

SENATE, No. 3773

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MAY 11, 2021

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Hunterdon and Mercer)

SYNOPSIS

Revises gross income tax credit for child and dependent care expenses by expanding income eligibility and increasing credit.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the gross income tax credit for child or
 2 dependent care expenses, amending P.L.2018, c.45.

3
 4 **BE IT ENACTED** by the Senate and General Assembly of the State
 5 of New Jersey:

6
 7 1. Section 5 of P.L.2018, c.45 (C.54A:4-17) is amended to read
 8 as follows:

9 5. a. A resident taxpayer with New Jersey taxable income of
 10 **【\$60,000】** \$150,000 or less who is allowed a credit for expenses for
 11 household and dependent care services for federal income tax
 12 purposes pursuant to section 21 of the Internal Revenue Code (26
 13 U.S.C. s.21) shall be allowed a credit against the tax otherwise due
 14 pursuant to the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1
 15 et seq. The credit shall be in an amount equal to a percentage of the
 16 credit allowed the taxpayer for federal income tax purposes for the
 17 taxable year, according to the following schedule:

18	19	20	21	22	23	24	25	26
	NJ taxable income is:						Amount of NJ credit is:	
			【 Not over \$20,000				50% of federal credit	
			over \$20,000 but not over \$30,000				40% of federal credit	
			over \$30,000 but not over \$40,000				30% of federal credit	
			over \$40,000 but not over \$50,000				20% of federal credit	
			over \$50,000 but not over \$60,000				10% of federal credit. 】	
			<u>Not over \$50,000</u>				<u>50% of federal credit</u>	
			<u>over \$50,000 but not over \$75,000</u>				<u>40% of federal credit</u>	
			<u>over \$75,000 but not over \$100,000</u>				<u>30% of federal credit</u>	
			<u>over \$100,000 but not over \$125,000</u>				<u>20% of federal credit</u>	
			<u>over \$125,000 but not over \$150,000</u>				<u>10% of federal credit.</u>	

27
 28
 29
 30
 31
 32
 33 The credit allowed by this section for a taxable year shall not
 34 exceed **【\$500】** \$1,000 for employment-related expenses paid by the
 35 taxpayer for one qualifying individual and **【\$1,000】** \$2,000 for
 36 employment-related expenses paid by the taxpayer for two or more
 37 qualifying individuals. The **【\$60,000】** \$150,000 income limit set
 38 forth in this subsection shall apply to taxpayers of any filing status.

39 b. A credit allowed pursuant to this section shall not reduce the
 40 tax liability otherwise due pursuant to N.J.S.54A:1-1 et seq. for a
 41 taxable year to an amount less than zero.

42 c. Married couples shall file a joint return in order to claim the
 43 credit provided by this section. A taxpayer eligible to receive a
 44 credit pursuant to paragraph (3) or (4) of subsection (e) of section
 45 21 of the federal Internal Revenue Code (26 U.S.C. s.21) shall be

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】** in the above bill is
 not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 eligible for the credit provided by this section, provided the
2 taxpayer satisfies the income limit set forth in subsection a. of this
3 section.

4 d. In the case of a part-year resident claimant, the amount of
5 the credit allowed pursuant to this section shall be pro-rated, based
6 upon that proportion which the total number of months of the
7 claimant's residency in the taxable year bears to 12 in that period.
8 For this purpose, 15 days or more shall constitute a month.
9 (cf: P.L.2018, c.45, s.5)

10

11 2. This act shall take effect immediately and shall apply to
12 taxable years beginning on and after the date of enactment.

13

14

15

STATEMENT

16

17 This bill expands eligibility for the credit against the New Jersey
18 gross income tax for employment-related expenses incurred while
19 caring for a child or dependent. Currently, the credit is available to
20 resident taxpayers who are allowed the federal child and dependent
21 care credit and have New Jersey taxable income of \$60,000 or less
22 for the taxable year. The bill raises the \$60,000 income limit to
23 \$150,000.

24 The bill also increases the amount of the State credit available to
25 taxpayers by expanding qualifying income brackets. For example,
26 under current law, the State credit a taxpayer with income less than
27 \$20,000 receives is equal to 50 percent of their federal credit. The
28 bill increases the \$20,000 income limit to \$50,000, and all other
29 brackets have also been expanded to allow more taxpayers to
30 qualify for enhanced benefits.

31 In addition, the bill increases the maximum credit allowed for a
32 taxable year to \$1,000 for employment-related expenses paid by the
33 taxpayer for one qualifying individual and \$2,000 for employment-
34 related expenses paid by the taxpayer for two or more qualifying
35 individuals. Under current law, the maximum credit allowed is
36 \$500 for employment-related expenses paid by the taxpayer for one
37 qualifying individual and \$1,000 for employment-related expenses
38 paid by the taxpayer for two or more qualifying individuals.