

ASSEMBLY, No. 1633

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

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SYNOPSIS

Allows gross income tax credit for portion of certain child care expenses.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** allowing a gross income tax credit for a portion of certain
2 child care expenses, supplementing Title 54A of New Jersey
3 Statutes.

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

7
8 1. a. A taxpayer shall be allowed a credit against the tax
9 otherwise due for the taxable year under the “New Jersey Gross
10 Income Tax Act,” N.J.S.54A:1-1 et seq., for the taxpayer’s costs of
11 care for each child enrolled at a child care center licensed pursuant
12 to the “Child Care Center Licensing Act,” P.L.1983, c.492
13 (C.30:5B-1 et seq.).

14 b. The amount of the credit shall be equal to:

15 15 percent of the amount the taxpayer paid during the taxable
16 year to the child care center for the care of each taxpayer’s child
17 less than six years of age, if that child care center had a Grow NJ
18 Kids rating of three stars during the taxable year;

19 17.5 percent of the amount the taxpayer paid during the taxable
20 year to the child care center for the care of each taxpayer’s child
21 less than six years of age, if that child care center had a Grow NJ
22 Kids rating of four stars during the taxable year; and

23 20 percent of the amount the taxpayer paid during the taxable
24 year to the child care center for the care of each taxpayer’s child
25 less than six years of age, if that child care center had a Grow NJ
26 Kids rating of five stars during the taxable year.

27 If a child care center had more than one rating during the taxable
28 year, the higher rating shall be used when calculating the credit
29 allowed.

30 c. For purposes of this credit, a child shall be considered less
31 than six years of age in any tax year in which the child is less than
32 six years of age at any point during the taxable year.

33 d. (1) For a taxpayer who has gross income for the taxable year
34 of less than \$25,000: if the amount of credit allowed pursuant to
35 this section for the taxable year, together with any other payments
36 or credits against the tax, reduces the tax liability otherwise due for
37 the taxable year to zero, any amount of credit remaining shall be
38 paid to the taxpayer as a refund of an overpayment of tax pursuant
39 to N.J.S.54A:9-7; provided, however, that subsection (f) of that
40 section, concerning the allowance of interest, shall not apply.

41 (2) For a taxpayer who has gross income for the taxable year of
42 \$25,000 or more: if the amount of credit allowed pursuant to this
43 section for the taxable year, together with any other payments or
44 credits against the tax, reduces the tax liability otherwise due for the
45 taxable year to zero, any amount of credit remaining shall be carried
46 forward to the next taxable year. No portion of a credit shall carry
47 forward to more than the next taxable year following the year in
48 which the credit is first allowed.

1 e. The order of priority of the application of the credit allowed
2 pursuant to this section and any other credits allowed against the
3 gross income tax for the taxable year shall be as prescribed by the
4 Director of the Division of Taxation in the Department of the
5 Treasury.

6 f. If a taxpayer is eligible for a credit pursuant to this section
7 and eligible for a credit pursuant to section 5 of P.L.2018, c.45
8 (C.54A:4-17) in the same taxable year, the taxpayer shall be
9 allowed either credit, but not both.

10

11 2. This act shall take effect immediately and apply to taxable
12 years beginning January 1 next following enactment.

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15 STATEMENT

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17 This bill allows taxpayers a gross income tax credit for a portion
18 of child care expenses of children enrolled at a licensed child care
19 center.

20 The credit amount varies depending on the Grow NJ Kids rating
21 of the child care center. If the center has a three star rating, the
22 credit allowed is equal to 15 percent of expenses paid to the center;
23 if the center has a four star rating, the credit allowed is equal to 17.5
24 percent of expenses; if the center has a five star rating, the credit
25 allowed is equal to 20 percent of expenses. Grow NJ Kids is a
26 State-sponsored initiative that provides a rating and improvement
27 system designed to assess child care and education programs.

28 A taxpayer may claim a credit for each child less than six years
29 old that is enrolled at a licensed child care center. The child is
30 considered less than six years old if the child is less than six years
31 old at any point during the calendar year.

32 For taxpayers with less than \$25,000 of gross income, the credit
33 is refundable. Effectively, if the taxpayer has no tax liability to use
34 the whole or part of the credit against, the taxpayer would receive
35 the remaining credit amount from the State in cash. For taxpayers
36 with higher income, any remaining credit may be carried forward to
37 the next taxable year, but may not be carried forward beyond that.

38 The credit allowed by this bill cannot be claimed in the same
39 year as New Jersey's child and dependent care credit. That credit,
40 first allowed for taxable year 2018, is equal to a percentage of the
41 federal income tax credit that the taxpayer is allowed for child and
42 dependent care.