

# SENATE, No. 4065

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED NOVEMBER 8, 2021

**Sponsored by:**

**Senator DAWN MARIE ADDIEGO**

**District 8 (Atlantic, Burlington and Camden)**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning the gross income tax credit for child and  
2 dependent care expenses, amending P.L.2018, c.45.

3  
4 BE IT ENACTED by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read  
8 as follows:

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

18

19 NJ taxable income is:	Amount of NJ credit is:
20 <b>[Not over \$20,000</b>	50% of federal credit
21 over \$20,000 but not over \$30,000	40% of federal credit
22 over \$30,000 but not over \$40,000	30% of federal credit
23 over \$40,000 but not over \$50,000	20% of federal credit
24 over \$50,000 but not over \$60,000	10% of federal credit.]
25	
26 <u>Not over \$30,000</u>	50% of federal credit
27 <u>over \$30,000 but not over \$60,000</u>	40% of federal credit
28 <u>over \$60,000 but not over \$90,000</u>	30% of federal credit
29 <u>over \$90,000 but not over \$120,000</u>	20% of federal credit
30 <u>over \$120,000 but not over \$150,000</u>	10% of federal credit.

31

32 **[The credit allowed by this section for a taxable year shall not**  
33 **exceed \$500 for employment-related expenses paid by the taxpayer**  
34 **for one qualifying individual and \$1,000 for employment-related**  
35 **expenses paid by the taxpayer for two or more qualifying**  
36 **individuals.]** The **[\$60,000]** \$150,000 income limit set forth in this  
37 subsection shall apply to taxpayers of any filing status.

38 b. **[A credit allowed pursuant to this section shall not reduce**  
39 **the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for**  
40 **a taxable year to an amount less than zero.]** If the amount of the  
41 credit allowed pursuant to this section exceeds the amount of gross  
42 income tax otherwise due pursuant to the "New Jersey Gross  
43 Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall  
44 be treated as a refundable overpayment. The Director of the  
45 Division of Taxation shall determine the order of priority of the

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.

1 application of the credit allowed pursuant to this section and any  
2 other credits allowed by law.

3 c. Married couples shall file a joint return in order to claim the  
4 credit provided by this section. A taxpayer eligible to receive a  
5 credit pursuant to paragraph (3) or (4) of subsection (e) of section  
6 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be  
7 eligible for the credit provided by this section, provided the  
8 taxpayer satisfies the income limit set forth in subsection a. of this  
9 section.

10 d. In the case of a part-year resident claimant, the amount of  
11 the credit allowed pursuant to this section shall be pro-rated, based  
12 upon that proportion which the total number of months of the  
13 claimant's residency in the taxable year bears to 12 in that period.  
14 For this purpose, 15 days or more shall constitute a month.  
15 (cf: P.L.2018, c.45, s.5)

16  
17 2. This act shall take effect immediately and shall apply  
18 retroactively to taxable years beginning on and after January 1,  
19 2021.

## 20 21 22 STATEMENT

23  
24 This bill revises the State's child and dependent care tax credit,  
25 which is based on the federal credit and is for taxpayers who incur  
26 expenses for household services and the care of a child or  
27 dependent to enable the taxpayer to be employed.

28 The bill revises the credit so that it will be refundable. This  
29 means that a taxpayer could receive a cash refund if the credit  
30 amount is in excess of their gross income tax liability. Under  
31 current law, the credit is nonrefundable, and therefore, if the credit  
32 is in excess of the taxpayer's gross income tax liability then the  
33 taxpayer may not be able to claim the full tax credit amount.

34 The bill also revises the income requirements for the credit so  
35 that taxpayers who have New Jersey taxable income of \$150,000 or  
36 less for the tax year can claim the credit compared to \$60,000 or  
37 less under current law. In addition, the bill removes the current  
38 caps of \$500 for employment-related expenses paid by the taxpayer  
39 for one child or dependent and \$1,000 for employment-related  
40 expenses paid by the taxpayer for two or more children or  
41 dependents.

42 Finally, the bill revises the tax credit's taxable income eligibility  
43 requirements as follows: not over \$30,000 to receive a New Jersey  
44 tax credit equal to 50 percent of the federal credit; over \$30,000 but  
45 not over \$60,000 to receive 40 percent of the federal credit; over  
46 \$60,000 but not over \$90,000 to receive 30 percent of the federal  
47 credit; over \$90,000 but not over \$120,000 to receive 20 percent of

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- 1 the federal credit; and over \$120,000 but not over \$150,000 to
- 2 receive 10 percent of the federal credit.