



**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** Yes

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** Yes

Dustin Racioppi, NorthJersey.com, 'MORE NJ FAMILIES NOW ELIGIBLE FOR CHILD CARE CREDIT', Record, The (online), 4 Dec 2021 A1

Susan K. Livio - For The Star-Ledger, 'Gov. signs bill expanding child care tax credit The measure is expected to benefit 80,000 families as lawmakers aim to help residents return to work.', Star-Ledger, The (online), 4 Dec 2021 001

RWH/JA



P.L. 2021, CHAPTER 308, *approved December 3, 2021*  
Senate, No. 4065 (*Second Reprint*)

1 AN ACT concerning the gross income tax credit for child and  
2 dependent care expenses <sup>2</sup>**["1"] and<sup>1</sup> ]** <sup>2</sup> amending <sup>2</sup>**["1 and**  
3 **supplementing<sup>1</sup>"]**<sup>2</sup> P.L.2018, c.45.

4

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

7

8 <sup>1</sup>**[**1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to  
9 read as follows:

10 5. a. A resident taxpayer with New Jersey taxable income of  
11 **["\$60,000"]** \$150,000 or less who is allowed a credit for expenses for  
12 household and dependent care services for federal income tax  
13 purposes pursuant to section 21 of the Internal Revenue Code (26  
14 U.S.C. s.21) shall be allowed a credit against the tax otherwise due  
15 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
16 et seq. The credit shall be in an amount equal to a percentage of the  
17 credit allowed the taxpayer for federal income tax purposes for the  
18 taxable year, according to the following schedule:

19

20 NJ taxable income is:	Amount of NJ credit is:
21 <b>["Not over \$20,000</b>	50% of federal credit
22 <b>over \$20,000 but not over \$30,000</b>	40% of federal credit
23 <b>over \$30,000 but not over \$40,000</b>	30% of federal credit
24 <b>over \$40,000 but not over \$50,000</b>	20% of federal credit
25 <b>over \$50,000 but not over \$60,000</b>	10% of federal credit.]

26

27 <u>Not over \$30,000</u>	<u>50% of federal credit</u>
28 <u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
29 <u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
30 <u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>
31 <u>over \$120,000 but not over \$150,000</u>	<u>10% of federal credit.</u>

32

33 **["**The credit allowed by this section for a taxable year shall not  
34 exceed \$500 for employment-related expenses paid by the taxpayer  
35 for one qualifying individual and \$1,000 for employment-related  
36 expenses paid by the taxpayer for two or more qualifying  
37 individuals.**"]** The **["\$60,000"]** \$150,000 income limit set forth in this  
38 subsection shall apply to taxpayers of any filing status.

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

Matter underlined **thus** is new matter

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Senate SBA committee amendments adopted November 8, 2021.

<sup>2</sup>Assembly floor amendments adopted December 2, 2021.

1 b. **【A credit allowed pursuant to this section shall not reduce**  
 2 **the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for**  
 3 **a taxable year to an amount less than zero.】** If the amount of the  
 4 credit allowed pursuant to this section exceeds the amount of gross  
 5 income tax otherwise due pursuant to the "New Jersey Gross  
 6 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
 7 be treated as a refundable overpayment. The Director of the  
 8 Division of Taxation shall determine the order of priority of the  
 9 application of the credit allowed pursuant to this section and any  
 10 other credits allowed by law.

11 c. Married couples shall file a joint return in order to claim the  
 12 credit provided by this section. A taxpayer eligible to receive a  
 13 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
 14 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
 15 eligible for the credit provided by this section, provided the  
 16 taxpayer satisfies the income limit set forth in subsection a. of this  
 17 section.

18 d. In the case of a part-year resident claimant, the amount of  
 19 the credit allowed pursuant to this section shall be pro-rated, based  
 20 upon that proportion which the total number of months of the  
 21 claimant's residency in the taxable year bears to 12 in that period.  
 22 For this purpose, 15 days or more shall constitute a month.

23 (cf: P.L.2018, c.45, s.5)】<sup>1</sup>

24  
 25 <sup>1</sup>1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read  
 26 as follows:

27 5. a. <sup>2</sup>**【【A】** For taxable years beginning on or after January 1,  
 28 2018 but before January 1, 2021, and for taxable years beginning on  
 29 or after January 1, 2022, a】 <sup>2</sup>A resident taxpayer with New Jersey  
 30 taxable income of <sup>2</sup>**【\$60,000】** <sup>2</sup>\$150,000<sup>2</sup> or less who is allowed a  
 31 credit for expenses for household and dependent care services for  
 32 federal income tax purposes pursuant to section 21 of the Internal  
 33 Revenue Code (26 U.S.C. s.21) shall be allowed a credit against the  
 34 tax otherwise due pursuant to the "New Jersey Gross Income Tax  
 35 Act," N.J.S.54A:1-1 et seq. The credit shall be in an amount equal  
 36 to a percentage of the credit allowed the taxpayer for federal income  
 37 tax purposes for the taxable year, according to the following  
 38 schedule:

NJ taxable income is:	Amount of NJ credit is:
<sup>2</sup> <b>【Not over \$20,000</b>	50% of federal credit
over \$20,000 but not over \$30,000	40% of federal credit
over \$30,000 but not over \$40,000	30% of federal credit
over \$40,000 but not over \$50,000	20% of federal credit
over \$50,000 but not over \$60,000	10% of federal credit.】
<u>Not over \$30,000</u>	<u>50% of federal credit</u>
<u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>

1	<u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
2	<u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>
3	<u>over \$120,000 but not over \$150,000</u>	<u>10% of federal</u>
4	<u>credit.</u> <sup>2</sup>	

5 <sup>2</sup>【The credit allowed by this section for a taxable year shall not  
6 exceed \$500 for employment-related expenses paid by the taxpayer  
7 for one qualifying individual and \$1,000 for employment-related  
8 expenses paid by the taxpayer for two or more qualifying  
9 individuals.】<sup>2</sup> The <sup>2</sup>【\$60,000】 \$150,000<sup>2</sup> income limit set forth in  
10 this subsection shall apply to taxpayers of any filing status.

11 b. <sup>2</sup>【A credit allowed pursuant to this section shall not reduce  
12 the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for  
13 a taxable year to an amount less than zero.】 If the amount of the  
14 credit allowed pursuant to this section exceeds the amount of gross  
15 income tax otherwise due pursuant to the "New Jersey Gross  
16 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
17 be treated as a refundable overpayment.<sup>2</sup>

18 c. Married couples shall file a joint return in order to claim the  
19 credit provided by this section. A taxpayer eligible to receive a  
20 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
21 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
22 eligible for the credit provided by this section, provided the  
23 taxpayer satisfies the income limit set forth in subsection a. of this  
24 section.

25 d. In the case of a part-year resident claimant, the amount of  
26 the credit allowed pursuant to this section shall be pro-rated, based  
27 upon that proportion which the total number of months of the  
28 claimant's residency in the taxable year bears to 12 in that period.  
29 For this purpose, 15 days or more shall constitute a month.<sup>1</sup>  
30 (cf: P.L.2018, c.45, s.5)

31  
32 <sup>2</sup>【<sup>1</sup>2. (New section) a. For the taxable year beginning on  
33 January 1, 2021, a resident taxpayer with New Jersey taxable  
34 income of \$150,000 or less who is allowed a credit for expenses for  
35 household and dependent care services for federal income tax  
36 purposes pursuant to section 21 of the Internal Revenue Code (26  
37 U.S.C. s.21) shall be allowed a credit against the tax otherwise due  
38 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
39 et seq. The credit shall be in an amount equal to a percentage of the  
40 credit allowed the taxpayer for federal income tax purposes for the  
41 taxable year, according to the following schedule:

42		
43	<u>NJ taxable income is:</u>	<u>Amount of NJ credit is:</u>
44		
45	<u>Not over \$30,000</u>	<u>50% of federal credit</u>
46	<u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
47	<u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
48	<u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>

S4065 [2R]

1 over \$120,000 but not over \$150,000 10% of federal credit.

2

3 The \$150,000 income limit set forth in this subsection shall apply to  
4 taxpayers of any filing status.

5 b. If the amount of the credit allowed pursuant to this section  
6 exceeds the amount of gross income tax otherwise due pursuant to  
7 the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the  
8 amount of excess shall be treated as a refundable overpayment. The  
9 Director of the Division of Taxation shall determine the order of  
10 priority of the application of the credit allowed pursuant to this  
11 section and any other credits allowed by law.

12 c. Married couples shall file a joint return in order to claim the  
13 credit provided by this section. A taxpayer eligible to receive a  
14 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
15 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
16 eligible for the credit provided by this section, provided the  
17 taxpayer satisfies the income limit set forth in subsection a. of this  
18 section.

19 d. In the case of a part-year resident claimant, the amount of  
20 the credit allowed pursuant to this section shall be pro-rated, based  
21 upon that proportion which the total number of months of the  
22 claimant's residency in the taxable year bears to 12 in that period.  
23 For this purpose, 15 days or more shall constitute a month.<sup>1</sup>]<sup>2</sup>

24

25 <sup>2</sup>2. This act shall take effect immediately and shall apply  
26 retroactively to taxable years beginning on and after January 1,  
27 2021.<sup>2</sup>

28

29 <sup>1</sup>[2.] <sup>2</sup>[3.<sup>1</sup> This act shall take effect immediately <sup>1</sup>[and shall  
30 apply retroactively to taxable years beginning on and after January  
31 1, 2021]<sup>1</sup>.]<sup>2</sup>

32

33

34

35

36 Revises gross income tax credit for child and dependent care  
37 expenses.

## CHAPTER 308

AN ACT concerning the gross income tax credit for child and dependent care expenses, amending P.L.2018, c.45.

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

1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read as follows:

C.54A:4-17 Certain credits permitted.

5. a. A resident taxpayer with New Jersey taxable income of \$150,000 or less who is allowed a credit for expenses for household and dependent care services for federal income tax purposes pursuant to section 21 of the Internal Revenue Code (26 U.S.C. s.21) shall be allowed a credit against the tax otherwise due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. The credit shall be in an amount equal to a percentage of the credit allowed the taxpayer for federal income tax purposes for the taxable year, according to the following schedule:

NJ taxable income is:	Amount of NJ credit is:
Not over \$30,000	50% of federal credit
over \$30,000 but not over \$60,000	40% of federal credit
over \$60,000 but not over \$90,000	30% of federal credit
over \$90,000 but not over \$120,000	20% of federal credit
over \$120,000 but not over \$150,000	10% of federal credit.

The \$150,000 income limit set forth in this subsection shall apply to taxpayers of any filing status.

b. If the amount of the credit allowed pursuant to this section exceeds the amount of gross income tax otherwise due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall be treated as a refundable overpayment.

c. Married couples shall file a joint return in order to claim the credit provided by this section. A taxpayer eligible to receive a credit pursuant to paragraph (3) or (4) of subsection (e) of section 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be eligible for the credit provided by this section, provided the taxpayer satisfies the income limit set forth in subsection a. of this section.

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

2. This act shall take effect immediately and shall apply retroactively to taxable years beginning on and after January 1, 2021.

Approved December 3, 2021.



**SENATE, No. 4065**

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**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

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INTRODUCED NOVEMBER 8, 2021

**Sponsored by:**

**Senator DAWN MARIE ADDIEGO**

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

**SYNOPSIS**

Revises gross income tax credit for child and dependent care expenses.

**CURRENT VERSION OF TEXT**

As introduced.



S4065 ADDIEGO

1 AN ACT concerning the gross income tax credit for child and  
2 dependent care expenses, amending P.L.2018, c.45.

3

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

6

7 1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read  
8 as follows:

9 5. a. A resident taxpayer with New Jersey taxable income of  
10 **[\$60,000]** \$150,000 or less who is allowed a credit for expenses for  
11 household and dependent care services for federal income tax  
12 purposes pursuant to section 21 of the Internal Revenue Code (26  
13 U.S.C. s.21) shall be allowed a credit against the tax otherwise due  
14 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
15 et seq. The credit shall be in an amount equal to a percentage of the  
16 credit allowed the taxpayer for federal income tax purposes for the  
17 taxable year, according to the following schedule:

18

19 NJ taxable income is:	Amount of NJ credit is:
20 <b>[Not over \$20,000</b>	50% of federal credit
21 <b>over \$20,000 but not over \$30,000</b>	40% of federal credit
22 <b>over \$30,000 but not over \$40,000</b>	30% of federal credit
23 <b>over \$40,000 but not over \$50,000</b>	20% of federal credit
24 <b>over \$50,000 but not over \$60,000</b>	10% of federal credit.]

25

26 <u>Not over \$30,000</u>	50% of federal credit
27 <u>over \$30,000 but not over \$60,000</u>	40% of federal credit
28 <u>over \$60,000 but not over \$90,000</u>	30% of federal credit
29 <u>over \$90,000 but not over \$120,000</u>	20% of federal credit
30 <u>over \$120,000 but not over \$150,000</u>	10% of federal credit.

31

32 **[The credit allowed by this section for a taxable year shall not**  
33 **exceed \$500 for employment-related expenses paid by the taxpayer**  
34 **for one qualifying individual and \$1,000 for employment-related**  
35 **expenses paid by the taxpayer for two or more qualifying**  
36 **individuals.]** The **[\$60,000]** \$150,000 income limit set forth in this  
37 subsection shall apply to taxpayers of any filing status.

38 b. **[A credit allowed pursuant to this section shall not reduce**  
39 **the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for**  
40 **a taxable year to an amount less than zero.]** If the amount of the  
41 credit allowed pursuant to this section exceeds the amount of gross  
42 income tax otherwise due pursuant to the "New Jersey Gross  
43 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
44 be treated as a refundable overpayment. The Director of the  
45 Division of Taxation shall determine the order of priority of the

**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.**

S4065 ADDIEGO

1 application of the credit allowed pursuant to this section and any  
2 other credits allowed by law.

3 c. Married couples shall file a joint return in order to claim the  
4 credit provided by this section. A taxpayer eligible to receive a  
5 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
6 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
7 eligible for the credit provided by this section, provided the  
8 taxpayer satisfies the income limit set forth in subsection a. of this  
9 section.

10 d. In the case of a part-year resident claimant, the amount of  
11 the credit allowed pursuant to this section shall be pro-rated, based  
12 upon that proportion which the total number of months of the  
13 claimant's residency in the taxable year bears to 12 in that period.  
14 For this purpose, 15 days or more shall constitute a month.  
15 (cf: P.L.2018, c.45, s.5)

16  
17 2. This act shall take effect immediately and shall apply  
18 retroactively to taxable years beginning on and after January 1,  
19 2021.

20

21

22

STATEMENT

23

24 This bill revises the State's child and dependent care tax credit,  
25 which is based on the federal credit and is for taxpayers who incur  
26 expenses for household services and the care of a child or  
27 dependent to enable the taxpayer to be employed.

28 The bill revises the credit so that it will be refundable. This  
29 means that a taxpayer could receive a cash refund if the credit  
30 amount is in excess of their gross income tax liability. Under  
31 current law, the credit is nonrefundable, and therefore, if the credit  
32 is in excess of the taxpayer's gross income tax liability then the  
33 taxpayer may not be able to claim the full tax credit amount.

34 The bill also revises the income requirements for the credit so  
35 that taxpayers who have New Jersey taxable income of \$150,000 or  
36 less for the tax year can claim the credit compared to \$60,000 or  
37 less under current law. In addition, the bill removes the current  
38 caps of \$500 for employment-related expenses paid by the taxpayer  
39 for one child or dependent and \$1,000 for employment-related  
40 expenses paid by the taxpayer for two or more children or  
41 dependents.

42 Finally, the bill revises the tax credit's taxable income eligibility  
43 requirements as follows: not over \$30,000 to receive a New Jersey  
44 tax credit equal to 50 percent of the federal credit; over \$30,000 but  
45 not over \$60,000 to receive 40 percent of the federal credit; over  
46 \$60,000 but not over \$90,000 to receive 30 percent of the federal  
47 credit; over \$90,000 but not over \$120,000 to receive 20 percent of

**S4065 ADDIEGO**

4

- 1 the federal credit; and over \$120,000 but not over \$150,000 to
- 2 receive 10 percent of the federal credit.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 4065**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 8, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 4065, with committee amendments.

This bill revises the State's child and dependent care tax credit for tax year 2021. The credit is based on the federal credit and is available to taxpayers who incur expenses for certain household services and child care services, which enable the taxpayer to be employed.

The bill revises the credit so that it will be refundable in tax year 2021. This means that a taxpayer could receive a cash refund if the credit amount is in excess of their gross income tax liability. Under current law, the credit is nonrefundable, and therefore, if the credit is in excess of the taxpayer's gross income tax liability then the taxpayer may not be able to claim the full tax credit amount.

The bill also revises the income requirements for the credit so that taxpayers who have New Jersey taxable income of \$150,000 or less in tax year 2021 can claim the credit compared to \$60,000 or less under current law. In addition, the bill removes the current caps of \$500 for employment-related expenses paid by the taxpayer for one child or dependent and \$1,000 for employment-related expenses paid by the taxpayer for two or more children or dependents.

Finally, the bill revises the calculation of the tax credit in tax year 2021. Specifically, the credit would be calculated as follows: persons with income not over \$30,000 would receive a credit equal to 50 percent of the federal credit; persons with income over \$30,000, but not over \$60,000, would receive a credit equal to 40 percent of the federal credit; persons with income over \$60,000, but not over \$90,000, would receive a credit equal to 30 percent of the federal credit; persons with income over \$90,000, but not over \$120,000, would receive a credit equal to 20 percent of the federal credit; and persons with income over \$120,000, but not over \$150,000, would receive a credit equal to 10 percent of the federal credit.

COMMITTEE AMENDMENTS:

The committee amendments make the changes to the tax credit solely applicable to tax year 2021.

FISCAL IMPACT:

“The Office of Legislative Services expects the bill, as amended, to reduce State revenues by \$82.6 million for FY 2022. The Executive originally proposed a similar expansion of the State’s child and dependent care tax credit as part of the FY 2022 Governor’s Budget Recommendation. As noted on page 53 of the FY 2022 Budget in Brief, the child and dependent care tax credit produces a revenue loss of about \$11.5 million annually. The expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually. However, the federal American Rescue Plan Act of 2021 made several changes to the federal credit for TY 2021 only, which affects the calculation of the State’s credit for FY 2022. Based on the changes to the federal credit, the Executive revised its estimate of the expansion to \$76.2 million for TY 2021 (FY 2022 impact). Differences in data sources and methodology contribute to the minor difference in the Executive’s and the OLS’s estimates.”

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 4065 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: NOVEMBER 15, 2021

### SUMMARY

- Synopsis:** Revises gross income tax credit for child and dependent care expenses for tax year 2021.
- Type of Impact:** FY 2022 State revenue loss to Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>FY 2022</u></b>
<b>State Revenue Loss</b>	\$76.2 million

- The Office of Legislative Services (OLS) notes the Executive originally proposed a similar expansion of the State's child and dependent care tax credit as part of the FY 2022 Governor's Budget. That expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually. Based on changes to the federal credit, which affects the calculation of the State's credit, the Executive revised its estimate to \$76.2 million for TY 2021.
- The OLS ultimately agrees with the Executive's estimate for the temporary expansion of the State's child and dependent care tax credit.

### BILL DESCRIPTION

This bill revises the State's child and dependent care tax credit, which is based on the federal credit and is for taxpayers who incur expenses for household services and the care of a child or dependent to enable the taxpayer to be employed. This change would only affect Tax Year 2021.

The bill revises the income requirements for the credit so that taxpayers who have New Jersey taxable income of \$150,000 or less for the tax year can claim the credit compared to \$60,000 or less under current law. In addition, the bill removes the current caps of \$500 for employment-

related expenses paid by the taxpayer for one child or dependent and \$1,000 for employment-related expenses paid by the taxpayer for two or more children or dependents.

The bill revises the tax credit's taxable income eligibility requirements as follows: not over \$30,000 to receive a New Jersey tax credit equal to 50 percent of the federal credit; over \$30,000 but not over \$60,000 to receive 40 percent of the federal credit; over \$60,000 but not over \$90,000 to receive 30 percent of the federal credit; over \$90,000 but not over \$120,000 to receive 20 percent of the federal credit; and over \$120,000 but not over \$150,000 to receive 10 percent of the federal credit.

The bill revises the credit so that it will be refundable. This means that a taxpayer could receive a cash refund if the credit amount is in excess of their gross income tax liability.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Executive originally proposed a similar expansion of the State's child and dependent care tax credit as part of the FY 2022 Governor's Budget. As noted on page 53 of the FY 2022 Budget in Brief, the child and dependent care tax credit produces a revenue loss of about \$11.5 million annually. That expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually. However, the federal American Rescue Plan Act of 2021 made several changes to the federal credit for TY 2021 only, which affects the calculation of the State's credit. Based on the changes to the federal credit, the Executive revised its estimate to \$76.2 million for TY 2021 (FY 2022 impact).

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

The OLS ultimately agrees with the Executive's estimate for the temporary expansion of the State's child and dependent care tax credit. The OLS calculated the temporary expansion of the credit to reduce revenues by \$82.6 million for TY 2021, which is slightly more than the Executive's estimate. The OLS does not have access to data for the State's existing credit, so TY 2018 New Jersey Statistics of Income data from the federal Internal Revenue Service were utilized to review the Executive's estimates. Differences in data sources and methodology contribute to the minor difference in the Executive's and the OLS's estimates.

*Section:* Revenue, Finance and Appropriations  
*Analyst:* Jordan M. DiGiovanni  
Revenue Analyst  
*Approved:* Thomas Koenig  
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.).



STATEMENT TO  
[First Reprint]  
**SENATE, No. 4065**

with Assembly Floor Amendments  
(Proposed by Assemblywoman MOSQUERA)

ADOPTED: DECEMBER 2, 2021

This floor amendment makes the enhanced Child and Dependent Care credit proposed by the bill permanent instead of only applying to Tax Year 2021. The amendment makes the bill identical to Assembly Bill No. 6071 (1R).

# ASSEMBLY, No. 6071

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED NOVEMBER 8, 2021

**Sponsored by:**

**Assemblywoman GABRIELA M. MOSQUERA**

**District 4 (Camden and Gloucester)**

**Assemblyman ROY FREIMAN**

**District 16 (Hunterdon, Mercer, Middlesex and Somerset)**

**Assemblywoman LISA SWAIN**

**District 38 (Bergen and Passaic)**

**Assemblywoman BRITNEE N. TIMBERLAKE**

**District 34 (Essex and Passaic)**

**Co-Sponsored by:**

**Assemblyman Benson**

**SYNOPSIS**

Revises gross income tax credit for child and dependent care expenses.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 11/15/2021)**

1 AN ACT concerning the gross income tax credit for child and  
 2 dependent care expenses, amending P.L.2018, c.45.

3  
 4 **BE IT ENACTED** by the Senate and General Assembly of the State  
 5 of New Jersey:

6  
 7 1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read  
 8 as follows:

9 5. a. A resident taxpayer with New Jersey taxable income of  
 10 **[\$60,000]** \$150,000 or less who is allowed a credit for expenses for  
 11 household and dependent care services for federal income tax  
 12 purposes pursuant to section 21 of the Internal Revenue Code (26  
 13 U.S.C. s.21) shall be allowed a credit against the tax otherwise due  
 14 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
 15 et seq. The credit shall be in an amount equal to a percentage of the  
 16 credit allowed the taxpayer for federal income tax purposes for the  
 17 taxable year, according to the following schedule:

18 NJ taxable income is:	Amount of NJ credit is:
19 <b>[Not over \$20,000</b>	50% of federal credit
20 <b>over \$20,000 but not over \$30,000</b>	40% of federal credit
21 <b>over \$30,000 but not over \$40,000</b>	30% of federal credit
22 <b>over \$40,000 but not over \$50,000</b>	20% of federal credit
23 <b>over \$50,000 but not over \$60,000</b>	10% of federal credit. <b>]</b>
24	
25 <u>Not over \$30,000</u>	50% of federal credit
26 <u>over \$30,000 but not over \$60,000</u>	40% of federal credit
27 <u>over \$60,000 but not over \$90,000</u>	30% of federal credit
28 <u>over \$90,000 but not over \$120,000</u>	20% of federal credit
29 <u>over \$120,000 but not over \$150,000</u>	10% of federal credit.
30	
31	

32 **[**The credit allowed by this section for a taxable year shall not  
 33 exceed \$500 for employment-related expenses paid by the taxpayer  
 34 for one qualifying individual and \$1,000 for employment-related  
 35 expenses paid by the taxpayer for two or more qualifying  
 36 individuals. **]** The **[\$60,000]** \$150,000 income limit set forth in this  
 37 subsection shall apply to taxpayers of any filing status.

38 b. **[**A credit allowed pursuant to this section shall not reduce  
 39 the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for  
 40 a taxable year to an amount less than zero. **]** If the amount of the  
 41 credit allowed pursuant to this section exceeds the amount of gross  
 42 income tax otherwise due pursuant to the "New Jersey Gross  
 43 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
 44 be treated as a refundable overpayment. The Director of the  
 45 Division of Taxation shall determine the order of priority of the

**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 application of the credit allowed pursuant to this section and any  
2 other credits allowed by law.

3 c. Married couples shall file a joint return in order to claim the  
4 credit provided by this section. A taxpayer eligible to receive a  
5 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
6 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
7 eligible for the credit provided by this section, provided the  
8 taxpayer satisfies the income limit set forth in subsection a. of this  
9 section.

10 d. In the case of a part-year resident claimant, the amount of  
11 the credit allowed pursuant to this section shall be pro-rated, based  
12 upon that proportion which the total number of months of the  
13 claimant's residency in the taxable year bears to 12 in that period.  
14 For this purpose, 15 days or more shall constitute a month.  
15 (cf: P.L.2018, c.45, s.5)

16  
17 2. This act shall take effect immediately and shall apply  
18 retroactively to taxable years beginning on and after January 1,  
19 2021.

20  
21  
22 STATEMENT

23  
24 This bill revises the State's child and dependent care tax credit,  
25 which is based on the federal credit and is for taxpayers who incur  
26 expenses for household services and the care of a child or  
27 dependent to enable the taxpayer to be employed.

28 The bill revises the credit so that it will be refundable. This  
29 means that a taxpayer could receive a cash refund if the credit  
30 amount is in excess of their gross income tax liability. Under  
31 current law, the credit is nonrefundable, and therefore, if the credit  
32 is in excess of the taxpayer's gross income tax liability then the  
33 taxpayer may not be able to claim the full tax credit amount.

34 The bill also revises the income requirements for the credit so  
35 that taxpayers who have New Jersey taxable income of \$150,000 or  
36 less for the tax year can claim the credit compared to \$60,000 or  
37 less under current law. In addition, the bill removes the current  
38 caps of \$500 for employment-related expenses paid by the taxpayer  
39 for one child or dependent and \$1,000 for employment-related  
40 expenses paid by the taxpayer for two or more children or  
41 dependents.

42 Finally, the bill revises the tax credit's taxable income eligibility  
43 requirements as follows: not over \$30,000 to receive a New Jersey  
44 tax credit equal to 50 percent of the federal credit; over \$30,000 but  
45 not over \$60,000 to receive 40 percent of the federal credit; over  
46 \$60,000 but not over \$90,000 to receive 30 percent of the federal  
47 credit; over \$90,000 but not over \$120,000 to receive 20 percent of

**A6071 MOSQUERA, FREIMAN**

4

- 1 the federal credit; and over \$120,000 but not over \$150,000 to
- 2 receive 10 percent of the federal credit.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 6071**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 15, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 6071, with committee amendments.

This bill revises the State's child and dependent care tax credit, which is based on the federal credit and is for taxpayers who incur expenses for household services and the care of a child or dependent to enable the taxpayer to be employed.

The bill revises the credit so that it will be refundable. This means that a taxpayer could receive a cash refund if the credit amount is in excess of their gross income tax liability. Under current law, the credit is nonrefundable, and therefore, if the credit is in excess of the taxpayer's gross income tax liability then the taxpayer may not be able to claim the full tax credit amount.

The bill also revises the income requirements for the credit so that taxpayers who have New Jersey taxable income of \$150,000 or less for the tax year can claim the credit compared to \$60,000 or less under current law. In addition, the bill removes the current caps of \$500 for employment-related expenses paid by the taxpayer for one child or dependent and \$1,000 for employment-related expenses paid by the taxpayer for two or more children or dependents.

Finally, the bill revises the tax credit's taxable income eligibility requirements as follows: not over \$30,000 to receive a New Jersey tax credit equal to 50 percent of the federal credit; over \$30,000 but not over \$60,000 to receive 40 percent of the federal credit; over \$60,000 but not over \$90,000 to receive 30 percent of the federal credit; over \$90,000 but not over \$120,000 to receive 20 percent of the federal credit; and over \$120,000 but not over \$150,000 to receive 10 percent of the federal credit.

#### COMMITTEE AMENDMENTS:

The committee amended the bill to remove a provision allowing the Director of the Division of Taxation to determine the order of the application of this credit relative to other credits on taxpayer forms.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) notes the Executive originally proposed this expansion of the State's child and dependent care tax credit as part of the FY 2022 Governor's Budget. The expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually.

Based on changes to the federal credit, which affects the calculation of the State's credit, the Executive now expects the expansion to reduce State revenues by \$76.2 million for TY 2021. For TY 2022 and each tax year thereafter, the anticipated revenue loss would be around the Executive's original estimate of \$17.2 million annually.

The OLS agrees with the Executive's estimates for the expansion of the State's child and dependent care tax credit.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 6071**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: NOVEMBER 15, 2021

**SUMMARY**

**Synopsis:** Revises gross income tax credit for child and dependent care expenses.

**Type of Impact:** Annual State revenue loss to Property Tax Relief Fund.

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

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2022</u></b>	<b><u>FY 2023 and Each FY Thereafter</u></b>
<b>State Revenue Loss</b>	\$76.2 million	\$17.2 million annually

- The Office of Legislative Services (OLS) notes the Executive originally proposed this expansion of the State's child and dependent care tax credit as part of the FY 2022 Governor's Budget. The expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually.
- Based on changes to the federal credit, which affects the calculation of the State's credit, the Executive now expects the expansion to reduce State revenues by \$76.2 million for TY 2021. For TY 2022 and each tax year thereafter, the anticipated revenue loss would be around the Executive's original estimate of \$17.2 million annually.



- The OLS agrees with the Executive's estimates for the expansion of the State's child and dependent care tax credit.

## **BILL DESCRIPTION**

This bill revises the State's child and dependent care tax credit, which is based on the federal credit and is for taxpayers who incur expenses for household services and the care of a child or dependent to enable the taxpayer to be employed.

The bill revises the income requirements for the credit so that taxpayers who have New Jersey taxable income of \$150,000 or less for the tax year can claim the credit compared to \$60,000 or less under current law. In addition, the bill removes the current caps of \$500 for employment-related expenses paid by the taxpayer for one child or dependent and \$1,000 for employment-related expenses paid by the taxpayer for two or more children or dependents.

The bill revises the tax credit's taxable income eligibility requirements as follows: not over \$30,000 to receive a New Jersey tax credit equal to 50 percent of the federal credit; over \$30,000 but not over \$60,000 to receive 40 percent of the federal credit; over \$60,000 but not over \$90,000 to receive 30 percent of the federal credit; over \$90,000 but not over \$120,000 to receive 20 percent of the federal credit; and over \$120,000 but not over \$150,000 to receive 10 percent of the federal credit.

The bill revises the credit so that it will be refundable. This means that a taxpayer could receive a cash refund if the credit amount is in excess of their gross income tax liability.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Executive originally proposed this expansion of the State's child and dependent care tax credit as part of the FY 2022 Governor's Budget. As noted on page 53 of the FY 2022 Budget in Brief, the child and dependent care tax credit produces a revenue loss of about \$11.5 million annually. The expansion of the program was originally anticipated to reduce revenues by an additional \$17.2 million annually.

However, the federal American Rescue Plan Act of 2021 made several changes to the federal credit for TY 2021 only, which affects the calculation of the State's credit for FY 2022. Based on

changes to the federal credit, the Executive now expects the expansion to reduce State revenues by \$76.2 million for TY 2021. For TY 2022 and each tax year thereafter, the anticipated revenue loss would be around the Executive's original estimate of \$17.2 million annually. The revenue loss associated with the expansion is assumed within the FY 2022 Appropriations Act Revenue Certification.

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

The OLS agrees with the Executive's estimates for the expansion of the State's child and dependent care tax credit. The OLS does not have access to data for the State's existing credit, so TY 2018 New Jersey Statistics of Income data from the federal Internal Revenue Service were utilized to review the Executive's estimates. The OLS calculated the expansion of the credit to reduce revenues by \$82.6 million for TY 2021, which is slightly more than the Executive's estimate. Differences in data sources and methodology contribute to the minor difference in the Executive's and the OLS's estimates.

*Section: Revenue, Finance and Appropriations*

*Analyst: Jordan M. DiGiovanni*  
*Revenue Analyst*

*Approved: Thomas Koenig*  
*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 Phil Murphy Signs Legislation Making More Families Eligible for the State's Child and Dependent Care Tax Credit

12/3/2021

**TRENTON** – As part of his continued commitment to help working families recover from the economic impacts of COVID-19, Governor Phil Murphy today signed legislation (S4065/A6071) that will make significantly more New Jersey families eligible for the state's Child and Dependent Care Tax Credit. The legislation will make taxpayers with incomes of \$150,000 or less per year who incur expenses for childcare and other household expenses eligible for the credit for starting in tax year 2021. Under current law, only taxpayers with incomes of to \$60,000 or less are eligible. The expanded state credit is based on the federal credit which underwent a significant expansion for tax year 2021 through the American Rescue Plan.

"The COVID-19 pandemic led many working parents—and working mothers in particular—to leave the workforce due to childcare challenges," **said Governor Murphy**. "This legislation will help ensure affordable access to childcare, a critical part of getting hardworking New Jerseyans back into the workforce and reversing the 'she-cession' caused by the pandemic."

The bill also revises the Child and Dependent Care Tax Credit so it is refundable in 2021 and removes the current caps of \$500 for employment-related expenses paid by the taxpayer for one child or dependent and \$1,000 for employment-related expenses paid by the taxpayer for two or more children or dependents.

The legislation was sponsored by state Senators Dawn Addiego and Troy Singleton, and Assemblymembers Gabriela Mosquera, Roy Frieman, Lisa Swain, and Britnee Timberlake.

"In our state, the cost of dependent care and childcare can be financially debilitating for many families. The expansion of the child and dependent care tax credit will ensure that more people are able to afford the proper services they need," **said Senator Addiego**. "The funds that taxpayers are getting back from excess credit can be used for other necessities and in light of the financial burden the pandemic has caused for many people, this is a major step in the right direction."

"In 2018, I sponsored the original legislation to off-set the heavy burden of payroll taxes on low and moderate income workers, all of whom have had to shrink their family budgets," **said Senator Singleton**. "This will put us more in line with the new federal child care tax credit and expand the number of New Jerseyans who are eligible. We need to make New Jersey more affordable for our families, and this is a great way do so."

"There have been long-standing issues preventing hard-working families from receiving the meaningful support that they deserve. Child and Dependent Care expenses are immense and more families need help. By increasing the income limit, removing the current cap of \$500, and making the credit refundable, we can ensure that more families in need of financial support will receive the proper tax credit," **said Assemblymembers Mosquera, Freiman, Swain, and Timberlake in a joint statement**. "Over the pandemic,

major childcare issues have been exacerbated. With parents rapidly returning to work while the pandemic continues, childcare is now more important than ever. Allowing families to reclaim some of their money spent on childcare will enable parents to transition back to work with one less thing to worry about.”

## This Week in New Jersey: December 3rd, 2021

12/3/2021



### Governor Murphy Announces Support For Comprehensive Gun Safety Bill Package in Current Legislative Session

As part of his ongoing commitment to meaningfully address the nation's gun violence crisis, Governor Phil Murphy urged legislators to take action in the coming weeks and pass a comprehensive gun safety legislative package that was initially proposed by the Governor in April.

"Over the past four years, New Jersey has become a national leader on gun safety," **said Governor Murphy**. "We must continue to build on that progress and make our state safer for the over nine million people who call New Jersey home. Today, I am proud to further commit to this goal, and I hope to work with my Legislative partners to take this step by the end of this legislative session. I thank Speaker Coughlin, Senate Majority Leader Loretta Weinberg, Assembly Majority Leader Lou Greenwald, and other legislative partners for their continued commitment to gun safety."

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### Governphoto: Governor Murphy or Murphy Cuts Ribbon on Cramer Hill Waterfront Park

Governor Phil Murphy cut the ribbon on Cramer Hill Waterfront Park, a landfill-turned-waterfront park in the City of Camden. The former Harrison Avenue Landfill, which operated from 1952 to 1971, was an 86-acre municipal landfill that was never properly closed and capped, leaving it vulnerable to illegal dumping years later.

"After nearly 70 years, we are reconnecting the community and City of Camden with its greatest natural resource – its riverfront," **said Governor Murphy**. "The harmful legacy of an improperly capped landfill and a site for illegal dumping plagued this neighborhood and community for far too long. My Administration is committed to a stronger and more resilient Camden for tomorrow, where residents have access to clean, open space. Justice comes in all forms, and today is about environmental justice for the families of Cramer Hill."

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### Governor Phil Murphy Signs Legislation Making More Families Eligible for the State's Child and Dependent Care Tax Credit

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"The COVID-19 pandemic led many working parents—and working mothers in particular—to leave the workforce due to childcare challenges," said **Governor Murphy**. "This legislation will help ensure affordable access to childcare, a critical part of getting hardworking New Jerseyans back into the workforce and reversing the 'she-cession' caused by the pandemic."

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### NJBPU Receives 2021 ENERGY STAR Partner of the Year Award

The New Jersey Economic Development Authority (NJEDA) announced that applications are open for the Offshore Wind Tax Credit Program as updated by the New Jersey Economic Recovery Act (ERA) and P.L. 2021, c. 160.

"Between the New Jersey Wind Port, new offshore wind workforce development programs, and Governor Phil Murphy's dedication to growing a greener, fairer New Jersey, the Garden State is quickly emerging as the American capital of offshore wind," said **NJEDA Chief Executive Officer Tim Sullivan**. "The Offshore Wind Tax Credit is a powerful financial tool that will complement these efforts by enabling global offshore wind companies to make the decision to locate, invest, hire, and most importantly, build a local supply chain here in New Jersey."

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### Acting AG Bruck Announces Initiative That Pairs A Mental Health Professional With a Law Enforcement Officer To Respond Together To Behavioral Health Crises

Acting Attorney Andrew J. Bruck and New Jersey State Police Colonel Patrick J. Callahan announced the beginning of a pilot program that pairs a New Jersey State Police law enforcement Trooper with a certified mental health screener to respond together to 9-1-1 calls for behavioral health crises.

"The Acting Attorney General's new initiative, ARRIVE Together, recognizes the importance of connecting individuals experiencing a crisis with mental health professionals," said **Governor Murphy**. "This pilot program will help us assess how we can safely de-escalate behavioral health crises when law enforcement is contacted. We believe that this new initiative will help connect individuals in crisis to care and treatment and can help to reduce violence during interactions with law enforcement."

"In modern times, we ask law enforcement officers to undertake roles they never expected when choosing to serve—marriage counselor, addiction specialist, social worker. And increasingly, officers are asked to act like doctors and psychiatrists, determining what drug a person may have taken, or what mental health condition they may be experiencing," said **Acting Attorney General Bruck**. "We need to respond to our community members in crisis with clinicians and compassion, and we need to divert individuals with mental illness away from the criminal justice system. Today's announcement is yet another step in our effort to implement Governor Murphy's vision for public safety in New Jersey."

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