

ASSEMBLY, No. 1173

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 allowing a credit against the corporation business tax for
2 certain child care support supplementing P.L.1945, c.162
3 (C.54:10A-1 et seq.).
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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. A taxpayer shall be allowed a credit, to be computed as
9 provided in this section, against the tax imposed pursuant to section
10 5 of P.L.1945, c.162 (C.54:10A-5). The credit shall be an amount
11 equal to

12 (1) 25% of the amount paid or incurred by the taxpayer for the
13 establishment, construction and operation by the taxpayer of a day
14 care center for children of the taxpayer's employees;

15 (2) 25% of the amount paid or incurred by the taxpayer for the
16 operation of a day care center for children of employees in cooperation
17 with one or more persons required to pay State taxes;

18 (3) Up to 25% of the amount paid or incurred by the taxpayer for
19 child care services (a) under a dependent care assistance program
20 which amount is excludable from an employee's gross income for
21 federal income tax purposes pursuant to section 129 of the federal
22 Internal Revenue Code of 1986, 26 U.S.C. §129 or (b) under a flexible
23 benefit account or cafeteria plan which amount is excludable from an
24 employee's gross income for federal income tax purposes pursuant to
25 section 125 of the federal Internal Revenue Code of 1986, 26 U.S.C.
26 §125;

27 (4) 25% of the amount paid or incurred by the taxpayer as a grant
28 to a day care center to reimburse that center for services provided to
29 children of an employee of the taxpayer, or

30 (5) 25% of the amount paid or incurred by the taxpayer to an
31 unaffiliated third party for use in the construction, expansion or
32 maintenance expense of a day care center by that third party that
33 serves the children of the taxpayer's employees.

34 b. As used in this section, "a day care center for children" means
35 a community-based, employer-based, or employer-supported facility

1 which is a licensed, nonprofit child care center.

2 c. The tax imposed for a fiscal or calendar accounting year
3 pursuant to section 5 of P.L.1945, c.162, shall first be reduced by the
4 amount of any credit allowed pursuant to section 19 of P.L.1983,
5 c.303 (C.52:27H-78), and then by any credit allowed pursuant to
6 section 42 of P.L.1987, c.102 (C.54:10A-5.3), prior to applying any
7 credits allowable pursuant to this section. Credits allowable pursuant
8 to this section shall be applied in the order of the credits' tax years.
9 The amount of the credits applied under this section against the tax
10 imposed pursuant to section 5 of P.L.1945, c.162, for an accounting
11 year shall not exceed 50% of the tax liability otherwise due and shall
12 not reduce the tax liability to an amount less than the statutory
13 minimum provided in subsection (e) of section 5 of P.L.1945, c.162.
14 The amount of tax year credit otherwise allowable under this section
15 which cannot be applied for the tax year due to the limitations of this
16 subsection may be carried over, if necessary, to the ten accounting
17 years following a credit's tax year.

18 d. When filing a tax return that includes a claim for a credit
19 pursuant to this section, the taxpayer shall include a certified statement
20 that the amount claimed was used exclusively for children's day care
21 center purposes and shall identify the center.

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

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STATEMENT

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29 This bill provides for a tax credit under the corporation business tax
30 for certain corporate taxpayer's support of a licensed child care service
31 for their employees' children, or who have paid part or all of the cost
32 of outside child care services for children of employees. The credit is
33 equal to 25% of expenses incurred. The credit may be taken in
34 cooperation with other businesses involved in the same child care
35 center service. This will act as an incentive for smaller businesses to
36 form a consortia and then be able to provide child care for their
37 employees.

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42 Provides a corporation business tax credit for day care center support
43 benefiting children of employees.