

ASSEMBLY, No. 423

STATE OF NEW JERSEY 209th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2000 SESSION

Sponsored by:

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District 21 (Essex and Union)

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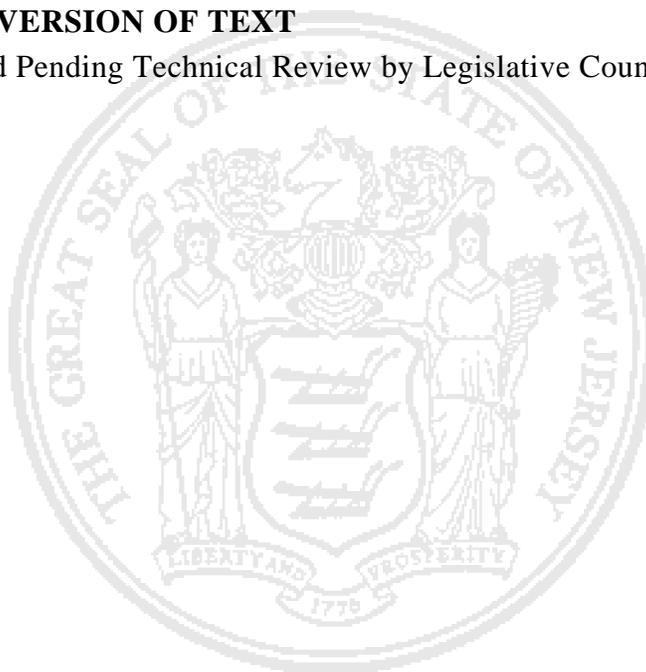
Assemblywoman Heck and Assemblyman Holzapfel

SYNOPSIS

The Capital Gains Incentive Act; provides a 50% capital gains deduction for certain capital gains under the gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 3/28/2000)

1 AN ACT providing a deduction for certain capital gains under the
2 gross income and designated the Capital Gains Incentive Act,
3 supplementing Title 54A of the Revised Statutes.

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

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8 1. A taxpayer shall be allowed to deduct from gross income an
9 amount equal to 50% of the taxpayer's "net capital gain" as defined
10 pursuant to section 1222 of the federal Internal Revenue Code of
11 1986, 26 U.S.C. s.1222; provided however, that net capital gain shall
12 be calculated without the allowance of any carryback or carryover of
13 capital losses from taxable years other than the taxable year for which
14 the deduction is allowed; and provided further that for the purposes
15 of this section a taxpayer that is an estate or trust shall exclude from
16 its determination of net capital gain any capital gain which is includible
17 as such by income beneficiaries.

18
19 2. This act shall take effect immediately and apply to taxable years
20 beginning on or after the January 1 following enactment.

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23 STATEMENT

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25 This bill, the Capital Gains Incentive Act, provides a 50% net
26 capital gains deduction under the gross income tax as an incentive to
27 savings and to encourage long-term investment.

28 "Net capital gains" is defined, pursuant to the federal Internal
29 Revenue Code, as the excess of net long-term capital gains (gains on
30 assets held for more than one year) over net short term capital losses.
31 For New Jersey gross income tax purposes, the definition departs
32 slightly from the federal definition or net capital gains to disallow
33 carryovers and carrybacks, adjustments which are permitted under the
34 federal income tax but not authorized under the New Jersey gross
35 income tax.

36 This bill will reduce by at least 50% the personal income taxes
37 imposed on the gains from long- term investment. This tax reduction
38 will encourage investment generally, by providing a significant tax
39 incentive for savings by investment. If this bill had been in effect for
40 tax year 1997, an additional amount of more than \$250,000,000 would
41 have been in the hands of taxpayers for investment. Just as
42 importantly, the tax incentive is provided to encourage long-term
43 investment, and expresses a preference for sound long-term investment
44 over speculative investment.