

ASSEMBLY, No. 224

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

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District 14 (Mercer and Middlesex)

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District 33 (Hudson)

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SYNOPSIS

Allows corporation business tax and gross income tax credits to businesses paying a salary differential to National Guard members or reservists on active duty.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 1/27/2020)

1 **AN ACT** allowing a credit against the corporation business tax and
 2 the New Jersey gross income tax to businesses employing
 3 National Guard members and reservists, supplementing
 4 P.L.1945, c.162 (C.54:10A-1 et seq.) and Title 54A of the New
 5 Jersey Statutes.

6
 7 **BE IT ENACTED** *by the Senate and General Assembly of the State*
 8 *of New Jersey:*
 9

10 1. a. A taxpayer shall be allowed a credit against the tax
 11 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in
 12 an amount equal to the salary and wages paid by the taxpayer to a
 13 qualified employee for the period while the qualified employee is
 14 on active duty during the privilege period, not to exceed the amount
 15 which, when added to the salary paid by the United States
 16 government for the period while the qualified employee is on active
 17 duty during the privileged period, equals the employee's regular
 18 salary or wages.

19 b. As used in this section:

20 "Qualified employee" means an employee, who is also a member
 21 of the National Guard or of a reserve component of the Armed
 22 Forces of the United States, receiving orders for mobilization to
 23 active duty service.

24 c. The amount of the credit applied under this section against
 25 the tax imposed pursuant to section 5 of P.L.1945, c.162, for a
 26 privilege period, when taken together with any other credits allowed
 27 against the tax imposed pursuant to section 5 of P.L.1945,
 28 c.162, shall not exceed 50% of the tax liability otherwise due and
 29 shall not reduce the tax liability to an amount less than the statutory
 30 minimum provided in subsection (e) of section 5 of P.L.1945,
 31 c.162. The priority in which credits allowed pursuant to this section
 32 and any other credits taken shall be as determined by the Director of
 33 the Division of Taxation. The amount of the credit otherwise
 34 allowable under this section which cannot be applied for the
 35 privilege period due to the limitations of this subsection or under
 36 other provisions of P.L.1945, c.162 may be carried over, if
 37 necessary, to the seven privilege periods following the privilege
 38 period for which the credit was allowed.

39
 40 2. a. A taxpayer shall be allowed a credit against the tax
 41 otherwise due for the taxable year under the "New Jersey Gross
 42 Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to the
 43 salary and wages paid by the taxpayer to a qualified employee for
 44 the period while the qualified employee is on active duty during the
 45 taxable year, not to exceed the amount which, when added to the
 46 salary paid by the United States government for the period while the
 47 qualified employee is on active duty during the taxable year, equals
 48 the employee's regular salary or wages.

1 b. As used in this section:

2 "Qualified employee" means an employee, who is also a member
3 of the National Guard or of a reserve component of the Armed
4 Forces of the United States, receiving orders for mobilization to
5 active duty service.

6 c. The amount of the credits applied under this section for a
7 taxable year, when taken together with any other credits allowed
8 against the tax imposed pursuant to N.J.S.54A:1-1 et seq., shall not
9 exceed 50% of that amount of the taxpayer's liability for tax for the
10 taxable year that bears the same proportional relationship to the
11 total amount of such liability as the amount of the taxpayer's gross
12 income, derived from New Jersey sources and attributable to the
13 business or professional activity in which the taxpayer employs the
14 qualified employee during that taxable year, bears to the taxpayer's
15 entire gross income for that year. Credits allowed pursuant to this
16 section shall be taken only after the taxpayer has taken all credits
17 allowed under section 2 of P.L.2000, c.80 (C.54A:4-7). The
18 amount of the credit otherwise allowable under this section which
19 cannot be applied for the taxable year due to the limitations of this
20 subsection may be carried over, if necessary to the seven taxable
21 years following the taxable year for which the credit was allowed.

22 d. A partnership shall not be allowed a credit under this section
23 directly, but the amount of credit of a taxpayer in respect of a
24 distributive share of partnership income under the "New Jersey
25 Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined
26 by allocating to the taxpayer that proportion of the credit acquired
27 by the partnership that is equal to the taxpayer's share, whether or
28 not distributed, of the total distributive income or gain of the
29 partnership for its taxable year ending within or with the taxpayer's
30 taxable year.

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32 3. This act shall take effect immediately, and section 1 shall
33 apply to privilege periods beginning after enactment and section 2
34 shall apply to taxable years beginning after enactment.

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STATEMENT

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39 This bill provides for corporation business tax and gross income
40 tax credits to businesses that have employees who are also members
41 of the National Guard or a reserve component of the Armed Forces
42 of the United States and receive mobilization orders for active duty
43 service.

44 The amount of credit shall be equal to the amount of salary paid
45 by the business that makes up the difference between the
46 employee's regular pay and the employee's military pay.