SENATE, No. 1011

STATE OF NEW JERSEY

219th LEGISLATURE

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Sponsored by:
Senator JOSEPH A. LAGANA
District 38 (Bergen and Passaic)

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.

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

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

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

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

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

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

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

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

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

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

(2) For a taxpayer who has gross income for the taxable year of $25,000 of more: if the amount of credit allowed pursuant to this section for the taxable year, together with any other payments or credits against the tax, reduces the tax liability otherwise due for the taxable year to zero, any amount of credit remaining shall be carried forward to the next taxable year. No portion of a credit shall carry

forward to more than the next taxable year following the year in which the credit is first allowed.

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

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

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

STATEMENT

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

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

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

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

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