SENATE, No. 835

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
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SYNOPSIS

Expands eligibility under New Jersey earned income tax credit program to allow taxpayers who are at least 18 years of age to qualify.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT expanding eligibility under the New Jersey earned income tax credit program, amending P.L.2000, c.80.

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

1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read as follows:

2. There is established the New Jersey Earned Income Tax Credit program in the Division of Taxation in the Department of the Treasury.

a. (1) A resident individual who is eligible for a credit under section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.32) shall be allowed a credit for the taxable year equal to a percentage, as provided in paragraph (2) of this subsection, of the federal earned income tax credit that would be allowed to the individual or the married individuals filing a joint return under section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.32) for the same taxable year for which a credit is claimed pursuant to this section, subject to the restrictions of this subsection and subsections b., c., d. and e. of this section <u>and the modifications of paragraph (4) of this subsection</u>.

(2) For the purposes of the calculation of the New Jersey earned income tax credit, the percentage of the federal earned income tax credit referred to in paragraph (1) of this subsection shall be:

(a) 10% for the taxable year beginning on or after January 1, 2000, but before January 1, 2001;

(b) 15% for the taxable year beginning on or after January 1, 2001, but before January 1, 2002;

(c) 17.5% for the taxable year beginning on or after January 1, 2002, but before January 1, 2003;

(d) 20% for taxable years beginning on or after January 1, 2003, but before January 1, 2008;

(e) 22.5% for taxable years beginning on or after January 1, 2008 but before January 1, 2009;

(f) 25% for taxable years beginning on or after January 1, 2009 but before January 1, 2010;

(g) 20% for taxable years beginning on or after January 1, 2010, but before January 1, 2015;

(h) 30% for taxable years beginning on or after January 1, 2015, but before January 1, 2016;

(i) 35% for taxable years beginning on or after January 1, 2016, but before January 1, 2018;

(j) 37% for the taxable year beginning on or after January 1, 2018, but before January 1, 2019;

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.

(k) 39% for the taxable year beginning on or after January 1, 2019, but before January 1, 2020; and

(l) 40% for taxable years beginning on or after January 1, 2020.

(3) To qualify for the New Jersey earned income tax credit, if the claimant is married, except for a claimant who files as a head of household or surviving spouse for federal income tax purposes for the taxable year, the claimant shall file a joint return or claim for the credit.

(4) A resident individual who is at least 18 years of age, but cannot claim a qualifying child as defined under section 152 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.152) for the federal earned income tax credit, shall be eligible for the New Jersey earned income tax credit if that resident individual is ineligible to claim the federal earned income tax credit due to minimum age requirements. The resident individual shall meet all qualifications, except for the minimum age, for the federal earned income tax credit in order to be eligible for the New Jersey earned income tax credit.

b. In the case of a part-year resident claimant, the amount of the credit allowed pursuant to this section shall be pro-rated, based upon that proportion which the total number of months of the claimant's residency in the taxable year bears to 12 in that period. For this purpose, 15 days or more shall constitute a month.

c. The amount of the credit allowed pursuant to this section shall be applied against the tax otherwise due under N.J.S.54A:1-1 et seq., after all other credits and payments. If the credit exceeds the amount of tax otherwise due, that amount of excess shall be an overpayment for the purposes of N.J.S.54A:9-7; provided however, that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit provided under this section as a credit against the tax otherwise due and the amount of the credit treated as an overpayment shall be treated as a credit towards or overpayment of gross income tax, subject to all provisions of N.J.S.54A:1-1 et seq., except as may be otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

d. The Director of the Division of Taxation in the Department of the Treasury shall establish a program for the distribution of earned income tax credits pursuant to the provisions of this section.

e. Any earned income tax credit pursuant to this section shall not be taken into account as income or receipts for purposes of determining the eligibility of an individual for benefits or assistance or the amount or extent of benefits or assistance under any State program and, to the extent permitted by federal law, under any State program financed in whole or in part with federal funds.

(cf: P.L.2018, c.45, s.4)

2. This act shall take effect immediately.

STATEMENT

This bill expands eligibility for certain resident individuals. Under the federal program, there are age restrictions for taxpayers who cannot claim a qualifying child. Currently, a taxpayer who is between 25 and 65 years old is eligible for federal earned income tax credit even without claiming a qualifying child. The bill allows a taxpayer who is between 18 and 65 years old to claim the New Jersey earned income tax credit based on a percentage of the federal earned income tax credit amount the taxpayer would have otherwise been eligible for absent the age restriction.