

ASSEMBLY, No. 841

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

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SYNOPSIS

Increases benefit amounts under New Jersey earned income tax credit program from 40 percent to 50 percent.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 2/22/2021)

1 **AN ACT** increasing benefit amounts under the New Jersey earned
2 income tax credit program, amending P.L.2000, c.80.

3

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

6

7 1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
8 as follows:

9 2. There is established the New Jersey Earned Income Tax
10 Credit program in the Division of Taxation in the Department of the
11 Treasury.

12 a. (1) A resident individual who is eligible for a credit under
13 section 32 of the federal Internal Revenue Code of
14 1986 (26 U.S.C. s.32) shall be allowed a credit for the taxable year
15 equal to a percentage, as provided in paragraph (2) of this
16 subsection, of the federal earned income tax credit that would be
17 allowed to the individual or the married individuals filing a joint
18 return under section 32 of the federal Internal Revenue Code of
19 1986 (26 U.S.C. s.32) for the same taxable year for which a credit is
20 claimed pursuant to this section, subject to the restrictions of this
21 subsection and subsections b., c., d. and e. of this section.

22 (2) For the purposes of the calculation of the New Jersey earned
23 income tax credit, the percentage of the federal earned income tax
24 credit referred to in paragraph (1) of this subsection shall be:

25 (a) 10% for the taxable year beginning on or after January 1,
26 2000, but before January 1, 2001;

27 (b) 15% for the taxable year beginning on or after January 1,
28 2001, but before January 1, 2002;

29 (c) 17.5% for the taxable year beginning on or after January 1,
30 2002, but before January 1, 2003;

31 (d) 20% for taxable years beginning on or after January 1, 2003,
32 but before January 1, 2008;

33 (e) 22.5% for taxable years beginning on or after January 1,
34 2008 but before January 1, 2009;

35 (f) 25% for taxable years beginning on or after January 1, 2009
36 but before January 1, 2010;

37 (g) 20% for taxable years beginning on or after January 1, 2010,
38 but before January 1, 2015;

39 (h) 30% for taxable years beginning on or after January 1, 2015,
40 but before January 1, 2016;

41 (i) 35% for taxable years beginning on or after January 1, 2016,
42 but before January 1, 2018;

43 (j) 37% for the taxable year beginning on or after January 1,
44 2018, but before January 1, 2019;

45 (k) 39% for the taxable year beginning on or after January 1,
46 2019, but before January 1, 2020; **[and]**

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.

(l) 40% for taxable years beginning on or after January 1, 2020,
but before January 1, 2021;

(m) 45% for taxable years beginning on or after January 1, 2021,
but before January 1, 2022; and

(n) 50% for taxable years beginning on or after January 1, 2022.

(3) To qualify for the New Jersey earned income tax credit, if the claimant is married, except for a claimant who files as a head of household or surviving spouse for federal income tax purposes for the taxable year, the claimant shall file a joint return or claim for the credit.

b. In the case of a part-year resident claimant, the amount of the credit allowed pursuant to this section shall be pro-rated, based upon that proportion which the total number of months of the claimant's residency in the taxable year bears to 12 in that period. For this purpose, 15 days or more shall constitute a month.

c. The amount of the credit allowed pursuant to this section shall be applied against the tax otherwise due under N.J.S.54A:1-1 et seq., after all other credits and payments. If the credit exceeds the amount of tax otherwise due, that amount of excess shall be an overpayment for the purposes of N.J.S.54A:9-7; provided however, that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit provided under this section as a credit against the tax otherwise due and the amount of the credit treated as an overpayment shall be treated as a credit towards or overpayment of gross income tax, subject to all provisions of N.J.S.54A:1-1 et seq., except as may be otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

d. The Director of the Division of Taxation in the Department of the Treasury shall establish a program for the distribution of earned income tax credits pursuant to the provisions of this section.

e. Any earned income tax credit pursuant to this section shall not be taken into account as income or receipts for purposes of determining the eligibility of an individual for benefits or assistance or the amount or extent of benefits or assistance under any State program and, to the extent permitted by federal law, under any State program financed in whole or in part with federal funds.

(cf: P.L.2018, c.45, s.4)

2. This act shall take effect immediately.

STATEMENT

This bill increases the benefit amounts under the New Jersey earned income tax credit program. Currently, the program provides a tax credit equal to 40 percent of the federal earned income tax credit. The bill increases this amount from 40 percent to 45 percent on January 1, 2021, and then further increases the amount to 50 percent on January 1, 2022.