

54A:2-1

LEGISLATIVE HISTORY CHECKLIST
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(Income tax--rates--reduce)

NJSA: 54A:2-1

LAWS OF: 1994 CHAPTER: 69

BILL NO: A10

SPONSOR(S): Haytaian

DATE INTRODUCED: June 28, 1994

COMMITTEE: ASSEMBLY: Policy & Rules; Appropriations
SENATE: Budget

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: June 16, 1994
SENATE: June 30, 1994

DATE OF APPROVAL: July 6, 1994

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 6-6-94 & 6-13-94
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clippings--attached:

"Senate passes income tax cuts," 7-1-94, Bergen Record.

"Second round of state income tax cuts", 7-7-94, Philadelphia Inquirer.

"Whitman signs 10% tax cut," 7-7-94, Asbury Park Press.

"10% income tax cut signed by Whitman," 7-7-94, Star Ledger.

Testimony referred to in fiscal note--not transcribed.

KBG:pp

P.L. 1994, CHAPTER 69, approved July 6, 1994
1994 Assembly No. 10

1 AN ACT decreasing the rates of taxation under the gross income
2 tax, amending N.J.S.54A:2-1.

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

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

7 54A:2-1. Imposition of tax. There is hereby imposed a tax for
8 each taxable year (which shall be the same as the taxable year
9 for federal income tax purposes) on the New Jersey gross income
10 as herein defined of every individual, estate or trust (other than a
11 charitable trust or a trust forming part of a pension or
12 profit-sharing plan), subject to the deductions, limitations and
13 modifications hereinafter provided, determined in accordance
14 with the following tables with respect to taxpayers' taxable
15 income:

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

19
20 (1) for taxable years beginning on or after January 1, 1991
21 but before January 1, 1994:

22 If the taxable income is:	The tax is:
23 Net over \$20,000.00.....	24 2% of taxable income
25 26 Over \$20,000.00 but not 27 over \$40,000.00.....	28 \$400.00 plus 2.5% of the 29 excess over \$20,000.00
30 Over \$40,000.00 but not 31 over \$70,000.00.....	32 \$1,150.00 plus 3.5% of the 33 excess over \$40,000.00
34 Over \$70,000.00 but not 35 over \$80,000.00.....	36 \$1,850.00 plus 5.0% of the 37 excess over \$70,000.00
38 Over \$80,000.00 but not 39 over \$150,000.00.....	40 \$2,200.00 plus 6.0% of the excess over \$80,000.00

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 \$150,000.00.....	\$6,800.00 plus 7.0% of the
2		excess over \$150,000.00
3		
4	(2) for taxable years beginning on or after January 1, 1994 but	
5	before January 1, 1995:	
6		
7	If the taxable income is:	The tax is:
8	Not over \$20,000.00.....	1.900% of taxable income
9		
10	Over \$20,000.00 but not	
11	over \$50,000.00.....	\$380.00 plus 2.375% of the
12		excess over \$20,000.00
13		
14	Over \$50,000.00 but not	
15	over \$70,000.00.....	\$1,092.50 plus 3.325% of the
16		excess over \$50,000.00
17		
18	Over \$70,000.00 but not	
19	over \$80,000.00.....	\$1,757.50 plus 4.750% of the
20		excess over \$70,000.00
21		
22	Over \$80,000.00 but not	
23	over \$150,000.00.....	\$2,232.50 plus 6.175% of the
24		excess over \$80,000.00
25		
26	Over \$150,000.00	\$6,555.00 plus 6.850% of the
27		excess over \$150,000.00
28		
29	(3) for taxable years beginning on or after January 1, 1995:	
30		
31	<u>If the taxable income is:</u>	<u>The tax is:</u>
32	<u>Not over \$20,000.00.....</u>	<u>1.700% of taxable income</u>
33		
34	<u>Over \$20,000.00 but not</u>	
35	<u>over \$50,000.00.....</u>	<u>\$340.00 plus 2.125% of the</u>
36		<u>excess over \$20,000.00</u>
37		
38	<u>Over \$50,000.00 but not</u>	
39	<u>over \$70,000.00.....</u>	<u>\$977.50 plus 2.975% of the</u>
40		<u>excess over \$50,000.00</u>
41		
42	<u>Over \$70,000.00 but not</u>	
43	<u>over \$80,000.00.....</u>	<u>\$1,572.50 plus 4.250% of the</u>
44		<u>excess over \$70,000.00</u>
45		
46	<u>Over \$80,000.00 but not</u>	
47	<u>over \$150,000.00.....</u>	<u>\$1,997.50 plus 6.012% of the</u>
48		<u>excess over \$80,000.00</u>
49		
50	<u>Over \$150,000.00</u>	<u>\$6,208.50 plus 6.850% of the</u>
51		<u>excess over \$150,000.00</u>

1 b. For married individuals filing separately, unmarried
2 individuals other than individuals filing as head of household or as
3 a surviving spouse for federal income tax purposes, and estates
4 and trusts:

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

7

8	If the taxable income is:	The tax is:
9	Not over \$20,000.00.....	2% of taxable income
10		
11	Over \$20,000.00 but not	
12	over \$35,000.00.....	\$400.00 plus 2.5% of the
13		excess over \$20,000.00
14		
15	Over \$35,000.00 but not	
16	over \$40,000.00.....	\$775.00 plus 5.0% of the
17		excess over \$35,000.00
18		
19	Over \$40,000.00 but not	
20	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
21		excess over \$40,000.00
22		
23	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
24		excess over \$75,000.00
25		

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

28

29	If the taxable income is:	The tax is:
30	Not over \$20,000.00.....	1.900% of taxable income
31		
32	Over \$20,000.00 but not	
33	over \$35,000.00.....	\$380.00 plus 2.375% of the
34		excess over \$20,000.00
35		
36	Over \$35,000.00 but not	
37	over \$40,000.00.....	\$736.25 plus 4.750% of the
38		excess over \$35,000.00
39		
40	Over \$40,000.00 but not	
41	over \$75,000.00.....	\$973.75 plus 6.175% of the
42		excess over \$40,000.00
43		
44	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
45		excess over \$75,000.00
46		

47 (3) for taxable years beginning on or after January 1, 1995:

48

49	<u>If the taxable income is:</u>	<u>The tax is:</u>
50	<u>Not over \$20,000.00.....</u>	<u>1.700% of taxable income</u>
51		
52	<u>Over \$20,000.00 but not</u>	
53	<u>over \$35,000.00.....</u>	<u>\$340.00 plus 2.125% of the</u>
54		<u>excess over \$20,000.00</u>

1 Over \$35,000.00 but not
 2 over \$40,000.00..... \$658.75 plus 4.250% of the
 3 excess over \$35,000.00
 4
 5 Over \$40,000.00 but not
 6 over \$75,000.00..... \$871.25 plus 6.013% of the
 7 excess over \$40,000.00
 8
 9 Over \$75,000.00..... \$2,975.80 plus 6.580% of the
 10 excess over \$75,000.00
 11

12 c. For the purposes of this section, an individual who would be
 13 eligible to file as a head of household for federal income tax
 14 purposes but for the fact that such taxpayer is a nonresident
 15 alien, shall determine tax pursuant to subsection a. of this section.
 16 (cf: P.L.1994, c.2, s.1)

17 2. This act shall take effect immediately.
 18

19
 20 STATEMENT
 21

22 This bill reduces gross income tax rates for 1995 and
 23 thereafter. This bill's rate reductions combined with the 5% rate
 24 reductions for all rate brackets enacted as P.L.1994, c.2, result in
 25 cumulative decreases from the 1993 taxable year levels of 15%,
 26 7.5% and 6% for certain taxable income levels.

27 Beginning with taxable year 1995, this bill reduces gross
 28 income tax rates by a total of 15% from 1993 rates for married
 29 individuals filing a joint return and individuals filing as head of
 30 household or as surviving spouse for federal income tax purposes
 31 having annual gross income of less than \$80,000 and for married
 32 individuals filing separately, unmarried individuals other than
 33 individuals filing as head of household or as a surviving spouse for
 34 federal income tax purposes, and estates and trusts having annual
 35 income of less than \$40,000.

36 This bill reduces the marginal gross income tax rate between
 37 \$80,000 and \$150,000 for married individuals filing a joint return
 38 and individuals filing as head of household or as surviving spouse
 39 for federal income tax purposes and the marginal rate between
 40 \$40,000 and \$75,000 for married individuals filing separately,
 41 unmarried individuals other than individuals filing as head of
 42 household or as a surviving spouse for federal income tax
 43 purposes, and estates and trusts by a total of 7.5% from the 1993
 44 rates.

45 This bill also reduces the marginal gross income tax rate above
 46 \$150,000 for married individuals filing a joint return and
 47 individuals filing as head of household or as surviving spouse for
 48 federal income tax purposes and the marginal rate above \$75,000
 49 for married individuals filing separately, unmarried individuals
 50 other than individuals filing as head of household or as a surviving
 51 spouse for federal income tax purposes, and estates and trusts by
 52 a total of 6% from the 1993 rates.

1
2
3
4

Decreases gross income tax rates for taxable years 1995 and thereafter.

ASSEMBLY POLICY AND RULES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 10

STATE OF NEW JERSEY

DATED: JUNE 6, 1994

The Assembly Policy and Rules Committee favorably reports Assembly Bill No. 10.

Assembly Bill No. 10 reduces gross income tax rates for 1995 and thereafter. The bill's rate reductions, combined with the 5% rate reduction for all rate brackets effectuated by P.L.1994, c.2, produce cumulative rate decreases from the 1993 tax year rates of 15%, 7.5% and 6%, depending upon a taxpayer's income level.

Beginning with the 1995 tax year, this bill reduces gross income tax rates by a total of 15% from the 1993 rates for married couples filing a joint return and individuals filing either as a head of household or as a surviving spouse for federal income tax purposes who have an annual gross income of less than \$80,000. The 15% reduction also applies to married individuals who choose to file separately, unmarried individuals who do not file either as a head of household or as a surviving spouse for federal income tax purposes, and estates and trusts having annual incomes of less than \$40,000.

The 7.5% rate reduction applies to married individuals filing a joint return and individuals filing head of household or surviving spouse returns whose gross incomes are between \$80,000 and \$150,000. The rate also applies to married individuals who choose to file separately, unmarried individuals who do not file either as a head of household or as a surviving spouse for federal income tax purposes, and estates and trusts having annual incomes of between \$40,000 and \$75,000.

The 6% rate reduction applies to married individuals filing a joint return and individuals filing head of household or surviving spouse returns whose gross incomes are over \$150,000. This marginal rate also applies to married individuals filing separately, unmarried individuals who do not file either as a head of household or as a surviving spouse for federal income tax purposes, and estates and trusts having annual incomes above \$75,000.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 10

STATE OF NEW JERSEY

DATED: JUNE 13, 1994

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

Assembly Bill No. 10 reduces gross income tax rates for taxable years 1995 and thereafter. This bill's rate reductions combined with the 5% rate reductions for all rate brackets enacted as P.L.1994, c.2, result in combined decreases from taxable year 1993 levels of 15%, 7.5% and 6% for certain taxable income levels.

Beginning with taxable year 1995, this bill reduces gross income tax rates by a total of 15% from 1993 rates for married individuals filing a joint return (MFJ) and individuals filing as head of household or as surviving spouse for federal income tax purposes having annual gross income of less than \$80,000, and for married individuals filing separately (MFS), unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts having annual income of less than \$40,000.

This bill reduces the marginal gross income tax rate between \$80,000 and \$150,000 for MFJ and individuals filing as head of household or as surviving spouse for federal income tax purposes, and the marginal rate between \$40,000 and \$75,000 for MFS, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts by a total of 7.5% from the 1993 rates.

This bill also reduces the marginal gross income tax rate above \$150,000 for MFJ and individuals filing as head of household or as surviving spouse for federal income tax purposes, and the marginal rate above \$75,000 for MFS, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts by a total of 6% from the 1993 rates.

FISCAL IMPACT:

The estimated cost of this bill for taxable year 1995 is between \$332.0 million and \$349.0 million. Combined with the prior 5% reduction in rates pursuant to P.L.1994, c.2, the cost is estimated to be between \$606.0 million and \$637.0 million for taxable year 1995.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 10

STATE OF NEW JERSEY

DATED: JUNE 23, 1994

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 10.

Assembly Bill No. 10 reduces gross income tax rates for 1995 and thereafter. These rate reductions combined with the 5% rate reductions for all rate brackets made pursuant to P.L.1994, c.2, will result in cumulative decreases from the 1993 taxable year levels of 15%, 7.5% and 6% for certain taxable income levels.

Beginning with taxable year 1995, this bill reduces gross income tax rates by a total of 15% from 1993 rates for annual gross incomes of less than \$80,000 for married individuals filing a joint return, and individuals filing as head of household or as surviving spouse for federal income tax purposes, and for annual gross incomes of less than \$40,000 for married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts.

The bill reduces the marginal gross income tax rate for incomes between \$80,000 to \$150,000 by a total of 7.5% from the 1993 rates for married individuals filing a joint return and individuals filing as head of household or as surviving spouse for federal income tax purposes and the marginal rate for incomes between \$40,000 and \$75,000 for married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts.

The bill reduces the marginal gross income tax rate for incomes above \$150,000 by a total of 6% from the 1993 rates for married individuals filing a joint return and individuals filing as head of household or as surviving spouse for federal income tax purposes and the marginal rate for incomes above \$75,000 for married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts.

As reported, this bill is identical to Senate Bill No. 6 of 1994.

FISCAL IMPACT

It is estimated that the enactment of this bill will result in a decrease in State revenues of \$332.0 million to \$349.0 million for taxable year 1995. Combined with the prior 5 percent reduction in rates made by P.L.1994, c.2, the total decrease in State revenues resulting from the reduction in gross income tax rates is estimated to be \$606.0 million to \$637.0 million for taxable year 1995.

The fiscal year impact will differ from the taxable year impact due to the six month overlap between fiscal and taxable years and certain cash flow considerations.

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY, No. 10

STATE OF NEW JERSEY

DATED: June 28, 1994

Assembly Bill No. 10 of 1994 reduces personal gross income tax rates for taxable years 1995 and thereafter. This bill's rate reductions combined with the 5 percent rate reductions for all brackets enacted as P.L.1994, c.2, result in cumulative decreases from taxable year 1993 levels of 15 percent, 7.5 percent and 6 percent for certain taxable income levels. The 1993 marginal gross income tax rates ranged 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 1.7 percent to 6.58 percent.

The Division of Taxation and the Office of Management and Budget did not provide a fiscal estimate of this bill. However, the Treasurer indicated in testimony before the Assembly Policy and Rules Committee on June 6, 1994, that the cumulative decreases in marginal tax rates from taxable year 1993 levels would reduce annual State income tax collections by \$625 million. The Treasurer estimated the incremental annual revenue decrease attributable to A-10, excluding P.L.1994, c.2, at \$323 million.

The Office of Legislative Services (OLS) estimates a cumulative cost of Assembly Bill No. 10, when including P.L.1994, c.2, of between \$606.0 million and \$637.0 million in taxable year 1995. OLS also estimates an incremental cost of A-10, when excluding P.L.1994, c.2, of between \$332.0 million and \$349.0 million in taxable year 1995. These cost ranges are similar to the Treasurer's stated figures. OLS anticipates that the cost will increase annually by between 6.5 percent and 8.5 percent, as taxable income increases.

The fiscal year impact will differ from the taxable year impact due to the six month overlap between fiscal and taxable years and certain cash flow considerations. The table displays the estimated cumulative (including P.L.1994, c.2) and incremental (excluding P.L.1994, c.2) impact of A-10 for fiscal years 1994 through 1998.

FISCAL IMPACT OF P.L.1994, c.2, AND A-10
(\$ Millions)

<u>FISCAL YEAR</u>	<u>CUMULATIVE REVENUE LOSSES P.L.1994,c.2, & A-10</u>	<u>INCREMENTAL REVENUE LOSSES FROM A-10 ONLY</u>
1994	\$60 - 64	\$0
1995	\$469 - 493	\$150 - 157
1996	\$627 - 659	\$345 - 362
1997	\$677 - 712	\$374 - 393
1998	\$735 - 772	\$407 - 429

The OLS analysis begins with taxable income data from the 1991 taxable year Statistics of Income as published by the Division of Taxation. The taxable 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 taxable year calculations are converted to fiscal years based on historical records which indicate that about 45 percent of each taxable year's collections affect the fiscal year which begins in July of the prior taxable year, and that the remaining 55 percent of collections affect the fiscal year which begins in July of the taxable 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.