

ASSEMBLY, No. 1774

STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblywoman NANCY F. MUNOZ

District 21 (Morris, Somerset and Union)

Assemblyman PARKER SPACE

District 24 (Morris, Sussex and Warren)

Assemblywoman AURA K. DUNN

District 25 (Morris and Somerset)

Co-Sponsored by:

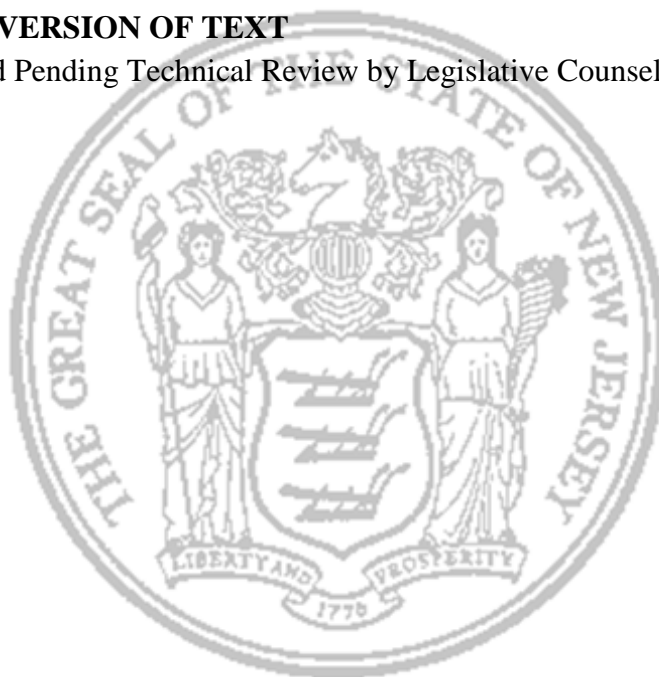
**Assemblymen DiMaio, McGuckin, S.Kean, Clifton, Bramnick, Peterson
and Wirths**

SYNOPSIS

Indexes for inflation taxable income brackets under New Jersey gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 2/24/2020)

1 AN ACT indexing for inflation the taxable income brackets under
2 the New Jersey gross income tax, amending N.J.S.54A:2-1.

3

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

6

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

8 54A:2-1. Imposition of tax. There is hereby imposed a tax for
9 each taxable year (which shall be the same as the taxable year for
10 federal income tax purposes) on the New Jersey gross income as
11 herein defined of every individual, estate or trust (other than a
12 charitable trust or a trust forming part of a pension or profit-sharing
13 plan), subject to the deductions, limitations and modifications
14 hereinafter provided, determined in accordance with the following
15 tables with respect to taxpayers' taxable income:

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

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

21

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

40

41 (2) for taxable years beginning on or after January 1, 1994 but
42 before January 1, 1995:
43

44

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.

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1	If the taxable income is:	The tax is:
2		
3	Not over \$20,000.00.....	1.900% of taxable income
4		
5	Over \$20,000.00 but not	
6	over \$50,000.00.....	\$380.00 plus 2.375% of the
7		excess over \$20,000.00
8		
9	Over \$50,000.00 but not	
10	over \$70,000.00.....	\$1,092.50 plus 3.325% of the
11		excess over \$50,000.00
12		
13	Over \$70,000.00 but not	
14	over \$80,000.00.....	\$1,757.50 plus 4.750% of the
15		excess over \$70,000.00
16		
17	Over \$80,000.00 but not	
18	over \$150,000.00.....	\$2,232.50 plus 6.175% of the
19		excess over \$80,000.00
20		
21	Over \$150,000.00	\$6,555.00 plus 6.650% of the
22		excess over \$150,000.00
23		
24	(3) for taxable years beginning on or after January 1, 1995 but	
25	before January 1, 1996:	
26		
27	If the taxable income is:	The tax is:
28		
29	Not over \$20,000.00.....	1.700% of taxable income
30		
31	Over \$20,000.00 but not	
32	over \$50,000.00.....	\$340.00 plus 2.125% of the
33		excess over \$20,000.00
34		
35	Over \$50,000.00 but not	
36	over \$70,000.00.....	\$977.50 plus 2.975% of the
37		excess over \$50,000.00
38		
39	Over \$70,000.00 but not	
40	over \$80,000.00.....	\$1,572.50 plus 4.250% of the
41		excess over \$70,000.00
42		
43	Over \$80,000.00 but not	
44	over \$150,000.00.....	\$1,997.50 plus 6.013% of the
45		excess over \$80,000.00
46	Over \$150,000.00	\$6,206.60 plus 6.580% of the
47		excess over \$150,000.00

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

3

4 If the taxable income is:	The tax is:
5	
6 Not over \$20,000.00.....	1.400% of taxable income
7	
8 Over \$20,000.00 but not	
9 over \$50,000.00.....	\$280.00 plus 1.750% of the
10	excess over \$20,000.00
11	
12 Over \$50,000.00 but not	
13 over \$70,000.00.....	\$805.00 plus 2.450% of the
14	excess over \$50,000.00
15	
16 Over \$70,000.00 but not	
17 over \$80,000.00.....	\$1,295.50 plus 3.500% of the
18	excess over \$70,000.00
19	
20 Over \$80,000.00 but not	
21 over \$150,000.00.....	\$1,645.00 plus 5.525% of the
22	excess over \$80,000.00
23	
24 Over \$150,000.00	\$5,512.50 plus 6.370% of the
25	excess over \$150,000.00

26

27 (5) for taxable years beginning on or after January 1, 2004:

28

29 If the taxable income is:	The tax is:
30	
31 Not over \$20,000.00	1.400% of taxable income
32	
33 Over \$20,000.00 but not	
34 over \$50,000.00	\$280.00 plus 1.750% of the
35	excess over \$20,000.00
36	
37 Over \$50,000.00 but not	
38 over \$70,000.00	\$805.00 plus 2.450% of the
39	excess over \$50,000.00
40	
41 Over \$70,000.00 but not	
42 over \$80,000.00	\$1,295.50 plus 3.500% of the
43	excess over \$70,000.00
44	
45 Over \$80,000.00 but not	
46 over \$150,000.00	\$1,645.00 plus 5.525% of the
47	excess over \$80,000.00

1 Over \$150,000.00 but not
2 over \$500,000.00 \$5,512.50 plus 6.370% of the
3 excess over \$150,000.00
4
5 Over \$500,000.00 \$27,807.50 plus 8.970% of the
6 excess over \$500,000.00
7

8 b. For married individuals filing separately, unmarried
9 individuals other than individuals filing as head of household or as
10 a surviving spouse for federal income tax purposes, and estates and
11 trusts:

12
13 (1) for taxable years beginning on or after January 1, 1991 but
14 before January 1, 1994:

15
16 If the taxable income is: The tax is:
17
18 Not over \$20,000.00..... 2% of taxable income
19
20 Over \$20,000.00 but not
21 over \$35,000.00..... \$400.00 plus 2.5% of the
22 excess over \$20,000.00
23
24 Over \$35,000.00 but not
25 over \$40,000.00..... \$775.00 plus 5.0% of the
26 excess over \$35,000.00
27
28 Over \$40,000.00 but not
29 over \$75,000.00..... \$1,025.00 plus 6.5% of the
30 excess over \$40,000.00
31
32 Over \$75,000.00..... \$3,300.00 plus 7.0% of the
33 excess over \$75,000.00
34

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

37
38 If the taxable income is: The tax is:
39
40 Not over \$20,000.00..... 1.900% of taxable income
41
42 Over \$20,000.00 but not
43 over \$35,000.00..... \$380.00 plus 2.375% of the
44 excess over \$20,000.00
45
46 Over \$35,000.00 but not
47 over \$40,000.00..... \$736.25 plus 4.750% of the
48 excess over \$35,000.00

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1	Over \$40,000.00 but not	
2	over \$75,000.00.....	\$973.75 plus 6.175% of the
3		excess over \$40,000.00
4		
5	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
6		excess over \$75,000.00
7		
8	(3) for taxable years beginning on or after January 1, 1995 but	
9	before January 1, 1996:	
10		
11	If the taxable income is:	The tax is:
12		
13	Not over \$20,000.00.....	1.700% of taxable income
14		
15	Over \$20,000.00 but not	
16	over \$35,000.00.....	\$340.00 plus 2.125% of the
17		excess over \$20,000.00
18		
19	Over \$35,000.00 but not	
20	over \$40,000.00.....	\$658.75 plus 4.250% of the
21		excess over \$35,000.00
22		
23	Over \$40,000.00 but not	
24	over \$75,000.00.....	\$871.25 plus 6.013% of the
25		excess over \$40,000.00
26		
27	Over \$75,000.00.....	\$2,975.80 plus 6.580% of the
28		excess over \$75,000.00
29		
30	(4) for taxable years beginning on or after January 1, 1996 but	
31	before January 1, 2004:	
32		
33	If the taxable income is:	The tax is:
34		
35	Not over \$20,000.00.....	1.400% of taxable income
36		
37	Over \$20,000.00 but not	
38	over \$35,000.00.....	\$280.00 plus 1.750% of the
39		excess over \$20,000.00
40		
41	Over \$35,000.00 but not	
42	over \$40,000.00.....	\$542.50 plus 3.500% of the
43		excess over \$35,000.00
44		
45	Over \$40,000.00 but not	
46	over \$75,000.00.....	\$717.50 plus 5.525% of the
47		excess over \$40,000.00

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1	Over \$75,000.00.....	\$2,651.25 plus 6.370% of the
2		excess over \$75,000.00
3		
4	(5) for taxable years beginning on or after January 1, 2004:	
5		
6	If the taxable income is:	The tax is:
7		
8	Not over \$20,000.00	1.400% of taxable income
9		
10	Over \$20,000.00 but not	
11	over \$35,000.00	\$280.00 plus 1.750% of the
12		excess over \$20,000.00
13		
14	Over \$35,000.00 but not	
15	over \$40,000.00	\$542.50 plus 3.500% of the
16		excess over \$35,000.00
17		
18	Over \$40,000.00 but not	
19	over \$75,000.00	\$717.50 plus 5.525% of the
20		excess over \$40,000.00
21		
22	Over \$75,000.00 but not	
23	over \$500,000.00	\$2,651.25 plus 6.370% of the
24		excess over \$75,000.00
25		
26	Over \$500,000.00	\$29,723.75 plus 8.970% of the
27		excess over \$500,000.00
28		

29 c. For the purposes of this section, an individual who would be
30 eligible to file as a head of household for federal income tax
31 purposes but for the fact that such taxpayer is a nonresident alien,
32 shall determine tax pursuant to subsection a. of this section.

33 d. The director shall annually recompute the taxable income
34 bracket amounts and tax amount per taxable income bracket by
35 multiplying each adjusted taxable income bracket amount by the
36 cost-of-living adjustment, and recomputing the taxable income
37 bracket amounts at the statutory tax rates with the recomputed
38 bracket amounts. Notwithstanding the taxable income bracket
39 amounts and tax amount per taxable income bracket provided in the
40 tax tables in this section, each taxpayer shall use the adjusted
41 taxable income bracket amounts and tax amount per taxable income
42 bracket as computed by the director for the applicable taxable year.
43 The director shall round the recomputed taxable income bracket
44 amounts to the next highest multiple of \$10.

45 e. For the purposes of this section, "cost-of-living adjustment"
46 means the factor calculated by dividing the consumer price index
47 for all urban consumers for the nation, as prepared by the United
48 States Department of Labor as of the close of the 12-month period

1 ending on August 31 of the calendar year prior to the calendar year
2 in which the taxable year begins, by that index as of the close of the
3 12-month period ending on August 31 of the calendar year
4 preceding the calendar year in which P.L. , c. (pending before
5 the Legislature as this bill) takes effect.
6 (cf: P.L.2004, c.40, s.17)

7
8 2. This act shall take effect immediately and shall apply to
9 taxable years beginning on and after January 1 next following the
10 date of enactment.

11
12
13 STATEMENT
14

15 This bill indexes for inflation the taxable income brackets under
16 the New Jersey gross income tax. This adds to the State personal
17 income tax a common-sense taxpayer protection called inflation
18 indexing that has been provided under the federal income tax since
19 the 1980s. Inflation indexing means that tax brackets are revised
20 annually to reflect nominal price and wage increases that result
21 from inflation. When tax brackets are not indexed for inflation it
22 results in what is called "bracket creep," which is an increase in
23 effective tax rates caused by inflation. Higher income can bump a
24 taxpayer into the next tax bracket, even if that higher income is
25 merely keeping pace with inflation. A lack of inflation adjustment
26 can also push more of a taxpayer's income into the highest bracket
27 for which they qualify. The final result is a tax increase that occurs
28 without any legislation being passed. Indexing addresses this by
29 altering each bracket level each year by the level of annual
30 inflation.

31 Under this bill the inflation adjustment for taxable income
32 brackets is the national consumer price index for all urban
33 consumers as prepared by the United States Department of Labor.
34 This is the same measure of inflation that is used for indexing the
35 taxable income brackets under the federal Internal Revenue Code.
36 The bill compares an annual inflation measure from the year prior
37 to the one for which taxes will be imposed to a base year measure
38 from the year prior to the one in which the bill is enacted. This
39 delay allows the Director of the Division of Taxation to determine
40 the adjusted amounts when the tax year begins.