

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2949

STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2949.

This bill increases the gross income tax rate applicable to taxpayers with gross income exceeding \$1,000,000 in taxable years beginning on or after January 1, 2020. The gross income tax rate under current law is 8.97 percent for income between \$1,000,000 and \$5,000,000, and 10.75 percent for income over \$5,000,000. This bill applies the 10.75 percent rate to gross income exceeding \$1,000,000.

The bill also provides to eligible gross income taxpayers a tax rebate of either \$500 or, if the taxpayer paid less than that for the tax year, the amount of actual tax paid. The rebate is subject to annual appropriation by the Legislature.

To be eligible for the rebate the taxpayer must be a resident of the State, have at least one dependent child, have a gross income tax liability greater than zero, and have gross income not exceeding:

\$150,000 if (1) married and filing jointly, (2) filing as a head of household, or (3) filing as a surviving spouse; or

\$75,000 if (1) married and filing separately, or (2) individuals filing as a single taxpayer.

The director of the Division of Taxation will issue rebates to eligible taxpayers between July 1 and July 31, or between July 1 and the end of the year for taxpayers who were granted gross income tax return extensions.

FISCAL IMPACT:

The OLS is projecting additional FY 2021 revenues of \$395 million to \$427 million from the increasing the gross income tax (GIT) marginal rate on incomes in excess of \$1 million, but below \$5 million, from 8.97% to 10.75%. As part of the Governor's revised FY 2021 budget proposal, the Executive projected an increase in the GIT marginal rate to yield \$390 million in additional revenue for FY 2021.

The OLS estimates that the rebate program will cost the State roughly \$300 million annually, starting in FY 2022. Based on information shared by the Executive with the OLS, the Executive is projecting the cost of the program at roughly \$335 million annually.