

54A:2-1

**LEGISLATIVE HISTORY CHECKLIST**  
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(Income tax--decrease rates  
by 5%)

**NJSA:** 54A:2-1

**LAWS OF:** 1994 **CHAPTER:** 2

**BILL NO:** A1

**SPONSOR(S):** Hayatian and others

**DATE INTRODUCED:** January 27, 1994

**COMMITTEE:** **ASSEMBLY:** Policy & Rules; Appropriations  
**SENATE:** ---

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:** **ASSEMBLY:** February 28, 1994  
**SENATE:** March 3, 1994

**DATE OF APPROVAL:** March 7, 1994

**FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:**

**SPONSOR STATEMENT:** Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes 2-10-94 & 2-17-94  
**SENATE:** No

**FISCAL NOTE:** Yes

**VETO MESSAGE:** No

**MESSAGE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

**REPORTS:** No

**HEARINGS:** Yes

974.90 New Jersey. Legislature. Assembly. Policy and Rules Committee.  
T235 Committee meeting on A.1, held 2-2-94 and 2-10-94, Newark &  
1994 Trenton, 1994.

KBG:pp

P.L.1994, CHAPTER 2, approved March 7, 1994  
1994 Assembly No. 1

1 AN ACT decreasing the rates of taxation under the gross income  
2 tax, amending N.J.S.54A:2-1 and supplementing Title 54A of  
3 the New Jersey Statutes.

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

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

8 54A:2-1. Imposition of tax. There is hereby imposed a tax for  
9 each taxable year (which shall be the same as the taxable year  
10 for federal income tax purposes) on the New Jersey gross income  
11 as herein defined of every individual, estate or trust (other than a  
12 charitable trust or a trust forming part of a pension or  
13 profit-sharing plan), subject to the deductions, limitations and  
14 modifications hereinafter provided, determined in accordance  
15 with the following tables with respect to taxpayers' taxable  
16 income:

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

20  
21 (1) for taxable years beginning on or after January 1, 1991  
22 but before January 1, 1994:

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

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

Matter underlined thus is new matter.

1	Over \$20,000.00 but not	
2	over \$100,000.00.....	\$2,300.00 plus 6.5% of the
3		excess over \$20,000.00
4		
5	Over \$100,000.00.....	\$6,000.00 plus 7.0% of the
6		excess over \$100,000.00
7		
8	<u>(2) for taxable years beginning on or after January 1, 1994:</u>	
9		
10	<u>If the taxable income is:</u>	<u>The tax is:</u>
11	Not over \$20,000.00.....	1.000% of taxable income
12		
13	<u>Over \$20,000.00 but not</u>	
14	<u>over \$50,000.00.....</u>	<u>\$300.00 plus 2.375% of the</u>
15		<u>excess over \$20,000.00</u>
16		
17	<u>Over \$50,000.00 but not</u>	
18	<u>over \$70,000.00.....</u>	<u>\$1,092.50 plus 3.315% of the</u>
19		<u>excess over \$50,000.00</u>
20		
21	<u>Over \$70,000.00 but not</u>	
22	<u>over \$80,000.00.....</u>	<u>\$1,757.50 plus 4.750% of the</u>
23		<u>excess over \$70,000.00</u>
24		
25	<u>Over \$80,000.00 but not</u>	
26	<u>over \$150,000.00.....</u>	<u>\$2,232.50 plus 6.175% of the</u>
27		<u>excess over \$80,000.00</u>
28		
29	<u>Over \$150,000.00 .....</u>	<u>\$6,555.00 plus 6.850% of the</u>
30		<u>excess over \$150,000.00</u>
31		
32	b. For married individuals filing separately, unmarried	
33	individuals other than individuals filing as head of household or as	
34	a surviving spouse for federal income tax purposes, and estates	
35	and trusts:	
36		
37	<u>(1) for taxable years beginning on or after January 1, 1991 but</u>	
38	<u>before January 1, 1994:</u>	
39		
40	<u>If the taxable income is:</u>	<u>The tax is:</u>
41	Not over \$20,000.00.....	2% of taxable income
42		
43	<u>Over \$20,000.00 but not</u>	
44	<u>over \$30,000.00.....</u>	<u>\$400.00 plus 2.9% of the</u>
45		<u>excess over \$20,000.00</u>
46		
47	<u>Over \$30,000.00 but not</u>	
48	<u>over \$40,000.00.....</u>	<u>\$775.00 plus 3.0% of the</u>
49		<u>excess over \$30,000.00</u>
50		
51	<u>Over \$40,000.00 but not</u>	
52	<u>over \$75,000.00.....</u>	<u>\$1,505.00 plus 6.0% of the</u>
53		<u>excess over \$40,000.00</u>

1 Over \$75,000.00..... \$3,300.00 plus 7.0% of the  
2 excess over \$75,000.00

3  
4 (2) for taxable years beginning on or after January 1, 1994:

5  
6 If the taxable income is: The tax is:  
7 Not over \$20,000.00..... 1.00% of taxable income

8  
9 Over \$20,000.00 but not  
10 over \$35,000.00..... \$300.00 plus 2.375% of the  
11 excess over \$20,000.00

12  
13 Over \$35,000.00 but not  
14 over \$40,000.00..... \$736.25 plus 4.750% of the  
15 excess over \$35,000.00

16  
17 Over \$40,000.00 but not  
18 over \$75,000.00..... \$973.75 plus 6.175% of the  
19 excess over \$40,000.00

20  
21 Over \$75,000.00..... \$3,135.00 plus 6.650% of the  
22 excess over \$75,000.00

23  
24 c. For the purposes of this section, an individual who would be  
25 eligible to file as a head of household for federal income tax  
26 purposes but for the fact that such taxpayer is a nonresident  
27 alien, shall determine tax pursuant to subsection a. of this section.  
28 (cf: P.L.1990, c.61, s.12)

29 2. (New section) The Director of the Division of Taxation in  
30 the Department of the Treasury shall issue regulations to reflect  
31 the entire decrease in tax liability for taxable year 1994 enacted  
32 pursuant to P.L. , c. (Now pending before the Legislature as  
33 this bill) in reduced withholding from employee wages received  
34 after the date of enactment.

35 3. This act shall take effect immediately and section 1 shall be  
36 retroactive to January 1, 1994.

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39 STATEMENT

40  
41 This bill reduces gross income tax rates 5% for all taxpayers  
42 for tax year 1994 and thereafter.

43  
44  
45  
46  
47 Decreases gross income tax rates 5% for taxable years 1994 and  
48 thereafter.

1	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
2		excess over \$75,000.00
3		
4	<u>(2) for taxable years beginning on or after January 1, 1994:</u>	
5		
6	<u>If the taxable income is:</u>	<u>The tax is:</u>
7	<u>Not over \$20,000.00.....</u>	<u>1.900% of taxable income</u>
8		
9	<u>Over \$20,000.00 but not</u>	
10	<u>over \$35,000.00.....</u>	<u>\$380.00 plus 2.375% of the</u>
11		<u>excess over \$20,000.00</u>
12		
13	<u>Over \$35,000.00 but not</u>	
14	<u>over \$40,000.00.....</u>	<u>\$736.25 plus 4.750% of the</u>
15		<u>excess over \$35,000.00</u>
16		
17	<u>Over \$40,000.00 but not</u>	
18	<u>over \$75,000.00.....</u>	<u>\$973.75 plus 6.175% of the</u>
19		<u>excess over \$40,000.00</u>
20		
21	<u>Over \$75,000.00.....</u>	<u>\$3,135.00 plus 6.650% of the</u>
22		<u>excess over \$75,000.00</u>
23		

24 c. For the purposes of this section, an individual who would be  
25 eligible to file as a head of household for federal income tax  
26 purposes but for the fact that such taxpayer is a nonresident  
27 alien, shall determine tax pursuant to subsection a. of this section.  
28 (cf: P.L.1990, c.61, s.12)

29 2. (New section) The Director of the Division of Taxation in  
30 the Department of the Treasury shall issue regulations to reflect  
31 the entire decrease in tax liability for taxable year 1994 enacted  
32 pursuant to P.L. , c. (Now pending before the Legislature as  
33 this bill) in reduced withholding from employee wages received  
34 after the date of enactment.

35 3. This act shall take effect immediately and section 1 shall be  
36 retroactive to January 1, 1994.

37  
38  
39  
40

STATEMENT

41 This bill reduces gross income tax rates 5% for all taxpayers  
42 for tax year 1994 and thereafter.

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Decreases gross income tax rates 5% for taxable years 1994 and thereafter.

ASSEMBLY POLICY AND RULES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: FEBRUARY 10, 1994

The Assembly Policy and Rules Committee favorably reports  
Assembly Bill No. 1.

Assembly Bill No. 1 provides a 5 percent reduction in the gross  
income tax rates for all taxpayers. This reduction applies to the  
1994 tax year and each tax year thereafter.

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ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: FEBRUARY 17, 1994

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1.

Assembly Bill No. 1 reduces gross income tax rates 5% for all taxpayers for tax year 1994 and thereafter. Currently, marginal gross income tax rates range from 2.0% in the lower taxable income brackets to 7.0% in the higher taxable income brackets. Under this bill marginal gross income tax rates would range from 1.9% to 6.65%.

As reported, this bill is identical to Senate Bill No. 1 of 1994.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill would result in a cost to the State of between \$247 million and \$259 million in tax year 1994. "Tax year 1994" taxpayers consist of all of the taxpayers whose taxable years begin in calendar year 1994. Withholding and estimated payments from these taxpayers are made over the course of calendar year 1994. Their final payments are made in calendar year 1995, and extensions, amended returns and assessments can actually extend beyond calendar year 1995. Because of those factors and because of the six month overlap between fiscal and calendar years the fiscal year (FY) impact will differ from the tax year impact. OLS estimates that the tax year cost will increase annually by between 6.5% and 8.5%, as taxable income increases.

OLS assumes that the time lag associated with implementing the rate reduction on withholding tables will result in delaying all or most of the potential FY 1994 effect to FY1995. If implementation is more rapid than anticipated, the OLS estimates that the FY1994 cost could be as high as \$50 million, with a corresponding reduction in FY1995.

The fiscal impact of this bill will be different if it is considered in conjunction with the fiscal impact of a companion bill, Assembly Bill No. 2 of 1994, because both affect the gross income tax. Assembly Bill No. 2 increases the minimum taxable income under the gross income tax to \$7,500 (\$3,500 for a married person filing separately). The combined revenue loss resulting from the implementation of both bills will be as follows: \$0 in FY1994; \$388 - \$408 million in FY1995; \$288 - \$303 million in FY1996; \$309 - \$325 million in FY1997; and \$334 - \$351 million in FY1998.

The FY1995 cost of the two bills will be greater than that in subsequent years because FY1995 contains the cost of the first 18 months of the tax reductions. Subsequent years will reflect costs for 12 months. After FY1996, the estimated fiscal impact will increase by between 6.5% and 8.5%, as taxable income increases.

LEGISLATIVE FISCAL ESTIMATE TO  
ASSEMBLY, No. 1

STATE OF NEW JERSEY

DATED: February 23, 1994

Assembly Bill No. 1 of 1994 reduces personal gross income tax rates five percent for taxable years 1994 and thereafter. Currently, marginal gross income tax rates range from 2.0 percent in the lower taxable income brackets to 7.0 percent in the higher taxable income brackets. Under this bill marginal gross income tax rates would range from 1.9 percent to 6.65 percent.

The Office of Legislative Services (OLS) estimates that Assembly Bill No. 1 of 1994 would cost the State between \$247.0 million and \$259.0 million in tax year 1994. OLS estimates that this cost will increase annually by between 6.5 percent and 8.5 percent, as taxable income increases.

The fiscal year (FY) impact will differ from the tax year impact due to the six month overlap between fiscal and tax years. The OLS assumes that the time lag associated with implementing the rate reduction on withholding tables will result in delaying all or most of the potential FY 1994 effect to FY 1995. If implementation is more rapid than anticipated, the OLS estimates that the FY 1994 cost could be as high as \$50.0 million, with a corresponding reduction in FY 1995.

The sponsors have presented Assembly Bill No. 1 with Assembly Bill No. 2 as a package. Assembly Bill No. 2 increases the minimum taxable income under the gross income tax to \$7,500 (\$3,500 for a married person filing separately). Since both A-1 and A-2 affect the gross income tax, the combined impact of the two bills will be different from the addition of the individual impacts of the two bills. The table below displays the combined estimated impact of A-1 and A-2 for fiscal years 1994 through 1998.

COMBINED FISCAL IMPACT OF A-1 AND A-2  
(\$ Millions)

<u>FISCAL YEAR</u>	<u>REVENUE LOSSES</u>
1994	\$0
1995	\$388 - \$408
1996	\$288 - \$303
1997	\$309 - \$325
1998	\$334 - \$351

The FY 1995 cost of the two bills is greater than that in subsequent years because FY 1995 bears the cost of the first 18 months of the tax reductions. Subsequent years reflect 12 month costs. After FY 1996 the estimated fiscal impact increases by between 6.5 percent and 8.5 percent, as taxable income increases.



The OLS analysis begins with taxable income data from the 1991 tax year Statistics of Income as published by the Division of Taxation. The tax year estimates are based on a model which increases taxable income, separated by filing status and income bracket, by an average of about 6.5 percent annually. The tax year calculations are converted to fiscal years based on historical records which indicate that about 45 percent of each tax year's collections affect the fiscal year which begins in July of the prior tax year, and that the remaining 55 percent of collections affect the fiscal year which begins in July of the tax year.

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.