

ASSEMBLY, No. 3088

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED FEBRUARY 8, 2018

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SYNOPSIS

Increases New Jersey Earned Income Tax Credit to 40 percent of federal benefit amount beginning in Tax Year 2018.

CURRENT VERSION OF TEXT

As introduced.

AN ACT increasing the New Jersey Earned Income Tax Credit, amending P.L.2000, c.80.

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

1. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read as follows:
2. There is established the New Jersey Earned Income Tax Credit program in the Division of Taxation in the Department of the Treasury.
 - a. (1) A resident individual who is eligible for a credit under section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.32) shall be allowed a credit for the taxable year equal to a percentage, as provided in paragraph (2) of this subsection, of the federal earned income tax credit that would be allowed to the individual or the married individuals filing a joint return under section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.32) for the same taxable year for which a credit is claimed pursuant to this section, subject to the restrictions of this subsection and subsections b., c., d. and e. of this section.

(2) For the purposes of the calculation of the New Jersey earned income tax credit, the percentage of the federal earned income tax credit referred to in paragraph (1) of this subsection shall be:

- (a) 10% for the taxable year beginning on or after January 1, 2000, but before January 1, 2001;
- (b) 15% for the taxable year beginning on or after January 1, 2001, but before January 1, 2002;
- (c) 17.5% for the taxable year beginning on or after January 1, 2002, but before January 1, 2003;
- (d) 20% for taxable years beginning on or after January 1, 2003, but before January 1, 2008;
- (e) 22.5% for taxable years beginning on or after January 1, 2008 but before January 1, 2009;
- (f) 25% for taxable years beginning on or after January 1, 2009 but before January 1, 2010;
- (g) 20% for taxable years beginning on or after January 1, 2010, but before January 1, 2015;
- (h) 30% for taxable years beginning on or after January 1, 2015, but before January 1, 2016; ~~and~~
- (i) 35% for taxable years beginning on or after January 1, 2016, but before January 1, 2018; and
- (j) 40% for taxable years beginning on or after January 1, 2018.

(3) To qualify for the New Jersey earned income tax credit, if the claimant is married, except for a claimant who files as a head of household or surviving spouse for federal income tax purposes for the taxable year, the claimant shall file a joint return or claim for the credit.

b. In the case of a part-year resident claimant, the amount of the credit allowed pursuant to this section shall be pro-rated, based upon that proportion which the total number of months of the claimant's residency in the taxable year bears to 12 in that period. For this purpose, 15 days or more shall constitute a month.

c. The amount of the credit allowed pursuant to this section shall be applied against the tax otherwise due under N.J.S.54A:1-1 et seq., after all other credits and payments. If the credit exceeds the amount of tax otherwise due, that amount of excess shall be an overpayment for the purposes of N.J.S.54A:9-7; provided however, that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit provided under this section as a credit against the tax otherwise due and the amount of the credit treated as an overpayment shall be treated as a credit towards or overpayment of gross income tax, subject to all provisions of N.J.S.54A:1-1 et seq., except as may be otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

d. The Director of the Division of Taxation in the Department of the Treasury shall establish a program for the distribution of earned income tax credits pursuant to the provisions of this section.

e. Any earned income tax credit pursuant to this section shall not be taken into account as income or receipts for purposes of determining the eligibility of an individual for benefits or assistance or the amount or extent of benefits or assistance under any State program and, to the extent permitted by federal law, under any State program financed in whole or in part with federal funds.

(cf: P.L.2016, c.57, s.11)

2. This act shall take effect immediately.

STATEMENT

This bill increases the New Jersey Earned Income Tax Credit (NJ EITC) to 40 percent of the federal benefit amount beginning in Tax Year 2018. The NJ EITC program, which piggy-backs on the federal EITC

program, currently provides a refundable earned income tax credit under the State gross income tax equal to 35 percent of the federal benefit amount.

The federal and State EITC programs are intended to “make work pay” by offsetting the burden of payroll taxes for low and moderate income workers.

To claim a credit, taxpayers must first file for the federal EITC. Eligibility for the program is determined by taxpayer income, filing status, and the number of qualifying children. For Tax Year 2018, the Internal Revenue Service has indicated, the following program limits:

Maximum Income Eligibility Levels				
If filing ...	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, Head of Household or Widowed	\$15,310	\$40,402	\$45,898	\$49,298
Married Filing Jointly	\$21,000	\$46,102	\$51,598	\$54,998

According to the New Jersey Department of the Treasury, it is estimated that some 546,334 taxpayers claimed a credit during TY 2016, the most recent year for which data are available.