Sponsored by:
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SYNOPSIS
Increases gross income tax rate on income exceeding $1,000,000 for taxable year 2010.

CURRENT VERSION OF TEXT
As introduced.
AN ACT increasing the gross income tax rate on income exceeding $1,000,000 for taxable year 2010, supplementing Title 54A of the New Jersey Statutes.

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

1. a. Notwithstanding the taxable income tables and tax rates provided in N.J.S.54A:2-1 or any other provision of law to the contrary, for taxable years beginning on or after January 1, 2010 but before January 1, 2011 (the "taxable year 2010"), the amount of tax due pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., for a taxpayer whose taxable income exceeds $1,000,000 shall be determined pursuant to subsections b. and c. of this section as is applicable.

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

If the taxable income is: The tax is:

Over $1,000,000.00 . . . . . . . $72,657.50 plus 10.75% of the excess over $1,000,000.00

c. For married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts:

If the taxable income is: The tax is:

Over $1,000,000.00 . . . . . . . $74,573.75 plus 10.75% of the excess over $1,000,000.00

d. No additions to tax or penalty shall be imposed under N.J.S.54A:9-6 for insufficient payment of estimated tax that may otherwise be due on salaries, wages and other remuneration received before October 1, 2010 upon which there is a rate of tax imposed pursuant to subsections b. and c. of this section.

e. An employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to New Jersey gross income tax or making payment of any remuneration for employment subject to contribution under the New Jersey "unemployment compensation law," pursuant to R.S.43:21-1 et seq., that is subject to New Jersey
The gross income tax shall not be subject to interest, penalties or other costs that may otherwise be imposed for insufficient withholding of salaries, wages and other remuneration made before October 1, 2010 that is directly attributable to the enactment of the taxable income tables and tax rates in subsections b. and c. of this section.

2. This act shall take effect immediately but remain inoperative until the date of enactment of P.L.2010, c. (pending before the Legislature as Assembly Bill No. 20 or Senate Bill No. 20 of 2010).

STATEMENT

This bill provides a temporary adjustment to the rate of the gross income tax for taxpayers with taxable incomes exceeding $1,000,000 in taxable years beginning on or after January 1, 2010 but before January 1, 2011 (the “taxable year 2010”). The bill provides for adjusted income taxation at the following bracket at the following rate: over $1,000,000 is adjusted from 8.97% to 10.75%.

It is intended that the revenue generated in State fiscal year 2011 from this bill will be used to restore critical programs that would otherwise be cut or reduced in the annual appropriations act. This bill will only become operative if a companion bill making the funding restorations is enacted.

Governor Christie’s proposed Fiscal Year 2011 budget, while purporting to be based on the principle of “shared responsibility,” places much too high a burden on the State’s senior citizens and residents with disabilities.

This bill and its companion measure (Assembly Bill No. 20 of 2010), would ease this burden on senior citizens and residents with disabilities by asking the State’s 16,000 highest earners to temporarily pay a higher income tax on income over $1 million. This one year increased rate would equate to just 1.7 cents for each dollar of income over $1 million.

The Governor’s proposed budget would eliminate vital homestead property tax rebates for over 500,000 senior citizens and disabled homeowners and over 100,000 senior citizen and disabled tenants during calendar year 2010 and provide just 25% of rebates for the remainder of Fiscal Year 2011.

With New Jersey’s dubious distinction of having the highest property taxes in the nation - a situation that will be exacerbated by substantial reductions in school aid and municipal aid in the proposed budget - these rebates are the financial bridge that senior citizens need to remain in their lifelong homes.

These bills, together with the funding provided in the proposed budget, would give senior citizens and residents with disabilities the full homestead property tax rebate to which they are entitled in statute.
For nearly 400,000 senior citizens and disabled homeowners with incomes below $50,000, an average rebate of nearly $1,300 would be received; for over 50,000 with income between $50,000 and $75,000, an average rebate of over $1,300 would be received; for nearly 23,000 with income between $75,000 and $100,000, an average rebate of nearly $1,300 would be received; and for over 35,000 with incomes between $100,000 and $150,000, an average rebate of $750 would be received.

For over 100,000 senior citizen and disabled tenants with incomes below $50,000, an average rebate of over $700 would be received. Those with incomes between $50,000 and $100,000 would receive an average rebate of $150-$200.

Additionally, these bills will reverse the devastating changes to the Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold Prescription Discount programs proposed by Governor Christie for Fiscal Year 2011. The Governor’s budget would increase the health care cost burden on the State’s least financially well-off senior citizens and residents with disabilities by requiring them to pay a deductible before being eligible for low-cost medications. The proposed budget also would increase the copayment these residents must pay for brand name drugs from $7 per prescription to $15 per prescription.

Approximately 100,000 senior citizens and residents with disabilities that qualify for PAAD with incomes below $24,432 (single) and $29,956 (married) would be subject to a $310 deductible. An additional 5,000 residents would pay a $63 deductible. The 23,000 residents qualifying for the Senior Gold Prescription Discount program with incomes between $24,432 and $34,432 (single) and between $29,956 and $39,956 (married) also would pay the $310 deductible ($620 for a married couple).

Under the Governor’s proposal, beginning January 1, 2011 PAAD and Senior Gold participants will not be able to receive their medications until they meet the full cost of the new deductible. The average cost for one prescription for these residents is $119 - the amount most will have to have in hand in order to get their first prescription in January. For those with multiple prescriptions, the full $310 will have to be paid on their first trip to the pharmacy in January. This not only presents a severe hardship for the patients, but will be problematic for pharmacies which would have to withhold medications from those who cannot pay or pay for the drugs themselves.

In addition, the over 100,000 senior citizens and residents with disabilities who would pay the newly imposed deductible would also pay a 114.3% increase in the copayment for brand name drugs.

According to the Division of Senior Benefits and Utilization Management in the New Jersey Department of Health and Senior Services, nearly 40% of all PAAD prescriptions are for brand name
drugs. There are many drugs for which there are no generic equivalents and many patients for whom the brand name drug is medically necessary even when a generic equivalent exists. For patients requiring brand name drugs there is no alternative but to pay the increased cost or forego the medications.

There is great concern that the added burden of these costs will lead to senior citizens and residents with disabilities rationing drugs or not taking them at all. This eventuality would lead to even higher health care costs across the health care system, including Medicaid and Medicare. Since the vast majority of senior citizens and residents with disabilities receive health care services through government programs, the “savings” from these PAAD and Senior Gold changes will likely result in much higher costs for other taxpayer-funded health care programs.

This bill and its companion bill will eliminate the Governor’s proposed co-pay increase to PAAD recipients as well as the proposed imposition of a new deductible on PAAD and Senior Gold recipients. It is the sponsor’s belief that eliminating the proposed deductible and keeping the brand name drug co-payment at the current level is not only the fair and humane way to treat this State’s senior citizens and residents with disabilities, but that, in the long-run, it will save the State even more by avoiding more costly health care issues.