

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 3852

STATE OF NEW JERSEY

DATED: JUNE 27, 2022

The Assembly Budget Committee reports favorable an Assembly Committee Substitute for Assembly Bill No. 3852.

The committee substitute establishes the New Jersey Child Tax Credit program, which allows a gross income tax credit for each child of the taxpayer under the age of six years.

The credit is available to taxpayers who are have a New Jersey taxable income of \$80,000 or less. The amount of the credit varies according to the amount of the taxpayer's New Jersey taxable income. A taxpayer with taxable income not over \$30,000 would receive a credit of \$500; with taxable income over \$30,000 but not over \$40,000 a credit of \$400; with taxable income over \$40,000 but not over \$50,000, a credit of \$300; with taxable income over \$50,000 but not over \$60,000, a credit of \$200; and with a taxable income over \$60,000 but not over \$80,000, a credit of \$100.

A taxpayer will be allowed to claim the credit whether the taxpayer uses a Social Security number or an Individual Taxpayer Identification Number (ITIN) on their tax forms. The credit is refundable, meaning the taxpayer in the form of tax refund.

The bill requires the Division of Taxation to include the following data as part of the annual tax expenditure report: the number of taxpayers claiming the New Jersey Child Tax Credit, claimants' income, the number of children benefitting from the tax credit, and the average tax credit amount per child and per claimant.

The committee substitute takes effect immediately and applies to taxable years beginning on and after January 1, 2023.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill will reduce revenues earmarked for the Property Tax Relief Fund by \$134.6 million to \$141.1 million annually. The OLS projects that taxpayers will claim the child tax credit for 372,000 dependent children under the age of six in calendar year 2023. Taxpayers are estimated to claim the bill's maximum credit of \$500 per child for 180,000 dependent children. Another 99,000 dependent children are estimated to yield a credit of at least \$300 each. The tax credit is refundable, so taxpayers will be able to claim and utilize the full amount of their tax credit.