

SENATE, No. 1972

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 25, 2020

Sponsored by:
Senator VIN GOPAL
District 11 (Monmouth)

SYNOPSIS

Excludes discounts for services rendered from gross income.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT excluding discounts for services rendered from gross
2 income, supplementing Title 54A of the New Jersey Statutes.

3

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

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7 1. Gross income shall not include the amount of a qualified
8 employee discount.

9 As used in this section:

10 “Qualified employee discount” shall have the same meaning as
11 defined in subsection (c) of section 132 of the Internal Revenue
12 Code (26 U.S.C. s.132).

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14 2. This act shall take effect immediately and apply to taxable
15 years beginning on or after January 1 next following the date of
16 enactment.

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19 STATEMENT

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21 This bill provides an exclusion from the gross income tax for
22 discounts that an employee receives from an employer.

23 Currently, discounts to employees on employer sales to
24 employees are subject to tax because the discount is a form of pay
25 for the performance of services. For example, if an employer sells a
26 \$50 item to an employee for \$45 because the employer provides a
27 10 percent discount to employees, the \$5 discounted amount would
28 be considered income for employment and would be subject to
29 income tax.

30 Under this bill, discounted amounts provided to employees will
31 not be subject to income tax if the federal tax code’s definitional
32 requirements for qualified employee discounts are met.
33 Significantly, the discount cannot exceed: in the case of property,
34 the gross profit percentage of the price at which the property is
35 being offered by the employer to customers, or in the case of
36 services, 20 percent of the price at which the services are being
37 offered by the employer to customers.