

P.L. 2021, CHAPTER 308, *approved December 3, 2021*  
Senate, No. 4065 (*Second Reprint*)

1 AN ACT concerning the gross income tax credit for child and  
2 dependent care expenses <sup>2</sup>**[<sup>1</sup>].]** and<sup>1</sup> <sup>2</sup> amending <sup>2</sup>**[<sup>1</sup>and**  
3 **supplementing<sup>1</sup>]**<sup>2</sup> P.L.2018, c.45.

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

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8 <sup>1</sup>**[**1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to  
9 read as follows:

10 5. a. A resident taxpayer with New Jersey taxable income of  
11 **[\$60,000]** \$150,000 or less who is allowed a credit for expenses for  
12 household and dependent care services for federal income tax  
13 purposes pursuant to section 21 of the Internal Revenue Code (26  
14 U.S.C. s.21) shall be allowed a credit against the tax otherwise due  
15 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
16 et seq. The credit shall be in an amount equal to a percentage of the  
17 credit allowed the taxpayer for federal income tax purposes for the  
18 taxable year, according to the following schedule:

19

20 NJ taxable income is:	Amount of NJ credit is:
21 <b>[</b> Not over \$20,000	50% of federal credit
22 over \$20,000 but not over \$30,000	40% of federal credit
23 over \$30,000 but not over \$40,000	30% of federal credit
24 over \$40,000 but not over \$50,000	20% of federal credit
25 over \$50,000 but not over \$60,000	10% of federal credit.]
26	
27 <u>Not over \$30,000</u>	<u>50% of federal credit</u>
28 <u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
29 <u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
30 <u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>
31 <u>over \$120,000 but not over \$150,000</u>	<u>10% of federal credit.</u>
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33 **[**The credit allowed by this section for a taxable year shall not  
34 exceed \$500 for employment-related expenses paid by the taxpayer  
35 for one qualifying individual and \$1,000 for employment-related  
36 expenses paid by the taxpayer for two or more qualifying  
37 individuals.] The **[\$60,000]** \$150,000 income limit set forth in this  
38 subsection shall apply to taxpayers of any filing status.

**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  
Matter enclosed in superscript numerals has been adopted as follows:  
<sup>1</sup>Senate SBA committee amendments adopted November 8, 2021.  
<sup>2</sup>Assembly floor amendments adopted December 2, 2021.

1       b. **【A credit allowed pursuant to this section shall not reduce**  
2 **the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for**  
3 **a taxable year to an amount less than zero.】** If the amount of the  
4 credit allowed pursuant to this section exceeds the amount of gross  
5 income tax otherwise due pursuant to the "New Jersey Gross  
6 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
7 be treated as a refundable overpayment. The Director of the  
8 Division of Taxation shall determine the order of priority of the  
9 application of the credit allowed pursuant to this section and any  
10 other credits allowed by law.

11       c. Married couples shall file a joint return in order to claim the  
12 credit provided by this section. A taxpayer eligible to receive a  
13 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
14 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
15 eligible for the credit provided by this section, provided the  
16 taxpayer satisfies the income limit set forth in subsection a. of this  
17 section.

18       d. In the case of a part-year resident claimant, the amount of  
19 the credit allowed pursuant to this section shall be pro-rated, based  
20 upon that proportion which the total number of months of the  
21 claimant's residency in the taxable year bears to 12 in that period.  
22 For this purpose, 15 days or more shall constitute a month.

23 (cf: P.L.2018, c.45, s.5)】<sup>1</sup>

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25       <sup>1</sup>1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read  
26 as follows:

27       5. a. <sup>2</sup>**【【A】** For taxable years beginning on or after January 1,  
28 2018 but before January 1, 2021, and for taxable years beginning on  
29 or after January 1, 2022, a】 <sup>2</sup>A resident taxpayer with New Jersey  
30 taxable income of <sup>2</sup>**【\$60,000】** <sup>2</sup>\$150,000<sup>2</sup> or less who is allowed a  
31 credit for expenses for household and dependent care services for  
32 federal income tax purposes pursuant to section 21 of the Internal  
33 Revenue Code (26 U.S.C. s.21) shall be allowed a credit against the  
34 tax otherwise due pursuant to the “New Jersey Gross Income Tax  
35 Act,” N.J.S.54A:1-1 et seq. The credit shall be in an amount equal  
36 to a percentage of the credit allowed the taxpayer for federal income  
37 tax purposes for the taxable year, according to the following  
38 schedule:

40 NJ taxable income is:	Amount of NJ credit is:
41 <sup>2</sup> <b>【Not over \$20,000</b>	50% of federal credit
42 over \$20,000 but not over \$30,000	40% of federal credit
43 over \$30,000 but not over \$40,000	30% of federal credit
44 over \$40,000 but not over \$50,000	20% of federal credit
45 over \$50,000 but not over \$60,000	10% of federal credit.】
46	
47 <u>Not over \$30,000</u>	<u>50% of federal credit</u>
48 <u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>

5     **2**[The credit allowed by this section for a taxable year shall not  
6     exceed \$500 for employment-related expenses paid by the taxpayer  
7     for one qualifying individual and \$1,000 for employment-related  
8     expenses paid by the taxpayer for two or more qualifying  
9     individuals.]<sup>2</sup> The **2**[\$60,000] \$150,000<sup>2</sup> income limit set forth in  
10    this subsection shall apply to taxpayers of any filing status.

c. Married couples shall file a joint return in order to claim the credit provided by this section. A taxpayer eligible to receive a credit pursuant to paragraph (3) or (4) of subsection (e) of section 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be eligible for the credit provided by this section, provided the taxpayer satisfies the income limit set forth in subsection a. of this section.

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45	<u>Not over \$30,000</u>	<u>50% of federal credit</u>
46	<u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
47	<u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
48	<u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>

1 over \$120,000 but not over \$150,000 10% of federal credit.

2  
3 The \$150,000 income limit set forth in this subsection shall apply to  
4 taxpayers of any filing status.

5 b. If the amount of the credit allowed pursuant to this section  
6 exceeds the amount of gross income tax otherwise due pursuant to  
7 the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the  
8 amount of excess shall be treated as a refundable overpayment. The  
9 Director of the Division of Taxation shall determine the order of  
10 priority of the application of the credit allowed pursuant to this  
11 section and any other credits allowed by law.

12 c. Married couples shall file a joint return in order to claim the  
13 credit provided by this section. A taxpayer eligible to receive a  
14 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
15 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
16 eligible for the credit provided by this section, provided the  
17 taxpayer satisfies the income limit set forth in subsection a. of this  
18 section.

19 d. In the case of a part-year resident claimant, the amount of  
20 the credit allowed pursuant to this section shall be pro-rated, based  
21 upon that proportion which the total number of months of the  
22 claimant's residency in the taxable year bears to 12 in that period.  
23 For this purpose, 15 days or more shall constitute a month.<sup>1</sup><sup>2</sup>

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25 <sup>2</sup>2. This act shall take effect immediately and shall apply  
26 retroactively to taxable years beginning on and after January 1,  
27 2021.<sup>2</sup>

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29 <sup>1</sup>[2.] <sup>2</sup>[3.<sup>1</sup> This act shall take effect immediately <sup>1</sup>[and shall  
30 apply retroactively to taxable years beginning on and after January  
31 1, 2021]<sup>1</sup>.]<sup>2</sup>

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36 Revises gross income tax credit for child and dependent care  
37 expenses.