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GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"NJ lawmakers pass revised fiscal year 2021 budget, implements millionaire's tax." The Daily Targum: Rutgers University of New Jersey (New Brunswick, NJ), October 1, 2020.

RWH/CL

P.L. 2020, CHAPTER 98, *approved September 29, 2020*
Assembly, No. 838 (*First Reprint*)

1 **AN ACT** expanding eligibility under the New Jersey earned income
2 tax credit program, amending P.L.2000, c.80.

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

6
7 1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
8 as follows:

9 2. There is established the New Jersey Earned Income Tax
10 Credit program in the Division of Taxation in the Department of the
11 Treasury.

12 a. (1) A resident individual who is eligible for a credit under
13 section 32 of the federal Internal Revenue Code of 1986
14 (26 U.S.C. s.32) shall be allowed a credit for the taxable year equal
15 to a percentage, as provided in paragraph (2) of this subsection, of
16 the federal earned income tax credit that would be allowed to the
17 individual or the married individuals filing a joint return under
18 section 32 of the federal Internal Revenue Code of 1986
19 (26 U.S.C. s.32) for the same taxable year for which a credit is
20 claimed pursuant to this section, subject to the restrictions of this
21 subsection and subsections b., c., d. and e. of this section and the
22 modifications of paragraph (4) of this subsection.

23 (2) For the purposes of the calculation of the New Jersey earned
24 income tax credit, the percentage of the federal earned income tax
25 credit referred to in paragraph (1) of this subsection shall be:

26 (a) 10% for the taxable year beginning on or after January 1,
27 2000, but before January 1, 2001;

28 (b) 15% for the taxable year beginning on or after January 1,
29 2001, but before January 1, 2002;

30 (c) 17.5% for the taxable year beginning on or after January 1,
31 2002, but before January 1, 2003;

32 (d) 20% for taxable years beginning on or after January 1, 2003,
33 but before January 1, 2008;

34 (e) 22.5% for taxable years beginning on or after January 1,
35 2008 but before January 1, 2009;

36 (f) 25% for taxable years beginning on or after January 1, 2009
37 but before January 1, 2010;

38 (g) 20% for taxable years beginning on or after January 1, 2010,
39 but before January 1, 2015;

40 (h) 30% for taxable years beginning on or after January 1, 2015,
41 but before January 1, 2016;

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ABU committee amendments adopted September 21, 2020.

- 1 (i) 35% for taxable years beginning on or after January 1, 2016,
2 but before January 1, 2018;
- 3 (j) 37% for the taxable year beginning on or after January 1,
4 2018, but before January 1, 2019;
- 5 (k) 39% for the taxable year beginning on or after January 1,
6 2019, but before January 1, 2020; and
- 7 (l) 40% for taxable years beginning on or after January 1, 2020.
- 8 (3) To qualify for the New Jersey earned income tax credit, if
9 the claimant is married, except for a claimant who files as a head of
10 household or surviving spouse for federal income tax purposes for
11 the taxable year, the claimant shall file a joint return or claim for
12 the credit.
- 13 (4) A resident individual who is at least ¹[18] 21¹ years of age,
14 but cannot claim a qualifying child as defined under section 152 of
15 the federal Internal Revenue Code of 1986 (26 U.S.C. s.152) for the
16 federal earned income tax credit, shall be eligible for the New
17 Jersey earned income tax credit if that resident individual is
18 ineligible to claim the federal earned income tax credit due to
19 minimum age requirements. The resident individual shall meet all
20 qualifications, except for the minimum age, for the federal earned
21 income tax credit in order to be eligible for the New Jersey earned
22 income tax credit. ¹Calculation of the New Jersey earned income
23 tax credit available to individuals pursuant to this paragraph shall
24 be predicated on the federal maximum amount for taxpayers with
25 no qualifying child for each taxable year beginning on and after
26 January 1, 2020.¹
- 27 b. In the case of a part-year resident claimant, the amount of
28 the credit allowed pursuant to this section shall be pro-rated, based
29 upon that proportion which the total number of months of the
30 claimant's residency in the taxable year bears to 12 in that period.
31 For this purpose, 15 days or more shall constitute a month.
- 32 c. The amount of the credit allowed pursuant to this section
33 shall be applied against the tax otherwise due under N.J.S.54A:1-1
34 et seq., after all other credits and payments. If the credit exceeds the
35 amount of tax otherwise due, that amount of excess shall be an
36 overpayment for the purposes of N.J.S.54A:9-7; provided however,
37 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
38 provided under this section as a credit against the tax otherwise due
39 and the amount of the credit treated as an overpayment shall be
40 treated as a credit towards or overpayment of gross income tax,
41 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
42 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).
- 43 d. The Director of the Division of Taxation in the Department
44 of the Treasury shall establish a program for the distribution of
45 earned income tax credits pursuant to the provisions of this section.
- 46 e. Any earned income tax credit pursuant to this section shall
47 not be taken into account as income or receipts for purposes of
48 determining the eligibility of an individual for benefits or assistance

1 or the amount or extent of benefits or assistance under any State
2 program and, to the extent permitted by federal law, under any State
3 program financed in whole or in part with federal funds.
4 (cf: P.L.2018, c.45, s.4)

5

6 2. This act shall take effect immediately.

7

8

9

10

11 Expands eligibility under New Jersey earned income tax credit
12 program to allow taxpayers who are at least 21 years of age to
13 qualify.

ASSEMBLY, No. 838

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblywoman VERLINA REYNOLDS-JACKSON

District 15 (Hunterdon and Mercer)

Assemblyman BENJIE E. WIMBERLY

District 35 (Bergen and Passaic)

Assemblyman JOHN J. BURZICHELLI

District 3 (Cumberland, Gloucester and Salem)

Co-Sponsored by:

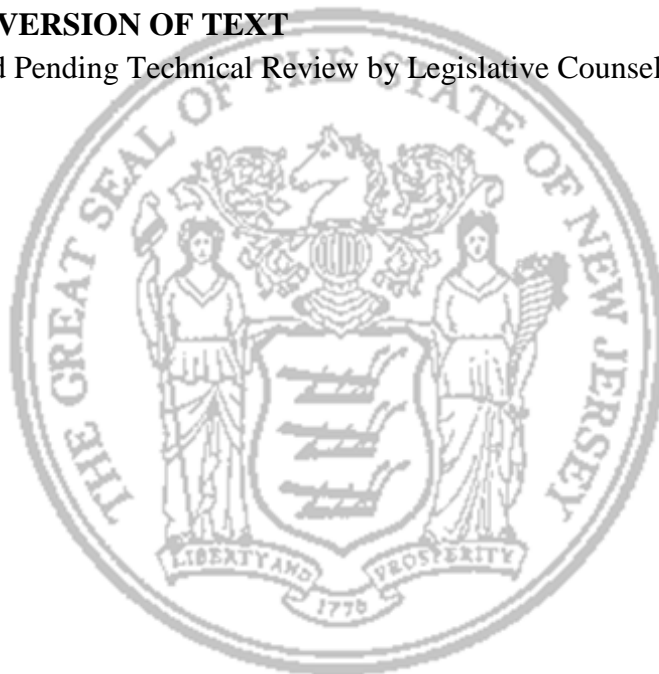
Assemblyman Spearman, Assemblywoman Murphy and Assemblyman Johnson

SYNOPSIS

Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age to qualify.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 9/21/2020)

1 AN ACT expanding eligibility under the New Jersey earned income
2 tax credit program, amending P.L.2000, c.80.

3

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

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7 1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
8 as follows:

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10 Credit program in the Division of Taxation in the Department of the
11 Treasury.

12 a. (1) A resident individual who is eligible for a credit under
13 section 32 of the federal Internal Revenue Code of 1986
14 (26 U.S.C. s.32) shall be allowed a credit for the taxable year equal
15 to a percentage, as provided in paragraph (2) of this subsection, of
16 the federal earned income tax credit that would be allowed to the
17 individual or the married individuals filing a joint return under
18 section 32 of the federal Internal Revenue Code of 1986
19 (26 U.S.C. s.32) for the same taxable year for which a credit is
20 claimed pursuant to this section, subject to the restrictions of this
21 subsection and subsections b., c., d. and e. of this section and the
22 modifications of paragraph (4) of this subsection.

23 (2) For the purposes of the calculation of the New Jersey earned
24 income tax credit, the percentage of the federal earned income tax
25 credit referred to in paragraph (1) of this subsection shall be:

26 (a) 10% for the taxable year beginning on or after January 1,
27 2000, but before January 1, 2001;

28 (b) 15% for the taxable year beginning on or after January 1,
29 2001, but before January 1, 2002;

30 (c) 17.5% for the taxable year beginning on or after January 1,
31 2002, but before January 1, 2003;

32 (d) 20% for taxable years beginning on or after January 1, 2003,
33 but before January 1, 2008;

34 (e) 22.5% for taxable years beginning on or after January 1,
35 2008 but before January 1, 2009;

36 (f) 25% for taxable years beginning on or after January 1, 2009
37 but before January 1, 2010;

38 (g) 20% for taxable years beginning on or after January 1, 2010,
39 but before January 1, 2015;

40 (h) 30% for taxable years beginning on or after January 1, 2015,
41 but before January 1, 2016;

42 (i) 35% for taxable years beginning on or after January 1, 2016,
43 but before January 1, 2018;

44 (j) 37% for the taxable year beginning on or after January 1,
45 2018, but before January 1, 2019;

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 (k) 39% for the taxable year beginning on or after January 1,
2 2019, but before January 1, 2020; and

3 (l) 40% for taxable years beginning on or after January 1, 2020.

4 (3) To qualify for the New Jersey earned income tax credit, if
5 the claimant is married, except for a claimant who files as a head of
6 household or surviving spouse for federal income tax purposes for
7 the taxable year, the claimant shall file a joint return or claim for
8 the credit.

9 (4) A resident individual who is at least 18 years of age, but
10 cannot claim a qualifying child as defined under section 152 of the
11 federal Internal Revenue Code of 1986 (26 U.S.C. s.152) for the
12 federal earned income tax credit, shall be eligible for the New
13 Jersey earned income tax credit if that resident individual is
14 ineligible to claim the federal earned income tax credit due to
15 minimum age requirements. The resident individual shall meet all
16 qualifications, except for the minimum age, for the federal earned
17 income tax credit in order to be eligible for the New Jersey earned
18 income tax credit.

19 b. 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.

24 c. The amount of the credit allowed pursuant to this section
25 shall be applied against the tax otherwise due under N.J.S.54A:1-1
26 et seq., after all other credits and payments. If the credit exceeds the
27 amount of tax otherwise due, that amount of excess shall be an
28 overpayment for the purposes of N.J.S.54A:9-7; provided however,
29 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
30 provided under this section as a credit against the tax otherwise due
31 and the amount of the credit treated as an overpayment shall be
32 treated as a credit towards or overpayment of gross income tax,
33 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
34 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

35 d. The Director of the Division of Taxation in the Department
36 of the Treasury shall establish a program for the distribution of
37 earned income tax credits pursuant to the provisions of this section.

38 e. Any earned income tax credit pursuant to this section shall
39 not be taken into account as income or receipts for purposes of
40 determining the eligibility of an individual for benefits or assistance
41 or the amount or extent of benefits or assistance under any State
42 program and, to the extent permitted by federal law, under any State
43 program financed in whole or in part with federal funds.

44 (cf: P.L.2018, c.45, s.4)

45

46 2. This act shall take effect immediately.

1 STATEMENT

2

3 This bill expands eligibility for certain resident individuals.

4 Under the federal program, there are age restrictions for taxpayers

5 who cannot claim a qualifying child. Currently, a taxpayer who is

6 between 25 and 65 years old is eligible for federal earned income

7 tax credit even without claiming a qualifying child. The bill allows

8 a taxpayer who is between 18 and 65 years old to claim the New

9 Jersey earned income tax credit based on a percentage of the federal

10 earned income tax credit amount the taxpayer would have otherwise

11 been eligible for absent the age restriction.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 838

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Assembly Budget Committee reports favorably Assembly Bill No. 838, with committee amendments.

This bill expands eligibility for certain resident individuals. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill allows a taxpayer who is between 21 and 65 years old to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise been eligible for absent the age restriction.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

COMMITTEE AMENDMENTS:

The committee amended the bill so that taxpayers 21 to 24 years old, instead of 18 to 24, will be eligible for the credit, and to clarify how the credit will be calculated for those individuals.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$11 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 57,800 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program (NJEITC) as a result of the bill. The OLS believes the actual cost of this bill will fall below \$11 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 838
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: SEPTEMBER 25, 2020

SUMMARY

Synopsis: Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age to qualify.

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

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 and Thereafter</u>
Annual State Revenue Loss	Up to \$14 million

- The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$14 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 72,000 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program (NJEITC) as a result of the bill. The OLS believes the actual cost of this bill will fall below \$14 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

BILL DESCRIPTION

This bill expands eligibility for certain resident individuals to claim the NJEITC. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill allows a taxpayer who is between 18 and 65 years old to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise been eligible for absent the age restriction.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$14 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 72,000 filers may be newly eligible to claim the modified NJEITC, as a result of the bill. The OLS believes the actual cost of this bill will fall below \$14 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

For tax year 2019, the maximum federal earned income credit a taxpayer filing a single return with no qualifying children could receive was \$529. This credit amount is available for taxpayers with earned income between \$6,900 and \$8,650. The credit amount varies by the taxpayer's income similar to the shape of a trapezoid. As a taxpayer earns more income, that taxpayer will receive a greater benefit up to a maximum. Once a taxpayer reaches that point, the benefit begins to decrease until it hits \$0. The credit fully phases down once a taxpayer filing a single return with no qualifying children has earned income in excess of \$15,550.

To illustrate, New Jersey's minimum wage is currently \$11 per hour. If a resident worked 16 hours a week at minimum wage for 52 weeks, that resident will have earned income of \$9,152. This resident would be eligible for a federal earned income credit of roughly \$489 and an NJEITC of \$195.60, based on the current 40 percent NJEITC calculation. If a resident worked 32 hours a week at minimum wage for 52 weeks, that resident would have earned income of \$18,304 and would not be eligible for a federal earned income credit or NJEITC.

Based on the federal IRS income and tax data for tax year 2018, roughly 1.375 million returns were filed for taxpayers with adjusted gross income of not more than \$25,000. Of those returns, 28 percent included a claim for the federal earned income credit. Further, of the 1.375 million returns, 1.003 million were single filer returns. In order to determine the number of single returns that may have included a claim for the federal earned income credit, the 1.003 million single filer returns were multiplied by 28 percent to yield approximately 280,840 returns that included such a claim. As a result, roughly 722,160 single filer returns are assumed to not have included a claim, but not all of these returns are for those who are at least 18 years of age, but not older than 24 years of age.

According to the federal Bureau of Labor Statistics (BLS) "Labor Force Statistics from the Current Population Survey," approximately 12 percent of employed persons across the country were at least 16 years of age, but not older than 24 years of age. Likewise, the Kaiser Family Foundation estimates, based on U.S. Census data, that eight percent of New Jersey's population was between the ages of 19 and 25. Given that the BLS data include 16 and 17 year olds, the 12 percent was adjusted down to 10 percent for purposes of calculating the number of single returns filed by residents who are at least 18 years of age, but not more than 24 years of age, yielding a population of 72,207 eligible returns.

The potential fiscal impact of the bill was calculated utilizing the 72,207 eligible returns multiplied by the maximum NJEITC benefit amount (\$195.60). The projected fiscal impact is an annual State revenue loss of up to \$14.1 million. Please note that it is highly unlikely that newly eligible residents will all claim the maximum NJEITC benefit amount. Thus, the actual impact is expected to be lower than \$14.1 million annually.

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.).

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 838

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: SEPTEMBER 28, 2020

SUMMARY

- Synopsis:** Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 21 years of age to qualify.
- Type of Impact:** Annual State revenue loss to Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	FY 2021 and Thereafter
Annual State Revenue Loss	Roughly \$11 million

- The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by roughly \$11 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 57,800 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program (NJEITC) as a result of the bill.

BILL DESCRIPTION

This bill expands eligibility for certain resident individuals to claim the NJEITC. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill would allow a taxpayer who is at least of 21 years old, but less than 25 years old, to claim the New Jersey earned income tax credit using a modified calculation that is predicated on the federal maximum amount for taxpayers with no qualifying children.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by roughly \$11 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 57,800 filers may be newly eligible to claim the modified NJEITC, as a result of the bill.

For tax year 2019, the maximum federal earned income credit a taxpayer filing a single return with no qualifying children could receive was \$529. This credit amount is available for taxpayers with earned income between \$6,900 and \$8,650. The credit amount varies by the taxpayer's income similar to the shape of a trapezoid. As a taxpayer earns more income, that taxpayer will receive a greater benefit up to a maximum. Once a taxpayer reaches that point, the benefit begins to decrease until it hits \$0. The credit fully phases down once a taxpayer filing a single return with no qualifying children has earned income in excess of \$15,550.

Based on the federal IRS income and tax data for tax year 2018, roughly 1.375 million returns were filed for taxpayers with adjusted gross income of not more than \$25,000. Of those returns, 28 percent included a claim for the federal earned income credit. Further, of the 1.375 million returns, 1.003 million were single filer returns. In order to determine the number of single returns that may have included a claim for the federal earned income credit, the 1.003 million single filer returns were multiplied by 28 percent to yield approximately 280,840 returns that included such a claim. As a result, roughly 722,160 single filer returns are assumed to not have included a claim, but not all of these returns are for those who are at least 21 years of age.

According to the federal Bureau of Labor Statistics (BLS) "Labor Force Statistics from the Current Population Survey," approximately 12 percent of employed persons across the country were at least 16 years of age, but not older than 24 years of age. Likewise, the Kaiser Family Foundation estimates, based on U.S. Census data, that eight percent of New Jersey's population was between the ages of 19 and 25. If the eight percent is assumed for those who are at least 21 years of age or older, the eligible population of returns would be 57,772 eligible returns.

The potential fiscal impact of the bill was calculated utilizing the 57,772 eligible returns multiplied by the maximum NJEITC benefit amount of \$195.60 (40 percent of the federal benefit) yielding a revenue loss of \$11.3 million annually. The OLS notes that the maximum federal benefit tends to increase annually, but not by a substantial amount. The OLS also notes that fluctuations in the eligible population could cause fluctuations in the revenue loss between the years.

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. 835

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Senator JOSEPH A. LAGANA

District 38 (Bergen and Passaic)

Senator M. TERESA RUIZ

District 29 (Essex)

SYNOPSIS

Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age to qualify.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT expanding eligibility under the New Jersey earned income
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4 **BE IT ENACTED** by the Senate and General Assembly of the State
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13 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
14 s.32) shall be allowed a credit for the taxable year equal to a
15 percentage, as provided in paragraph (2) of this subsection, of the
16 federal earned income tax credit that would be allowed to the
17 individual or the married individuals filing a joint return under
18 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
19 s.32) for the same taxable year for which a credit is claimed
20 pursuant to this section, subject to the restrictions of this subsection
21 and subsections b., c., d. and e. of this section and the modifications
22 of paragraph (4) of this subsection.

23 (2) For the purposes of the calculation of the New Jersey earned
24 income tax credit, the percentage of the federal earned income tax
25 credit referred to in paragraph (1) of this subsection shall be:

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27 2000, but before January 1, 2001;

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not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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3 (l) 40% for taxable years beginning on or after January 1, 2020.

4 (3) To qualify for the New Jersey earned income tax credit, if
5 the claimant is married, except for a claimant who files as a head of
6 household or surviving spouse for federal income tax purposes for
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8 the credit.

9 (4) A resident individual who is at least 18 years of age, but
10 cannot claim a qualifying child as defined under section 152 of the
11 federal Internal Revenue Code of 1986 (26 U.S.C. s.152) for the
12 federal earned income tax credit, shall be eligible for the New
13 Jersey earned income tax credit if that resident individual is
14 ineligible to claim the federal earned income tax credit due to
15 minimum age requirements. The resident individual shall meet all
16 qualifications, except for the minimum age, for the federal earned
17 income tax credit in order to be eligible for the New Jersey earned
18 income tax credit.

19 b. 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
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23 For this purpose, 15 days or more shall constitute a month.

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25 shall be applied against the tax otherwise due under N.J.S.54A:1-1
26 et seq., after all other credits and payments. If the credit exceeds the
27 amount of tax otherwise due, that amount of excess shall be an
28 overpayment for the purposes of N.J.S.54A:9-7; provided however,
29 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
30 provided under this section as a credit against the tax otherwise due
31 and the amount of the credit treated as an overpayment shall be
32 treated as a credit towards or overpayment of gross income tax,
33 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
34 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

35 d. The Director of the Division of Taxation in the Department
36 of the Treasury shall establish a program for the distribution of
37 earned income tax credits pursuant to the provisions of this section.

38 e. Any earned income tax credit pursuant to this section shall
39 not be taken into account as income or receipts for purposes of
40 determining the eligibility of an individual for benefits or assistance
41 or the amount or extent of benefits or assistance under any State
42 program and, to the extent permitted by federal law, under any State
43 program financed in whole or in part with federal funds.

44 (cf: P.L.2018, c.45, s.4)

45

46 2. This act shall take effect immediately.

1 STATEMENT

2

3 This bill expands eligibility for certain resident individuals.
4 Under the federal program, there are age restrictions for taxpayers
5 who cannot claim a qualifying child. Currently, a taxpayer who is
6 between 25 and 65 years old is eligible for federal earned income
7 tax credit even without claiming a qualifying child. The bill allows
8 a taxpayer who is between 18 and 65 years old to claim the New
9 Jersey earned income tax credit based on a percentage of the federal
10 earned income tax credit amount the taxpayer would have otherwise
11 been eligible for absent the age restriction.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 835

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 835, with committee amendments.

This bill expands eligibility for certain resident individuals. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill allows a taxpayer who is between 21 and 65 years old to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise been eligible for absent the age restriction.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

COMMITTEE AMENDMENTS:

The committee amended the bill so that taxpayers 21 to 24 years old, instead of 18 to 24, will be eligible for the credit, and to clarify how the credit will be calculated for those individuals.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$14 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 72,000 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program as a result of the bill. The OLS believes the actual cost of this bill will fall below \$14 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 835
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: SEPTEMBER 25, 2020

SUMMARY

Synopsis: Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age to qualify.

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

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 and Thereafter</u>
Annual State Revenue Loss	Up to \$14 million

- The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$14 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 72,000 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program (NJEITC) as a result of the bill. The OLS believes the actual cost of this bill will fall below \$14 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

BILL DESCRIPTION

This bill expands eligibility for certain resident individuals to claim the NJEITC. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill allows a taxpayer who is between 18 and 65 years old to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise been eligible for absent the age restriction.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by up to \$14 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 72,000 filers may be newly eligible to claim the modified NJEITC, as a result of the bill. The OLS believes the actual cost of this bill will fall below \$14 million annually, since the maximum credit allowed will not be claimed by all newly eligible filers.

For tax year 2019, the maximum federal earned income credit a taxpayer filing a single return with no qualifying children could receive was \$529. This credit amount is available for taxpayers with earned income between \$6,900 and \$8,650. The credit amount varies by the taxpayer's income similar to the shape of a trapezoid. As a taxpayer earns more income, that taxpayer will receive a greater benefit up to a maximum. Once a taxpayer reaches that point, the benefit begins to decrease until it hits \$0. The credit fully phases down once a taxpayer filing a single return with no qualifying children has earned income in excess of \$15,550.

To illustrate, New Jersey's minimum wage is currently \$11 per hour. If a resident worked 16 hours a week at minimum wage for 52 weeks, that resident will have earned income of \$9,152. This resident would be eligible for a federal earned income credit of roughly \$489 and an NJEITC of \$195.60, based on the current 40 percent NJEITC calculation. If a resident worked 32 hours a week at minimum wage for 52 weeks, that resident would have earned income of \$18,304 and would not be eligible for a federal earned income credit or NJEITC.

Based on the federal IRS income and tax data for tax year 2018, roughly 1.375 million returns were filed for taxpayers with adjusted gross income of not more than \$25,000. Of those returns, 28 percent included a claim for the federal earned income credit. Further, of the 1.375 million returns, 1.003 million were single filer returns. In order to determine the number of single returns that may have included a claim for the federal earned income credit, the 1.003 million single filer returns were multiplied by 28 percent to yield approximately 280,840 returns that included such a claim. As a result, roughly 722,160 single filer returns are assumed to not have included a claim, but not all of these returns are for those who are at least 18 years of age, but not older than 24 years of age.

According to the federal Bureau of Labor Statistics (BLS) "Labor Force Statistics from the Current Population Survey," approximately 12 percent of employed persons across the country were at least 16 years of age, but not older than 24 years of age. Likewise, the Kaiser Family Foundation estimates, based on U.S. Census data, that eight percent of New Jersey's population was between the ages of 19 and 25. Given that the BLS data include 16 and 17 year olds, the 12 percent was adjusted down to 10 percent for purposes of calculating the number of single returns filed by residents who are at least 18 years of age, but not more than 24 years of age, yielding a population of 72,207 eligible returns.

The potential fiscal impact of the bill was calculated utilizing the 72,207 eligible returns multiplied by the maximum NJEITC benefit amount (\$195.60). The projected fiscal impact is an annual State revenue loss of up to \$14.1 million. Please note that it is highly unlikely that newly eligible residents will all claim the maximum NJEITC benefit amount. Thus, the actual impact is expected to be lower than \$14.1 million annually.

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.).

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 835

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: SEPTEMBER 28, 2020

SUMMARY

- Synopsis:** Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 21 years of age to qualify.
- Type of Impact:** Annual State revenue loss to Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 and Thereafter</u>
Annual State Revenue Loss	Roughly \$11 million

- The Office of Legislative Services (OLS) estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by roughly \$11 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 57,800 filers may be newly eligible to claim the modified New Jersey Earned Income Tax Credit Program (NJEITC) as a result of the bill.

BILL DESCRIPTION

This bill expands eligibility for certain resident individuals to claim the NJEITC. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill would allow a taxpayer who is at least of 21 years old, but less than 25 years old, to claim the New Jersey earned income tax credit using a modified calculation that is predicated on the federal maximum amount for taxpayers with no qualifying children.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that gross income tax revenue, which is deposited into the Property Tax Relief Fund, will decline by roughly \$11 million annually if this bill is enacted. Based on tax year 2018 and tax year 2019 data, the OLS projects that approximately 57,800 filers may be newly eligible to claim the modified NJEITC, as a result of the bill.

For tax year 2019, the maximum federal earned income credit a taxpayer filing a single return with no qualifying children could receive was \$529. This credit amount is available for taxpayers with earned income between \$6,900 and \$8,650. The credit amount varies by the taxpayer's income similar to the shape of a trapezoid. As a taxpayer earns more income, that taxpayer will receive a greater benefit up to a maximum. Once a taxpayer reaches that point, the benefit begins to decrease until it hits \$0. The credit fully phases down once a taxpayer filing a single return with no qualifying children has earned income in excess of \$15,550.

Based on the federal IRS income and tax data for tax year 2018, roughly 1.375 million returns were filed for taxpayers with adjusted gross income of not more than \$25,000. Of those returns, 28 percent included a claim for the federal earned income credit. Further, of the 1.375 million returns, 1.003 million were single filer returns. In order to determine the number of single returns that may have included a claim for the federal earned income credit, the 1.003 million single filer returns were multiplied by 28 percent to yield approximately 280,840 returns that included such a claim. As a result, roughly 722,160 single filer returns are assumed to not have included a claim, but not all of these returns are for those who are at least 21 years of age.

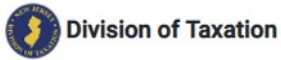
According to the federal Bureau of Labor Statistics (BLS) "Labor Force Statistics from the Current Population Survey," approximately 12 percent of employed persons across the country were at least 16 years of age, but not older than 24 years of age. Likewise, the Kaiser Family Foundation estimates, based on U.S. Census data, that eight percent of New Jersey's population was between the ages of 19 and 25. If the eight percent is assumed for those who are at least 21 years of age or older, the eligible population of returns would be 57,772 eligible returns.

The potential fiscal impact of the bill was calculated utilizing the 57,772 eligible returns multiplied by the maximum NJEITC benefit amount of \$195.60 (40 percent of the federal benefit) yielding a revenue loss of \$11.3 million annually. The OLS notes that the maximum federal benefit tends to increase annually, but not by a substantial amount. The OLS also notes that fluctuations in the eligible population could cause fluctuations in the revenue loss between the years.

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.).



COVID-19 Related Tax Information
COVID-19 Teleworking Guidance Updated 08/03/2021

Home / Individuals / New Jersey Earned Income Tax Credit / NJEITC Additional Resources



NJEITC Additional Resources

NJEITC Outreach Toolkit

Information for Employers

- [Notice to Employers](#)
- [Notice to Employees](#)

Child and Dependent Care Credit

New Jersey offers an additional credit that may benefit eligible resident taxpayers who are also allowed a federal credit for expenses incurred for the care of one or more qualifying individuals. The New Jersey Child and Dependent Care Credit is a percentage of the taxpayer's federal child and dependent care credit. The amount varies according to the amount of the taxpayer's NJ taxable income, similar to the Earned Income Tax Credit. Visit [Child and Dependent Care Credit](#) for more information, or visit the IRS website.

Video and Other Resources

- [NJEITC - Age Expansion in 2021](#)
 - [NJEITC - Dependents \(English\)](#)
 - [NJEITC - Dependents \(Spanish\)](#)
 - [NJEITC - A Vital Lifeline](#)
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- [Free Tax Preparation Services](#)

Last Updated: Wednesday, 02/03/21

Governor Murphy Expands Earned Income Tax Credit Eligibility to 60,000 More New Jersey Residents; Credit Also Increases to 40 Percent of Federal Credit Under New Budget

09/29/2020

TRENTON – With the signing of the Fiscal Year 2021 Appropriations Act today, the Murphy Administration extended a critical lifeline to an additional 60,000 New Jersey residents by expanding the minimum age of eligibility for the New Jersey Earned Income Tax Credit (NJEITC) from 25 years of age to 21.

The EITC is considered one of the most effective tools for supporting working families and lifting people out of poverty. Additionally, the FY 2021 budget also boosts the amount of the NJEITC to 40 percent of the federal credit, completing the third of three phased-in increases under a 2018 law signed by Governor Phil Murphy. This latest increase will put an average of \$882 back into taxpayers' pockets.

The EITC expansion is part of the Murphy Administration's goal of addressing income inequality through tax fairness initiatives. This year's budget also includes a true millionaire's tax that will help support middle class tax rebates, as well as the exemption of combat pay from income taxes. These efforts build upon previous tax fairness initiatives established by the Murphy Administration, including the New Jersey Child and Dependent Care Tax Credit and the doubling of the Income Tax Exemption for Veterans to \$6,000.

"Creating a tax code that works for everyone is one of the most effective tools we have to make New Jersey a stronger and fairer state. This expansion of the EITC to more residents takes on an added urgency as it will put more money in the pockets of our lower and middle-income families as they continue to face the harsh realities of the COVID-19 pandemic," **said Governor Murphy**.

Despite the growth in value of the tax credit over the last three years, it is estimated that nearly a quarter of eligible taxpayers do not apply for the credit. In tax year 2017, 590,000 New Jersey residents received an EITC, but up to 25 percent of eligible residents did not file an application.

"The increase in eligibility and amount of the Earned Income Tax Credit could not come at a better time, especially for lower- and moderate-income families, who we know have been hardest hit by the COVID-19 pandemic," **said State Treasurer Elizabeth Maher Muoio**. "Providing hardworking New Jerseyans with a potential lifeline during these difficult times is of the utmost importance."

"Expanding the Earned Income Tax Credit is an important step toward creating a fairer tax code for all residents in the state, regardless of their age or income," **said Vineeta Kapahi, Policy Analyst at New Jersey Policy Perspective (NJPP)**. "By lowering the age limit for the tax credit, this legislation will provide a much needed boost for young adults as they begin their careers. When young workers have more money to spend on basic needs – like transportation, utility bills, and groceries – the broader economy is stronger as a result."

"When families and individuals receive crucial funds like the Earned Income Tax Credit, research shows they spend it immediately and in the community on things they need, thereby boosting our state's economy. The EITC could mean the difference between being able to remain in your home as a result of lost wages during the pandemic, paying high utility bills in the winter, or completing a costly car repair to continue to get to work," **said Renee Koubiadis, Executive Director of the Anti-Poverty Network of New Jersey**. "The EITC has been one of the most successful anti-poverty programs in our country's history and helps reduce racial inequalities. By increasing the state EITC to 40 percent of the federal rate and expanding access to low-wage workers ages 21-24, New Jersey is providing access to many more people at a critical time to keep them from falling into poverty."

To be eligible for the NJEITC, a taxpayer must:

- Meet all qualifications, except for the minimum age, for the federal earned income tax credit;
- Be a resident of the state who works or earns income;
- Have a qualifying child or be at least 21 years old and under 65;
- Meet the income limits for their filing status; and
- Have a valid Social Security number (This includes spouses and any qualifying child listed on the tax return).

For more information on the New Jersey Earned Income Tax Credit, visit the Division of Taxation's website, at <https://www.nj.gov/treasury/taxation/eitc/eitcaddinfo.shtml>.