

ASSEMBLY, No. 766

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblywoman BUONO

1 AN ACT providing a gross income tax credit for certain dependent
2 care expenses and a refundable gross income tax credit for certain
3 child care expenses, supplementing chapter 4 of Title 54A of the
4 New Jersey Statutes.

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

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9 1. a. A taxpayer shall be allowed a credit against the tax otherwise
10 due under N.J.S.54A:1-1 et seq. for the expenses for household and
11 dependent care services necessary for the taxpayer's gainful
12 employment in an amount equal to 25% of the credit allowed the
13 taxpayer for such expenditures for the taxable year pursuant to section
14 21 of the federal Internal Revenue Code of 1986, 26 U.S.C. §21.

15 b. A taxpayer shall be allowed a credit against the tax otherwise
16 due under N.J.S.54A:1-1 et seq. for the expenses for the care of a
17 dependent child at a child care center accredited by the National
18 Academy of Early Childhood Programs necessary for the taxpayer's
19 gainful employment in an amount equal to 50% of the credit allowed
20 the taxpayer for such expenses for the taxable year pursuant to section
21 21 of the federal Internal Revenue Code of 1986, 26 U.S.C. §21. If
22 the credit allowed pursuant to this subsection reduces the tax liability
23 otherwise due to zero, any amount of credit remaining shall be an
24 overpayment of tax for the purposes of N.J.S.54A:1-1 et seq.

25 c. A taxpayer may not claim the credit allowed pursuant to
26 subsection a. of this section and the credit allowed pursuant to
27 subsection b. of this section for the same taxable year.

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29 2. This act shall take effect immediately and apply to taxable years
30 beginning on or after January 1, 1996.

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32 STATEMENT

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34 This bill provides two alternative credits under the gross income tax
35 for the expenses of dependent care that enable taxpayers to be

1 gainfully employed.

2 The first credit is allowed to taxpayers based on a percentage of
3 their expenses for the care of their adult dependents who are physically
4 or mentally incapable of caring for themselves, their spouse who is
5 physically or mentally incapable of self-care and their dependent
6 children under the age of 13. The expenses of care, either in the home
7 or outside the home, are allowed only if the care expenses enable the
8 taxpayer to be gainfully employed.

9 The dependent care expense credit allowed under this bill is based
10 on a similar federal credit which establishes maximum limits on the
11 amount of care expenditures that will be counted towards the credit.
12 The federal credit also decreases the percentage of expenses counted
13 toward the credit amount as the federal adjusted gross income of the
14 taxpayer increases. This bill allows a gross income tax dependent care
15 expense credit equal to 25% of the federal credit amount. This bill
16 will allow taxpayers with a single dependent a maximum credit of \$180
17 annually and taxpayers with two or more dependents \$360 annually for
18 dependent care expenditures that allow the taxpayer to be gainfully
19 employed.

20 This bill also singles out the care provided to dependent children
21 under the age of 13 and provides a separate, heightened credit for the
22 expenses of child care provided by a child care center accredited by
23 the National Academy of Early Childhood Programs. Such
24 accreditation is in addition to the licensing requirements of New Jersey
25 law and is based on the child care center meeting high standards of
26 staffing, staff training, program quality, health and safety. The
27 expenses of care are allowed only if the care expenses enable the
28 taxpayer to be gainfully employed. This bill allows a refundable credit
29 equal to 50% of the similar federal credit, which will allow taxpayers
30 with a single child in a program meeting these standards a maximum
31 credit of \$360 annually and taxpayers with two or more dependents
32 \$720 annually. The heightened credit for child care in an accredited
33 center is a refundable credit, and any amount of that credit in excess
34 of the taxpayer's liability will be refunded to the taxpayer. This
35 heightened level of refundable credit will not only inform and
36 encourage parents to seek quality child care programs but will also
37 serve as an incentive for unaccredited child care providers to upgrade
38 their facilities and programs to compete for business.

39 The dependent care credit and the heightened child care credit are
40 alternatives, and only one is allowed to a taxpayer for a given taxable
41 year.

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3 Allows credit against gross income tax liability for dependent care

4 expenses or a heightened credit for the expenses of child care provided

5 by a nationally accredited child care center.