

# ASSEMBLY, No. 3485

## STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED JUNE 23, 2014

**Sponsored by:**

**Assemblyman VINCENT PRIETO**

**District 32 (Bergen and Hudson)**

**Assemblyman LOUIS D. GREENWALD**

**District 6 (Burlington and Camden)**

**Co-Sponsored by:**

**Senator Sweeney**

**SYNOPSIS**

Raises the gross income tax rate on taxable income exceeding \$1,000,000 to 10.75 percent for a temporary three-year-period and restores the State earned income tax credit to 25 percent of the federal credit.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/27/2014)**

1 AN ACT raising the gross income tax rate on taxable income  
2 exceeding \$1,000,000 temporarily and restoring the earned  
3 income tax credit, amending N.J.S.54A:2-1 and P.L.2000, c.80  
4 and supplementing Title 54A of the New Jersey Statutes.

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

8  
9 1. N.J.S.54A:2-1 is amended to read as follows:

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

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

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

23	24	25
	If the taxable income is:	The tax is:
26	Not over \$20,000.00.....	2% of taxable income
27		
28	Over \$20,000.00 but not	
29	over \$50,000.00.....	\$400.00 plus 2.5% of the
30		excess over \$20,000.00
31	Over \$50,000.00 but not	
32	over \$70,000.00.....	\$1,150.00 plus 3.5% of the
33		excess over \$50,000.00
34		
35	Over \$70,000.00 but not	
36	over \$80,000.00.....	\$1,850.00 plus 5.0% of the
37		excess over \$70,000.00
38		
39	Over \$80,000.00 but not	
40	over \$150,000.00.....	\$2,350.00 plus 6.5% of the
41		excess over \$80,000.00
42		
43	Over \$150,000.00.....	\$6,900.00 plus 7.0% of the
44		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.

A3485 PRIETO, GREENWALD

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

3

4 If the taxable income is: The tax is:

5

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

7

8 Over \$20,000.00 but not

9 over \$50,000.00..... \$380.00 plus 2.375% of the  
10 excess over \$20,000.00

11

12 Over \$50,000.00 but not

13 over \$70,000.00..... \$1,092.50 plus 3.325% of the  
14 excess over \$50,000.00

15

16 Over \$70,000.00 but not

17 over \$80,000.00..... \$1,757.50 plus 4.750% of the  
18 excess over \$70,000.00

19

20 Over \$80,000.00 but not

21 over \$150,000.00..... \$2,232.50 plus 6.175% of the  
22 excess over \$80,000.00

23

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

26

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

29

30 If the taxable income is: The tax is:

31

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

33

34 Over \$20,000.00 but not

35 over \$50,000.00..... \$340.00 plus 2.125% of the  
36 excess over \$20,000.00

37

38 Over \$50,000.00 but not

39 over \$70,000.00..... \$977.50 plus 2.975% of the  
40 excess over \$50,000.00

41

42 Over \$70,000.00 but not

43 over \$80,000.00..... \$1,572.50 plus 4.250% of the  
44 excess over \$70,000.00

45

46 Over \$80,000.00 but not

47 over \$150,000.00..... \$1,997.50 plus 6.013% of the  
48 excess over \$80,000.00

A3485 PRIETO, GREENWALD

1	Over \$150,000.00 .....	\$6,206.60 plus 6.580% of the
2		excess over \$150,000.00
3		
4	(4) for taxable years beginning on or after January 1, 1996 but	
5	before January 1, 2004:	
6		
7	If the taxable income is:	The tax is:
8		
9	Not over \$20,000.00.....	1.400% of taxable income
10		
11	Over \$20,000.00 but not	
12	over \$50,000.00.....	\$280.00 plus 1.750% of the
13		excess over \$20,000.00
14		
15	Over \$50,000.00 but not	
16	over \$70,000.00.....	\$805.00 plus 2.450% of the
17		excess over \$50,000.00
18		
19	Over \$70,000.00 but not	
20	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
21		excess over \$70,000.00
22		
23	Over \$80,000.00 but not	
24	over \$150,000.00.....	\$1,645.00 plus 5.525% of the
25		excess over \$80,000.00
26		
27	Over \$150,000.00 .....	\$5,512.50 plus 6.370% of the
28		excess over \$150,000.00
29		
30	(5) for taxable years beginning on or after January 1, 2004 <u>but</u>	
31	<u>before January 1, 2014 (except as provided in section 1 of P.L.2009,</u>	
32	<u>c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,</u>	
33	<u>2009 but before January 1, 2010):</u>	
34		
35	If the taxable income is:	The tax is:
36		
37	Not over \$20,000.00 .....	1.400% of taxable income
38		
39	Over \$20,000.00 but not	
40	over \$50,000.00 .....	\$280.00 plus 1.750% of the
41		excess over \$20,000.00
42		
43	Over \$50,000.00 but not	
44	over \$70,000.00 .....	\$805.00 plus 2.450% of the
45		excess over \$50,000.00

A3485 PRIETO, GREENWALD

5

1	Over \$70,000.00 but not	
2	over \$80,000.00 .....	\$1,295.50 plus 3.500% of the
3		excess over \$70,000.00
4	Over \$80,000.00 but not	
5	over \$150,000.00 .....	\$1,645.00 plus 5.525% of the
6		excess over \$80,000.00
7	Over \$150,000.00 but not	
8	over \$500,000.00 .....	\$5,512.50 plus 6.370% of the
9		excess over \$150,000.00
10		
11	Over \$500,000.00 .....	\$27,807.50 plus 8.970% of the
12		excess over \$500,000.00
13		
14	<u>(6) for taxable years beginning on or after January 1, 2014 but</u>	
15	<u>before January 1, 2017:</u>	
16		
17	<u>If the taxable income is:</u>	<u>The tax is:</u>
18		
19	<u>Not over \$20,000.00 .....</u>	<u>1.400% of taxable income</u>
20		
21	<u>Over \$20,000.00 but not</u>	
22	<u>over \$50,000.00 .....</u>	<u>\$280.00 plus 1.750% of the</u>
23		<u>excess over \$20,000.00</u>
24		
25	<u>Over \$50,000.00 but not</u>	
26	<u>over \$70,000.00 .....</u>	<u>\$805.00 plus 2.450% of the</u>
27		<u>excess over \$50,000.00</u>
28		
29	<u>Over \$70,000.00 but not</u>	
30	<u>over \$80,000.00 .....</u>	<u>\$1,295.50 plus 3.500% of the</u>
31		<u>excess over \$70,000.00</u>
32		
33	<u>Over \$80,000.00 but not</u>	
34	<u>over \$150,000.00 .....</u>	<u>\$1,645.00 plus 5.525% of the</u>
35		<u>excess over \$80,000.00</u>
36		
37	<u>Over \$150,000.00 but not</u>	
38	<u>over \$500,000.00 .....</u>	<u>\$5,512.50 plus 6.370% of the</u>
39		<u>excess over \$150,000.00</u>
40		
41	<u>Over \$500,000.00 but not</u>	
42	<u>over \$1,000,000.00 .....</u>	<u>\$27,807.50 plus 8.970% of the</u>
43		<u>excess over \$500,000.00</u>
44		
45	<u>Over \$1,000,000.00 .....</u>	<u>\$72,567.50 plus 10.750% of the</u>
46		<u>excess over \$1,000,000.00</u>



A3485 PRIETO, GREENWALD

7

1	Over \$40,000.00 but not	
2	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
3		excess over \$40,000.00
4		
5	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
6		excess over \$75,000.00
7		

8 (2) for taxable years beginning on or after January 1, 1994 but  
9 before January 1, 1995:  
10

11	If the taxable income is:	The tax is:
12		
13	Not over \$20,000.00.....	1.900% of taxable income
14		
15	Over \$20,000.00 but not	
16	over \$35,000.00.....	\$380.00 plus 2.375% of the
17		excess over \$20,000.00
18		
19	Over \$35,000.00 but not	
20	over \$40,000.00.....	\$736.25 plus 4.750% of the
21		excess over \$35,000.00
22		
23	Over \$40,000.00 but not	
24	over \$75,000.00.....	\$973.75 plus 6.175% of the
25		excess over \$40,000.00
26		
27	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
28		excess over \$75,000.00
29		

30 (3) for taxable years beginning on or after January 1, 1995 but  
31 before January 1, 1996:  
32

33	If the taxable income is:	The tax is:
34		
35	Not over \$20,000.00.....	1.700% of taxable income
36		
37	Over \$20,000.00 but not	
38	over \$35,000.00.....	\$340.00 plus 2.125% of the
39		excess over \$20,000.00
40		
41	Over \$35,000.00 but not	
42	over \$40,000.00.....	\$658.75 plus 4.250% of the
43		excess over \$35,000.00
44		
45	Over \$40,000.00 but not	
46	over \$75,000.00.....	\$871.25 plus 6.013% of the
47		excess over \$40,000.00

A3485 PRIETO, GREENWALD

1 Over \$75,000.00..... \$2,975.80 plus 6.580% of the  
2 excess over \$75,000.00  
3  
4 (4) for taxable years beginning on or after January 1, 1996 but  
5 before January 1, 2004:  
6  
7 If the taxable income is: The tax is:  
8  
9 Not over \$20,000.00..... 1.400% of taxable income  
10  
11 Over \$20,000.00 but not  
12 over \$35,000.00..... \$280.00 plus 1.750% of the  
13 excess over \$20,000.00  
14  
15 Over \$35,000.00 but not  
16 over \$40,000.00..... \$542.50 plus 3.500% of the  
17 excess over \$35,000.00  
18  
19 Over \$40,000.00 but not  
20 over \$75,000.00..... \$717.50 plus 5.525% of the  
21 excess over \$40,000.00  
22  
23 Over \$75,000.00..... \$2,651.25 plus 6.370% of the  
24 excess over \$75,000.00  
25  
26 (5) for taxable years beginning on or after January 1, 2004 but  
27 before January 1, 2014 (except as provided in section 1 of P.L.2009,  
28 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,  
29 2009 but before January 1, 2010):  
30  
31 If the taxable income is: The tax is:  
32  
33 Not over \$20,000.00 ..... 1.400% of taxable income  
34  
35 Over \$20,000.00 but not  
36 over \$35,000.00 ..... \$280.00 plus 1.750% of the  
37 excess over \$20,000.00  
38  
39 Over \$35,000.00 but not  
40 over \$40,000.00 ..... \$542.50 plus 3.500% of the  
41 excess over \$35,000.00  
42  
43 Over \$40,000.00 but not  
44 over \$75,000.00 ..... \$717.50 plus 5.525% of the  
45 excess over \$40,000.00



A3485 PRIETO, GREENWALD

1	Over \$75,000.00 but not	
2	over \$500,000.00 .....	\$2,651.25 plus 6.370% of the
3		excess over \$75,000.00
4		
5	Over \$500,000.00 .....	\$29,723.75 plus 8.970% of the
6		excess over \$500,000.00
7		
8	<u>(6) for taxable years beginning on or after January 1, 2014 but</u>	
9	<u>before January 1, 2017:</u>	
10		
11	<u>If the taxable income is:</u>	<u>The tax is:</u>
12		
13	<u>Not over \$20,000.00 .....</u>	<u>1.400% of taxable income</u>
14		
15	<u>Over \$20,000.00 but not</u>	
16	<u>over \$35,000.00 .....</u>	<u>\$280.00 plus 1.750% of the</u>
17		<u>excess over \$20,000.00</u>
18		
19	<u>Over \$35,000.00 but not</u>	
20	<u>over \$40,000.00 .....</u>	<u>\$542.50 plus 3.500% of the</u>
21		<u>excess over \$35,000.00</u>
22		
23	<u>Over \$40,000.00 but not</u>	
24	<u>over \$75,000.00 .....</u>	<u>\$717.50 plus 5.525% of the</u>
25		<u>excess over \$40,000.00</u>
26		
27	<u>Over \$75,000.00 but not</u>	
28	<u>over \$500,000.00 .....</u>	<u>\$2,651.25 plus 6.370% of the</u>
29		<u>excess over \$75,000.00</u>
30		
31	<u>Over \$500,000.00 but not</u>	
32	<u>over \$1,000,000.00 .....</u>	<u>\$29,723.75 plus 8.970% of the</u>
33		<u>excess over \$500,000.00</u>
34		
35	<u>Over \$1,000,000.00 .....</u>	<u>\$74,573.75 plus 10.750% of the</u>
36		<u>excess over \$1,000,000.00</u>
37		
38	<u>(7) for taxable years beginning on or after January 1, 2017:</u>	
39		
40	<u>If the taxable income is:</u>	<u>The tax is:</u>
41		
42	<u>Not over \$20,000.00 .....</u>	<u>1.400% of taxable income</u>
43		
44	<u>Over \$20,000.00 but not</u>	
45	<u>over \$35,000.00 .....</u>	<u>\$280.00 plus 1.750% of the</u>
46		<u>excess over \$20,000.00</u>

1	<u>Over \$35,000.00 but not</u>
2	<u>over \$40,000.00 ..... \$542.50 plus 3.500% of the</u>
3	<u>excess over \$35,000.00</u>
4	
5	<u>Over \$40,000.00 but not</u>
6	<u>over \$75,000.00 ..... \$717.50 plus 5.525% of the</u>
7	<u>excess over \$40,000.00</u>
8	
9	<u>Over \$75,000.00 but not</u>
10	<u>over \$500,000.00 ..... \$2,651.25 plus 6.370% of the</u>
11	<u>excess over \$75,000.00</u>
12	
13	<u>Over \$500,000.00 ..... \$29,723.75 plus 8.970% of the</u>
14	<u>excess over \$500,000.00</u>
15	

16 c. For the purposes of this section, an individual who would be  
17 eligible to file as a head of household for federal income tax  
18 purposes but for the fact that such taxpayer is a nonresident alien,  
19 shall determine tax pursuant to subsection a. of this section.  
20 (cf: P.L.2004, c.40, s.17)

21  
22 2. (New section) a. For purposes of the amendments to  
23 N.J.S.54A:2-1 made by section 2 of P.L. , c. (pending before the  
24 Legislature as this bill), this section shall apply for taxable years  
25 beginning in 2014.

26 b. No additions to tax or penalty shall be imposed upon a  
27 taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of  
28 increased estimated tax on taxable income received before October  
29 1, 2014 for which the increased estimated tax due is attributable to  
30 the rate imposed on taxable income over \$1,000,000 by the  
31 amendments to N.J.S.54A:2-1 made by section 1 of P.L. ,  
32 c. (pending before the Legislature as this bill).

33 c. No interest, penalties, or other costs shall be imposed upon  
34 an employer maintaining an office or transacting business within  
35 this State and making payment of any salaries, wages and  
36 remuneration subject to the “New Jersey Gross Income Tax Act,”  
37 N.J.S.54A:1-1 et seq., or making payment of any remuneration for  
38 employment subject to contribution under the New Jersey  
39 “unemployment compensation law,” pursuant to R.S.43:21-1 et  
40 seq., for insufficient withholding of salaries, wages, and other  
41 remuneration paid before October 1, 2014 that is attributable to an  
42 increase in the amount of tax due pursuant to the rate imposed on  
43 taxable income over \$1,000,000 by the amendments to N.J.S.54A:2-  
44 1 made by section 1 of P.L. , c. (pending before the Legislature  
45 as this bill).

46  
47 3. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read  
48 as follows:

1       2. There is established the New Jersey Earned Income Tax  
2 Credit program in the Division of Taxation in the Department of the  
3 Treasury.

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

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

17       (a) 10% for the taxable year beginning on or after January 1,  
18 2000, but before January 1, 2001;

19       (b) 15% for the taxable year beginning on or after January 1,  
20 2001, but before January 1, 2002;

21       (c) 17.5% for the taxable year beginning on or after January 1,  
22 2002, but before January 1, 2003;

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

25       (e) 22.5% for taxable years beginning on or after January 1,  
26 2008 but before January 1, 2009;

27       (f) 25% for taxable years beginning on or after January 1, 2009  
28 but before January 1, 2010; **[and]**

29       (g) 20% for taxable years beginning on or after January 1, 2010,  
30 but before January 1, 2014; and

31       (h) 25% for taxable years beginning on or after January 1, 2014.

32       (3) To qualify for the New Jersey earned income tax credit, if  
33 the claimant is married, except for a claimant who files as a head of  
34 household or surviving spouse for federal income tax purposes for  
35 the taxable year, the claimant shall file a joint return or claim for  
36 the credit.

37       b. In the case of a part-year resident claimant, the amount of  
38 the credit allowed pursuant to this section shall be pro-rated, based  
39 upon that proportion which the total number of months of the  
40 claimant's residency in the taxable year bears to 12 in that period.  
41 For this purpose, 15 days or more shall constitute a month.

42       c. The amount of the credit allowed pursuant to this section  
43 shall be applied against the tax otherwise due under N.J.S.54A:1-1  
44 et seq., after all other credits and payments. If the credit exceeds the  
45 amount of tax otherwise due, that amount of excess shall be an  
46 overpayment for the purposes of N.J.S.54A:9-7; provided however,  
47 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit  
48 provided under this section as a credit against the tax otherwise due

1 and the amount of the credit treated as an overpayment shall be  
2 treated as a credit towards or overpayment of gross income tax,  
3 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be  
4 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

5 d. The Director of the Division of Taxation in the Department  
6 of the Treasury shall have discretion to establish a program for the  
7 distribution of earned income tax credits pursuant to the provisions  
8 of this section.

9 e. Any earned income tax credit pursuant to this section shall  
10 not be taken into account as income or receipts for purposes of  
11 determining the eligibility of an individual for benefits or assistance  
12 or the amount or extent of benefits or assistance under any State  
13 program and, to the extent permitted by federal law, under any State  
14 program financed in whole or in part with federal funds.  
15 (cf: P.L.2010, c.27, s.1)

16

17 4. This act shall take effect immediately and apply to taxable  
18 years beginning on or after January 1, 2014.

19

20

21

#### STATEMENT

22

23 This bill raises the gross income tax rate on taxable income  
24 exceeding \$1,000,000 to 10.75 percent for a temporary three-year-  
25 period and restores the State earned income tax credit to 25 percent  
26 of the federal credit. The purpose of this bill is to raise revenue  
27 from high-income generating activities while maintaining  
28 supplemental income assistance for the working poor.

29 The bill raises the gross income tax rate on annual income  
30 exceeding \$1,000,000 to 10.75% for taxable years 2014, 2015, and  
31 2016.

32 The bill also increases the State earned income tax credit from 20  
33 percent to 25 percent of the federal earned income tax credit for  
34 taxable years 2014 and thereafter.