

ASSEMBLY, No. 3088

STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED FEBRUARY 8, 2018

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SYNOPSIS

Increases New Jersey Earned Income Tax Credit to 40 percent of federal benefit amount beginning in Tax Year 2018.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/19/2018)

1 AN ACT increasing the New Jersey Earned Income Tax Credit,
2 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 the
17 individual or the married individuals filing a joint return under
18 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
19 s.32) for the same taxable year for which a credit is claimed
20 pursuant to this section, subject to the restrictions of this subsection
21 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;

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

37 (g) 20% for taxable years beginning on or after January 1, 2010,
38 but before January 1, 2015;

39 (h) 30% for taxable years beginning on or after January 1, 2015,
40 but before January 1, 2016; **[and]**

41 (i) 35% for taxable years beginning on or after January 1, 2016,
42 but before January 1, 2018; and

43 (j) 40% for taxable years beginning on or after January 1, 2018.

44 (3) To qualify for the New Jersey earned income tax credit, if
45 the claimant is married, except for a claimant who files as a head of

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.

1 household or surviving spouse for federal income tax purposes for
2 the taxable year, the claimant shall file a joint return or claim for
3 the credit.

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

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

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

23 e. Any earned income tax credit pursuant to this section shall
24 not be taken into account as income or receipts for purposes of
25 determining the eligibility of an individual for benefits or assistance
26 or the amount or extent of benefits or assistance under any State
27 program and, to the extent permitted by federal law, under any State
28 program financed in whole or in part with federal funds.
29 (cf: P.L.2016, c.57, s.11)

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31 2. This act shall take effect immediately.

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STATEMENT

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36 This bill increases the New Jersey Earned Income Tax Credit (NJ
37 EITC) to 40 percent of the federal benefit amount beginning in Tax
38 Year 2018. The NJ EITC program, which piggy-backs on the
39 federal EITC program, currently provides a refundable earned
40 income tax credit under the State gross income tax equal to 35
41 percent of the federal benefit amount.

42 The federal and State EITC programs are intended to “make
43 work pay” by offsetting the burden of payroll taxes for low and
44 moderate income workers.

45 To claim a credit, taxpayers must first file for the federal EITC.
46 Eligibility for the program is determined by taxpayer income, filing
47 status, and the number of qualifying children. For Tax Year 2018,

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1 the Internal Revenue Service has indicated, the following program
2 limits:

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Maximum Income Eligibility Levels				
If filing ...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$15,310	\$40,402	\$45,898	\$49,298
Married Filing Jointly	\$21,000	\$46,102	\$51,598	\$54,998

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5 According to the New Jersey Department of the Treasury, it is
6 estimated that some 546,334 taxpayers claimed a credit during TY
7 2016, the most recent year for which data are available.