

ASSEMBLY, No. 10

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED SEPTEMBER 21, 2020

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman THOMAS P. GIBLIN

District 34 (Essex and Passaic)

Senator DAWN MARIE ADDIEGO

District 8 (Atlantic, Burlington and Camden)

Senator LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

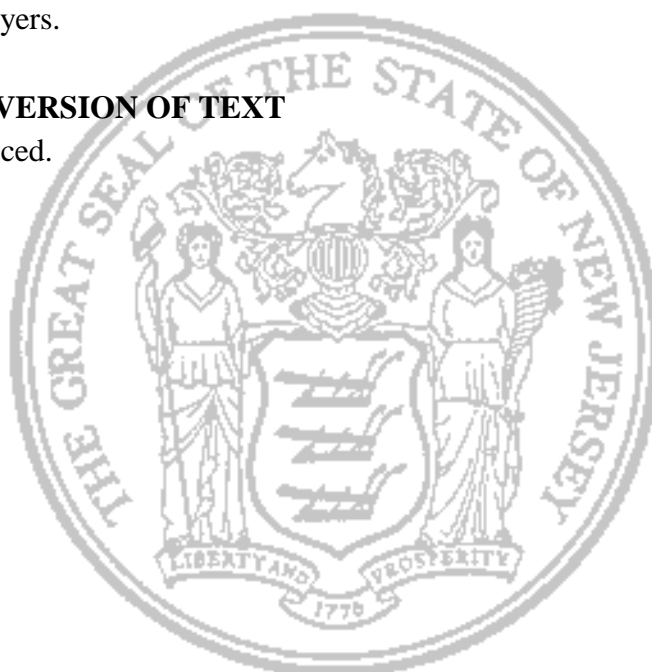
Senators Turner and Ruiz

SYNOPSIS

Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 9/24/2020)

1 AN ACT increasing the gross income tax rate on income between
2 \$1,000,000 and \$5,000,000 and providing a tax rebate, amending
3 N.J.S.54A:2-1 and P.L.1981, c.239 and supplementing Title 54A
4 of the New Jersey Statutes.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. N.J.S.54A:2-1 is amended to read as follows:

10 54A:2-1. Imposition of tax. There is hereby imposed a tax for
11 each taxable year (which shall be the same as the taxable year for
12 federal income tax purposes) on the New Jersey gross income as
13 herein defined of every individual, estate or trust (other than a
14 charitable trust or a trust forming part of a pension or profit-sharing
15 plan), subject to the deductions, limitations and modifications
16 hereinafter provided, determined in accordance with the following
17 tables with respect to taxpayers' taxable income:

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

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

23	24	25
	If the taxable income is:	The tax is:
26	Not over \$20,000.00.....	2% of taxable income
27		
28	Over \$20,000.00 but not	
29	over \$50,000.00.....	\$400.00 plus 2.5% of the
30		excess over \$20,000.00
31		
32	Over \$50,000.00 but not	
33	over \$70,000.00.....	\$1,150.00 plus 3.5% of the
34		excess over \$50,000.00
35		
36	Over \$70,000.00 but not	
37	over \$80,000.00.....	\$1,850.00 plus 5.0% of the
38		excess over \$70,000.00
39		
40	Over \$80,000.00 but not	
41	over \$150,000.00.....	\$2,350.00 plus 6.5% of the
42		excess over \$80,000.00
43		
44	Over \$150,000.00	\$6,900.00 plus 7.0% of the
45		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.

A10 COUGHLIN, GIBLIN

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

3	4	5
	If the taxable income is:	The tax is:
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	31
	If the taxable income is:	The tax is:
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

A10 COUGHLIN, GIBLIN

1	Over \$150,000.00	\$6,206.60 plus 6.580% of the
2		excess over \$150,000.00
3		
4	(4) for taxable years beginning on or after January 1, 1996 but	
5	before January 1, 2004:	
6		
7	If the taxable income is:	The tax is:
8		
9	Not over \$20,000.00.....	1.400% of taxable income
10		
11	Over \$20,000.00 but not	
12	over \$50,000.00.....	\$280.00 plus 1.750% of the
13		excess over \$20,000.00
14		
15	Over \$50,000.00 but not	
16	over \$70,000.00.....	\$805.00 plus 2.450% of the
17		excess over \$50,000.00
18		
19	Over \$70,000.00 but not	
20	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
21		excess over \$70,000.00
22		
23	Over \$80,000.00 but not	
24	over \$150,000.00.....	\$1,645.00 plus 5.525% of the
25		excess over \$80,000.00
26		
27	Over \$150,000.00	\$5,512.50 plus 6.370% of the
28		excess over \$150,000.00
29		
30	(5) for taxable years beginning on or after January 1, 2004 but	
31	before January 1, 2018:	
32		
33	If the taxable income is:	The tax is:
34		
35	Not over \$20,000.00.....	1.400% of taxable income
36		
37	Over \$20,000.00 but not	
38	over \$50,000.00.....	\$280.00 plus 1.750% of the
39		excess over \$20,000.00
40		
41	Over \$50,000.00 but not	
42	over \$70,000.00.....	\$805.00 plus 2.450% of the
43		excess over \$50,000.00
44		
45	Over \$70,000.00 but not	
46	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
47		excess over \$70,000.00

A10 COUGHLIN, GIBLIN

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		
5	Over \$150,000.00 but not	
6	over \$500,000.00.....	\$5,512.50 plus 6.370% of the
7		excess over \$150,000.00
8		
9	Over \$500,000.00	\$27,807.50 plus 8.970% of the
10		excess over \$500,000.00
11		
12	(6) for taxable years beginning on or after January 1, 2018, <u>but</u>	
13	<u>before January 1, 2020:</u>	
14		
15	If the taxable income is:	The tax is:
16		
17	Not over \$20,000.00.....	1.400% of taxable income
18		
19	Over \$20,000.00 but not	
20	over \$50,000.00.....	\$280.00 plus 1.750% of the
21		excess over \$20,000.00
22		
23	Over \$50,000.00 but not	
24	over \$70,000.00.....	\$805.00 plus 2.450% of the
25		excess over \$50,000.00
26		
27	Over \$70,000.00 but not	
28	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
29		excess over \$70,000.00
30		
31	Over \$80,000.00 but not	
32	over \$150,000.00.....	\$1,645.00 plus 5.525% of the
33		excess over \$80,000.00
34		
35	Over \$150,000.00 but not	
36	over \$500,000.00.....	\$5,512.50 plus 6.370% of the
37		excess over \$150,000.00
38		
39	Over \$500,000.00 but not	
40	over \$5,000,000.00..	\$27,807.50 plus 8.970% of the
41		excess over \$500,000.00 【.】
42		
43	Over \$5,000,000.00	\$431,457.50 plus 10.75% of the
44		excess over \$5,000,000.00 【.】
45		

46 (7) for taxable years beginning on or after January 1, 2020:

47

48 If the taxable income is: The tax is:

A10 COUGHLIN, GIBLIN

1	<u>Not over \$20,000.00.....</u>	<u>1.400% of taxable income</u>
2		
3	<u>Over \$20,000.00 but not</u>	
4	<u>over \$50,000.00....</u>	<u>\$280.00 plus 1.750% of the</u>
5		<u>excess over \$20,000.00</u>
6		
7	<u>Over \$50,000.00 but not</u>	
8	<u>over \$70,000.00....</u>	<u>\$805.00 plus 2.450% of the</u>
9		<u>excess over \$50,000.00</u>
10		
11	<u>Over \$70,000.00 but not</u>	
12	<u>over \$80,000.00...</u>	<u>\$1,295.50 plus 3.500% of the</u>
13		<u>excess over \$70,000.00</u>
14		
15	<u>Over \$80,000.00 but not</u>	
16	<u>over \$150,000.00..</u>	<u>\$1,645.00 plus 5.525% of the</u>
17		<u>excess over \$80,000.00</u>
18		
19	<u>Over \$150,000.00 but not</u>	
20	<u>over \$500,000.00..</u>	<u>\$5,512.50 plus 6.370% of the</u>
21		<u>excess over \$150,000.00</u>
22		
23	<u>Over \$500,000.00 but not</u>	
24	<u>over \$1,000,000.00..</u>	<u>\$27,807.50 plus 8.970% of the</u>
25		<u>excess over \$500,000.00</u>
26		
27	<u>Over \$1,000,000.00...</u>	<u>\$72,657.50 plus 10.750% of the</u>
28		<u>excess over \$1,000,000.00</u>

29 b. For married individuals filing separately, unmarried
30 individuals other than individuals filing as head of household or as a
31 surviving spouse for federal income tax purposes, and estates and
32 trusts:

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

35		
36	If the taxable income is:	The tax is:
37		
38	Not over \$20,000.00.....	2% of taxable income
39		
40	Over \$20,000.00 but not	
41	over \$35,000.00.....	\$400.00 plus 2.5% of the
42		excess over \$20,000.00
43		
44	Over \$35,000.00 but not	
45	over \$40,000.00.....	\$775.00 plus 5.0% of the
46		excess over \$35,000.00
47		
48	Over \$40,000.00 but not	

A10 COUGHLIN, GIBLIN

1	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
2		excess over \$40,000.00
3		
4	Over \$75,000.00	\$3,300.00 plus 7.0% of the
5		excess over \$75,000.00
6		
7	(2) for taxable years beginning on or after January 1, 1994 but	
8	before January 1, 1995:	
9		
10	If the taxable income is:	The tax is:
11		
12	Not over \$20,000.00.....	1.900% of taxable income
13		
14	Over \$20,000.00 but not	
15	over \$35,000.00.....	\$380.00 plus 2.375% of the
16		excess over \$20,000.00
17		
18	Over \$35,000.00 but not	
19	over \$40,000.00.....	\$736.25 plus 4.750% of the
20		excess over \$35,000.00
21		
22	Over \$40,000.00 but not	
23	over \$75,000.00.....	\$973.75 plus 6.175% of the
24		excess over \$40,000.00
25		
26	Over \$75,000.00	\$3,135.00 plus 6.650% of the
27		excess over \$75,000.00
28		
29	(3) for taxable years beginning on or after January 1, 1995 but	
30	before January 1, 1996:	
31		
32	If the taxable income is:	The tax is:
33		
34	Not over \$20,000.00.....	1.700% of taxable income
35		
36	Over \$20,000.00 but not	
37	over \$35,000.00.....	\$340.00 plus 2.125% of the
38		excess over \$20,000.00
39		
40	Over \$35,000.00 but not	
41	over \$40,000.00.....	\$658.75 plus 4.250% of the
42		excess over \$35,000.00
43		
44	Over \$40,000.00 but not	
45	over \$75,000.00.....	\$871.25 plus 6.013% of the
46		excess over \$40,000.00
47		
48	Over \$75,000.00	\$2,975.80 plus 6.580% of the

A10 COUGHLIN, GIBLIN

1		excess over \$500,000.00
2		
3	(6) for taxable years beginning on or after January 1, 2018, <u>but</u>	
4	<u>before January 1, 2020:</u>	
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 \$35,000.00.....	\$280.00 plus 1.750% of the
12		excess over \$20,000.00
13		
14	Over \$35,000.00 but not	
15	over \$40,000.00.....	\$542.50 plus 3.500% of the
16		excess over \$35,000.00
17		
18	Over \$40,000.00 but not	
19	over \$75,000.00.....	\$717.50 plus 5.525% of the
20		excess over \$40,000.00
21		
22	Over \$75,000.00 but not	
23	over \$500,000.00.....	\$2,651.25 plus 6.370% of the
24		excess over \$75,000.00
25		
26	Over \$500,000.00 but not	
27	over \$5,000,000.00...	\$29,723.75 plus 8.970% of the
28		excess over \$500,000.00
29		
30	Over \$5,000,000.00	\$433,373.75 plus 10.75% of the
31		excess over \$5,000,000.00
32		

33 (7) for taxable years beginning on or after January 1, 2020:

34		
35	<u>If the taxable income is:</u>	<u>The tax is:</u>
36		
37	<u>Not over \$20,000.00.....</u>	<u>1.400% of taxable income</u>
38		
39	<u>Over \$20,000.00 but not</u>	
40	<u>over \$35,000.00.....</u>	<u>\$280.00 plus 1.750% of the</u>
41		<u>excess over \$20,000.00</u>
42		
43	<u>Over \$35,000.00 but not</u>	
44	<u>over \$40,000.00.....</u>	<u>\$542.50 plus 3.500% of the</u>
45		<u>excess over \$35,000.00</u>
46		
47	<u>Over \$40,000.00 but not</u>	
48	<u>over \$75,000.00.....</u>	<u>\$717.50 plus 5.525% of the</u>

A10 COUGHLIN, GIBLIN

10

1		<u>excess over \$40,000.00</u>
2		
3	<u>Over \$75,000.00 but not</u>	
4	<u>over \$500,000.00...</u>	<u>\$2,651.25 plus 6.370% of the</u>
5		<u>excess over \$75,000.00</u>
6		
7	<u>Over \$500,000.00 but not</u>	
8	<u>over \$1,000,000.00..</u>	<u>\$29,723.75 plus 8.970% of the</u>
9		<u>excess over \$500,000.00</u>
10		
11	<u>Over \$1,000,000.00....</u>	<u>\$74,573.75 plus 10.750% of the</u>
12		<u>excess over \$1,000,000.00</u>

13 c. For the purposes of this section, an individual who would be
14 eligible to file as a head of household for federal income tax purposes
15 but for the fact that such taxpayer is a nonresident alien, shall
16 determine tax pursuant to subsection a. of this section.

17 d. For the purposes of this section, for taxable year 2018,
18 withholding by every employer from salaries, wages and other
19 remuneration paid by an employer for services rendered described in
20 subsections a. and b. of this section, in excess of \$5,000,000 during
21 that taxable year, shall be at the rate of 15.6% as soon as practicable
22 but no later than September 1, 2018. The Director of the Division of
23 Taxation is authorized to do all things necessary to implement the
24 withholding tax prescribed by this section for taxable year 2018.

25 e. No additions to tax or penalty shall be imposed under
26 N.J.S.54A:9-6 for insufficient payment of estimated tax that may
27 otherwise be due on salaries, wages and other remuneration received
28 before September 1, 2018, on which there is a rate of tax imposed
29 pursuant to subsections a. and b. of this section.

30 f. An employer maintaining an office or transacting business
31 within this State and making payment of any salaries, wages and
32 remuneration subject to New Jersey gross income tax or making
33 payment of any remuneration for employment subject to contribution
34 under the New Jersey "unemployment compensation law," pursuant
35 to R.S.43:21-1 et seq., that is subject to New Jersey gross income tax
36 shall not be subject to interest, penalties or other costs that may
37 otherwise be imposed for insufficient withholding of salaries, wages
38 and other remuneration made before September 1, 2018, that is
39 directly attributable to the enactment of the taxable income tables and
40 tax rates in subsections a. and b. of this section.

41 (cf: P.L.2018, c.45, s.10)

42

43 2. (New section) a. For taxable year 2020, withholding by an
44 employer from salaries, wages, and other remuneration paid by an
45 employer for services rendered over \$1,000,000, but not over
46 \$5,000,000, shall be at the rate of 21.3 percent as soon as practicable,
47 but not later than November 1, 2020. The director is authorized to

1 implement the withholding rate prescribed by this subsection for
2 taxable year 2020.

3 b. For taxable year 2020, no additions to tax or penalty shall be
4 imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for
5 underpayment of increased estimated tax on taxable income received
6 before November 1, 2020 for which the increased estimated tax due
7 is attributable to the rate imposed on gross income in excess of
8 \$1,000,000, but not in excess of \$5,000,000.

9 c. For taxable year 2020, no interest, penalties, or other costs shall
10 be imposed upon an employer maintaining an office or transacting
11 business within this State and making payment of any salaries,
12 wages, and remuneration subject to the “New Jersey Gross Income
13 Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any
14 remuneration for employment subject to contribution under the New
15 Jersey “unemployment compensation law,” pursuant to R.S.43:21-1
16 et seq., for insufficient withholding of salaries, wages, and other
17 remuneration paid before November 1, 2020 that is attributable to an
18 increase in the rate imposed on gross income in excess of \$1,000,000,
19 but not in excess of \$5,000,000.

20

21 3. (New section) a. Beginning with taxable year 2020, and
22 subject to appropriation by the Legislature, a qualified taxpayer shall
23 be eligible for a tax rebate based on the requirements set forth in this
24 section.

25 b. The rebate shall be the lesser of \$500 or an amount equal to
26 the amount of tax paid after credits for the taxable year pursuant to
27 the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. In
28 the case of a qualified taxpayer who is a part-year resident during the
29 taxable year, the amount of the rebate shall be pro-rated, based upon
30 the total number of months of the taxpayer’s residency during the
31 taxable year.

32 c. The director shall issue rebates to qualified taxpayers between
33 July 1 and July 31 of the subsequent taxable year, provided however,
34 in the case of a qualified taxpayer who is granted an extension of time
35 for filing a return, the director may issue the rebate between July 1
36 and December 31 of the subsequent taxable year.

37 d. The director is authorized to issue rules and regulations as
38 necessary to implement this section.

39 e. The director may recover rebates issued in error or as a result
40 of misrepresentation in the same manner as a deficiency with respect
41 to a payment of a State tax in accordance with the State Uniform Tax
42 Procedure Law, R.S.54:48-1 et seq.

43 f. Any rebate issued pursuant to this section shall not be
44 considered gross income for purposes of the New Jersey Gross
45 Income Tax Act.

46 g. As used in this section

47 “Qualified taxpayer” means an individual who has timely filed a
48 resident return, is a resident of this State during the taxable year, and

1 who had during the taxable year: (1) at least one qualifying child; (2)
2 gross income not exceeding \$150,000 for married individuals filing
3 a joint return and an individual filing as a head of household or as a
4 surviving spouse, or \$75,000 for married individuals filing separately
5 and an individual filing as a single taxpayer; and (3) a gross income
6 tax liability greater than zero.

7 "Qualifying child" means the same as defined in section 152 of
8 the Internal Revenue Code (26 U.S.C. s.152), where claimed as a
9 dependent on a resident return under the New Jersey Gross Income
10 Tax Act.

11

12 4. Section 1 of P.L.1981, c.239 (C.54A:9-8.1) is amended to
13 read as follows:

14 1. a. Whenever any taxpayer or resident shall be entitled to any
15 refund of taxes pursuant to the "New Jersey Gross Income Tax Act"
16 (N.J.S.54A:1-1 et seq.), including an earned income tax credit
17 provided as a refund pursuant to P.L.2000, c.80 (C.54A:4-6 et al.), or
18 whenever any individual is eligible to receive a rebate pursuant to
19 section 3 of P.L. , c. (C.) (pending before the Legislature as
20 this bill), or a homestead rebate or credit pursuant to P.L.1990, c.61
21 (C.54:4-8.57 et al.), P.L.1999, c.63 (C.54:4-8.58a et al.), P.L.2004,
22 c.40 or P.L.2007, c.62 (C.18A:7F-37 et al.), and if the rebate or credit
23 is not required to be paid over to the municipal tax collector under
24 the provisions of section 8 of P.L.1990, c.61 (C.54:4-8.64), and at the
25 same time the taxpayer or resident shall be indebted to any agency or
26 institution of State Government, to the Victims of Crime
27 Compensation Board for the portion of an assessment ordered
28 pursuant to section 2 of P.L.1979, c.396 (2C:43-3.1) for deposit in
29 the Victims of Crime Compensation Board Account or restitution
30 ordered to be paid to the board pursuant to N.J.S.2C:44-2 for deposit
31 in the Victims of Crime Compensation Board Account, or for child
32 support under Title IV-A, Title IV-D, or Title IV-E of the federal
33 Social Security Act (42 U.S.C. s.601 et seq.), or other indebtedness
34 in accordance with section 1 of P.L.1995, c.290 (C.2A:17-56.11b)
35 the Department of the Treasury shall apply or cause to be applied the
36 refund, homestead rebate or credit, or all, or so much of any or all as
37 shall be necessary, to satisfy the indebtedness. Child support
38 indebtedness shall take precedence over all other indebtedness. The
39 Department of the Treasury shall retain a percentage of the proceeds
40 of any collection setoff as shall be necessary to provide for any
41 expenses of the collection effort.

42 b. A State department or agency which is owed a debt shall
43 notify the Department of the Treasury of the existence of the debt and
44 shall request that the Department of the Treasury execute a setoff as
45 provided for in this section.

46 (cf: P.L.2007, c.62, s.38)

1 5. This act shall take effect immediately and sections 1 and 2
2 shall apply retroactively to taxable years beginning on and after
3 January 1, 2020.

4

5

6

STATEMENT

7

8 This bill increases the gross income tax rate applicable to
9 taxpayers with gross income exceeding \$1,000,000 in taxable years
10 beginning on or after January 1, 2020.

11 The gross income tax rate under current law is 8.97 percent for
12 income between \$1,000,000 and \$5,000,000, and 10.75 percent for
13 income over \$5,000,000. This bill applies the 10.75 percent rate to
14 gross income exceeding \$1,000,000.

15 The bill also provides to eligible gross income taxpayers a tax
16 rebate of either \$500 or, if the taxpayer paid less than that for the tax
17 year, the amount of actual tax paid. The rebate is subject to annual
18 appropriation by the Legislature.

19 To be eligible for the rebate the taxpayer must be a resident of the
20 State, have at least one dependent child, have a gross income tax
21 liability greater than zero, and have gross income not exceeding:

22 \$150,000 if (1) married and filing jointly, (2) filing as a head of
23 household, or (3) filing as a surviving spouse; or

24 \$75,000 if (1) married and filing separately, or (2) individuals
25 filing as a single taxpayer.

26 The director of the Division of Taxation will issue rebates to
27 eligible taxpayers between July 1 and July 31, or between July 1 and
28 the end of the year for taxpayers who were granted gross income tax
29 return extensions.