

ASSEMBLY, No. 1156

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

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SYNOPSIS

Provides gross income tax credits for certain employers for certain costs arising from increase in minimum wage.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** providing credits against gross income tax for certain
2 employers for certain costs arising from the increase in the
3 minimum wage and supplementing Title 54A of the New Jersey
4 Statutes.

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

8
9 1. a. A taxpayer that is a new employer shall be allowed a
10 credit against the New Jersey gross income tax due pursuant to
11 N.J.S.54A:1-1 et seq. for the taxable year, in an amount equal to the
12 sum of the qualified costs associated with the increase in the
13 minimum wage, for each employee employed by the taxpayer on
14 the last day of the taxable year.

15 b. A taxpayer shall apply for the credit provided pursuant to
16 this section, in a form and manner to be determined by the director,
17 and shall supply the information deemed by the director to be
18 necessary to determine the eligibility of the taxpayer for the credit.

19 c. The order of priority of the application of the credit allowed
20 pursuant to this section and any other credits allowed against the
21 New Jersey gross income tax due pursuant to N.J.S.54A:1-1 et seq.
22 in a taxable year shall be as prescribed by the director.

23 The amount of the credit applied against the New Jersey gross
24 income tax due pursuant to N.J.S.54A:1-1 et seq. for the taxable
25 year shall not reduce a taxpayer's New Jersey gross income tax
26 liability to an amount less than zero.

27 d. A business entity that is classified as a partnership for
28 federal income tax purposes shall not be allowed a credit directly,
29 but the amount of credit of a taxpayer in respect of a distributive
30 share of entity income, shall be determined by allocating to the
31 taxpayer that proportion of the credit acquired by the entity that is
32 equal to the taxpayer's share, whether or not distributed, of the total
33 distributive income or gain of the entity for its taxable year ending
34 within or with the taxpayer's taxable year.

35 A New Jersey S Corporation shall not be allowed a credit
36 directly under the gross income tax, but the amount of credit of a
37 taxpayer in respect of a pro rata share of S Corporation income,
38 shall be determined by allocating to the taxpayer that proportion of
39 the credit acquired by the New Jersey S Corporation that is equal to
40 the taxpayer's share, whether or not distributed, of the total pro rata
41 share of S Corporation income of the New Jersey S Corporation for
42 its privilege period ending within or with the taxpayer's taxable
43 year.

44 e. As used in this section:

45 "New employer" means a taxpayer that employs ten or fewer
46 employees in this State and that has been in operation in the State
47 for one year or less.

1 “Qualified costs associated with the increase in the minimum
2 wage” means: (a) the difference in the minimum hourly wage rate,
3 including any adjustments required by law, required to be paid
4 pursuant to the provisions of P.L.1966, c.113 (C.34:11-56a4) as of
5 February 3, 2019, and that required to be paid pursuant to the
6 provisions of P.L.2019, c.32; multiplied by (b) the number of hours
7 worked by the employee during the taxable year.

8
9 2. a. A taxpayer that employs 10 or fewer employees in the
10 State during the taxable year and that offers health insurance on the
11 basis of that employment shall be allowed a credit against the New
12 Jersey gross income tax due pursuant to N.J.S.54A:1-1 et seq. for
13 the taxable year, in an amount equal to the sum of the qualified
14 costs associated with the increase in the minimum wage, for each
15 employee employed by the taxpayer on the last day of the taxable
16 year.

17 b. A taxpayer shall apply for a credit provided pursuant to this
18 section, in a form and manner to be determined by the director, and
19 shall supply the information deemed by the director to be necessary
20 to determine the eligibility of the taxpayer for the credit.

21 c. The order of priority of the application of the credit allowed
22 pursuant to this section and any other credits allowed against the
23 New Jersey gross income tax due pursuant to N.J.S.54A:1-1 et seq.
24 in a taxable year shall be as prescribed by the director.

25 The amount of the credit applied against the New Jersey gross
26 income tax due pursuant to N.J.S.54A:1-1 et seq. for the taxable
27 year shall not reduce a taxpayer’s New Jersey gross income tax
28 liability to an amount less than zero.

29 d. A business entity that is classified as a partnership for
30 federal income tax purposes shall not be allowed a credit directly,
31 but the amount of credit of a taxpayer in respect of a distributive
32 share of entity income, shall be determined by allocating to the
33 taxpayer that proportion of the credit acquired by the entity that is
34 equal to the taxpayer’s share, whether or not distributed, of the total
35 distributive income or gain of the entity for its taxable year ending
36 within or with the taxpayer’s taxable year.

37 A New Jersey S Corporation shall not be allowed a credit
38 directly under the gross income tax, but the amount of credit of a
39 taxpayer in respect of a pro rata share of S Corporation income,
40 shall be determined by allocating to the taxpayer that proportion of
41 the credit acquired by the New Jersey S Corporation that is equal to
42 the taxpayer’s share, whether or not distributed, of the total pro rata
43 share of S Corporation income of the New Jersey S Corporation for
44 its privilege period ending within or with the taxpayer’s taxable
45 year.

46 e. As used in this section:

47 “Qualified costs associated with the increase in the minimum
48 wage” means: (a) the difference in the minimum hourly wage rate,

1 including any adjustments required by law, required to be paid
2 pursuant to the provisions of P.L.1966, c.113 (C.34:11-56a4) as of
3 February 3, 2019, and that required to be paid pursuant to the
4 provisions of P.L.2019, c.32; multiplied by (b) the number of hours
5 worked by the employee during the taxable year.

6
7 3. a. A taxpayer that employs three or fewer employees in this
8 State on the first day of the taxable year shall be allowed a credit
9 against the New Jersey gross income tax due pursuant to
10 N.J.S.54A:1-1 et seq. for the taxable year in an amount equal to the
11 sum of the qualified minimum wage expenses for each newly hired
12 employee, not to exceed nine newly hired employees by the
13 taxpayer during the taxable year.

14 b. A taxpayer shall apply for the credit provided pursuant to
15 this section, in a form and manner to be determined by the director,
16 and shall supply the information deemed by the director to be
17 necessary to determine the eligibility of the taxpayer for the credit.

18 c. The order of priority of the application of the credit allowed
19 pursuant to this section and any other credits allowed against the
20 New Jersey gross income tax due pursuant to N.J.S.54A:1-1 et seq.
21 in a taxable year shall be as prescribed by the director.

22 The amount of the credit applied against the New Jersey gross
23 income tax due pursuant to N.J.S.54A:1-1 et seq. for the taxable
24 year shall not reduce a taxpayer's New Jersey gross income tax
25 liability to an amount less than zero.

26 d. A business entity that is classified as a partnership for
27 federal income tax purposes shall not be allowed a credit directly,
28 but the amount of credit of a taxpayer in respect of a distributive
29 share of entity income, shall be determined by allocating to the
30 taxpayer that proportion of the credit acquired by the entity that is
31 equal to the taxpayer's share, whether or not distributed, of the total
32 distributive income or gain of the entity for its taxable year ending
33 within or with the taxpayer's taxable year.

34 A New Jersey S Corporation shall not be allowed a credit
35 directly under the gross income tax, but the amount of credit of a
36 taxpayer in respect of a pro rata share of S Corporation income,
37 shall be determined by allocating to the taxpayer that proportion of
38 the credit acquired by the New Jersey S Corporation that is equal to
39 the taxpayer's share, whether or not distributed, of the total pro rata
40 share of S Corporation income of the New Jersey S Corporation for
41 its privilege period ending within or with the taxpayer's taxable
42 year.

43 e. As used in this section:

44 "Newly hired employee" means an individual, not previously
45 employed by the taxpayer, who is hired by the taxpayer during the
46 taxable year and is employed by the taxpayer as of the last day of
47 the taxable year.

1 “Qualified minimum wage expenses” means: (a) the difference
2 in the minimum hourly wage rate, including any adjustments
3 required by law, required to be paid to an employee pursuant to the
4 provisions of P.L.1966, c.113 (C.34:11-56a4) as of February 3,
5 2019, and that required to be paid to the employee pursuant to the
6 provisions of P.L.2019, c.32; multiplied by (b) the number of hours
7 worked by a newly hired employee of the taxpayer during the
8 taxable year.

9
10 4. A taxpayer shall be allowed to claim only one of the credits
11 provided pursuant to P.L. , c. (C.) (pending before the
12 Legislature as this bill) for a taxable year.

13
14 5. This act shall take effect immediately and apply to taxable
15 years commencing on or after the January 1 next following
16 enactment.

17
18
19 STATEMENT

20
21 This bill provides three separate gross income tax credits to
22 assist certain small employers with certain costs arising from the
23 increase in the hourly minimum wage rate required to be paid
24 pursuant to recently enacted law.

25 The bill provides a gross income tax credit for a new employer in
26 an amount of the sum of the qualified costs associated with the
27 increase in the minimum wage, for each employee employed by the
28 taxpayer on the last day of the taxable year. The bill defines “new
29 employer” as a taxpayer that employs ten or fewer employees in
30 this State and that has been in operation in the State for one year or
31 less. “Qualified costs associated with the increase in the minimum
32 wage” is defined as: (a) the difference in the minimum hourly wage
33 rate, including any adjustments required by law, required to be paid
34 pursuant to the provisions of the State minimum wage law as of
35 February 3, 2019, and that required to be paid pursuant to the
36 provisions of the minimum wage law as amended by P.L.2019,
37 c.32; multiplied by (b) the number of hours worked by the
38 employee during the taxable year.

39 The bill also provides a gross income tax credit to an employer
40 that employs 10 or fewer employees in the State during the taxable
41 year and that offers health insurance on the basis of that
42 employment. The amount of the credit would be equal to sum of
43 the qualified costs associated with the increase in the minimum
44 wage, for each employee employed by the taxpayer on the last day
45 of the taxable year. The bill defines “qualified costs associated
46 with the increase in the minimum wage” for the purposes of this
47 credit as it does for the new employer credit.

1 Lastly, the bill provides a gross income tax credit for a taxpayer
2 that employs three or fewer employees in this State during the
3 taxable year. The credit would be in an amount equal to the sum of
4 the qualified minimum wage expenses for a newly hired employee,
5 not to exceed nine newly hired employees by the taxpayer during
6 the taxable year. The bill defines “qualified minimum wage
7 expenses” as: (a) the difference in the minimum hourly wage rate,
8 including any adjustments required by law, required to be paid to
9 the employee pursuant to the provisions of the State minimum wage
10 law as of February 3, 2019, and that required to be paid to the
11 employee pursuant to the provisions of the State minimum wage
12 law as amended by P.L.2019, c.32; multiplied by (b) the number of
13 hours worked by a newly hired employee during the taxable year.
14 “Newly hired employee” is defined as an individual, not previously
15 employed by the taxpayer, who is hired by the taxpayer during the
16 taxable year and is employed by the taxpayer as of the last day of
17 the taxable year.

18 The bill requires that a taxpayer apply for any of the credits, in a
19 form and manner to be determined by the Director of the Division
20 of Taxation, and supply the information deemed by the director to
21 be necessary to determine the eligibility of the taxpayer for the
22 credit. The credits are nonrefundable, and a taxpayer would be
23 allowed to claim only one of the credits provided by the bill for a
24 taxable year.

25 The bill would take effect immediately upon enactment and
26 apply to taxable years commencing on or after the January 1 next
27 following enactment.