 (2C:43-3.1) for deposit in  
29 the Victims of Crime Compensation Board Account or restitution  
30 ordered to be paid to the board pursuant to N.J.S.2C:44-2 for deposit  
31 in the Victims of Crime Compensation Board Account, or for child  
32 support under Title IV-A, Title IV-D, or Title IV-E of the federal  
33 Social Security Act (42 U.S.C. s.601 et seq.), or other indebtedness  
34 in accordance with section 1 of P.L.1995, c.290 (C.2A:17-56.11b)  
35 the Department of the Treasury shall apply or cause to be applied the  
36 refund, homestead rebate or credit, or all, or so much of any or all as  
37 shall be necessary, to satisfy the indebtedness. Child support  
38 indebtedness shall take precedence over all other indebtedness. The  
39 Department of the Treasury shall retain a percentage of the proceeds  
40 of any collection setoff as shall be necessary to provide for any  
41 expenses of the collection effort.

42 b. A State department or agency which is owed a debt shall  
43 notify the Department of the Treasury of the existence of the debt and  
44 shall request that the Department of the Treasury execute a setoff as  
45 provided for in this section.

46 (cf: P.L.2007, c.62, s.38)

1       5. This act shall take effect immediately and sections 1 and 2  
2 shall apply retroactively to taxable years beginning on and after  
3 January 1, 2020.

4

5

6

STATEMENT

7

8       This bill increases the gross income tax rate applicable to  
9 taxpayers with gross income exceeding \$1,000,000 in taxable years  
10 beginning on or after January 1, 2020.

11       The gross income tax rate under current law is 8.97 percent for  
12 income between \$1,000,000 and \$5,000,000, and 10.75 percent for  
13 income over \$5,000,000. This bill applies the 10.75 percent rate to  
14 gross income exceeding \$1,000,000.

15       The bill also provides to eligible gross income taxpayers a tax  
16 rebate of either \$500 or, if the taxpayer paid less than that for the tax  
17 year, the amount of actual tax paid. The rebate is subject to annual  
18 appropriation by the Legislature.

19       To be eligible for the rebate the taxpayer must be a resident of the  
20 State, have at least one dependent child, have a gross income tax  
21 liability greater than zero, and have gross income not exceeding:

22       \$150,000 if (1) married and filing jointly, (2) filing as a head of  
23 household, or (3) filing as a surviving spouse; or

24       \$75,000 if (1) married and filing separately, or (2) individuals  
25 filing as a single taxpayer.

26       The director of the Division of Taxation will issue rebates to  
27 eligible taxpayers between July 1 and July 31, or between July 1 and  
28 the end of the year for taxpayers who were granted gross income tax  
29 return extensions.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 2949

# STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2949.

This bill increases the gross income tax rate applicable to taxpayers with gross income exceeding \$1,000,000 in taxable years beginning on or after January 1, 2020. The gross income tax rate under current law is 8.97 percent for income between \$1,000,000 and \$5,000,000, and 10.75 percent for income over \$5,000,000. This bill applies the 10.75 percent rate to gross income exceeding \$1,000,000.

The bill also provides to eligible gross income taxpayers a tax rebate of either \$500 or, if the taxpayer paid less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriation by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

\$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

\$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31, or between July 1 and the end of the year for taxpayers who were granted gross income tax return extensions.

#### FISCAL IMPACT:

The OLS is projecting additional FY 2021 revenues of \$395 million to \$427 million from the increasing the gross income tax (GIT) marginal rate on incomes in excess of \$1 million, but below \$5 million, from 8.97% to 10.75%. As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the GIT marginal rate to yield \$390 million in additional revenue for FY 2021.

The OLS estimates that the rebate program will cost the State roughly \$300 million annually, starting in FY 2022. Based on information shared by the Executive with the OLS, the Executive is projecting the cost of the program at roughly \$335 million annually.

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 2949**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: SEPTEMBER 28, 2020

**SUMMARY**

- Synopsis:** Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers.
- Type of Impact:** Annual State revenue gain to Property Tax Relief Fund;  
Annual State expenditure increase from General Fund.
- Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

| <b>Fiscal Impact</b>              | <b><u>FY 2021</u></b>          | <b><u>FY 2022 and Thereafter</u></b> |
|-----------------------------------|--------------------------------|--------------------------------------|
| <b>Annual State Revenue Gain</b>  | \$414 million to \$427 million | \$390 million to \$450 million       |
| <b>Annual State Cost Increase</b> | \$0                            | At least \$300 million               |

- The Office of Legislative Services (OLS) estimates that this bill will increase FY 2021 gross income tax revenue by \$414 million to \$427 million; however, the bill’s revenue impact in fiscal years thereafter will be partially offset by the cost of the rebate program established by the bill. Gross income tax revenue in FY 2022 and FY 2023 is expected to increase by \$390 million to \$450 million annually, and the rebate program is anticipated to cost at least \$300 million annually.
- The OLS notes that gross income tax revenue is dedicated to the State’s Property Tax Relief Fund. Appropriations from the State’s General Fund will be necessary to support the rebate program.

**BILL DESCRIPTION**

This bill increases the marginal gross income tax rate applicable to taxpayers with gross income exceeding \$1 million in taxable years beginning on or after January 1, 2020.

The marginal gross income tax rate under current law is 8.97 percent for income between \$1 million and \$5 million, and 10.75 percent for income over \$5 million. This bill applies the 10.75 percent rate to gross income exceeding \$1 million.

The bill also provides to eligible gross income taxpayers a tax rebate of either \$500 or, if the taxpayer had a gross income tax liability less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriations by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

\$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

\$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31 of the subsequent taxable year, or between July 1 and December 31 of the subsequent taxable year for taxpayers who were granted gross income tax return extensions.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the GIT rate for income between \$1 million and \$5 million would yield \$390 million in additional revenue for FY 2021. Based on information shared informally by the Executive with the OLS, the Executive is projecting the cost of the rebate program at \$335 million annually.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that this bill will increase FY 2021 gross income tax revenue by \$414 million to \$427 million; however, the bill's revenue impact in fiscal years thereafter will be offset by the cost of the rebate program established by the bill. Gross income tax revenue in FY 2022 and FY 2023 is expected to increase by \$390 million to \$450 million annually, and the rebate program is anticipated to cost at least \$300 million annually. The OLS notes that gross income tax revenue is dedicated to the State's Property Tax Relief Fund; thus, an appropriation from the State's General Fund is necessary to support the rebate program.

The OLS is projecting additional FY 2021 revenues of \$414 million to \$427 million from the increasing the gross income tax (GIT) marginal rate on incomes in excess of \$1 million, but below \$5 million, from 8.97 percent to 10.75 percent. Based on the Department of the Treasury's TY 2016 Statistics of Income data, roughly 19,500 taxpayers had gross income in excess of \$1 million. Part of that income is already subject to a 10.75 percent marginal rate if that income exceeds \$5 million. Thus, the OLS extracted out income for those taxpayers that would not be subject to the higher rate (less than \$1 million) and income that is already subjected to a 10.75 percent marginal rate. After accounting for growth in income since TY 2016 and recent economic conditions, factoring in non-resident returns and the credit allowed for taxes paid to other jurisdictions, and a boost from imposing the increased marginal rate retroactively to January 1, 2020, the OLS projects the marginal rate increase to yield additional FY 2021 revenue between \$414 million to \$427 million. FY 2022, FY 2023, and each fiscal year thereafter will not benefit from retroactivity as FY 2021 did. Thus, the OLS is projecting additional revenue for FY 2022 and FY 2023 between \$390 million to \$450 million annually.

The OLS estimates that the rebate program will cost the State at least \$300 million annually, starting in FY 2022. Based on information available in the TY 2016 Statistics of Income report and information provided by the Executive, up to 800,000 qualified taxpayers will be eligible for

the rebate program established by the bill. A little more than half of those qualified taxpayers would likely receive a maximum rebate of \$500. The other qualified taxpayers are assumed to have gross income tax liabilities of less than \$500 and receive a partial rebate.

*Section: Revenue, Finance and Appropriations*  
*Analyst: Jordan M. DiGiovanni*  
*Revenue Analyst*  
*Approved: Frank W. Haines III*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).



# Governor Murphy Takes Action on Legislation

09/29/2020

**TRENTON** – Today, Governor Murphy signed the following bills into law:

**A-10/S-2949 (Coughlin, Giblin/Addiego, Greenstein)** – Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers

**A-4721/S-2934 (Sumter/Sweeney)** – Imposes CBT surtax at rate of 2.5 percent until December 31, 2023

**A-4722/S-2935 (McKeon/Pou)** – Increases annual assessment on net written premiums of HMOs to support charity care from three percent to five percent in FY 2021

**S-2178/A-3292 (Vitale, Rice/Vainieri Huttie, Reynolds-Jackson, Jasey)** – Repeals family cap in Work First New Jersey program