

CHAPTER 318

AN ACT allowing a credit against the corporation business tax and the New Jersey gross income tax to businesses giving employment to certain severely handicapped persons, supplementing P.L.1945, c.162 (C.54:10A-1 et seq.) and Title 54A of the New Jersey Statutes.

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

C.54:10A-5.38 Tax credit for employment of certain handicapped persons.

1. a. A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount equal to 20% of the salary and wages paid by the taxpayer during the privilege period for the employment of a qualified person, but not to exceed \$1,000 for each qualified person for the privilege period.

b. As used in this section:

"Qualified person" means an extended employee, within the meaning of that term as set forth in section 2 of P.L.1971, c.272 (C.34:16-40), to whom the Commissioner of Labor and Workforce Development, under subsection (b) of section 18 of P.L.1966, c.113 (C.34:11-56a17), shall have issued a special license authorizing employment at wages less than the minimum wage rate, and who, for at least 26 weeks during the privilege period, shall have performed at least 25 hours per week of work at or under the supervision of a sheltered workshop pursuant to a contract between the taxpayer and the sheltered workshop.

"Sheltered workshop" means an occupation-oriented facility operated by a nonprofit agency with which the Division of Vocational Rehabilitation Services in the Department of Labor and Workforce Development shall have entered into a contract under section 4 of P.L.1971, c.272 (C.34:16-42) to furnish extended employment programs to eligible individuals.

c. The amount of the credit applied under this section against the tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), for a privilege period, when taken together with any other credits allowed against the tax imposed pursuant to section 5 of P.L.1945, c.162, shall not exceed 50% of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162. The priority in which credits allowed pursuant to this section and any other credits shall be taken shall be determined by the Director of the Division of Taxation. The amount of the credit otherwise allowable under this section which cannot be applied for the privilege period due to the limitations of this subsection or under other provisions of P.L.1945, c.162 may be carried over, if necessary, to the seven privilege periods following the privilege period for which the credit was allowed.

C.54A:4-11 Gross income tax credit for employment of certain handicapped persons.

2. a. A taxpayer shall be allowed a credit against the tax otherwise due for the taxable year under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to 20% of the salary and wages paid by the taxpayer during the taxable year for the employment of a qualified person during the taxable year but not to exceed \$1,000 for each qualified person for the taxable year.

b. As used in this section:

"Qualified person" means an extended employee, within the meaning of that term as set forth in section 2 of P.L.1971, c.272 (C.34:16-40), to whom the Commissioner of the Department of Labor and Workforce Development, under subsection (b) of section 18 of P.L.1966, c.113 (C.34:11-56a17), shall have issued a special license authorizing employment at wages less than the minimum wage rate, and who, for at least 26 weeks during the taxable year, shall have performed at least 25 hours per week of work at or under the supervision of a sheltered workshop pursuant to a contract between the taxpayer and the sheltered workshop.

"Sheltered workshop" means an occupation-oriented facility operated by a non-profit agency with which the Division of Vocational Rehabilitation Services in the New Jersey Department of Labor and Workforce Development shall have entered into a contract under section 4 of P.L.1971, c.272 (C.34:16-42) to furnish extended employment programs to eligible individuals.

c. The amount of the credits applied under this section for a taxable year, when taken together with any other credits allowed against the tax imposed pursuant to N.J.S.54A:1-1 et seq., shall not exceed 50% of the taxpayer's liability for tax for the taxable year that bears the same proportional relationship to the total amount of such liability as the amount of the

taxpayer's gross income, derived from New Jersey sources and attributable to the business or professional activity in which the taxpayer employs the qualified person during that taxable year, bears to the taxpayer's entire gross income for that year. Credits allowed pursuant to this section shall be taken only after the taxpayer has taken all credits allowed under section 2 of P.L.2000, c.80 (C.54A:4-7). The amount of the credit otherwise allowable under this section which cannot be applied for the taxable year due to the limitations of this subsection may be carried over, if necessary to the seven taxable years following the taxable year for which the credit was allowed.

d. A partnership shall not be allowed a credit under this section directly, but the amount of credit of a taxpayer in respect of a distributive share of partnership income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined by allocating to the taxpayer that proportion of the credit acquired by the partnership that is equal to the taxpayer's share, whether or not distributed, of the total distributive income or gain of the partnership for its taxable year ending within or with the taxpayer's taxable year.

3. This act shall take effect immediately, and sections 1 and 2 shall apply respectively to privilege periods and taxable years beginning after enactment.

Approved January 12, 2006.