

ASSEMBLY, No. 2203

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Assemblywoman MILA M. JASEY

District 27 (Essex and Morris)

Assemblywoman BRITNEE N. TIMBERLAKE

District 34 (Essex and Passaic)

SYNOPSIS

Increases gross income tax rate on income exceeding \$1,000,000 and dedicates revenue from tax rate increase for direct real property tax relief for taxpayers.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 9/17/2020)

1 **AN ACT** increasing the gross income tax rate on income exceeding
2 \$1,000,000 and dedicating revenue from the tax rate increase for
3 direct real property tax relief for taxpayers, amending
4 N.J.S.54A:2-1 and N.J.S.54A:9-25 and supplementing Title 54A
5 of the New Jersey Statutes.

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

10 1. N.J.S.54A:2-1 is amended to read as follows:
11 54A:2-1. Imposition of tax. There is hereby imposed a tax for
12 each taxable year (which shall be the same as the taxable year for
13 federal income tax purposes) on the New Jersey gross income as
14 herein defined of every individual, estate or trust (other than a
15 charitable trust or a trust forming part of a pension or profit-sharing
16 plan), subject to the deductions, limitations and modifications
17 hereinafter provided, determined in accordance with the following
18 tables with respect to taxpayers' taxable income:

19 a. For married individuals filing a joint return and individuals
20 filing as head of household or as surviving spouse for federal
21 income tax purposes:

22 (1) for taxable years beginning on or after January 1, 1991 but
23 before January 1, 1994:

24		
25	If the taxable income is:	The tax is:
26		
27	Not over \$20,000.00.....	2% of taxable income
28		
29	Over \$20,000.00 but not	
30	over \$50,000.00.....	\$400.00 plus 2.5% of the
31		excess over \$20,000.00
32	Over \$50,000.00 but not	
33	over \$70,000.00.....	\$1,150.00 plus 3.5% of the
34		excess over \$50,000.00
35		
36	Over \$70,000.00 but not	
37	over \$80,000.00.....	\$1,850.00 plus 5.0% of the
38		excess over \$70,000.00
39		
40	Over \$80,000.00 but not	
41	over \$150,000.00.....	\$2,350.00 plus 6.5% of the
42		excess over \$80,000.00
43		
44	Over \$150,000.00.....	\$6,900.00 plus 7.0% of the
45		excess over \$150,000.00

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.

1	(2) for taxable years beginning on or after January 1, 1994 but
2	before January 1, 1995:
3	
4	If the taxable income is: The tax is:
5	
6	Not over \$20,000.00..... 1.900% of taxable income
7	
8	Over \$20,000.00 but not
9	over \$50,000.00..... \$380.00 plus 2.375% of the
10	excess over \$20,000.00
11	
12	Over \$50,000.00 but not
13	over \$70,000.00..... \$1,092.50 plus 3.325% of the
14	excess over \$50,000.00
15	
16	Over \$70,000.00 but not
17	over \$80,000.00..... \$1,757.50 plus 4.750% of the
18	excess over \$70,000.00
19	
20	Over \$80,000.00 but not
21	over \$150,000.00..... \$2,232.50 plus 6.175% of the
22	excess over \$80,000.00
23	
24	Over \$150,000.00 \$6,555.00 plus 6.650% of the
25	excess over \$150,000.00
26	
27	(3) for taxable years beginning on or after January 1, 1995 but
28	before January 1, 1996:
29	
30	If the taxable income is: The tax is:
31	
32	Not over \$20,000.00..... 1.700% of taxable income
33	
34	Over \$20,000.00 but not
35	over \$50,000.00..... \$340.00 plus 2.125% of the
36	excess over \$20,000.00
37	
38	Over \$50,000.00 but not
39	over \$70,000.00..... \$977.50 plus 2.975% of the
40	excess over \$50,000.00
41	
42	Over \$70,000.00 but not
43	over \$80,000.00..... \$1,572.50 plus 4.250% of the
44	excess over \$70,000.00
45	
46	Over \$80,000.00 but not
47	over \$150,000.00..... \$1,997.50 plus 6.013% of the
48	excess over \$80,000.00

1	Over \$150,000.00	\$6,206.60 plus 6.580% of the
2		excess over \$150,000.00
3		
4	(4) for taxable years beginning on or after January 1, 1996 but	
5	before January 1, 2004:	
6		
7	If the taxable income is:	The tax is:
8		
9	Not over \$20,000.00.....	1.400% of taxable income
10		
11	Over \$20,000.00 but not	
12	over \$50,000.00.....	\$280.00 plus 1.750% of the
13		excess over \$20,000.00
14		
15	Over \$50,000.00 but not	
16	over \$70,000.00.....	\$805.00 plus 2.450% of the
17		excess over \$50,000.00
18		
19	Over \$70,000.00 but not	
20	over \$80,000.00.....	\$1,295.50 plus 3.500% of the
21		excess over \$70,000.00
22		
23	Over \$80,000.00 but not	
24	over \$150,000.00.....	\$1,645.00 plus 5.525% of the
25		excess over \$80,000.00
26		
27	Over \$150,000.00	\$5,512.50 plus 6.370% of the
28		excess over \$150,000.00
29		
30	(5) for taxable years beginning on or after January 1, 2004 <u>but</u>	
31	<u>before January 1, 2018 (except as provided in section 1 of P.L.2009,</u>	
32	<u>c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,</u>	
33	<u>2009 but before January 1, 2010):</u>	
34		
35	If the taxable income is:	The tax is:
36		
37	Not over \$20,000.00	1.400% of taxable income
38		
39	Over \$20,000.00 but not	
40	over \$50,000.00	\$280.00 plus 1.750% of the
41		excess over \$20,000.00
42		
43	Over \$50,000.00 but not	
44	over \$70,000.00	\$805.00 plus 2.450% of the
45		excess over \$50,000.00
46		
47	Over \$70,000.00 but not	
48	over \$80,000.00	\$1,295.50 plus 3.500% of the

1		excess over \$70,000.00
2	Over \$80,000.00 but not	
3	over \$150,000.00	\$1,645.00 plus 5.525% of the
4		excess over \$80,000.00
5	Over \$150,000.00 but not	
6	over \$500,000.00	\$5,512.50 plus 6.370% of the
7		excess over \$150,000.00
8		
9	Over \$500,000.00	\$27,807.50 plus 8.970% of the
10		excess over \$500,000.00
11		
12	<u>(6) for taxable years beginning on or after January 1, 2018:</u>	
13		
14	<u>If the taxable income is:</u>	<u>The tax is:</u>
15		
16	<u>Not over \$20,000.00</u>	<u>1.400% of taxable income</u>
17		
18	<u>Over \$20,000.00 but not</u>	
19	<u>over \$50,000.00</u>	<u>\$280.00 plus 1.750% of the</u>
20		<u>excess over \$20,000.00</u>
21		
22	<u>Over \$50,000.00 but not</u>	
23	<u>over \$70,000.00</u>	<u>\$805.00 plus 2.450% of the</u>
24		<u>excess over \$50,000.00</u>
25		
26	<u>Over \$70,000.00 but not</u>	
27	<u>over \$80,000.00</u>	<u>\$1,295.50 plus 3.500% of the</u>
28		<u>excess over \$70,000.00</u>
29		
30	<u>Over \$80,000.00 but not</u>	
31	<u>over \$150,000.00</u>	<u>\$1,645.00 plus 5.525% of the</u>
32		<u>excess over \$80,000.00</u>
33		
34	<u>Over \$150,000.00 but not</u>	
35	<u>over \$500,000.00</u>	<u>\$5,512.50 plus 6.370% of the</u>
36		<u>excess over \$150,000.00</u>
37		
38	<u>Over \$500,000.00 but not</u>	
39	<u>over \$1,000,000.00</u>	<u>\$27,807.50 plus 8.970% of the</u>
40		<u>excess over \$500,000.00</u>
41		
42	<u>Over \$1,000,000.00</u>	<u>\$72,657.50 plus 10.75% of the</u>
43		<u>excess over \$1,000,000.00</u>
44		

45 b. For married individuals filing separately, unmarried
46 individuals other than individuals filing as head of household or as
47 a surviving spouse for federal income tax purposes, and estates and
48 trusts:

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1	(1) for taxable years beginning on or after January 1, 1991 but	
2	before January 1, 1994:	
3	If the taxable income is:	The tax is:
4		
5	Not over \$20,000.00.....	2% of taxable income
6		
7	Over \$20,000.00 but not	
8	over \$35,000.00.....	\$400.00 plus 2.5% of the
9		excess over \$20,000.00
10		
11	Over \$35,000.00 but not	
12	over \$40,000.00.....	\$775.00 plus 5.0% of the
13		excess over \$35,000.00
14		
15	Over \$40,000.00 but not	
16	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
17		excess over \$40,000.00
18		
19	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
20		excess over \$75,000.00
21		
22	(2) for taxable years beginning on or after January 1, 1994 but	
23	before January 1, 1995:	
24		
25	If the taxable income is:	The tax is:
26		
27	Not over \$20,000.00.....	1.900% of taxable income
28		
29	Over \$20,000.00 but not	
30	over \$35,000.00.....	\$380.00 plus 2.375% of the
31		excess over \$20,000.00
32		
33	Over \$35,000.00 but not	
34	over \$40,000.00.....	\$736.25 plus 4.750% of the
35		excess over \$35,000.00
36		
37	Over \$40,000.00 but not	
38	over \$75,000.00.....	\$973.75 plus 6.175% of the
39		excess over \$40,000.00
40		
41	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
42		excess over \$75,000.00
43		
44	(3) for taxable years beginning on or after January 1, 1995 but	
45	before January 1, 1996:	
46		
47	If the taxable income is:	The tax is:
48	Not over \$20,000.00.....	1.700% of taxable income

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1 Over \$20,000.00 but not
2 over \$35,000.00..... \$340.00 plus 2.125% of the
3 excess over \$20,000.00
4 Over \$35,000.00 but not
5 over \$40,000.00..... \$658.75 plus 4.250% of the
6 excess over \$35,000.00
7
8 Over \$40,000.00 but not
9 over \$75,000.00..... \$871.25 plus 6.013% of the
10 excess over \$40,000.00
11
12 Over \$75,000.00..... \$2,975.80 plus 6.580% of the
13 excess over \$75,000.00
14
15 (4) for taxable years beginning on or after January 1, 1996 but
16 before January 1, 2004:
17
18 If the taxable income is: The tax is:
19
20 Not over \$20,000.00..... 1.400% of taxable income
21
22 Over \$20,000.00 but not
23 over \$35,000.00..... \$280.00 plus 1.750% of the
24 excess over \$20,000.00
25
26 Over \$35,000.00 but not
27 over \$40,000.00..... \$542.50 plus 3.500% of the
28 excess over \$35,000.00
29
30 Over \$40,000.00 but not
31 over \$75,000.00..... \$717.50 plus 5.525% of the
32 excess over \$40,000.00
33
34 Over \$75,000.00..... \$2,651.25 plus 6.370% of the
35 excess over \$75,000.00
36
37 (5) for taxable years beginning on or after January 1, 2004 but
38 before January 1, 2018 (except as provided in section 1 of P.L.2009,
39 c.69 (C.54A:2-1a) for taxable years beginning on or after January 1,
40 2009 but before January 1, 2010):
41
42 If the taxable income is: The tax is:
43
44 Not over \$20,000.00 1.400% of taxable income
45
46 Over \$20,000.00 but not
47 over \$35,000.00 \$280.00 plus 1.750% of the
48 excess over \$20,000.00

1 Over \$35,000.00 but not
2 over \$40,000.00 \$542.50 plus 3.500% of the
3 excess over \$35,000.00
4 Over \$40,000.00 but not
5 over \$75,000.00 \$717.50 plus 5.525% of the
6 excess over \$40,000.00
7
8 Over \$75,000.00 but not
9 over \$500,000.00 \$2,651.25 plus 6.370% of the
10 excess over \$75,000.00
11
12 Over \$500,000.00 \$29,723.75 plus 8.970% of the
13 excess over \$500,000.00
14
15 (6) for taxable years beginning on or after January 1, 2018:
16
17 If the taxable income is: The tax is:
18
19 Not over \$20,000.00 1.400% of taxable income
20
21 Over \$20,000.00 but not
22 over \$35,000.00 \$280.00 plus 1.750% of the
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24
25 Over \$35,000.00 but not
26 over \$40,000.00 \$542.50 plus 3.500% of the
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28
29 Over \$40,000.00 but not
30 over \$75,000.00 \$717.50 plus 5.525% of the
31 excess over \$40,000.00
32
33 Over \$75,000.00 but not
34 over \$500,000.00 \$2,651.25 plus 6.370% of the
35 excess over \$75,000.00
36
37 Over \$500,000.00 but not
38 over \$1,000,000.00 \$29,723.75 plus 8.970% of the
39 excess over \$500,000.00
40
41 Over \$1,000,000.00 \$74,573.75 plus 10.75% of the
42 excess over \$1,000,000.00
43
44 c. For the purposes of this section, an individual who would be
45 eligible to file as a head of household for federal income tax
46 purposes but for the fact that such taxpayer is a nonresident alien,
47 shall determine tax pursuant to subsection a. of this section.
48 (cf: P.L.2004, c.40, s.17)

2. (New section) a. Notwithstanding the provisions of the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the Director of the Division of Taxation may adopt, immediately upon filing with the Office of Administrative Law, such regulations as the director deems necessary to implement the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (C.) (pending before the Legislature as this bill) as to taxable years beginning in 2018, which regulations shall be effective for a period not to exceed 180 days from the date of the filing. The regulations may thereafter be amended, adopted, or readopted by the director as the director deems necessary in accordance with the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.).

b. (1) For purposes of the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (C.) (pending before the Legislature as this bill), this subsection shall apply for taxable years beginning in 2016.

(2) No additions to tax or penalty shall be imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of increased estimated tax on taxable income received before October 1, 2016 for which the increased estimated tax due is attributable to the rate imposed on taxable income over \$1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (C.) (pending before the Legislature as this bill).

(3) No interest, penalties, or other costs shall be imposed upon an employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any remuneration for employment subject to contribution under the New Jersey “unemployment compensation law,” pursuant to R.S.43:21-1 et seq., for insufficient withholding of salaries, wages, and other remuneration paid before October 1, 2018 that is attributable to an increase in the amount of tax due pursuant to the rate imposed on taxable income over \$1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (C.) (pending before the Legislature as this bill).

3. N.J.S.54A:9-25 is amended to read as follows:

54A:9-25. Taxes collected under the provisions of this act shall be deposited by the State Treasurer in a special account to be known as the Property Tax Relief Fund. There is established within the special fund a subaccount to be known as the Direct Taxpayer Property Tax Relief Fund into which shall be deposited by the State Treasurer the amount of tax revenue anticipated by the Governor to be derived from the tax rate change effectuated in the amendment made to N.J.S.54A:2-1 pursuant to section 1 of P.L. , c. (C.) (pending before the Legislature as this bill).

1 Moneys in the Property Tax Relief Fund shall be annually
2 appropriated, pursuant to formulas established from time to time by
3 the Legislature, to the several counties, municipalities and school
4 districts of this State exclusively for the purpose of providing
5 property tax relief and for the purpose of reducing or offsetting
6 property taxes, including the funding of the requirements of
7 【P.L.1975, c. 212, and】 the “School Funding Reform Act of 2008,”
8 P.L.2007, c.260 (C.18A:7F-43 et seq.). Moneys in the Direct
9 Taxpayer Property Tax Relief subaccount shall be annually
10 appropriated for real property taxpayer relief allocable directly to
11 taxpayers, including but not limited to homestead 【exemptions】
12 rebates and credits under 【1976 Assembly Bill No. 1330】 P.L.1990,
13 c.61 (C.54:4-8.57 et al.), homestead property tax reimbursements
14 under P.L.1997, c.348 (C.54:4-8.67 et al.), veterans' property tax
15 deductions under P.L.1963, c.171 (C.54:4-8.10 et seq.), and senior
16 and disabled citizens' property tax deductions under P.L.1963, c.172
17 (C.54:4-8.40 et seq.) as said acts may hereafter be amended or
18 supplemented 【and provided there】. Moneys remaining in the
19 Direct Taxpayer Property Tax Relief subaccount after annual
20 appropriations for these direct taxpayer relief programs shall be
21 applied to offset the claims allowed during that fiscal year for
22 property tax deductions and credits under the "Property Tax
23 Deduction Act," P.L.1996, c.60 (C.54A:3A-15 et seq.). There may
24 be deducted from the Property Tax Relief Fund the administrative
25 costs of the collection hereof and in replacement of revenues
26 resulting from the repeal of certain laws under this and companion
27 legislation.

28 (cf: N.J.S.54A:9-25)

29
30 4. This act shall take effect immediately, and section 1 shall
31 apply to taxable years beginning on or after January 1, 2018 and
32 section 3 shall apply to State fiscal years beginning on or after July
33 1 next following the date of enactment.

34 35 36 STATEMENT

37
38 This bill increases the rate of the New Jersey gross income tax
39 for taxpayers with taxable incomes exceeding \$1,000,000 in taxable
40 years beginning on or after January 1, 2018. The bill provides for
41 adjusted income taxation at the following bracket at the following
42 rate: over \$1,000,000 is adjusted from 8.97% to 10.75%. The bill
43 permanently imposes the tax rate at this \$1,000,000 income bracket
44 that was temporarily imposed during taxable year 2009.

45 The bill also dedicates the gross income tax revenue collected
46 from the "millionaires" tax increase for annual real property tax
47 relief to be provided directly to real property taxpayers. All income
48 tax revenue collected from the increase in the gross income tax rate

1 imposed on taxable income in excess of \$1,000,000 will be
2 deposited in a subaccount in the constitutionally established
3 Property Tax Relief Fund. All revenue derived annually from the
4 tax rate increase is pledged to be used annually for direct real
5 property taxpayer relief. This subaccount, to be known as the
6 Direct Taxpayer Property Tax Relief Fund, is the revenue and
7 budget account that will ensure that direct tax relief continues to be
8 funded from this source.