SENATE, No. 1162

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 3, 2020

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Hunterdon and Mercer)
Senator NELLIE POU
District 35 (Bergen and Passaic)

SYNOPSIS

Allows corporation business tax and gross income tax credits to businesses employing qualified ex-offenders.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 10/19/2020)

AN ACT allowing credits against the corporation business tax and the gross income tax to businesses employing certain ex-offenders and 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 shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) in an amount equal to 15 percent of the wages paid by the taxpayer during the privilege period for the employment of a qualified ex-offender, but not to exceed $900 for each qualified ex-offender for the privilege period.

b. As used in this section:

"Qualified ex-offender" means an individual who:

(1) has been convicted of a crime of the first, second, third or fourth degree under the laws of this State; and

(2) has been hired within one year of the date of conviction or release from incarceration.

c. The amount of the credit applied under this section against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), for a privilege period, when taken together with any other credits allowed against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10-5), shall not exceed 50 percent of the tax liability otherwise due and shall not reduce the 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-1 et seq.). The priority in which credits allowed pursuant to this section and any other credits shall be taken shall be determined by the Director of the Division of Taxation. The amount of the credit otherwise allowable under this section which cannot be applied for the privilege period due to the limitations of this subsection or under other provisions of P.L.1945, c.162 may be carried over, if necessary, to the seven privilege periods following the privilege period for which the credit was allowed.

2. 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., in an amount equal to 15 percent of the wages paid by the taxpayer during the taxable year for the employment of a qualified ex-offender during the taxable year, but not to exceed $900 for each qualified ex-offender for the taxable year.

b. As used in this section:

"Qualified ex-offender" means an individual who:

(1) has been convicted of a crime of the first, second, third or fourth degree under the laws of this State; and

(2) has been hired within one year of the date of conviction or release from incarceration.

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.

d. A partnership shall not be allowed a credit under this section directly, but the amount of credit of a taxpayer in respect of a distributive share of partnership income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined by allocating to the taxpayer that proportion of the credit acquired by the partnership that is equal to the taxpayer's share, whether or not distributed, of the total distributive income or gain of the partnership for its taxable year ending within or with the taxpayer's taxable year.

3. This act shall take effect immediately and shall apply to wages paid in privilege periods and taxable years beginning after enactment.

STATEMENT

This bill allows corporation business tax and gross income tax credits to businesses that employ qualified ex-offenders. The amount of each credit would be equal to 15 percent of the wages paid to the ex-offender with a maximum of $900 per ex-offender.

A qualified ex-offender is defined in the bill as a person who: (1) has been convicted of a crime of the first, second, third or fourth degree in this State; and (2) has been hired within one year of the date of conviction or release from incarceration.

These State tax credits are modeled on the federal Work Opportunity Tax Credit (WOTC), which encourages employers to hire targeted groups of employees, including ex-felons. Under the federal WOTC, employers may claim a federal tax credit of up to 40 percent of the first $6,000 earned by the employee, or $2,400.

According to the sponsor, the tax credits allowed under this bill would encourage businesses to employ ex-offenders, who often face barriers to employment.