

SENATE, No. 2577

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED JUNE 15, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Allows taxpayers to purchase discounted tax credits against future GIT liability; establishes “COVID-19 Economic Recovery Fund.”

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** allowing purchase of discounted credits against future
2 income tax liabilities, establishing the “COVID-19 Economic
3 Recovery Fund,” and supplementing Title 54A of the New Jersey
4 Statutes.

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

8
9 1. There is established in the Department of the Treasury a
10 fund to be known as the “COVID-19 Economic Recovery Fund.”
11 The State Treasurer shall credit to the COVID-19 Economic
12 Recovery Fund, on or before December 31, 2021, the revenue
13 collected pursuant to section 2 of P.L. , c. (C.) (pending
14 before the Legislature as this bill).

15
16 2. a. For the tax year beginning on January 1, 2021 and ending
17 on December 31, 2021, a taxpayer that has a tax liability under the
18 "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., may
19 purchase from the Department of the Treasury credits against the
20 taxpayer’s liabilities under the "New Jersey Gross Income Tax
21 Act," N.J.S.54A:1-1 et seq. for any of the succeeding five tax years.
22 The amount of credit for any specific tax year shall not exceed the
23 amount of tax due for tax year 2019 or tax year 2020, whichever is
24 greater. The cost to purchase the credits shall be as follows:

25 (1) the cost to purchase a credit allowable for tax year 2022
26 shall be equal to 97 percent of the credit purchased;

27 (2) the cost to purchase a credit allowable tax year 2023 shall be
28 equal to 94 percent of the credit purchased;

29 (3) the cost to purchase a credit allowable for tax year 2024
30 shall be equal to 91 percent of the credit purchased;

31 (4) the cost to purchase a credit allowable for tax year 2025
32 shall be equal to 88 percent of the credit purchased; and

33 (5) the cost to purchase a credit allowable for tax year 2026
34 shall be equal to 85 percent of the amount of the credit purchased.

35 b. The order of priority in which the tax credits allowed
36 pursuant to this section and any other tax credits allowed by law
37 may be taken shall be as prescribed by the director. The amount of
38 the tax credits applied under this section against the tax imposed
39 pursuant to “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et
40 seq. for a taxable year, when taken together with any other
41 payments, credits, deductions, and adjustments allowed by law shall
42 not reduce the tax liability of the taxpayer to an amount less than
43 zero. The amount of the tax credits otherwise allowable under this
44 section which cannot be applied for the taxable year due to the
45 limitations of this section or other provisions of N.J.S.54A:1-1 et
46 seq. may be carried forward, if necessary, to the seven taxable years
47 following the taxable year for which the tax credits were first
48 allowed.

1 c. (1) A business entity that is classified as a partnership for
2 federal income tax purposes shall not be allowed a tax credit
3 pursuant to this section directly, but the amount of tax credit of a
4 taxpayer in respect of a distributive share of entity income, shall be
5 determined by allocating to the taxpayer that proportion of the tax
6 credit acquired by the entity that is equal to the taxpayer's share,
7 whether or not distributed, of the total distributive income or gain
8 of the entity for its taxable year ending within or with the taxpayer's
9 taxable year.

10 (2) A New Jersey S Corporation shall not be allowed a tax credit
11 pursuant to this section directly, but the amount of tax credit of a
12 taxpayer in respect of a pro rata share of S Corporation income,
13 shall be determined by allocating to the taxpayer that proportion of
14 the tax credit acquired by the New Jersey S Corporation that is
15 equal to the taxpayer's share, whether or not distributed, of the total
16 pro rata share of S Corporation income of the New Jersey S
17 Corporation for its privilege period ending within or with the
18 taxpayer's taxable year.

19 d. The Department of the Treasury shall not allow a taxpayer to
20 purchase a credit pursuant to this section after an aggregate total of
21 \$5,000,000,000 has been deposited into the COVID-19 Economic
22 Recovery Fund.

23

24 3. a. The agencies receiving moneys from the COVID-19
25 Economic Recovery Fund pursuant to this section shall maximize
26 coordination in the allocation of moneys in the fund to avoid
27 overlap between the uses of the fund prescribed in this section.

28 b. Moneys in the COVID-19 Economic Recovery Fund, after
29 appropriation for payment of administrative costs authorized
30 pursuant to subsection c. of this section, shall be appropriated and
31 used for the following purposes:

32 (1) Twenty percent shall be allocated to the Department of
33 Education to provide funding for elementary schools, secondary
34 schools, and public institutions of higher education in the State,
35 giving priority to schools experiencing budget deficits as a result of
36 the COVID-19 pandemic;

37 (2) Fifteen percent shall be allocated to the New Jersey
38 Economic Development Authority to provide funding for economic
39 development programs administered by the authority, giving
40 priority to economic development programs that benefit businesses
41 and nonprofit organizations facing economic hardships as a result of
42 the COVID-19 pandemic;

43 (3) Fifteen percent shall be allocated to the Department of Labor
44 and Workforce Development to provide funding for services related
45 to worker protections;

46 (4) Ten percent shall be allocated to the Department of Health to
47 provide funding for programs that benefit residents of the State in
48 need of health or nutritional assistance;

1 (5) Ten percent shall be allocated to the Department of Human
2 Services to provide funding for programs that benefit residents of
3 the State in need of medical assistance or welfare services;

4 (6) Eight percent shall be allocated to the Department of
5 Community Affairs to provide funding for programs that prevent
6 homelessness; and

7 (7) Four percent shall be allocated to the Department of
8 Transportation to provide funding for infrastructure projects.

9 c. (1) The Department of the Treasury may use up to four
10 percent of the total amount in the COVID-19 Economic Recovery
11 Fund to pay for administrative costs justifiable and approved in the
12 annual budget process, incurred by the department in administering
13 the provisions of P.L. , c. (C.) (pending before the
14 Legislature as this bill).

15 (2) The Department of Education, New Jersey Economic
16 Development Authority, the Department of Labor and Workforce
17 Development, the Department of Health, the Department of Human
18 Services, the Department of Community Affairs, and the
19 Department of Transportation may each use up to two percent of the
20 total amount in the COVID-19 Economic Recovery Fund to pay for
21 administrative costs justifiable and approved in the annual budget
22 process, incurred by the respective authority or department in
23 administering the provisions of P.L. , c. (C.) (pending
24 before the Legislature as this bill).

25 d. The State Comptroller shall conduct or supervise
26 independent audit and fiscal oversight functions of the COVID-19
27 Economic Recovery Fund and its uses.

28
29 4. Within one year after the date of enactment of
30 P.L. , c. (C.) (pending before the Legislature as this bill),
31 the Department of the Treasury, in consultation with the New Jersey
32 Economic Development Authority, the Department of Education,
33 the Department of Health, the Department of Human Services, the
34 Department of Community Affairs, the Department of Labor and
35 Workforce Development, and the Department of Transportation,
36 shall adopt, in accordance with the “Administrative Procedure Act,”
37 P.L.1968, c.410 (C.52:14B-1 et seq.), guidelines and a priority
38 ranking system to be used to assist in allocating funds pursuant to
39 subsection b. of section 3 of P.L. , c. (C.) (pending before
40 the Legislature as this bill).

41
42 5. This act shall take effect immediately.
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44

45 STATEMENT

46
47 This bill establishes the “COVID-19 Economic Recovery Fund”
48 in the Department of the Treasury. The State Treasurer is to credit

1 to the fund, on or before December 31, 2021, the revenue collected
2 pursuant to this bill.

3 Under the bill, for the tax year beginning on January 1, 2021 and
4 ending on December 31, 2021, a taxpayer that has a tax liability
5 under the Gross Income Tax may purchase from the Department of
6 the Treasury credits against future Gross Income Tax liability for
7 any of the succeeding five tax years, in an amount not to exceed the
8 taxpayer's liability in tax year 2019 or 2020. The cost of purchased
9 tax credits is to be as follows: the cost to purchase a credit for tax
10 year 2022 is to be equal to 97 percent of the credit purchased; the
11 cost to purchase a credit for tax year 2023 is to be equal to 94
12 percent of the credit purchased; the cost to purchase a credit for tax
13 year 2024 is to be equal to 91 percent of the credit purchase; the
14 cost to purchase a credit for tax year 2025 is to be equal to 88
15 percent of the credit purchased; and the cost to purchase a credit for
16 tax year 2026 is to be equal to 85 percent of the amount of tax
17 credit purchased.

18 Purchased tax credits may not reduce the tax liability of a
19 taxpayer to less than zero, but unused credits may be carried
20 forward, if necessary, to the seven taxable years following the
21 taxable year for which the tax credit was first allowed.

22 The Department of the Treasury is not to allow a taxpayer to
23 purchase tax credits pursuant to this bill after an aggregate total of
24 \$5,000,000,000 has been deposited into the fund.

25 Moneys in the fund, after appropriation for payment of
26 administrative costs authorized pursuant to this bill, are to be
27 appropriated and used for the following purposes:

28 (1) Twenty percent is to be allocated to the Department of
29 Education to provide funding for elementary schools, secondary
30 schools, and public institutions of higher education in the State,
31 giving priority to schools experiencing budget deficits as a result of
32 the COVID-19 pandemic;

33 (2) Fifteen percent is to be allocated to the New Jersey
34 Economic Development Authority to provide funding for economic
35 development programs administered by the authority, giving
36 priority to economic development programs that benefit businesses
37 and not-for-profit organizations facing economic hardships as a
38 result of the COVID-19 pandemic;

39 (3) Fifteen percent is to be allocated to the Department of Labor
40 and Workforce Development to provide funding for services related
41 to worker protections;

42 (4) Ten percent is to be allocated to the Department of Health to
43 provide funding for programs that benefit residents of the State in
44 need of health or nutritional assistance;

45 (5) Ten percent is to be allocated to the Department of Human
46 Services to provide funding for programs that benefit residents of
47 the State in need of medical assistance or welfare services;

1 (6) Eight percent is to be allocated to the Department of
2 Community Affairs to provide funding for programs that prevent
3 homelessness; and

4 (7) Four percent is to be allocated to the Department of
5 Transportation to provide funding for infrastructure projects.

6 Under the bill, the Department of the Treasury may use up to
7 four percent of the total amount in the fund to pay for
8 administrative costs justifiable and approved in the annual budget
9 process, incurred by the department in administering the provisions
10 of the bill. The Department of Education, New Jersey Economic
11 Development Authority, the Department of Labor and Workforce
12 Development, the Department of Health, the Department of Human
13 Services, the Department of Community Affairs, and the
14 Department of Transportation, may each use up to two percent of
15 the total amount in the fund to pay for administrative costs
16 justifiable and approved in the annual budget process, incurred by
17 the authority or department in administering the provisions of the
18 bill.

19 The bill provides that the State Comptroller is to conduct or
20 supervise independent audit and fiscal oversight functions of the
21 fund and its uses.