SENATE, No. 2742

STATE OF NEW JERSEY
214th LEGISLATURE

INTRODUCED FEBRUARY 22, 2011

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Mercer)
Senator LINDA R. GREENSTEIN
District 14 (Mercer and Middlesex)

SYNOPSIS
Increases gross income tax rate on income exceeding $1,000,000 and dedicates revenue from tax rate increase for direct real property tax relief for taxpayers.

CURRENT VERSION OF TEXT
As introduced.

(Sponsorship Updated As Of: 5/24/2011)
S2742 TURNER, GREENSTEIN

1 AN ACT increasing the gross income tax rate on income exceeding $1,000,000 and dedicating revenue from the tax rate increase for direct real property tax relief for taxpayers, amending N.J.S.54A:2-1 and N.J.S.54A:9-25 and supplementing Title 54A of the New Jersey Statutes.

2 BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

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

4 54A:2-1. Imposition of tax. There is hereby imposed a tax for each taxable year (which shall be the same as the taxable year for federal income tax purposes) on the New Jersey gross income as herein defined of every individual, estate or trust (other than a charitable trust or a trust forming part of a pension or profit-sharing plan), subject to the deductions, limitations and modifications hereinafter provided, determined in accordance with the following tables with respect to taxpayers' taxable income:

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

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

7 If the taxable income is: The tax is:

8 Not over $20,000.00............ 2% of taxable income

9 Over $20,000.00 but not over $50,000.00............. $400.00 plus 2.5% of the excess over $20,000.00

10 Over $50,000.00 but not over $70,000.00............. $1,150.00 plus 3.5% of the excess over $50,000.00

11 Over $70,000.00 but not over $80,000.00............. $1,850.00 plus 5.0% of the excess over $70,000.00

12 Over $80,000.00 but not over $150,000.00............ $2,350.00 plus 6.5% of the excess over $80,000.00

13 Over $150,000.00.............. $6,900.00 plus 7.0% of the excess over $150,000.00

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

If the taxable income is: The tax is:

Not over $20,000.00............. 1.900% of taxable income

Over $20,000.00 but not over $50,000.00........... $380.00 plus 2.375% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00........... $1,092.50 plus 3.325% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00........... $1,757.50 plus 4.750% of the excess over $70,000.00

Over $80,000.00 but not over $150,000.00........... $2,232.50 plus 6.175% of the excess over $80,000.00

Over $150,000.00............. $6,555.00 plus 6.650% of the excess over $150,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is: The tax is:

Not over $20,000.00............. 1.700% of taxable income

Over $20,000.00 but not over $50,000.00........... $340.00 plus 2.125% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00........... $977.50 plus 2.975% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00........... $1,572.50 plus 4.250% of the excess over $70,000.00

Over $80,000.00 but not over $150,000.00........... $1,997.50 plus 6.013% of the excess over $80,000.00
Over $150,000.00 .......... $6,206.60 plus 6.580% of the excess over $150,000.00 (4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:

If the taxable income is: The tax is:

Not over $20,000.00........... 1.400% of taxable income

Over $20,000.00 but not over $50,000.00........... $280.00 plus 1.750% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00........... $805.00 plus 2.450% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00........... $1,295.50 plus 3.500% of the excess over $70,000.00

Over $80,000.00 but not over $150,000.00........... $1,645.00 plus 5.525% of the excess over $80,000.00

Over $150,000.00 .......... $5,512.50 plus 6.370% of the excess over $150,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2011 (except as provided in section 1 of P.L. 2009, c.69 (C.54A:2-1a) for taxable years beginning on or after January 1, 2009 but before January 1, 2010):

If the taxable income is: The tax is:

Not over $20,000.00 ........... 1.400% of taxable income

Over $20,000.00 but not over $50,000.00........... $280.00 plus 1.750% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00........... $805.00 plus 2.450% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00........... $1,295.50 plus 3.500% of the excess over $70,000.00
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<th>if taxable income is:</th>
<th>the tax is:</th>
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<tr>
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<td>over $500,000.00 but not over $1,000,000.00</td>
<td>$27,807.50 plus 8.970% of the excess over $500,000.00</td>
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<td>over $1,000,000.00</td>
<td>$72,657.50 plus 10.75% of the excess over $1,000,000.00</td>
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b. 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:
(1) for taxable years beginning on or after January 1, 1991 but before January 1, 1994:

If the taxable income is: The tax is:

Not over $20,000.00...... 2% of taxable income

Over $20,000.00 but not over $35,000.00........... $400.00 plus 2.5% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00........... $775.00 plus 5.0% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00.............. $1,025.00 plus 6.5% of the excess over $40,000.00

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

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

If the taxable income is: The tax is:

Not over $20,000.00...... 1.900% of taxable income

Over $20,000.00 but not over $35,000.00........... $380.00 plus 2.375% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00........... $736.25 plus 4.750% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00.............. $973.75 plus 6.175% of the excess over $40,000.00

Over $75,000.00.............. $3,135.00 plus 6.650% of the excess over $75,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:
If the taxable income is:  

The tax is:

Not over $20,000.00............  1.700% of taxable income

Over $20,000.00 but not
over $35,000.00...............  $340.00 plus 2.125% of the
excess over $20,000.00

Over $35,000.00 but not
over $40,000.00...............  $658.75 plus 4.250% of the
excess over $35,000.00

Over $40,000.00 but not
over $75,000.00..............  $871.25 plus 6.013% of the
excess over $40,000.00

Over $75,000.00...............  $2,975.80 plus 6.580% of the
excess over $75,000.00

(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:

If the taxable income is:  

The tax is:

Not over $20,000.00............ 1.400% of taxable income

Over $20,000.00 but not
over $35,000.00...............  $280.00 plus 1.750% of the
excess over $20,000.00

Over $35,000.00 but not
over $40,000.00...............  $542.50 plus 3.500% of the
excess over $35,000.00

Over $40,000.00 but not
over $75,000.00..............  $717.50 plus 5.525% of the
excess over $40,000.00

Over $75,000.00...............  $2,651.25 plus 6.370% of the
excess over $75,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2011 (except as provided in section 1 of P.L.2009, c.69 (C.54A:2-1a) for taxable years beginning on or after January 1, 2009 but before January 1, 2010):

If the taxable income is:  

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If the taxable income is: The tax is:

Not over $20,000.00 .......... 1.400% of taxable income

Over $20,000.00 but not over $35,000.00 ................ $280.00 plus 1.750% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00 ................ $542.50 plus 3.500% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00 ............. $717.50 plus 5.525% of the excess over $40,000.00

Over $75,000.00 but not over $500,000.00 ............. $2,651.25 plus 6.370% of the excess over $75,000.00

Over $500,000.00 ............... $29,723.75 plus 8.970% of the excess over $500,000.00

(6) for taxable years beginning on or after January 1, 2011:
c. For the purposes of this section, an individual who would be eligible to file as a head of household for federal income tax purposes but for the fact that such taxpayer is a nonresident alien, shall determine tax pursuant to subsection a. of this section.

(cf: P.L.2004, c.40, s.17)

2. (New section) a. No additions to tax or penalty shall be imposed under N.J.S.54A:9-6 for insufficient payment of estimated tax that may otherwise be due on salaries, wages and other remuneration received before October 1, 2011 upon which there is an increased rate of tax imposed upon taxable income over $1,000,000.00 pursuant to paragraph (6) of subsection a. and paragraph (6) of subsection b. of N.J.S.54A:2-1.

b. An employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to New Jersey gross income tax or making payment of any remuneration for employment subject to contribution under the New Jersey "unemployment compensation law," pursuant to R.S.43:21-1 et seq., that is subject to New Jersey gross income tax shall not be subject to interest, penalties or other costs that may otherwise be imposed for insufficient withholding of salaries, wages and other remuneration made before October 1, 2011 that is directly attributable to the enactment of the increased rate of tax imposed upon taxable income over $1,000,000.00 pursuant to paragraph (6) of subsection a. and paragraph (6) of subsection b. of N.J.S.54A:2-1.

3. N.J.S.54A:9-25 is amended to read as follows:

54A:9-25. Taxes collected under the provisions of this act shall be deposited by the State Treasurer in a special account to be known as the Property Tax Relief Fund. There is established within the special fund a subaccount to be known as the Direct Taxpayer Property Tax Relief Fund into which shall be deposited by the State Treasurer the amount of tax revenue anticipated by the Governor to be derived from the tax rate change effectuated in the amendment made to N.J.S.54A:2-1 pursuant to section 1 of P.L.2011, c. (pending before the Legislature as this bill). Moneys in the Property Tax Relief Fund shall be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of providing property tax relief and for the purpose of reducing or offsetting property taxes, including the funding of the requirements of [P.L.1975, c. 212, and] the “School Funding Reform Act of 2008.”

Moneys remaining in the Direct Taxpayer Property Tax Relief subaccount after annual appropriations for these direct taxpayer relief programs shall be applied to offset the claims allowed during that fiscal year for property tax deductions and credits under the "Property Tax Deduction Act," P.L.1996, c.60 (C.54A:3A-15 et seq.). There may be deducted from the Property Tax Relief Fund the administrative costs of the collection hereof and in replacement of revenues resulting from the repeal of certain laws under this and companion legislation.

(cf: N.J.S.54A:9-25)

4. This act shall take effect immediately, and section 1 shall apply to taxable years beginning on or after January 1, 2011 and section 3 shall apply to State fiscal years beginning on or after July 1 next following the date of enactment.

STATEMENT

This bill increases the rate of the New Jersey gross income tax for taxpayers with taxable incomes exceeding $1,000,000 in taxable years beginning on or after January 1, 2011. The bill provides for adjusted income taxation at the following bracket at the following rate: over $1,000,000 is adjusted from 8.97% to 10.75%. The bill permanently imposes the tax rate at this $1,000,000 income bracket that was temporarily imposed during taxable year 2009.

The bill also dedicates the gross income tax revenue collected from the "millionaires" tax increase for annual real property tax relief to be provided directly to real property taxpayers. All income tax revenue collected from the increase in the gross income tax rate imposed on taxable income in excess of $1,000,000 will be deposited in a subaccount in the constitutionally established Property Tax Relief Fund. All revenue derived annually from the tax rate increase is pledged to be used annually for direct real property taxpayer relief. This subaccount, to be known as the Direct Taxpayer Property Tax Relief Fund, is the revenue and budget account that will ensure that direct tax relief continues to be funded from this source.