

CHAPTER 69

AN ACT modifying the New Jersey gross income tax in response to the severe economic downturn, supplementing and amending Title 54A of the New Jersey Statutes and amending P.L.1996, c.60.

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

C.54A:2-1a Determination of tax due, certain circumstances.

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, 2009 but before January 1, 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 \$400,000 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 \$400,000.00 but not over \$500,000.00	\$21,437.50 plus 8.0% of the excess over \$400,000.00
Over \$500,000.00 but not over \$1,000,000.00	\$29,437.50 plus 10.25% of the excess over \$500,000.00
Over \$1,000,000.00	\$80,687.50 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 \$400,000.00 but not over \$500,000.00	\$23,353.75 plus 8.0% of the excess over \$400,000.00
Over \$500,000.00 but not over \$1,000,000.00	\$31,353.75 plus 10.25% of the excess over \$1,000,000.00
Over \$1,000,000.00	\$82,603.75 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, 2009 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 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, 2009 that is directly attributable to the enactment of the taxable income tables and tax rates in subsections b. and c. of this section.

2. 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 deduction from gross income for property taxes; 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 property taxes not in excess of \$10,000, subject to the limitations of subsection f. of this section, 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 shall be allowed pursuant to this section in relation to the amount of the property taxes actually paid by or allocable to a resident taxpayer who has more than one homestead, but the aggregate amount of the property taxes 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 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.

3. N.J.S.54A:6-11 is amended to read as follows:

Lottery winnings.

54A:6-11. Lottery Winnings. Gross income shall not include lottery winnings from the New Jersey Lottery, except that New Jersey Lottery winnings from a prize in an amount exceeding \$10,000 shall be included in gross income.

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

Requirement of withholding tax from wages.

54A:7-1. Requirement of withholding tax from wages.

(a) General.--From and after September 1, 1976, every employer maintaining an office or transacting business within this State and making payment of any wages subject to New Jersey personal 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 personal income tax to a resident or nonresident individual shall deduct and withhold from such wages for each payroll period a tax computed in such manner as to result, so far as practicable, in withholding from the employee's wages during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due resulting from the inclusion in the employee's New Jersey income of his wages received during such calendar year. The method of determining the amount to be withheld shall be prescribed by regulations of the director, with due regard to the withholding exemptions of the employee.

(b) Withholding exemptions.--For purposes of this section:

An employee shall be entitled to the equivalent of the same number of New Jersey withholding exemptions as the number of withholding exemptions to which he is entitled for Federal income tax withholding purposes. An employer may rely upon the number of Federal withholding exemptions claimed by the employee.

(c) The payor of New Jersey gambling winnings shall withhold New Jersey gross income tax on those winnings at a rate of 3% in all instances where the payor is required to withhold for federal income tax purposes under subsection (q) of section 3402 of the federal Internal Revenue Code of 1986 (26 U.S.C. s.3402), as amended, except that this subsection shall not apply to the New Jersey State Lottery, except if winnings paid by the New Jersey State Lottery are included in gross income pursuant to N.J.S.54A:6-11. The rate of withholding

for gambling winnings paid by the New Jersey State Lottery shall be determined by the director.

5. This act shall take effect immediately and apply to taxable years beginning on or after January 1, 2009.

Approved June 29, 2009.