[First Reprint]

ASSEMBLY, No. 1172

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman DALTON, Assemblywoman VANDERVALK and Assemblyman Felice

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

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

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

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

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

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

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

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

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

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

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined <u>thus</u> is new matter.
Matter enclosed in superscript numerals has been adopted as follows:
[1] Assembly ACO committee amendments adopted June 3, 1996.

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

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

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

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

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

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

2. This act shall take effect immediately and shall be applicable to tax years beginning on or after January 1, **[1]** **[**1994**]** 1996**[1]**.

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