§2 - T&E & Note
to N.J.S.54A:2-1
§3 - C.54A:9-30
§5 - Note

P.L. 2020, CHAPTER 94, ***approved September 29, 2020***
Assembly, No. 10

AN ACT increasing the gross income tax rate on income between $1,000,000 and $5,000,000 and providing a tax rebate, amending N.J.S.54A:2-1 and P.L.1981, c.239 and supplementing Title 54A of the New Jersey Statutes.

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

1. N.J.S.54A:2-1 is amended to read as follows:

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

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

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

If the taxable income is:	The tax is:
Not over $20,000.00.....	2% of taxable income
Over $20,000.00 but not over $50,000.00.....	$400.00 plus 2.5% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$1,150.00 plus 3.5% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00.....	$1,850.00 plus 5.0% of the excess over $70,000.00

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 <u>thus</u> is new matter.

Over $80,000.00 but not over $150,000.00.....	$2,350.00 plus 6.5% of the excess over $80,000.00
Over $150,000.00	$6,900.00 plus 7.0% of the excess over $150,000.00

(2) For taxable years beginning on or after January 1, 1994 but before January 1, 1995:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.900% of taxable income
Over $20,000.00 but not over $50,000.00.....	$380.00 plus 2.375% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$1,092.50 plus 3.325% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00.....	$1,757.50 plus 4.750% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00.....	$2,232.50 plus 6.175% of the excess over $80,000.00
Over $150,000.00	$6,555.00 plus 6.650% of the excess over $150,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.700% of taxable income
Over $20,000.00 but not over $50,000.00.....	$340.00 plus 2.125% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$977.50 plus 2.975% of the excess over $50,000.00
Over $70,000.00 but not	

over $80,000.00.....	$1,572.50 plus 4.250% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00.....	$1,997.50 plus 6.013% of the excess over $80,000.00
Over $150,000.00	$6,206.60 plus 6.580% of the excess over $150,000.00

(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $50,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$805.00 plus 2.450% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00.....	$1,295.50 plus 3.500% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00.....	$1,645.00 plus 5.525% of the excess over $80,000.00
Over $150,000.00	$5,512.50 plus 6.370% of the excess over $150,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2018:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $50,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$805.00 plus 2.450% of the

	excess over $50,000.00
Over $70,000.00 but not over $80,000.00.....	$1,295.50 plus 3.500% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00.....	$1,645.00 plus 5.525% of the excess over $80,000.00
Over $150,000.00 but not over $500,000.00.....	$5,512.50 plus 6.370% of the excess over $150,000.00
Over $500,000.00	$27,807.50 plus 8.970% of the excess over $500,000.00

(6) for taxable years beginning on or after January 1, 2018, but before January 1, 2020:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $50,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00.....	$805.00 plus 2.450% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00.....	$1,295.50 plus 3.500% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00.....	$1,645.00 plus 5.525% of the excess over $80,000.00
Over $150,000.00 but not over $500,000.00.....	$5,512.50 plus 6.370% of the excess over $150,000.00
Over $500,000.00 but not over $5,000,000.00..	$27,807.50 plus 8.970% of the excess over $500,000.00**[**.**]**
Over $5,000,000.00	$431,457.50 plus 10.75% of the

excess over $5,000,000.00**[**.**]**

(7) for taxable years beginning on or after January 1, 2020:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $50,000.00....	$280.00 plus 1.750% of the excess over $20,000.00
Over $50,000.00 but not over $70,000.00....	$805.00 plus 2.450% of the excess over $50,000.00
Over $70,000.00 but not over $80,000.00...	$1,295.50 plus 3.500% of the excess over $70,000.00
Over $80,000.00 but not over $150,000.00..	$1,645.00 plus 5.525% of the excess over $80,000.00
Over $150,000.00 but not over $500,000.00..	$5,512.50 plus 6.370% of the excess over $150,000.00
Over $500,000.00 but not over $1,000,000.00..	$27,807.50 plus 8.970% of the excess over $500,000.00
Over $1,000,000.00…	$72,657.50 plus 10.750% of the excess over $1,000,000.00

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

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

If the taxable income is:	The tax is:
Not over $20,000.00.....	2% of taxable income
Over $20,000.00 but not over $35,000.00.....	$400.00 plus 2.5% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00.....	$775.00 plus 5.0% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00.....	$1,025.00 plus 6.5% of the excess over $40,000.00
Over $75,000.00	$3,300.00 plus 7.0% of the excess over $75,000.00

(2) for taxable years beginning on or after January 1, 1994 but before January 1, 1995:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.900% of taxable income
Over $20,000.00 but not over $35,000.00.....	$380.00 plus 2.375% of the excess over $20,000.00
Over $35,000.00 but not over $40,000.00.....	$736.25 plus 4.750% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00.....	$973.75 plus 6.175% of the excess over $40,000.00
Over $75,000.00	$3,135.00 plus 6.650% of the excess over $75,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.700% of taxable income
Over $20,000.00 but not over $35,000.00.....	$340.00 plus 2.125% of the excess over $20,000.00
Over $35,000.00 but not over $40,000.00.....	$658.75 plus 4.250% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00.....	$871.25 plus 6.013% of the excess over $40,000.00
Over $75,000.00	$2,975.80 plus 6.580% of the excess over $75,000.00

(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $35,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $35,000.00 but not over $40,000.00.....	$542.50 plus 3.500% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00.....	$717.50 plus 5.525% of the excess over $40,000.00
Over $75,000.00.....	$2,651.25 plus 6.370% of the excess over $75,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2018:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $35,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $35,000.00 but not over $40,000.00.....	$542.50 plus 3.500% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00.....	$717.50 plus 5.525% of the excess over $40,000.00

Over $75,000.00 but not over $500,000.00.....	$2,651.25 plus 6.370% of the excess over $75,000.00
Over $500,000.00	$29,723.75 plus 8.970% of the excess over $500,000.00

(6) for taxable years beginning on or after January 1, 2018, but before January 1, 2020:

If the taxable income is:	The tax is:
Not over $20,000.00.....	1.400% of taxable income
Over $20,000.00 but not over $35,000.00.....	$280.00 plus 1.750% of the excess over $20,000.00
Over $35,000.00 but not over $40,000.00.....	$542.50 plus 3.500% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00.....	$717.50 plus 5.525% of the excess over $40,000.00
Over $75,000.00 but not over $500,000.00.....	$2,651.25 plus 6.370% of the excess over $75,000.00
Over $500,000.00 but not over $5,000,000.00...	$29,723.75 plus 8.970% of the excess over $500,000.00
Over $5,000,000.00	$433,373.75 plus 10.75% of the excess over $5,000,000.00

(7) for taxable years beginning on or after January 1, 2020:

If the taxable income is:	The tax is:
Not over $20,000.00……	1.400% of taxable income
Over $20,000.00 but not over $35,000.00…….	$280.00 plus 1.750% of the excess over $20,000.00
Over $35,000.00 but not	

over $40,000.00……	$542.50 plus 3.500% of the excess over $35,000.00
Over $40,000.00 but not over $75,000.00……	$717.50 plus 5.525% of the excess over $40,000.00
Over $75,000.00 but not over $500,000.00…	$2,651.25 plus 6.370% of the excess over $75,000.00
Over $500,000.00 but not over $1,000,000.00..	$29,723.75 plus 8.970% of the excess over $500,000.00
Over $1,000,000.00….	$74,573.75 plus 10.750% of the excess over $1,000,000.00

c. For the purposes of this section, an individual who would be eligible to file as a head of household for federal income tax purposes but for the fact that such taxpayer is a nonresident alien, shall determine tax pursuant to subsection a. of this section.

d. For the purposes of this section, for taxable year 2018, withholding by every employer from salaries, wages and other remuneration paid by an employer for services rendered described in subsections a. and b. of this section, in excess of $5,000,000 during that taxable year, shall be at the rate of 15.6% as soon as practicable but no later than September 1, 2018. The Director of the Division of Taxation is authorized to do all things necessary to implement the withholding tax prescribed by this section for taxable year 2018.

e. No additions to tax or penalty shall be imposed under N.J.S.54A:9-6 for insufficient payment of estimated tax that may otherwise be due on salaries, wages and other remuneration received before September 1, 2018, on which there is a rate of tax imposed pursuant to subsections a. and b. of this section.

f. An employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to New Jersey gross income tax 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., that is subject to New Jersey gross income tax shall not be subject to interest, penalties or other costs that may otherwise be imposed for insufficient withholding of salaries, wages and other remuneration made before September 1, 2018, that is directly attributable to the enactment of the taxable income tables and tax rates in subsections a. and b. of this section.

(cf: P.L.2018, c.45, s.10)

2. (New section) a. For taxable year 2020, withholding by an employer from salaries, wages, and other remuneration paid by an employer for services rendered over $1,000,000, but not over $5,000,000, shall be at the rate of 21.3 percent as soon as practicable, but not later than November 1, 2020. The director is authorized to implement the withholding rate prescribed by this subsection for taxable year 2020.

b. For taxable year 2020, no additions to tax or penalty shall be imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for underpayment of increased estimated tax on taxable income received before November 1, 2020 for which the increased estimated tax due is attributable to the rate imposed on gross income in excess of $1,000,000, but not in excess of $5,000,000.

c. For taxable year 2020, 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 November 1, 2020 that is attributable to an increase in the rate imposed on gross income in excess of $1,000,000, but not in excess of $5,000,000.

3. (New section) a. Beginning with taxable year 2020, and subject to appropriation by the Legislature, a qualified taxpayer shall be eligible for a tax rebate based on the requirements set forth in this section.

b. The rebate shall be the lesser of $500 or an amount equal to the amount of tax paid after credits for the taxable year pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. In the case of a qualified taxpayer who is a part-year resident during the taxable year, the amount of the rebate shall be pro-rated, based upon the total number of months of the taxpayer's residency during the taxable year.

c. The director shall issue rebates to qualified taxpayers between July 1 and July 31 of the subsequent taxable year, provided however, in the case of a qualified taxpayer who is granted an extension of time for filing a return, the director may issue the rebate between July 1 and December 31 of the subsequent taxable year.

d. The director is authorized to issue rules and regulations as necessary to implement this section.

e. The director may recover rebates issued in error or as a result of misrepresentation in the same manner as a deficiency with respect to a payment of a State tax in accordance with the State Uniform Tax Procedure Law, R.S.54:48-1 et seq.

f. Any rebate issued pursuant to this section shall not be considered gross income for purposes of the New Jersey Gross Income Tax Act.

g. As used in this section

"Qualified taxpayer" means an individual who has timely filed a resident return, is a resident of this State during the taxable year, and who had during the taxable year: (1) at least one qualifying child; (2) gross income not exceeding $150,000 for married individuals filing a joint return and an individual filing as a head of household or as a surviving spouse, or $75,000 for married individuals filing separately and an individual filing as a single taxpayer; and (3) a gross income tax liability greater than zero.

"Qualifying child" means the same as defined in section 152 of the Internal Revenue Code (26 U.S.C. s.152), where claimed as a dependent on a resident return under the New Jersey Gross Income Tax Act.

4. Section 1 of P.L.1981, c.239 (C.54A:9-8.1) is amended to read as follows:

1. a. Whenever any taxpayer or resident shall be entitled to any refund of taxes pursuant to the "New Jersey Gross Income Tax Act" (N.J.S.54A:1-1 et seq.), including an earned income tax credit provided as a refund pursuant to P.L.2000, c.80 (C.54A:4-6 et al.), or whenever any individual is eligible to receive a <u>rebate pursuant to section 3 of P.L. , c. (C.) (pending before the Legislature as this bill), or a</u> homestead rebate or credit pursuant to P.L.1990, c.61 (C.54:4-8.57 et al.), P.L.1999, c.63 (C.54:4-8.58a et al.), P.L.2004, c.40 or P.L.2007, c.62 (C.18A:7F-37 et al.), and if the rebate or credit is not required to be paid over to the municipal tax collector under the provisions of section 8 of P.L.1990, c.61 (C.54:4-8.64), and at the same time the taxpayer or resident shall be indebted to any agency or institution of State Government, to the Victims of Crime Compensation Board for the portion of an assessment ordered pursuant to section 2 of P.L.1979, c.396 (2C:43-3.1) for deposit in the Victims of Crime Compensation Board Account or restitution ordered to be paid to the board pursuant to N.J.S.2C:44-2 for deposit in the Victims of Crime Compensation Board Account, or for child support under Title IV-A, Title IV-D, or Title IV-E of the federal Social Security Act (42 U.S.C. s.601 et seq.), or other indebtedness in accordance with section 1 of P.L.1995, c.290 (C.2A:17-56.11b) the Department of the Treasury shall apply or cause to be applied the refund, homestead rebate or credit, or all, or so much of any or all as shall be necessary, to satisfy the indebtedness. Child support indebtedness shall take precedence over all other indebtedness. The Department of the Treasury shall retain a percentage of the proceeds of any collection setoff as shall be necessary to provide for any expenses of the collection effort.

b. A State department or agency which is owed a debt shall notify the Department of the Treasury of the existence of the debt and shall request that the Department of the Treasury execute a setoff as provided for in this section.
(cf: P.L.2007, c.62, s.38)

5. This act shall take effect immediately and sections 1 and 2 shall apply retroactively to taxable years beginning on and after January 1, 2020.

STATEMENT

This bill increases the gross income tax rate applicable to taxpayers with gross income exceeding $1,000,000 in taxable years beginning on or after January 1, 2020.

The gross income tax rate under current law is 8.97 percent for income between $1,000,000 and $5,000,000, and 10.75 percent for income over $5,000,000. This bill applies the 10.75 percent rate to gross income exceeding $1,000,000.

The bill also provides to eligible gross income taxpayers a tax rebate of either $500 or, if the taxpayer paid less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriation by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31, or between July 1 and the end of the year for taxpayers who were granted gross income tax return extensions.

Increases gross income tax rate from 8.97 percent to 10.75 percent on income between $1,000,000 and $5,000,000, and provides up to $500 tax rebate to eligible taxpayers.