

[Second Reprint]

**SENATE, No. 4065**

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**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

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INTRODUCED NOVEMBER 8, 2021

**Sponsored by:**

**Senator DAWN MARIE ADDIEGO**

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

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**District 7 (Burlington)**

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**Senator Turner, Assemblymen Benson, Calabrese, Assemblywomen McKnight, Murphy, Vainieri Huttie, Jimenez, Speight, Assemblymen Tully, Mejia, Stanley and Wimberly**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As amended by the General Assembly on December 2, 2021.

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

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

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

<sup>1</sup>**[**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:
<b>[</b> 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. <b>]</b>
<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:

<sup>1</sup>Senate SBA committee amendments adopted November 8, 2021.

<sup>2</sup>Assembly floor amendments adopted December 2, 2021.

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 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.

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

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

5. a. <sup>2</sup>[[A] For taxable years beginning on or after January 1, 2018 but before January 1, 2021, and for taxable years beginning on or after January 1, 2022, a] A<sup>2</sup> resident taxpayer with New Jersey taxable income of <sup>2</sup>[\$60,000] \$150,000<sup>2</sup> 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:
<sup>2</sup> [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> <sup>2</sup>

<sup>2</sup>~~1~~ 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.<sup>2</sup> The <sup>2</sup>~~1~~ \$60,000 \$150,000<sup>2</sup> income limit set forth in this subsection shall apply to taxpayers of any filing status.

b. <sup>2</sup>~~1~~ 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.<sup>1</sup> 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.<sup>2</sup>

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

<sup>2</sup>~~1~~<sup>2</sup>. (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.

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

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

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

20  
21       <sup>2</sup>2. This act shall take effect immediately and shall apply  
22 retroactively to taxable years beginning on and after January 1,  
23 2021.<sup>2</sup>

24  
25       <sup>1</sup>[2.] <sup>2</sup>[3.]<sup>1</sup> This act shall take effect immediately <sup>1</sup>and shall  
26 apply retroactively to taxable years beginning on and after January  
27 1, 2021<sup>1</sup>.]<sup>2</sup>