

# SENATE, No. 676

## STATE OF NEW JERSEY 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

**Sponsored by:**

**Senator ANTHONY M. BUCCO**

**District 25 (Morris and Somerset)**

**Senator STEVEN V. OROHO**

**District 24 (Morris, Sussex and Warren)**

**Co-Sponsored by:**

**Senators Sarlo, Connors, Holzapfel, Testa, Madden and Singleton**

**SYNOPSIS**

Indexes for inflation taxable income brackets under New Jersey gross income tax.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 10/6/2022)**

1 AN ACT indexing for inflation the taxable income brackets under  
2 the New Jersey gross income tax, amending N.J.S.54A:2-1.

3

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

6

7 1. N.J.S.54A:2-1 is amended to read as follows:

8 54A:2-1. Imposition of tax. There is hereby imposed a tax for  
9 each taxable year (which shall be the same as the taxable year for  
10 federal income tax purposes) on the New Jersey gross income as  
11 herein defined of every individual, estate or trust (other than a  
12 charitable trust or a trust forming part of a pension or profit-sharing  
13 plan), subject to the deductions, limitations and modifications  
14 hereinafter provided, determined in accordance with the following  
15 tables with respect to taxpayers' taxable income:

16 a. For married individuals filing a joint return and individuals  
17 filing as head of household or as surviving spouse for federal  
18 income tax purposes:

19 (1) for taxable years beginning on or after January 1, 1991 but  
20 before January 1, 1994:

21

22 If the taxable income is: The tax is:

23

24 Not over \$20,000.00..... 2% of taxable income

25

26 Over \$20,000.00 but not  
27 over \$50,000.00..... \$400.00 plus 2.5% of the  
28 excess over \$20,000.00

29 Over \$50,000.00 but not  
30 over \$70,000.00..... \$1,150.00 plus 3.5% of the  
31 excess over \$50,000.00

32

33 Over \$70,000.00 but not  
34 over \$80,000.00..... \$1,850.00 plus 5.0% of the  
35 excess over \$70,000.00

36

37 Over \$80,000.00 but not  
38 over \$150,000.00..... \$2,350.00 plus 6.5% of the  
39 excess over \$80,000.00

40

41 Over \$150,000.00..... \$6,900.00 plus 7.0% of the  
42 excess over \$150,000.00

43

44 (2) for taxable years beginning on or after January 1, 1994 but  
45 before January 1, 1995:

**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.

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1	If the taxable income is:	The tax is:
2	Not over \$20,000.00.....	1.900% of taxable income
3		
4	Over \$20,000.00 but not	
5	over \$50,000.00.....	\$380.00 plus 2.375% of the
6		excess over \$20,000.00
7		
8	Over \$50,000.00 but not	
9	over \$70,000.00.....	\$1,092.50 plus 3.325% of the
10		excess over \$50,000.00
11		
12	Over \$70,000.00 but not	
13	over \$80,000.00.....	\$1,757.50 plus 4.750% of the
14		excess over \$70,000.00
15		
16	Over \$80,000.00 but not	
17	over \$150,000.00.....	\$2,232.50 plus 6.175% of the
18		excess over \$80,000.00
19		
20	Over \$150,000.00 .....	\$6,555.00 plus 6.650% of the
21		excess over \$150,000.00
22		
23	(3) for taxable years beginning on or after January 1, 1995 but	
24	before January 1, 1996:	
25		
26	If the taxable income is:	The tax is:
27		
28	Not over \$20,000.00.....	1.700% of taxable income
29		
30	Over \$20,000.00 but not	
31	over \$50,000.00.....	\$340.00 plus 2.125% of the
32		excess over \$20,000.00
33		
34	Over \$50,000.00 but not	
35	over \$70,000.00.....	\$977.50 plus 2.975% of the
36		excess over \$50,000.00
37		
38	Over \$70,000.00 but not	
39	over \$80,000.00.....	\$1,572.50 plus 4.250% of the
40		excess over \$70,000.00
41		
42	Over \$80,000.00 but not	
43	over \$150,000.00.....	\$1,997.50 plus 6.013% of the
44		excess over \$80,000.00
45		
46	Over \$150,000.00 .....	\$6,206.60 plus 6.580% of the
47		excess over \$150,000.00

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1 (4) for taxable years beginning on or after January 1, 1996 but  
2 before January 1, 2004:

3

4 If the taxable income is: The tax is:  
5 Not over \$20,000.00..... 1.400% of taxable income

6

7 Over \$20,000.00 but not  
8 over \$50,000.00..... \$280.00 plus 1.750% of the  
9 excess over \$20,000.00

10

11 Over \$50,000.00 but not  
12 over \$70,000.00..... \$805.00 plus 2.450% of the  
13 excess over \$50,000.00

14

15 Over \$70,000.00 but not  
16 over \$80,000.00..... \$1,295.50 plus 3.500% of the  
17 excess over \$70,000.00

18

19 Over \$80,000.00 but not  
20 over \$150,000.00..... \$1,645.00 plus 5.525% of the  
21 excess over \$80,000.00

22

23 Over \$150,000.00 ..... \$5,512.50 plus 6.370% of the  
24 excess over \$150,000.00

25

26 (5) for taxable years beginning on or after January 1, 2004:

27

28 If the taxable income is: The tax is:  
29 Not over \$20,000.00 ..... 1.400% of taxable income

30

31 Over \$20,000.00 but not  
32 over \$50,000.00 ..... \$280.00 plus 1.750% of the  
33 excess over \$20,000.00

34

35 Over \$50,000.00 but not  
36 over \$70,000.00 ..... \$805.00 plus 2.450% of the  
37 excess over \$50,000.00

38

39 Over \$70,000.00 but not  
40 over \$80,000.00 ..... \$1,295.50 plus 3.500% of the  
41 excess over \$70,000.00

42

43 Over \$80,000.00 but not  
44 over \$150,000.00 ..... \$1,645.00 plus 5.525% of the  
45 excess over \$80,000.00

46

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1	Over \$150,000.00 but not	
2	over \$500,000.00 .....	\$5,512.50 plus 6.370% of the
3		excess over \$150,000.00
4		
5	Over \$500,000.00 .....	\$27,807.50 plus 8.970% of the
6		excess over \$500,000.00

7  
8 b. For married individuals filing separately, unmarried  
9 individuals other than individuals filing as head of household or as  
10 a surviving spouse for federal income tax purposes, and estates and  
11 trusts:

12  
13 (1) for taxable years beginning on or after January 1, 1991 but  
14 before January 1, 1994:

15		
16	If the taxable income is:	The tax is:
17		
18	Not over \$20,000.00.....	2% of taxable income
19		
20	Over \$20,000.00 but not	
21	over \$35,000.00.....	\$400.00 plus 2.5% of the
22		excess over \$20,000.00
23		
24	Over \$35,000.00 but not	
25	over \$40,000.00.....	\$775.00 plus 5.0% of the
26		excess over \$35,000.00
27		
28	Over \$40,000.00 but not	
29	over \$75,000.00.....	\$1,025.00 plus 6.5% of the
30		excess over \$40,000.00
31		
32	Over \$75,000.00.....	\$3,300.00 plus 7.0% of the
33		excess over \$75,000.00

34  
35 (2) for taxable years beginning on or after January 1, 1994 but  
36 before January 1, 1995:

37		
38	If the taxable income is:	The tax is:
39		
40	Not over \$20,000.00.....	1.900% of taxable income
41		
42	Over \$20,000.00 but not	
43	over \$35,000.00.....	\$380.00 plus 2.375% of the
44		excess over \$20,000.00
45		
46	Over \$35,000.00 but not	
47	over \$40,000.00.....	\$736.25 plus 4.750% of the
48		excess over \$35,000.00

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1	Over \$40,000.00 but not	
2	over \$75,000.00.....	\$973.75 plus 6.175% of the
3		excess over \$40,000.00
4		
5	Over \$75,000.00.....	\$3,135.00 plus 6.650% of the
6		excess over \$75,000.00
7		
8	(3) for taxable years beginning on or after January 1, 1995 but	
9	before January 1, 1996:	
10		
11	If the taxable income is:	The tax is:
12		
13	Not over \$20,000.00.....	1.700% of taxable income
14		
15	Over \$20,000.00 but not	
16	over \$35,000.00.....	\$340.00 plus 2.125% of the
17		excess over \$20,000.00
18		
19	Over \$35,000.00 but not	
20	over \$40,000.00.....	\$658.75 plus 4.250% of the
21		excess over \$35,000.00
22		
23	Over \$40,000.00 but not	
24	over \$75,000.00.....	\$871.25 plus 6.013% of the
25		excess over \$40,000.00
26		
27	Over \$75,000.00.....	\$2,975.80 plus 6.580% of the
28		excess over \$75,000.00
29		
30	(4) for taxable years beginning on or after January 1, 1996 but	
31	before January 1, 2004:	
32		
33	If the taxable income is:	The tax is:
34		
35	Not over \$20,000.00.....	1.400% of taxable income
36		
37	Over \$20,000.00 but not	
38	over \$35,000.00.....	\$280.00 plus 1.750% of the
39		excess over \$20,000.00
40		
41	Over \$35,000.00 but not	
42	over \$40,000.00.....	\$542.50 plus 3.500% of the
43		excess over \$35,000.00
44		
45	Over \$40,000.00 but not	
46	over \$75,000.00.....	\$717.50 plus 5.525% of the
47		excess over \$40,000.00

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1	Over \$75,000.00.....	\$2,651.25 plus 6.370% of the
2		excess over \$75,000.00
3		
4	(5) for taxable years beginning on or after January 1, 2004:	
5	If the taxable income is:	The tax is:
6		
7	Not over \$20,000.00 .....	1.400% of taxable income
8		
9	Over \$20,000.00 but not	
10	over \$35,000.00 .....	\$280.00 plus 1.750% of the
11		excess over \$20,000.00
12		
13	Over \$35,000.00 but not	
14	over \$40,000.00 .....	\$542.50 plus 3.500% of the
15		excess over \$35,000.00
16		
17	Over \$40,000.00 but not	
18	over \$75,000.00 .....	\$717.50 plus 5.525% of the
19		excess over \$40,000.00
20		
21	Over \$75,000.00 but not	
22	over \$500,000.00 .....	\$2,651.25 plus 6.370% of the
23		excess over \$75,000.00
24		
25	Over \$500,000.00 .....	\$29,723.75 plus 8.970% of the
26		excess over \$500,000.00
27		

28 c. For the purposes of this section, an individual who would be  
29 eligible to file as a head of household for federal income tax  
30 purposes but for the fact that such taxpayer is a nonresident alien,  
31 shall determine tax pursuant to subsection a. of this section.

32 d. The director shall annually recompute the taxable income  
33 bracket amounts and tax amount per taxable income bracket by  
34 multiplying each adjusted taxable income bracket amount by the  
35 cost-of-living adjustment, and recomputing the taxable income  
36 bracket amounts at the statutory tax rates with the recomputed  
37 bracket amounts. Notwithstanding the taxable income bracket  
38 amounts and tax amount per taxable income bracket provided in the  
39 tax tables in this section, each taxpayer shall use the adjusted  
40 taxable income bracket amounts and tax amount per taxable income  
41 bracket as computed by the director for the applicable taxable year.  
42 The director shall round the recomputed taxable income bracket  
43 amounts to the next highest multiple of \$10.

44 e. For the purposes of this section, "cost-of-living adjustment"  
45 means the factor calculated by dividing the consumer price index  
46 for all urban consumers for the nation, as prepared by the United  
47 States Department of Labor as of the close of the 12-month period  
48 ending on August 31 of the calendar year prior to the calendar year

1 in which the taxable year begins, by that index as of the close of the  
2 12-month period ending on August 31 of the calendar year  
3 preceding the calendar year in which P.L. , c. (pending before  
4 the Legislature as this bill) takes effect.

5 (cf: P.L.2004, c.40, s.17)

6

7 2. This act shall take effect immediately and shall apply to  
8 taxable years beginning on and after January 1 next following the  
9 date of enactment.

10

11

12

### STATEMENT

13

14 This bill indexes for inflation the taxable income brackets under  
15 the New Jersey gross income tax. This adds to the State personal  
16 income tax a common-sense taxpayer protection called inflation  
17 indexing that has been provided under the federal income tax since  
18 the 1980s. Inflation indexing means that tax brackets are revised  
19 annually to reflect nominal price and wage increases that result  
20 from inflation. When tax brackets are not indexed for inflation it  
21 results in what is called "bracket creep," which is an increase in  
22 effective tax rates caused by inflation. Higher income can bump a  
23 taxpayer into the next tax bracket, even if that higher income is  
24 merely keeping pace with inflation. A lack of inflation adjustment  
25 can also push more of a taxpayer's income into the highest bracket  
26 for which they qualify. The final result is a tax increase that occurs  
27 without any legislation being passed. Indexing addresses this by  
28 altering each bracket level each year by the level of annual  
29 inflation.

30 Under this bill the inflation adjustment for taxable income  
31 brackets is the national consumer price index for all urban  
32 consumers as prepared by the United States Department of Labor.  
33 This is the same measure of inflation that is used for indexing the  
34 taxable income brackets under the federal Internal Revenue Code.  
35 The bill compares an annual inflation measure from the year prior  
36 to the one for which taxes will be imposed to a base year measure  
37 from the year prior to the one in which the bill is enacted. This  
38 delay allows the Director of the Division of Taxation to determine  
39 the adjusted amounts when the tax year begins.