

[First Reprint]

SENATE, No. 4065

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED NOVEMBER 8, 2021

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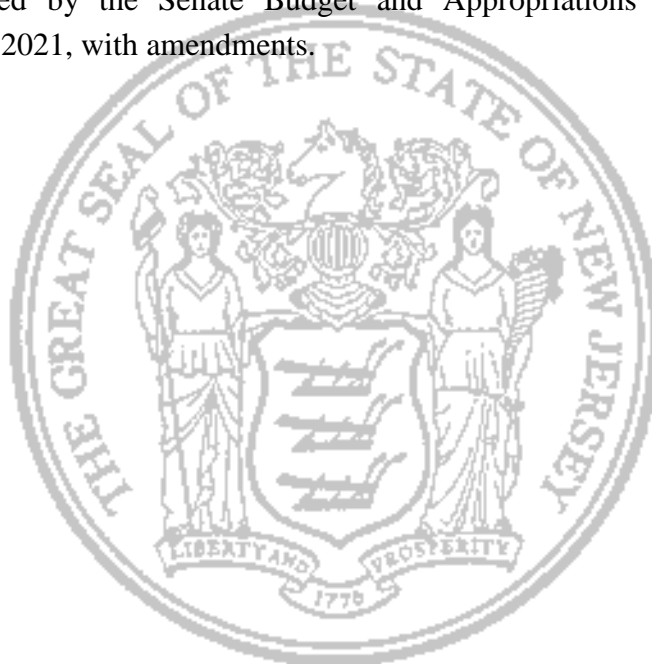
Senator Turner

SYNOPSIS

Revises gross income tax credit for child and dependent care expenses for tax year 2021.

CURRENT VERSION OF TEXT

As reported by the Senate Budget and Appropriations Committee on November 8, 2021, with amendments.



(Sponsorship Updated As Of: 12/2/2021)

AN ACT concerning the gross income tax credit for child and dependent care expenses ¹**【.】** and¹ amending ¹and supplementing¹ P.L.2018, c.45.

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

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

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

NJ taxable income is:	Amount of NJ credit is:
【Not over \$20,000	50% of federal credit
over \$20,000 but not over \$30,000	40% of federal credit
over \$30,000 but not over \$40,000	30% of federal credit
over \$40,000 but not over \$50,000	20% of federal credit
over \$50,000 but not over \$60,000	10% of federal credit. 】
<u>Not over \$30,000</u>	<u>50% of federal credit</u>
<u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
<u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
<u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>
<u>over \$120,000 but not over \$150,000</u>	<u>10% of federal credit.</u>

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

b. **【A credit allowed pursuant to this section shall not reduce the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for a taxable year to an amount less than zero.】** If the amount of the credit allowed pursuant to this section exceeds the amount of gross income tax otherwise due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., the amount of excess shall

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:

¹Senate SBA committee amendments adopted November 8, 2021.

1 be treated as a refundable overpayment. The Director of the
 2 Division of Taxation shall determine the order of priority of the
 3 application of the credit allowed pursuant to this section and any
 4 other credits allowed by law.

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

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

17 (cf: P.L.2018, c.45, s.5)I¹

18
 19 ¹1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read
 20 as follows:

21 5. a. **【A】** For taxable years beginning on or after January 1,
 22 2018 but before January 1, 2021, and for taxable years beginning on
 23 or after January 1, 2022, a resident taxpayer with New Jersey
 24 taxable income of \$60,000 or less who is allowed a credit for
 25 expenses for household and dependent care services for federal
 26 income tax purposes pursuant to section 21 of the Internal Revenue
 27 Code (26 U.S.C. s.21) shall be allowed a credit against the tax
 28 otherwise due pursuant to the “New Jersey Gross Income Tax Act,”
 29 N.J.S.54A:1-1 et seq. The credit shall be in an amount equal to a
 30 percentage of the credit allowed the taxpayer for federal income tax
 31 purposes for the taxable year, according to the following schedule:

32 NJ taxable income is:	Amount of NJ credit is:
33	
34	
35 Not over \$20,000	50% of federal credit
36 over \$20,000 but not over \$30,000	40% of federal credit
37 over \$30,000 but not over \$40,000	30% of federal credit
38 over \$40,000 but not over \$50,000	20% of federal credit
39 over \$50,000 but not over \$60,000	10% of federal credit.

40
 41 The credit allowed by this section for a taxable year shall not
 42 exceed \$500 for employment-related expenses paid by the taxpayer
 43 for one qualifying individual and \$1,000 for employment-related
 44 expenses paid by the taxpayer for two or more qualifying
 45 individuals. The \$60,000 income limit set forth in this subsection
 46 shall apply to taxpayers of any filing status.

b. A credit allowed pursuant to this section shall not reduce the tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for a taxable year to an amount less than zero.

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.

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

(cf: P.L.2018, c.45, s.5)

¹2. (New section) a. For the taxable year beginning on January 1, 2021, a resident taxpayer with New Jersey taxable income of \$150,000 or less who is allowed a credit for expenses for household and dependent care services for federal income tax purposes pursuant to section 21 of the Internal Revenue Code (26 U.S.C. s.21) shall be allowed a credit against the tax otherwise due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. The credit shall be in an amount equal to a percentage of the credit allowed the taxpayer for federal income tax purposes for the taxable year, according to the following schedule:

<u>NJ taxable income is:</u>	<u>Amount of NJ credit is:</u>
<u>Not over \$30,000</u>	<u>50% of federal credit</u>
<u>over \$30,000 but not over \$60,000</u>	<u>40% of federal credit</u>
<u>over \$60,000 but not over \$90,000</u>	<u>30% of federal credit</u>
<u>over \$90,000 but not over \$120,000</u>	<u>20% of federal credit</u>
<u>over \$120,000 but not over \$150,000</u>	<u>10% of federal credit.</u>

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

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

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

1 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be
2 eligible for the credit provided by this section, provided the
3 taxpayer satisfies the income limit set forth in subsection a. of this
4 section.

5 d. In the case of a part-year resident claimant, the amount of
6 the credit allowed pursuant to this section shall be pro-rated, based
7 upon that proportion which the total number of months of the
8 claimant's residency in the taxable year bears to 12 in that period.
9 For this purpose, 15 days or more shall constitute a month.¹

10

11 ¹~~2.1~~ 3.¹ This act shall take effect immediately ¹~~and shall~~
12 ~~apply retroactively to taxable years beginning on and after January~~
13 ~~1, 2021~~¹.