

SENATE, No. 2742

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED FEBRUARY 22, 2011

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Mercer)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

SYNOPSIS

Increases gross income tax rate on income exceeding \$1,000,000 and dedicates revenue from tax rate increase for direct real property tax relief for taxpayers.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/24/2011)

S2742 TURNER, GREENSTEIN

1 AN ACT increasing the gross income tax rate on income exceeding
2 \$1,000,000 and dedicating revenue from the tax rate increase for
3 direct real property tax relief for taxpayers, amending
4 N.J.S.54A:2-1 and N.J.S.54A:9-25 and supplementing Title 54A
5 of the New Jersey Statutes.

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

9
10 1. N.J.S.54A:2-1 is amended to read as follows:

11 54A:2-1. Imposition of tax. There is hereby imposed a tax for each
12 taxable year (which shall be the same as the taxable year for federal
13 income tax purposes) on the New Jersey gross income as herein
14 defined of every individual, estate or trust (other than a charitable
15 trust or a trust forming part of a pension or profit-sharing plan),
16 subject to the deductions, limitations and modifications hereinafter
17 provided, determined in accordance with the following tables with
18 respect to taxpayers' taxable income:

19 a. For married individuals filing a joint return and individuals
20 filing as head of household or as surviving spouse for federal
21 income tax purposes:

22 (1) for taxable years beginning on or after January 1, 1991 but
23 before January 1, 1994:

24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
	If the taxable income is:		The tax is:																		
	Not over \$20,000.00.....		2% of taxable income																		
	Over \$20,000.00 but not																				
	over \$50,000.00.....		\$400.00 plus 2.5% of the																		
			excess over \$20,000.00																		
	Over \$50,000.00 but not																				
	over \$70,000.00.....		\$1,150.00 plus 3.5% of the																		
			excess over \$50,000.00																		
	Over \$70,000.00 but not																				
	over \$80,000.00.....		\$1,850.00 plus 5.0% of the																		
			excess over \$70,000.00																		
	Over \$80,000.00 but not																				
	over \$150,000.00.....		\$2,350.00 plus 6.5% of the																		
			excess over \$80,000.00																		
	Over \$150,000.00.....		\$6,900.00 plus 7.0% of the																		
			excess over \$150,000.00																		

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.

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1 (2) for taxable years beginning on or after January 1, 1994 but
2 before January 1, 1995:

3

4	If the taxable income is:	The tax is:
5		
6	Not over \$20,000.00.....	1.900% of taxable income
7		
8	Over \$20,000.00 but not	
9	over \$50,000.00.....	\$380.00 plus 2.375% of the
10		excess over \$20,000.00
11		
12	Over \$50,000.00 but not	
13	over \$70,000.00.....	\$1,092.50 plus 3.325% of the
14		excess over \$50,000.00
15		
16	Over \$70,000.00 but not	
17	over \$80,000.00.....	\$1,757.50 plus 4.750% of the
18		excess over \$70,000.00
19		
20	Over \$80,000.00 but not	
21	over \$150,000.00.....	\$2,232.50 plus 6.175% of the
22		excess over \$80,000.00
23		
24	Over \$150,000.00	\$6,555.00 plus 6.650% of the
25		excess over \$150,000.00

26

27 (3) for taxable years beginning on or after January 1, 1995 but
28 before January 1, 1996:

29

30	If the taxable income is:	The tax is:
31		
32	Not over \$20,000.00.....	1.700% of taxable income
33		
34	Over \$20,000.00 but not	
35	over \$50,000.00.....	\$340.00 plus 2.125% of the
36		excess over \$20,000.00
37		
38	Over \$50,000.00 but not	
39	over \$70,000.00.....	\$977.50 plus 2.975% of the
40		excess over \$50,000.00
41		
42	Over \$70,000.00 but not	
43	over \$80,000.00.....	\$1,572.50 plus 4.250% of the
44		excess over \$70,000.00
45		
46	Over \$80,000.00 but not	
47	over \$150,000.00.....	\$1,997.50 plus 6.013% of the
48		excess over \$80,000.00

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1 Over \$150,000.00 \$6,206.60 plus 6.580% of the
2 excess over \$150,000.00
3 (4) for taxable years beginning on or after January 1, 1996 but
4 before January 1, 2004:
5
6 If the taxable income is: The tax is:
7
8 Not over \$20,000.00..... 1.400% of taxable income
9
10 Over \$20,000.00 but not
11 over \$50,000.00..... \$280.00 plus 1.750% of the
12 excess over \$20,000.00
13
14 Over \$50,000.00 but not
15 over \$70,000.00..... \$805.00 plus 2.450% of the
16 excess over \$50,000.00
17
18 Over \$70,000.00 but not
19 over \$80,000.00..... \$1,295.50 plus 3.500% of the
20 excess over \$70,000.00
21
22 Over \$80,000.00 but not
23 over \$150,000.00..... \$1,645.00 plus 5.525% of the
24 excess over \$80,000.00
25
26 Over \$150,000.00 \$5,512.50 plus 6.370% of the
27 excess over \$150,000.00
28

29 (5) for taxable years beginning on or after January 1, 2004 but
30 before January 1, 2011 (except as provided in section 1 of P.L.2009,
31 c.69 (C.54A:2-1a) for taxable years beginning on or after January
32 1, 2009 but before January 1, 2010):
33

34 If the taxable income is: The tax is:
35
36 Not over \$20,000.00 1.400% of taxable income
37
38 Over \$20,000.00 but not
39 over \$50,000.00 \$280.00 plus 1.750% of the
40 excess over \$20,000.00
41
42 Over \$50,000.00 but not
43 over \$70,000.00 \$805.00 plus 2.450% of the
44 excess over \$50,000.00
45
46 Over \$70,000.00 but not
47 over \$80,000.00 \$1,295.50 plus 3.500% of the
48 excess over \$70,000.00

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1	Over \$80,000.00 but not	
2	over \$150,000.00	\$1,645.00 plus 5.525% of the
3		excess over \$80,000.00
4	Over \$150,000.00 but not	
5	over \$500,000.00	\$5,512.50 plus 6.370% of the
6		excess over \$150,000.00
7		
8	Over \$500,000.00	\$27,807.50 plus 8.970% of the
9		excess over \$500,000.00

10

11 (6) for taxable years beginning on or after January 1, 2011:

12

13 If the taxable income is: The tax is:

14

15 Not over \$20,000.00 1.400% of taxable income

16

17 Over \$20,000.00 but not

18 over \$50,000.00 \$280.00 plus 1.750% of the
19 excess over \$20,000.00

20

21 Over \$50,000.00 but not

22 over \$70,000.00 \$805.00 plus 2.450% of the
23 excess over \$50,000.00

24

25 Over \$70,000.00 but not

26 over \$80,000.00 \$1,295.50 plus 3.500% of the
27 excess over \$70,000.00

28

29 Over \$80,000.00 but not

30 over \$150,000.00 \$1,645.00 plus 5.525% of the
31 excess over \$80,000.00

32

33 Over \$150,000.00 but not

34 over \$500,000.00 \$5,512.50 plus 6.370% of the
35 excess over \$150,000.00

36

37 Over \$500,000.00 but not

38 over \$1,000,000.00 \$27,807.50 plus 8.970% of the
39 excess over \$500,000.00

40

41 Over \$1,000,000.00 \$72,657.50 plus 10.75% of the
42 excess over \$1,000,000.00

43

44 b. For married individuals filing separately, unmarried
45 individuals other than individuals filing as head of household or as
46 a surviving spouse for federal income tax purposes, and estates and
47 trusts:

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6

1 (1) for taxable years beginning on or after January 1, 1991 but
2 before January 1, 1994:

3

4 If the taxable income is: The tax is:

5

6 Not over \$20,000.00..... 2% of taxable income

7

8 Over \$20,000.00 but not

9 over \$35,000.00..... \$400.00 plus 2.5% of the
10 excess over \$20,000.00

11

12 Over \$35,000.00 but not

13 over \$40,000.00..... \$775.00 plus 5.0% of the
14 excess over \$35,000.00

15

16 Over \$40,000.00 but not

17 over \$75,000.00..... \$1,025.00 plus 6.5% of the
18 excess over \$40,000.00

19

20 Over \$75,000.00..... \$3,300.00 plus 7.0% of the
21 excess over \$75,000.00

22

23 (2) for taxable years beginning on or after January 1, 1994 but
24 before January 1, 1995:

25

26 If the taxable income is: The tax is:

27

28 Not over \$20,000.00..... 1.900% of taxable income

29

30 Over \$20,000.00 but not

31 over \$35,000.00..... \$380.00 plus 2.375% of the
32 excess over \$20,000.00

33

34 Over \$35,000.00 but not

35 over \$40,000.00..... \$736.25 plus 4.750% of the
36 excess over \$35,000.00

37

38 Over \$40,000.00 but not

39 over \$75,000.00..... \$973.75 plus 6.175% of the
40 excess over \$40,000.00

41

42 Over \$75,000.00..... \$3,135.00 plus 6.650% of the
43 excess over \$75,000.00

44

45 (3) for taxable years beginning on or after January 1, 1995 but
46 before January 1, 1996:

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7

1	If the taxable income is:	The tax is:
2		
3	Not over \$20,000.00.....	1.700% of taxable income
4		
5	Over \$20,000.00 but not	
6	over \$35,000.00.....	\$340.00 plus 2.125% of the
7		excess over \$20,000.00
8		
9	Over \$35,000.00 but not	
10	over \$40,000.00.....	\$658.75 plus 4.250% of the
11		excess over \$35,000.00
12		
13	Over \$40,000.00 but not	
14	over \$75,000.00.....	\$871.25 plus 6.013% of the
15		excess over \$40,000.00
16		
17	Over \$75,000.00.....	\$2,975.80 plus 6.580% of the
18		excess over \$75,000.00
19		
20	(4) for taxable years beginning on or after January 1, 1996 but	
21	before January 1, 2004:	
22		

23	If the taxable income is:	The tax is:
24		
25	Not over \$20,000.00.....	1.400% of taxable income
26		
27	Over \$20,000.00 but not	
28	over \$35,000.00.....	\$280.00 plus 1.750% of the
29		excess over \$20,000.00
30		
31	Over \$35,000.00 but not	
32	over \$40,000.00.....	\$542.50 plus 3.500% of the
33		excess over \$35,000.00
34		
35	Over \$40,000.00 but not	
36	over \$75,000.00.....	\$717.50 plus 5.525% of the
37		excess over \$40,000.00
38		
39	Over \$75,000.00.....	\$2,651.25 plus 6.370% of the
40		excess over \$75,000.00
41		

42 (5) for taxable years beginning on or after January 1, 2004 but
43 before January 1, 2011 (except as provided in section 1 of P.L.2009,
44 c.69 (C.54A:2-1a) for taxable years beginning on or after January
45 1, 2009 but before January 1, 2010):

46
47 If the taxable income is: The tax is:

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1	Not over \$20,000.00	1.400% of taxable income
2		
3	Over \$20,000.00 but not	
4	over \$35,000.00	\$280.00 plus 1.750% of the
5		excess over \$20,000.00
6		
7	Over \$35,000.00 but not	
8	over \$40,000.00	\$542.50 plus 3.500% of the
9		excess over \$35,000.00
10		
11	Over \$40,000.00 but not	
12	over \$75,000.00	\$717.50 plus 5.525% of the
13		excess over \$40,000.00
14		
15	Over \$75,000.00 but not	
16	over \$500,000.00	\$2,651.25 plus 6.370% of the
17		excess over \$75,000.00
18		
19	Over \$500,000.00	\$29,723.75 plus 8.970% of the
20		excess over \$500,000.00
21		
22	<u>(6) for taxable years beginning on or after January 1, 2011:</u>	
23		
24	<u>If the taxable income is:</u>	<u>The tax is:</u>
25		
26	<u>Not over \$20,000.00</u>	<u>1.400% of taxable income</u>
27		
28	<u>Over \$20,000.00 but not</u>	
29	<u>over \$35,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
30		<u>excess over \$20,000.00</u>
31		
32	<u>Over \$35,000.00 but not</u>	
33	<u>over \$40,000.00</u>	<u>\$542.50 plus 3.500% of the</u>
34		<u>excess over \$35,000.00</u>
35		
36	<u>Over \$40,000.00 but not</u>	
37	<u>over \$75,000.00</u>	<u>\$717.50 plus 5.525% of the</u>
38		<u>excess over \$40,000.00</u>
39		
40	<u>Over \$75,000.00 but not</u>	
41	<u>over \$500,000.00</u>	<u>\$2,651.25 plus 6.370% of the</u>
42		<u>excess over \$75,000.00</u>
43		
44	<u>Over \$500,000.00 but not</u>	
45	<u>over \$1,000,000.00</u>	<u>\$29,723.75 plus 8.970% of the</u>
46		<u>excess over \$500,000.00</u>

1 Over \$1,000,000.00 \$74,573.75 plus 10.75% of the
2 excess over \$1,000,000.00

3

4 c. For the purposes of this section, an individual who would be
5 eligible to file as a head of household for federal income tax
6 purposes but for the fact that such taxpayer is a nonresident alien,
7 shall determine tax pursuant to subsection a. of this section.
8 (cf: P.L.2004, c.40, s.17)

9

10 2. (New section) a. No additions to tax or penalty shall be
11 imposed under N.J.S.54A:9-6 for insufficient payment of estimated
12 tax that may otherwise be due on salaries, wages and other
13 remuneration received before October 1, 2011 upon which there is
14 an increased rate of tax imposed upon taxable income over
15 \$1,000,000.00 pursuant to paragraph (6) of subsection a. and
16 paragraph (6) of subsection b. of N.J.S.54A:2-1.

17 b. An employer maintaining an office or transacting business
18 within this State and making payment of any salaries, wages and
19 remuneration subject to New Jersey gross income tax or making
20 payment of any remuneration for employment subject to
21 contribution under the New Jersey "unemployment compensation
22 law," pursuant to R.S.43:21-1 et seq., that is subject to New Jersey
23 gross income tax shall not be subject to interest, penalties or other
24 costs that may otherwise be imposed for insufficient withholding of
25 salaries, wages and other remuneration made before October 1,
26 2011 that is directly attributable to the enactment of the increased
27 rate of tax imposed upon taxable income over \$1,000,000.00
28 pursuant to paragraph (6) of subsection a. and paragraph (6) of
29 subsection b. of N.J.S.54A:2-1.

30

31 3. N.J.S.54A:9-25 is amended to read as follows:

32 54A:9-25. Taxes collected under the provisions of this act shall
33 be deposited by the State Treasurer in a special account to be
34 known as the Property Tax Relief Fund. There is established within
35 the special fund a subaccount to be known as the Direct Taxpayer
36 Property Tax Relief Fund into which shall be deposited by the State
37 Treasurer the amount of tax revenue anticipated by the Governor to
38 be derived from the tax rate change effectuated in the amendment
39 made to N.J.S.54A:2-1 pursuant to section 1 of
40 P.L.2011, c. (pending before the Legislature as this bill). Moneys
41 in the Property Tax Relief Fund shall be annually appropriated,
42 pursuant to formulas established from time to time by the
43 Legislature, to the several counties, municipalities and school
44 districts of this State exclusively for the purpose of providing
45 property tax relief and for the purpose of reducing or offsetting
46 property taxes, including the funding of the requirements of
47 **[P.L.1975, c. 212, and]** the "School Funding Reform Act of 2008,"
48 P.L.2007, c.260 (C.18A:7F-43 et seq.). Moneys in the Direct

1 Taxpayer Property Tax Relief subaccount shall be annually
2 appropriated for real property taxpayer relief allocable directly to
3 taxpayers, including but not limited to homestead [exemptions]
4 rebates and credits under [1976 Assembly Bill No. 1330]
5 P.L.1990, c.61 (C.54:4-8.57 et al.), homestead property tax
6 reimbursements under P.L.1997, c.348 (C.54:4-8.67 et al.),
7 veterans' property tax deductions under P.L.1963, c.171 (C.54:4-
8 8.10 et seq.), and senior and disabled citizens' property tax
9 deductions under P.L.1963, c.172 (C.54:4-8.40 et seq.) as said acts
10 may hereafter be amended or supplemented [and provided there].
11 Moneys remaining in the Direct Taxpayer Property Tax Relief
12 subaccount after annual appropriations for these direct taxpayer
13 relief programs shall be applied to offset the claims allowed during
14 that fiscal year for property tax deductions and credits under the
15 "Property Tax Deduction Act," P.L.1996, c.60 (C.54A:3A-15 et
16 seq.). There may be deducted from the Property Tax Relief Fund
17 the administrative costs of the collection hereof and in replacement
18 of revenues resulting from the repeal of certain laws under this and
19 companion legislation.
20 (cf: N.J.S.54A:9-25)

21

22 4. This act shall take effect immediately, and section 1 shall
23 apply to taxable years beginning on or after January 1, 2011 and
24 section 3 shall apply to State fiscal years beginning on or after July
25 1 next following the date of enactment.

26

27

28

STATEMENT

29

30 This bill increases the rate of the New Jersey gross income tax
31 for taxpayers with taxable incomes exceeding \$1,000,000 in taxable
32 years beginning on or after January 1, 2011. The bill provides for
33 adjusted income taxation at the following bracket at the following
34 rate: over \$1,000,000 is adjusted from 8.97% to 10.75%. The bill
35 permanently imposes the tax rate at this \$1,000,000 income bracket
36 that was temporarily imposed during taxable year 2009.

37 The bill also dedicates the gross income tax revenue collected
38 from the "millionaires" tax increase for annual real property tax
39 relief to be provided directly to real property taxpayers. All income
40 tax revenue collected from the increase in the gross income tax rate
41 imposed on taxable income in excess of \$1,000,000 will be
42 deposited in a subaccount in the constitutionally established
43 Property Tax Relief Fund. All revenue derived annually from the
44 tax rate increase is pledged to be used annually for direct real
45 property taxpayer relief. This subaccount, to be known as the
46 Direct Taxpayer Property Tax Relief Fund, is the revenue and
47 budget account that will ensure that direct tax relief continues to be
48 funded from this source.