

SENATE, No. 2101

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 21, 2010

Sponsored by:
Senator GERALD CARDINALE
District 39 (Bergen)

SYNOPSIS

Reduces benefit under State earned income credit program from 25 percent of federal credit amount to 20 percent beginning in Tax Year 2010.

CURRENT VERSION OF TEXT

As introduced.



S2101 CARDINALE

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1 AN ACT reducing benefit amounts under the New Jersey earned
2 income credit program, amending P.L.2000, c.80.

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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:

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 (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 **[and**
17 **claimed by]** the individual or **[by]** the married individuals filing a
18 joint return under section 32 of the federal Internal Revenue Code
19 of 1986 (26 U.S.C. s.32) for the same taxable year for which a
20 credit is claimed pursuant to this section, subject to the restrictions
21 of this subsection and subsections b., c., d. and e. of this section.

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

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

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

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

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

33 (e) 22.5% for taxable years beginning on or after January 1,
34 2008 but before January 1, 2009; **[and]**

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

37 (g) 20% for taxable years beginning on or after January 1, 2010.

38 (3) To qualify for the New Jersey earned income tax credit, if
39 the claimant is married, except for a claimant who files as a head of
40 household or surviving spouse for federal income tax purposes for
41 the taxable year, the claimant shall file a joint return or claim for
42 the credit.

43 b. In the case of a part-year resident claimant, the amount of
44 the credit allowed pursuant to this section shall be pro-rated, based

**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.

S2101 CARDINALE

1 upon that proportion which the total number of months of the
2 claimant's residency in the taxable year bears to 12 in that period.
3 For this purpose, 15 days or more shall constitute a month.

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

15 d. The Director of the Division of Taxation in the Department
16 of the Treasury shall have discretion to establish a program for the
17 distribution of earned income tax credits pursuant to the provisions
18 of this section.

19 e. Any earned income tax credit pursuant to this section shall
20 not be taken into account as income or receipts for purposes of
21 determining the eligibility of an individual for benefits or assistance
22 or the amount or extent of benefits or assistance under any State
23 program and, to the extent permitted by federal law, under any State
24 program financed in whole or in part with federal funds.
25 (cf: P.L.2007, c.109, s.1)

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27 2. This act shall take effect immediately and apply to taxable
28 years beginning on or after January 1, 2010.

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STATEMENT

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33 This bill reduces, beginning for New Jersey gross income tax
34 year 2010 and thereafter, the benefit amount provided under the
35 New Jersey earned income credit (EIC) program as a percentage of
36 the federal earned income tax credit (EITC).

37 Currently, the State EIC program provides a refundable earned
38 income tax credit equal to 25 percent of the federal EITC. This bill
39 would reduce that amount to 20 percent of the federal benefit to
40 save \$45 million during FY 2011, as proposed in the Governor's
41 Budget Recommendation. Twenty percent is the State credit
42 amount previously in effect during FY 2008 (tax year 2007).