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

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

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

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:

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

(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 $50,000.00.......... $400.00 plus 2.5% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.......... $1,150.00 plus 3.5% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00.......... $1,850.00 plus 5.0% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00......... $2,350.00 plus 6.5% of the excess over $80,000.00
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, 2014 (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
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 but not
over $500,000.00 ............ $5,512.50 plus 6.370% of the
excess over $150,000.00

Over $500,000.00 .......... $27,807.50 plus 8.970% of the
excess over $500,000.00

Over $500,000.00 but not
over $1,000,000.00 ........ $27,807.50 plus 8.970% of the
excess over $500,000.00

Over $1,000,000.00 .......... $72,567.50 plus 10.750% of the
excess over $1,000,000.00

(6) for taxable years beginning on or after January 1, 2014 but
before January 1, 2017:
(7) for taxable years beginning on or after January 1, 2017:

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 but not
over $500,000.00 ........... $5,512.50 plus 6.370% of the
excess over $150,000.00

Over $500,000.00 ........... $27,807.50 plus 8.970% of the
excess over $500,000.00

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......... $340.00 plus 2.125% of the excess over $20,000.00
Over $20,000.00 but not over $35,000.00................ $658.75 plus 4.250% of the excess over $35,000.00
Over $35,000.00 but not over $40,000.00.............. $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, 2014 (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 $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
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 but not
over $1,000,000.00 ............ $29,723.75 plus 8.970% of the excess over $500,000.00

Over $1,000,000.00 ............ $74,573.75 plus 10.750% of the excess over $1,000,000.00

(7) for taxable years beginning on or after January 1, 2017:

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 $500,000.00 ............... $2,651.25 plus 6.370% of the excess over $40,000.00

Over $500,000.00 but not
over $1,000,000.00 ............ $29,723.75 plus 8.970% of the excess over $500,000.00

Over $1,000,000.00 ............ $74,573.75 plus 10.750% of the excess over $1,000,000.00
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

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. For purposes of the amendments to
N.J.S.54A:2-1 made by section 2 of P.L. , c. (pending before the
Legislature as this bill), this section shall apply for taxable years
beginning in 2014.
b. No additions to tax or penalty shall be imposed upon a
taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of
increased estimated tax on taxable income received before October
1, 2014 for which the increased estimated tax due is attributable to
the rate imposed on taxable income over $1,000,000 by the
amendments to N.J.S.54A:2-1 made by section 1 of P.L. ,
c. (pending before the Legislature as this bill).
c. No interest, penalties, or other costs shall be imposed upon
an employer maintaining an office or transacting business within
this State and making payment of any salaries, wages and
remuneration subject to the “New Jersey Gross Income Tax Act,”
N.J.S.54A:1-1 et seq., 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., for insufficient withholding of salaries, wages, and other
remuneration paid before October 1, 2014 that is attributable to an
increase in the amount of tax due pursuant to the rate imposed on
taxable income over $1,000,000 by the amendments to N.J.S.54A:2-1
made by section 1 of P.L. , c. (pending before the Legislature
as this bill).

3. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
as follows:
2. There is established the New Jersey Earned Income Tax Credit program in the Division of Taxation in the Department of the Treasury.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATEMENT

This bill 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. The purpose of this bill is to raise revenue
from high-income generating activities while maintaining
supplemental income assistance for the working poor.

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

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