

ASSEMBLY, No. 1172

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman DALTON and Assemblywoman VANDERVALK

1 AN ACT providing for a deduction under the New Jersey gross income
2 tax for employers' costs for certain child care expenses,
3 supplementing chapter 3 of Title 54A of New Jersey Statutes.

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

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8 1. A taxpayer shall be allowed a deduction from his New Jersey
9 gross income in an amount as provided in this section. In the case of
10 a partnership, each taxpayer shall compute his deduction on a pro rata
11 basis according to the taxpayer's distributive share of partnership
12 income. The deduction shall be an amount equal to:

13 a. 25% of the net costs expended by the taxpayer during the tax
14 year for the operation and maintenance by the taxpayer of a not for
15 profit child care center for children of the taxpayer's employees;
16 provided that:

17 (1) The child care center has been issued a valid license pursuant
18 to law;

19 (2) Children of the taxpayer's employees utilize the center on a
20 regular basis;

21 (3) At least 50% of the employees utilizing the child care center
22 are not partners or owners of the business of the employer;

23 (4) The child care program shall benefit a group of employees who
24 qualify under a classification set up by the employer which is not
25 discriminatory in favor of highly compensated individuals, partners,
26 shareholders, owners or their dependents; and

27 (5) At least 80% of the children utilizing the child care center shall
28 be children of the taxpayer's employees; or

29 b. 25% of the contributions made by a taxpayer to a nonprofit child
30 care center not operated by the taxpayer; provided that:

31 (1) The child care center has been issued a valid license pursuant
32 to law;

33 (2) At least 50% of the employees utilizing the child care center
34 are not partners or owners of the business of the employer; and

35 (3) The child care program shall benefit a group of employees who

1 qualify under a classification set up by the employer which is not
2 discriminatory in favor of highly compensated individuals, partners,
3 shareholders, owners or their dependents; or

4 c. 25% of the contributions made by the taxpayer to be used in
5 New Jersey toward the purchase by the taxpayer's employees of child
6 care for the employees' children from a nonprofit licensed child care
7 provider other than that provided for in subsections a. and b. of this
8 section; provided that the child care program benefits a group of
9 employees who qualify under a classification set up by the employer
10 which is not discriminatory in favor of highly compensated individuals,
11 partners, shareholders, owners or their dependents.

12 The deduction allowed in this section shall be in addition to the
13 application of these costs, expenditures and contributions toward the
14 determination of net profits from business as allowed under subsection
15 b. of N.J.S. 54A:5-1. The amount paid or incurred by the taxpayer for
16 a deduction may be in cooperation with one or more persons required
17 to pay State taxes.

18 As used in this section "highly compensated individuals" means
19 those individuals who, in the aggregate, receive the top 25% of all
20 employee compensation paid by the taxpayer.

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22 2. This act shall take effect immediately and shall be applicable to
23 tax years beginning on or after January 1, 1994.

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STATEMENT

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28 This bill provides for a tax deduction under the gross income tax for
29 taxpayers operating or maintaining a licensed child care service for
30 their employees' children, or who have paid part or all of the cost of
31 outside child care services for children of employees. The deduction
32 is equal to 25% of the expenses incurred.

33 The bill allows for the child care expense deduction for certain
34 resident employers to be in cooperation with one or more
35 unincorporated businesses. This is to act as an incentive for small
36 businesses to form a consortia with other small businesses and then be
37 able to provide child care for its employees.

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43 Permits a tax deduction under the New Jersey gross income tax for
44 taxpayers who operate or maintain for their employees a licensed child
care center or who have paid the cost of outside child care.