ASSEMBLY, No. 463

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
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SYNOPSIS

Provides corporation business tax and gross income tax credits for employing immediate family members of members of the Armed Forces of the United States who were killed in action.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT establishing corporation business tax and gross income tax credits for employing immediate family members of members of the Armed Forces of the United States who were killed in action, supplementing P.L.1945, c.162 (C.54:10A-1 et seq.) and Title 54A of the New Jersey Statutes.

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

1. a. A taxpayer shall be allowed a credit against the corporation business tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to the value of ten percent of the qualified wages paid for the privilege period to immediate family members of members of the Armed Forces of the United States who were killed in action. For each privilege period, a taxpayer's credit allowed pursuant to this section shall not exceed $1,200 for each immediate family member.

b. (1) The order of priority of the application of the credit allowed pursuant to this section and any other credits allowed against the corporation business tax for a privilege period shall be as prescribed by the director.

(2) Credit allowed pursuant to this section in excess of a taxpayer's corporation business tax liability for a privilege period shall not be allowed as a refund of overpayment of tax. Unused credit resulting from this limitation may be carried forward, to the earliest available use within the 20 privilege periods immediately following the privilege period for which the credit is allowed.

(3) A taxpayer shall not be granted a credit pursuant to this section for the qualified wages if the wages or associated employees are included in the calculation of another State tax credit or grant for a period of time that coincides with the applicable privilege period.

(4) If the qualified wages allowed in the calculation of a credit for a privilege period subsequently become disqualified wages due to insufficient duration of employment or another matter of noncompliance with this section, the director may recapture the credit in a subsequent privilege period as an adjustment to the taxpayer's corporation business tax liability.

c. As used in this section:

"Immediate family member" means a service member's spouse, child, or parent.

"Members of the Armed Forces of the United States who were killed in action" mean individuals dying in, or as a result of, active duty in the Armed Forces of the United States or Reserve Component thereof including the National Guard.

"New and sustained employment" means the full-time employment of an individual, not previously employed by the

taxpayer, for a period of time of no less than nine full and consecutive calendar months in the State.

"Qualified wages" mean any salaries, wages, and remuneration subject to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., paid in the course of new and sustained employment to an immediately family member of a Member of the Armed Forces who was killed in action.

2. a. A taxpayer shall be allowed a credit against the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to the value of ten percent of the qualified wages paid for the taxable year to immediate family members of members of the Armed Forces of the United States who were killed in action. For each taxable year, a taxpayer's credit allowed pursuant to this section shall not exceed $1,200 for each immediate family member.

b. (1) The order of priority of the application of the credit allowed pursuant to this section and any other credits allowed against the gross income tax for a taxable year shall be as prescribed by the director.

(2) Credit allowed pursuant to this section in excess of a taxpayer's gross income tax liability for a taxable year shall not be allowed as a refund of overpayment of tax. Unused credit resulting from this limitation may be carried forward, to the earliest available use within the 20 taxable years immediately following the taxable year for which the credit is allowed.

(3) A taxpayer shall not be granted a credit pursuant to this section for the qualified wages if the wages or associated employees are included in the calculation of another State tax credit or grant for a period of time that coincides with the applicable taxable year.

(4) If the qualified wages allowed in the calculation of a credit for a taxable year subsequently become disqualified wages due to insufficient duration of employment or another matter of noncompliance with this section, the director may recapture the credit in a subsequent taxable year as an adjustment to the taxpayer's gross income tax liability.

c. (1) A business entity that is treated as a partnership for federal income tax purposes shall not be allowed a credit directly under the gross income tax, but a taxpayer partner shall be allowed the amount of the partnership's credit associated with the qualified wages allocated to the taxpayer as partnership expenses.

(2) A New Jersey S corporation shall not be allowed a credit directly under the gross income tax, but a taxpayer shareholder shall be allowed the amount of a New Jersey S corporation's credit associated with the qualified wages allocated to the taxpayer as New Jersey S corporation expenses.

d. As used in this section:

"Immediate family member" means a service member's spouse, child, or parent.

"Members of the Armed Forces of the United States who were killed in action" mean individuals dying in, or as a result of, active duty in the Armed Forces of the United States or Reserve Component thereof including the National Guard.

"New and sustained employment" means the full-time employment of an individual, not previously employed by the taxpayer, for a period of time of no less than nine full and consecutive calendar months in the State.

"Qualified wages" mean any salaries, wages, and remuneration subject to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., paid in the course of new and sustained employment to an immediately family member of a Member of the Armed Forces who was killed in action.

3. This act shall take effect immediately and apply to privilege periods and taxable years beginning on or after the January 1 first following the date of enactment.

STATEMENT

This bill provides corporation business tax and gross income tax credits for employing immediate family members of members of the Armed Forces of the United States who were killed in action.

The two credits established by this bill provide an employer with a credit in the amount of ten percent of the wages paid to an immediate family member of a member of the Armed Forces of the United States who was killed in action. The credits may not exceed $1,200 per family member per tax year. For the employer to be eligible to receive the credit, the family member must be a new employee and be employed in the State full-time for no less than nine full and consecutive calendar months.

The credit is nonrefundable, but may be carried forward for up to 20 tax years. The bill prohibits taxpayers from simultaneously using family members to qualify for the bill's credit and any other generally available employment incentive that comes in the form of a State tax credit or grant. The bill also empowers the Director of the Division of Taxation to recapture credit due to noncompliance.

The bill schedules the credits to become available for tax years beginning on or after the January 1 first following the date of enactment.