ASSEMBLY, No. 2588

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:
Assemblyman WAYNE P. DEANGELO
District 14 (Mercer and Middlesex)

SYNOPSIS

Provides credits against corporation business and gross income taxes for employers of certain reservists.

CURRENT VERSION OF TEXT

As introduced.

AN ACT providing credits against corporation business and gross income taxes for employers of certain reservists, 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 that employs a qualified reservist shall be allowed a credit against the tax due pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for the privilege period in an amount equal to the sum of the reservist credit amount allowed pursuant to this section for each qualified reservist employed by the taxpayer. For the taxpayer to claim the credit for a particular employee, that employee shall have been employed by the taxpayer for at least 185 business days of the privilege period, and shall have been employed by the taxpayer on the last business day of the privilege period.

b. The order of priority of the application of the credit allowed pursuant to this section and any other credits allowed against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period shall be as prescribed by the director.

The amount of the credit applied pursuant to this section against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period shall not reduce a taxpayer's tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162 (C.54:10A-5).

c. As used in this section:

"Qualified reservist" means an employee of the taxpayer, who is also a member of the National Guard or a reserve component of the Armed Forces of the United States, and who is mobilized to serve in active duty status during the privilege period.

"Reservist credit amount" means with respect to a qualified reservist for a privilege period:

(a) $1,000 in the case of a qualified reservist who has served 30 or more days, but fewer than 90 days, in active duty status during the privilege period;

(b) $2,000 in the case of a qualified reservist who has served 90 or more days, but fewer than 180 days, in active duty status during the privilege period; or

(c) $4,000 in the case of a qualified reservist who has served 180 days or more in active duty status during the privilege period.

2. a. A taxpayer that employs a qualified reservist shall be allowed a credit against the New Jersey gross income tax due pursuant to N.J.S.54A:1-1 et seq. for the taxable year in an amount equal to the sum of the reservist credit amount allowed pursuant to this section for each qualified reservist employed by the taxpayer. In order for the taxpayer to claim the credit for a particular

employee, that employee shall have been employed by the taxpayer for at least 185 business days of the taxable year, and shall have been employed by the taxpayer on the last business day of the taxable year.

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

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

c. As used in this section:

"Qualified reservist" means an employee of the taxpayer, who is also a member of the National Guard or a reserve component of the Armed Forces of the United States, who is mobilized to serve in active duty status during the taxable year.

"Reservist credit amount" means with respect to a qualified reservist for a taxable year:

(a) $1,000 in the case of a qualified reservist who has served 30 or more days, but fewer than 90 days, in active duty status during the taxable year;

(b) $2,000 in the case of a qualified reservist who has served 90 or more days, but fewer than 180 days, in active duty status during the taxable year;

(c) $4,000 in the case of a qualified reservist who has served 180 days or more in active duty status during the taxable year.

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

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

3. This act shall take effect immediately and shall apply to privilege periods and taxable years commencing on or after the January 1 next following enactment.

STATEMENT

This bill provides employers with a "reservist credit" against the corporation business tax or the gross income tax for each qualified reservist employed. In order to claim the credit for a particular employee, that employee must be employed by the taxpayer for at least 185 business days of the privilege period or taxable year, and must be employed by the taxpayer on the last day of the privilege period or taxable year.

The bill defines "qualified reservist" as an employee of the taxpayer, who is also a member of the National Guard or a reserve component of the Armed Forces of the United States, who is mobilized to serve in active duty status during the privilege period or the taxable year.

The amount of the credit varies according to the number of days that the qualified reservist has served on active duty status during the privilege period or taxable year, as follows:

- $1,000 in the case of a qualified reservist who has served 30 or more days, but fewer than 90 days, on active duty status during the privilege period or taxable year;
- $2,000 in the case of a qualified reservist who has served 90 or more days, but fewer than 180 days, on active duty status during the privilege period or taxable year; or
- $4,000 in the case of a qualified reservist who has served 180 days or more on active duty status during the privilege period or taxable year.

The credit is nonrefundable. The bill would take effect immediately upon enactment and would apply to privilege periods and taxable years commencing on or after the January 1 next following enactment.