

CHAPTER 45

AN ACT concerning certain State taxes, supplementing Title 54A of the New Jersey Statutes and P.L.1945, c.162, and amending various parts of the statutory law.

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

1. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to read as follows:

C.54A:3A-17 Resident taxpayer allowed certain property tax deduction; limitations.

3. a. A resident taxpayer under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from gross income for the amount of property tax credit as defined in section 1 of P.L.2018, c.11 (C.54:4-66.6) plus property taxes, the total of which shall not exceed \$15,000, subject to the limitations of subsection f. of this section. Property taxes deductible under this section shall be due and paid for the calendar year in which the taxes are due and payable on the taxpayer's homestead.

b. A deduction for property taxes or property tax credits shall be allowed pursuant to this section in relation to the amount of the property taxes or property tax credits actually paid by or allocable to a resident taxpayer who has more than one homestead, but the aggregate amount of the property taxes or property tax credits claimed shall not exceed the total of the proportionate amounts of property taxes assessed and levied against or allocable to each homestead for the portion of the taxable year for which the taxpayer occupied it as the taxpayer's principal residence.

c. If title to a homestead is held by more than one individual as joint tenants or tenants in common, each individual shall be allowed a deduction pursuant to this section only in relation to the individual's proportionate share of the property taxes assessed and levied against the homestead. The proportionate share shall be equal to that of all other individuals who hold the title, but if the conveyance under which the title is held provides for unequal interests therein, a taxpayer's share of the property taxes shall be in proportion to the taxpayer's interest in the title.

d. If title to a homestead is held by a husband and wife who own the homestead as tenants by the entirety, or if that husband and wife are both residential shareholders of a cooperative or mutual housing corporation and occupy the same homestead therein, and who elect to file separate income tax returns pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., that husband and wife shall each be entitled to one-half of the deduction for property taxes for which they may be jointly eligible pursuant to this section.

e. If the homestead is a dwelling house consisting of more than one unit, that taxpayer shall be allowed a deduction for property taxes or property tax credits only in relation to the proportionate share of the property taxes assessed and levied against the residential unit occupied by the taxpayer, as determined by the local tax assessor.

f. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a resident taxpayer shall be allowed a deduction for a taxpayer's taxable year beginning during 1996 based on 50% of the property taxes not in excess of \$5,000 paid on the taxpayer's homestead; and (2) a resident taxpayer shall be allowed a deduction for a taxpayer's taxable year beginning during 1997 based on 75% of the property taxes not in excess of \$7,500 paid on the taxpayer's homestead.

g. Notwithstanding any other provision of this section, the deduction allowed under this section to a resident taxpayer eligible to receive a homestead property tax reimbursement pursuant to P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident taxpayer's base year property tax liability as determined pursuant to P.L.1997, c.348 (C.54:4-8.67 et al.).

h. Notwithstanding any other provision of this section, for the taxable year beginning January 1, 2009, a taxpayer who has gross income for the taxable year of more than \$250,000 and is not:

- (1) 65 years of age or older at the close of the taxable year; or
- (2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not be allowed a deduction pursuant to this section;

provided however, the deduction for a taxpayer who has gross income for the taxable year of more than \$150,000 but not exceeding \$250,000 and is not:

- (1) 65 years of age or older at the close of the taxable year; or
- (2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not exceed \$5,000.

2. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to read as follows:

C.54A:3A-18 Deduction allowed resident taxpayer whose homestead is a unit of residential rental property; limitations.

4. a. A resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction from gross income for that portion of the rent constituting property taxes not in excess of \$15,000, subject to the limitations of subsection d. of this section, due and paid for the calendar year in which the rent constituting taxes is due and payable, for occupancy of that homestead.

b. A husband and wife who elect to file separate income tax returns pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the property tax deduction allowed pursuant to this section.

c. If more than one taxpayer, other than husband and wife, qualify to deduct rent constituting property taxes by reason of their having occupied the same rented homestead, it shall be presumed that the deduction shall be equally divided. A taxpayer may, however, deduct an amount for rent constituting property taxes in the same proportion that the rent paid by that taxpayer bears to the total rent paid by all tenants of the same unit.

d. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of the rent constituting property taxes not in excess of \$5,000 paid for the occupancy of that homestead; and (2) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1997 based on 75% of the rent constituting property taxes not in excess of \$7,500 paid for the occupancy of that homestead.

3. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to read as follows:

C.54A:3A-19 Deduction for property taxes; limitations.

5. a. If a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, the taxpayer shall be allowed a deduction, not in excess of \$15,000, subject to the limitations of subsection b. of this section, the amount of which shall be equal to the sum of the amount of property tax credit as defined in section 1 of P.L.2018, c.11 (C.54:4-66.6) plus the amount of property taxes due and paid for the calendar year in which the property taxes are due and payable on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes due and paid for the calendar year in which the rent constituting property taxes is due and payable for the occupancy of a homestead that is a unit of residential rental property, provided however, that the amount of property taxes and property tax credits shall be subject to the limitations set forth in subsections b. through e. of section 3 and the amount of rent constituting property taxes shall be subject to the limitations set forth in subsections b. and c. of section 4 as may be applicable.

b. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of an amount not in excess of \$5,000, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property; and (2) a

taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's taxable year beginning during 1997 based on 75% of an amount not in excess of \$7,500, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property.

4. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read as follows:

C.54A:4-7 New Jersey Earned Income Tax Credit program.

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;
- (i) 35% for taxable years beginning on or after January 1, 2016, but before January 1, 2018;
- (j) 37% for the taxable year beginning on or after January 1, 2018, but before January 1, 2019;
- (k) 39% for the taxable year beginning on or after January 1, 2019, but before January 1, 2020; and
- (l) 40% for taxable years beginning on or after January 1, 2020.

(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.

C.54A:4-17 Certain credits permitted.

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

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.

The credit allowed by this section for a taxable year shall not exceed \$500 for employment-related expenses paid by the taxpayer for one qualifying individual and \$1,000 for employment-related expenses paid by the taxpayer for two or more qualifying individuals. The \$60,000 income limit set forth in this subsection shall apply to taxpayers of any filing status.

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

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

d. 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.

6. N.J.S.54A:5-8 is amended to read as follows:

Income from sources within State for nonresident.

54A:5-8. a. Income from sources within this State for a nonresident individual, estate or trust means the income from the categories of gross income enumerated and classified under chapter 5 of this act to the extent that it is earned, received or acquired from sources within this State:

(1) By reason of ownership or disposition of any interest in real or tangible personal property in this State; or

(2) In connection with a trade, profession, occupation carried on in this State or for the rendition of personal services performed in this State; or

(3) As a distributive share of the income of an unincorporated business, profession, enterprise, undertaking or other activity as the result of work done, services rendered or other business activities conducted in this State except as allocated to another state pursuant to regulations promulgated by the director under this act; or

(4) From intangible personal property employed in a trade, profession, occupation or business carried on in this State; or

(5) As a result of any lottery or wagering transaction in this State other than that excluded from taxation pursuant to N.J.S.54A:6-11; or

(6) As S corporation income allocated to this State of a New Jersey S corporation.

b. Income from sources within this State for a nonresident individual shall not include income from pensions and annuities as set forth in subsection j. of N.J.S.54A:5-1.

c. For purposes of paragraphs (2) through (4) of subsection a. of this section, a nonresident taxpayer shall not be deemed to be carrying on a trade, profession, occupation, business, enterprise, undertaking or other activity in this State, or to be rendering personal services in this State, solely as a result of the purchase, holding and sale of intangible personal property by the trade, profession, occupation, business, enterprise or undertaking, to the extent that (1) the activities related to the intangible personal property are for the account of the trade, profession, occupation, business, enterprise, or undertaking and (2) the trade, profession, occupation, business, enterprise, or undertaking does not hold the intangible personal property for sale to customers. For the purposes of this subsection: "intangible personal property" includes, but is not limited to, "commodities", as defined in paragraph (2) of subsection (e), and "securities," as defined in paragraph (2) of subsection (c), of section 475 of the federal Internal Revenue Code of 1986, 26 U.S.C. s.475; and "purchase, holding and sale of intangible personal property" includes activities incidental thereto giving rise to income, including commitment fees, breakup fees, income from securities lending, and any other incidental activities as prescribed or authorized by the director. The director shall adopt such regulations as the director deems necessary to accomplish the purposes of this section.

d. (1) The provisions of subsection c. of this section shall not apply to income from investment management services provided to a partnership, S corporation, or other entity.

(2) As used in this subsection:

"Investment management services" means providing a substantial quantity of any of the following services to a partnership, S corporation, or other entity as a partner thereto:

- (a) advising as to the advisability of investing in, purchasing, or selling a specified asset;
- (b) managing, acquiring, or disposing of a specified asset;
- (c) arranging financing with respect to acquiring specified assets; or
- (d) any activity in support of the services described in subparagraphs (a) through (c) of this paragraph.

A partner shall not be deemed to be providing investment management services under this section if the partnership interest is held directly or indirectly by a corporation, or any capital interest in the partnership, which provides the taxpayer with a right to share in partnership capital commensurate with the amount of capital contributed, determined at the time of receipt of such partnership interest, or the value of partnership interest subject to tax under section 83 of the Internal Revenue Code (26 U.S.C. s.83), upon the receipt or vesting of such interest.

"Specified asset" means certain securities, real estate held for rental or investment, interests in partnerships, commodities, or options or derivatives contracts, except if at least 80 percent of the average fair market value of the specified assets of the partnership, S corporation, or other entity during the taxable year consists of real estate.

(3) This subsection shall remain inoperative until enactment into law by the states of Connecticut, New York, and Massachusetts of legislation having an identical effect with this subsection, sections 7 and 9 of P.L.2018, c.45 (C.54A:5-16 and C.54:10A-6.4), and subsection (D) of section 6 of P.L.1945, c.162 (C.54:10A-6), as shall be determined by the Director of the Division of Taxation in the Department of the Treasury.

C.54A:5-16 Definitions.

7. a. As used in this section:

"Investment management services" means providing a substantial quantity of any of the following services to a partnership, S corporation, or other entity as a partner thereto:

- (1) advising as to the advisability of investing in, purchasing, or selling a specified asset;
- (2) managing, acquiring, or disposing of a specified asset;
- (3) arranging financing with respect to acquiring specified assets; or
- (4) any activity in support of the services described in paragraphs (1) through (3) of this subsection.

A partner shall not be deemed to be providing investment management services under this section if the partnership interest is held directly or indirectly by a corporation, or any capital interest in the partnership, which provides the taxpayer with a right to share in partnership capital commensurate with the amount of capital contributed, determined at the time of receipt of such partnership interest, or the value of partnership

interest subject to tax under section 83 of the Internal Revenue Code (26 U.S.C. s.83), upon the receipt or vesting of such interest.

“Specified asset” means certain securities, real estate held for rental or investment, interests in partnerships, commodities, or options or derivatives contracts, except if at least 80 percent of the average fair market value of the specified assets of the partnership, S corporation, or other entity during the taxable year consists of real estate.

b. Notwithstanding the provisions of the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., to the contrary, in addition to the tax imposed on the income of a non-resident taxpayer pursuant to N.J.S.54A:5-8, there shall be imposed an additional surtax of 17 percent on income from investment management services received during the taxpayer’s taxable year.

c. Notwithstanding the provisions of the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., to the contrary, in addition to the tax imposed on the income of a resident taxpayer from the categories of gross income enumerated and classified in N.J.S.54A:5-1 et seq., there shall be imposed an additional surtax of 17 percent on income received during the taxpayer’s taxable year from investment management services provided to a partnership, S corporation, or other entity.

d. This section shall remain inoperative until enactment into law by the states of Connecticut, New York, and Massachusetts of legislation having an identical effect with this section, subsection d. of N.J.S.54A:5-8, subsection (D) of section 6 of P.L.1945, c.162 (C.54:10A-6), and section 9 of P.L.2018, c.45 (C.54:10A-6.4), as shall be determined by the Director of the Division of Taxation in the Department of the Treasury.

8. Section 6 of P.L.1945, c.162 (C.54:10A-6) is amended to read as follows:

C.54:10A-6 Allocation factor.

6. The portion of a taxpayer's entire net worth to be used as a measure of the tax imposed by subsection (a) of section 5 of P.L.1945, c.162 (C.54:10A-5), and the portion of its entire net income to be used as a measure of the tax imposed by subsection (c) of section 5 of P.L.1945, c.162 (C.54:10A-5), shall be determined by multiplying such entire net worth and entire net income, respectively, by an allocation factor which is the property fraction, plus twice the sales fraction plus the payroll fraction and the denominator of which is four, and which, for privilege periods beginning on or after January 1, 2012, is the sum of the portions of the property fraction, the sales fraction, and the payroll fraction determined in accordance with the following schedule:

for privilege periods beginning on or after January 1, 2012 but before January 1, 2013, 15% of the property fraction plus 70% of the sales fraction plus 15% of the payroll fraction,

for privilege periods beginning on or after January 1, 2013 but before January 1, 2014, 5% of the property fraction plus 90% of the sales fraction plus 5% of the payroll fraction, and

for privilege periods beginning on or after January 1, 2014, 100% of the sales fraction, except as the director may determine pursuant to section 8 of P.L.1945, c.162 (C.54:10A-8), that is:

(A) The property fraction is the average value of the taxpayer's real and tangible personal property within the State during the period covered by its report divided by the average value of all the taxpayer's real and tangible personal property wherever situated during such period; provided, however, that for the purpose of determining average value, the provisions with respect to depreciation as set forth in subparagraph (F) of paragraph (2) of subsection (k) of section 4 of P.L.1945, c.162 (C.54:10A-4) shall be taken into account for arriving at such value.

(B) The sales fraction is the receipts of the taxpayer, computed on the cash or accrual basis according to the method of accounting used in the computation of its net income for federal tax purposes, arising during such period from

(1) sales of its tangible personal property located within this State at the time of the receipt of or appropriation to the orders where shipments are made to points within this State,

(2) sales of tangible personal property located without the State at the time of the receipt of or appropriation to the orders where shipment is made to points within the State,

(3) (Deleted by amendment.)

- (4) services performed within the State,
- (5) rentals from property situated, and royalties from the use of patents or copyrights, within the State,
- (6) all other business receipts (excluding dividends excluded from entire net income by paragraph (1) of subsection (k) of section 4 of P.L.1945, c.162 (C.54:10A-4)) earned within the State,

divided by the total amount of the taxpayer's receipts, similarly computed, arising during such period from all sales of its tangible personal property, services, rentals, royalties and all other business receipts, whether within or without the State.

(C) The payroll fraction is the total wages, salaries and other personal service compensation, similarly computed, during such period of officers and employees within the State divided by the total wages, salaries and other personal service compensation, similarly computed, during such period of all the taxpayer's officers and employees within and without the State.

In the case of a banking corporation which maintains a regular place of business outside this State other than a statutory office, and which elects to take the exclusion from net worth provided in subsection (d) of section 4 of P.L.1945, c.162 (C.54:10A-4) or the deduction from entire net income provided in paragraph (4) of subsection (k) of section 4 of P.L.1945, c.162 (C.54:10A-4), the allocation factor shall be computed and applied in accordance with section 6 of P.L.1945, c.162 (C.54:10A-6); provided, however, that the numerators and the denominators of the fractions described in (A), (B) or (C) above shall include all amounts attributable, directly or indirectly, to the production of the eligible net income of an international banking facility as defined in paragraph (4) of subsection (k) of section 4 of P.L.1945, c.162 (C.54:10A-4), whether or not such amounts are otherwise attributable to this State.

(D) (1) For the purposes of paragraph (4) of subsection (B) of this section, services performed within the State shall be deemed to include, but shall not be limited to, investment management services performed by the taxpayer as a partner provided to a partnership, S corporation, or other entity.

(2) As used in this subsection:

"Investment management services" means providing a substantial quantity of any of the following services to a partnership, S corporation, or other entity as a partner thereto:

- (a) advising as to the advisability of investing in, purchasing, or selling a specified asset;
- (b) managing, acquiring, or disposing of a specified asset;
- (c) arranging financing with respect to acquiring specified assets; or
- (d) any activity in support of the services described in subparagraphs (a) through (c) of this paragraph.

A partner shall not be deemed to be providing investment management services under this subsection if the partnership interest is held directly or indirectly by a corporation, or any capital interest in the partnership, which provides the taxpayer with a right to share in partnership capital commensurate with the amount of capital contributed, determined at the time of receipt of such partnership interest, or the value of partnership interest subject to tax under section 83 of the Internal Revenue Code (26 U.S.C. s.83), upon the receipt or vesting of such interest.

"Specified asset" means certain securities, real estate held for rental or investment, interests in partnerships, commodities, or options or derivatives contracts, except if at least 80 percent of the average fair market value of the specified assets of the partnership, S corporation, or other entity during the taxable year consists of real estate.

(3) This subsection shall remain inoperative until enactment into law by the states of Connecticut, New York, and Massachusetts of legislation having an identical effect with this subsection, subsection d. of N.J.S.54A:5-8, and sections 7 and 9 of P.L.2018, c.45 (C.54A:5-16 and C.54:10A-6.4), as shall be determined by the Director of the Division of Taxation in the Department of the Treasury.

C.54:10A-6.4 Definitions.

9. a. As used in this section:

"Investment management services" means providing a substantial quantity of any of the following services to a partnership, S corporation, or other entity as a partner thereto:

- (1) advising as to the advisability of investing in, purchasing, or selling a specified asset;
- (2) managing, acquiring, or disposing of a specified asset;

- (3) arranging financing with respect to acquiring specified assets; or
- (4) any activity in support of the services described in paragraphs (1) through (3) of this subsection.

A partner shall not be deemed to be providing investment management services under this section if the partnership interest is held directly or indirectly by a corporation, or any capital interest in the partnership, which provides the taxpayer with a right to share in partnership capital commensurate with the amount of capital contributed, determined at the time of receipt of such partnership interest, or the value of partnership interest subject to tax under section 83 of the Internal Revenue Code (26 U.S.C. s.83), upon the receipt or vesting of such interest.

“Specified asset” means certain securities, real estate held for rental or investment, interests in partnerships, commodities, or options or derivatives contracts, except if at least 80 percent of the average fair market value of the specified assets of the partnership, S corporation, or other entity during the taxable year consists of real estate.

b. Notwithstanding the provisions of the “Corporation Business Tax Act (1945),” P.L.1945, c.162 (C.54:10A-1 et seq.), to the contrary, in addition to the tax imposed on the entire net income of a taxpayer pursuant to the provisions of section 6 of P.L.1945, c.162 (C.54:10A-6), there shall be imposed an additional surtax of 17 percent on income received from investment management services during the taxpayer’s accounting or privilege period.

c. This section shall remain inoperative until enactment into law by the states of Connecticut, New York, and Massachusetts of legislation having an identical effect with this section, section 7 of P.L.2018, c.45 (C.54A:5-16), subsection (D) of section 6 of P.L.1945, c.162 (C.54:10A-6), and subsection d. of N.J.S.54A:5-8, as shall be determined by the Director of the Division of Taxation in the Department of the Treasury.

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

Imposition of tax.

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

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

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

If the taxable income is:	The tax is:
Not over \$20,000.00.....	2% of taxable income
Over \$20,000.00 but not over \$50,000.00.....	\$400.00 plus 2.5% of the excess over \$20,000.00
Over \$50,000.00 but not over \$70,000.00.....	\$1,150.00 plus 3.5% of the excess over \$50,000.00
Over \$70,000.00 but not over \$80,000.00.....	\$1,850.00 plus 5.0% of the excess over \$70,000.00
Over \$80,000.00 but not over \$150,000.00.....	\$2,350.00 plus 6.5% of the excess over \$80,000.00
Over \$150,000.00	\$6,900.00 plus 7.0% of the excess over \$150,000.00

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

If the taxable income is: The tax is:

Not over \$20,000.00..... 1.900% of taxable income

Over \$20,000.00 but not
over \$50,000.00..... \$380.00 plus 2.375% of the
excess over \$20,000.00

Over \$50,000.00 but not
over \$70,000.00..... \$1,092.50 plus 3.325% of the
excess over \$50,000.00

Over \$70,000.00 but not
over \$80,000.00..... \$1,757.50 plus 4.750% of the
excess over \$70,000.00

Over \$80,000.00 but not
over \$150,000.00..... \$2,232.50 plus 6.175% of the
excess over \$80,000.00

Over \$150,000.00 \$6,555.00 plus 6.650% of the
excess over \$150,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is: The tax is:

Not over \$20,000.00..... 1.700% of taxable income

Over \$20,000.00 but not
over \$50,000.00..... \$340.00 plus 2.125% of the
excess over \$20,000.00

Over \$50,000.00 but not
over \$70,000.00..... \$977.50 plus 2.975% of the
excess over \$50,000.00

Over \$70,000.00 but not
over \$80,000.00..... \$1,572.50 plus 4.250% of the
excess over \$70,000.00

Over \$80,000.00 but not
over \$150,000.00..... \$1,997.50 plus 6.013% of the
excess over \$80,000.00

Over \$150,000.00 \$6,206.60 plus 6.580% of the
excess over \$150,000.00

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

If the taxable income is: The tax is:

Not over \$20,000.00..... 1.400% of taxable income

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

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

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

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

Over \$150,000.00 \$5,512.50 plus 6.370% of the

excess over \$150,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2018:

If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.400% of taxable income
Over \$20,000.00 but not over \$50,000.00.....	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$50,000.00 but not over \$70,000.00.....	\$805.00 plus 2.450% of the excess over \$50,000.00
Over \$70,000.00 but not over \$80,000.00.....	\$1,295.50 plus 3.500% of the excess over \$70,000.00
Over \$80,000.00 but not over \$150,000.00.....	\$1,645.00 plus 5.525% of the excess over \$80,000.00
Over \$150,000.00 but not over \$500,000.00.....	\$5,512.50 plus 6.370% of the excess over \$150,000.00
Over \$500,000.00	\$27,807.50 plus 8.970% of the excess over \$500,000.00

(6) for taxable years beginning on or after January 1, 2018:

If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.400% of taxable income
Over \$20,000.00 but not over \$50,000.00.....	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$50,000.00 but not over \$70,000.00.....	\$805.00 plus 2.450% of the excess over \$50,000.00
Over \$70,000.00 but not over \$80,000.00.....	\$1,295.50 plus 3.500% of the excess over \$70,000.00
Over \$80,000.00 but not over \$150,000.00.....	\$1,645.00 plus 5.525% of the excess over \$80,000.00
Over \$150,000.00 but not over \$500,000.00.....	\$5,512.50 plus 6.370% of the excess over \$150,000.00
Over \$500,000.00 but not over \$5,000,000.00.....	\$27,807.50 plus 8.970% of the excess over \$500,000.00.
Over \$5,000,000.00	\$431,457.50 plus 10.75% of the excess over \$5,000,000.00.

b. 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:

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

If the taxable income is:	The tax is:
Not over \$20,000.00.....	2% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$400.00 plus 2.5% of the

	excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$775.00 plus 5.0% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$1,025.00 plus 6.5% of the excess over \$40,000.00
Over \$75,000.00	\$3,300.00 plus 7.0% of the excess over \$75,000.00
(2) for taxable years beginning on or after January 1, 1994 but before January 1, 1995:	
If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.900% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$380.00 plus 2.375% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$736.25 plus 4.750% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$973.75 plus 6.175% of the excess over \$40,000.00
Over \$75,000.00	\$3,135.00 plus 6.650% of the excess over \$75,000.00
(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:	
If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.700% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$340.00 plus 2.125% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$658.75 plus 4.250% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$871.25 plus 6.013% of the excess over \$40,000.00
Over \$75,000.00	\$2,975.80 plus 6.580% of the excess over \$75,000.00
(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:	
If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.400% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$542.50 plus 3.500% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$717.50 plus 5.525% of the excess over \$40,000.00
Over \$75,000.00.....	\$2,651.25 plus 6.370% of the excess over \$75,000.00

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2018:

If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.400% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$542.50 plus 3.500% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$717.50 plus 5.525% of the excess over \$40,000.00
Over \$75,000.00 but not over \$500,000.00.....	\$2,651.25 plus 6.370% of the excess over \$75,000.00
Over \$500,000.00	\$29,723.75 plus 8.970% of the excess over \$500,000.00

(6) for taxable years beginning on or after January 1, 2018:

If the taxable income is:	The tax is:
Not over \$20,000.00.....	1.400% of taxable income
Over \$20,000.00 but not over \$35,000.00.....	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00.....	\$542.50 plus 3.500% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00.....	\$717.50 plus 5.525% of the excess over \$40,000.00
Over \$75,000.00 but not over \$500,000.00.....	\$2,651.25 plus 6.370% of the excess over \$75,000.00
Over \$500,000.00 but not over \$5,000,000.00.....	\$29,723.75 plus 8.970% of the excess over \$500,000.00
Over \$5,000,000.00	\$433,373.75 plus 10.75% of the excess over \$5,000,000.00

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

d. For the purposes of this section, for taxable year 2018, withholding by every employer from salaries, wages and other remuneration paid by an employer for services rendered described in subsections a. and b. of this section, in excess of \$5,000,000 during that taxable year, shall be at the rate of 15.6% as soon as practicable but no later than September 1, 2018. The Director of the Division of Taxation is authorized to do all things necessary to implement the withholding tax prescribed by this section for taxable year 2018.

e. 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 September 1, 2018, on which there is a rate of tax imposed pursuant to subsections a. and b. of this section.

f. 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 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 September 1, 2018, that is directly attributable to the enactment of the taxable income tables and tax rates in subsections a. and b. of this section.

11. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the director may adopt immediately upon filing with the Office of Administrative Law, regulations that the director deems necessary to implement the provisions of P.L.2018, c.45 (C.54A:4-17 et al.), which regulations shall be effective for a period not to exceed 360 days from the date of the filing. The director may thereafter amend, adopt, or readopt the regulations in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

12. This act shall take effect immediately and shall apply to taxable years beginning on and after January 1, 2018, except that sections 6 through 9 shall remain inoperative until enactment into law by the states of Connecticut, New York, and Massachusetts of legislation having an identical effect with sections 6 through 9 of this act, as shall be determined by the Director of the Division of Taxation in the Department of the Treasury, but if the states of Connecticut, New York, and Massachusetts shall have already enacted such legislation, as shall be determined by the director, sections 6 through 9 of this act shall take effect immediately, and shall apply to taxable years and accounting or privilege periods beginning after its effective date; provided further, however, that sections 7 and 9 of this act shall expire if the director determines that the United States Congress has passed, and the President of the United States has signed, legislation having an identical effect with sections 6 through 9 of this act applicable to such income earned in all of the states and territories.

Approved July 1, 2018.