

ASSEMBLY, No. 1664

STATE OF NEW JERSEY 212th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2006 SESSION

Sponsored by:

Assemblyman **PETER J. BARNES, JR.**

District 18 (Middlesex)

Assemblyman **CRAIG A. STANLEY**

District 28 (Essex)

Assemblyman **LOUIS M. MANZO**

District 31 (Hudson)

SYNOPSIS

Allows corporation business tax and gross income tax credits to businesses employing qualified ex-offenders.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 2/23/2007)

1 AN ACT allowing a credit against the corporation business tax and
2 the New Jersey gross income tax to businesses employing certain
3 ex-offenders and supplementing P.L.1945, c.162 (C.54:10A-1 et
4 seq.) and Title 54A of the New Jersey Statutes.

5

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

8

9 1. a. A taxpayer shall be allowed a credit against the tax
10 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) in
11 an amount equal to 15 percent of the wages paid by the taxpayer
12 during the privilege period for the employment of a qualified ex-
13 offender, but not to exceed \$900 for each qualified ex-offender for
14 the privilege period.

15 b. As used in this section:

16 "Economically disadvantaged family" means a family whose
17 income is equal to or less than 70% of the most recent Lower
18 Living Standard Income Level as published by the United States
19 Department of Labor.

20 "Qualified ex-offender" means a person who:

21 (1) has been convicted of a crime of the first, second, third or
22 fourth degree under Title 2C of the New Jersey Statutes;

23 (2) has been hired within one year of the date of conviction or
24 release from incarceration; and

25 (3) is a member of an economically disadvantaged family.

26 c. The order of priority of the application of the credit allowed
27 under this section and any other credits allowed by law shall be as
28 prescribed by the director. The amount of the credit applied under
29 this section against the tax imposed pursuant to section 5 of
30 P.L.1945, c.162 (C.54:10A-5) for a privilege period, together with
31 any other credits allowed by law, shall not exceed 50% of the tax
32 liability otherwise due and shall not reduce the tax liability to an
33 amount less than the statutory minimum provided in subsection (e)
34 of section 5 of P.L.1945, c.162 (C.54:10A-5).

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36 2. a. A taxpayer shall be allowed a credit against the tax
37 otherwise due for the taxable year under the "New Jersey Gross
38 Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to 15
39 percent of the wages paid by the taxpayer during the taxable year
40 for the employment of a qualified ex-offender during the taxable
41 year, but not to exceed \$900 for each qualified ex-offender for the
42 taxable year.

43 b. As used in this section:

44 "Economically disadvantaged family" means a family whose
45 income is equal to or less than 70% of the most recent Lower
46 Living Standard Income Level as published by the United States
47 Department of Labor.

48 "Qualified ex-offender" means a person who:

- 1 (1) has been convicted of a crime of the first, second, third or
2 fourth degree under Title 2C of the New Jersey Statutes;
- 3 (2) has been hired within one year of the date of conviction or
4 release from incarceration; and
- 5 (3) is a member of an economically disadvantaged family.
- 6 c. The order of priority of the application of the credit allowed
7 under this section and any other credits allowed by law shall be as
8 prescribed by the director. The amount of the credit applied under
9 this section against the tax imposed pursuant to section 5 of
10 P.L.1945, c.162 (C.54:10A-5) for a privilege period, together with
11 any other credits allowed by law, shall not exceed 50% of the tax
12 liability otherwise due and shall not reduce the tax liability to an
13 amount less than the statutory minimum provided in subsection (e)
14 of section 5 of P.L.1945, c.162 (C.54:10A-5).
- 15 d. A partnership shall not be allowed a credit under this section
16 directly, but the amount of credit of a taxpayer in respect of a
17 distributive share of partnership income under the "New Jersey
18 Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined
19 by allocating to the taxpayer that proportion of the credit acquired
20 by the partnership that is equal to the taxpayer's share, whether or
21 not distributed, of the total distributive income or gain of the
22 partnership for its taxable year ending within or with the taxpayer's
23 taxable year. For the purposes of subsection c. of this section, the
24 amount of tax liability that would be otherwise due from a taxpayer
25 is that proportion of the total liability of the taxpayer that the
26 taxpayer's share of the partnership income or gain included in gross
27 income bears to the total gross income of the taxpayer.
- 28
- 29 3. This act shall take effect immediately and shall apply to
30 wages paid in privilege periods and taxable years beginning after
31 enactment.

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34 STATEMENT

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36 This bill would allow corporation business tax and gross income
37 tax credits to businesses that employ qualified ex-offenders. The
38 amount of each credit would be equal to 15 percent of the wages
39 paid to the ex-offender with a maximum of \$900 per ex-offender.

40 A qualified ex-offender is defined in the bill as a person who: (1)
41 has been convicted of a crime of the first, second, third or fourth
42 degree in this State; (2) has been hired within one year of the date
43 of conviction or release from incarceration; and (3) is a member of
44 an economically disadvantaged family. The bill defines an
45 economically disadvantaged family as one whose income is equal to
46 or less than 70% of the most recent Lower Living Standard Income
47 Level (LLSIL). The LLSIL is published by the Employment &
48 Training Administration (ETA) of the United States Department of

A1664 BARNES, STANLEY

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1 Labor. The LLSIL is used by the ETA in administering federal
2 government job training and worker dislocation programs, federal
3 grants to states for public employment service programs and
4 unemployment insurance benefits.

5 These State tax credits are modeled on the federal Work
6 Opportunity Tax Credit (WOTC), which encourages employers to
7 hire targeted groups of employees, including ex-felons. Under the
8 federal WOTC, employers may claim a federal tax credit of up to
9 40 percent of the first \$6,000 earned by the employee, or \$2,400.

10 According to the sponsor, the tax credits allowed under this bill
11 would encourage businesses to employ ex-offenders, who often face
12 barriers to employment.