

SUMMARY OF BILLS IN INCOME TAX PACKAGE, 1976.

ASSEMBLY BILL 1513 - INCOME TAX - P.L. 1976, c. 47

- 1. P.L. 1976, c. 47 imposes a graduated income tax on adjusted gross income starting at 2%.

If the taxable income is:

The tax is:

Not over \$20,000.....	2% of taxable income
Over \$20,000.....	\$400 + 2 1/2% of excess over \$20,000

If any individual taxpayer, or married couple filing a joint return, has less than \$3,000 in taxable income, no tax shall be paid.

2. Deductions:

- a. Every taxpayer is allowed to deduct \$1,000 as a personal deduction from his gross income before computing his tax, plus \$1,000 for each dependent claimed for Federal income tax purposes.
- b. In addition, each taxpayer over 65 years of age shall have an additional \$1,000 exemption over his personal exemption, plus an additional \$1,000 exemption if his spouse is over 65 years of age.
- c. Also, each blind or disabled taxpayer shall have an additional \$1,000 exemption over his other exemptions for himself, or for his spouse if she is blind or disabled, or for both if both are blind or disabled.
- d. Each taxpayer having a dependent child attending full-time an elementary or secondary school not deriving its primary support from public monies shall have an additional \$1,000 exemption for each such child.
- e. Medical expenses to the extent that they exceed 2% of the taxpayer's gross income are deductible.
- f. Alimony and separate maintenance payments made to a former spouse or separated spouse are deductible (such payments as received by such spouse are taxable but not payments for support of minor children.)

974.90

T235

1976c

copy

TAX PER INCOME BRACKET

Here are the taxes wage earners would pay in different tax brackets under the rate and deduction schedule included in P.L. 1976, c. 47.

The examples below are computed with the normal deductions: \$1,000 for each taxpayer; \$1,000 for each dependent and an additional \$1,000 for senior citizen taxpayer and spouse.

<u>INCOME</u>	<u>SINGLE PERSON</u> <u>(\$1,000 deduction)</u>	<u>COUPLE OR SINGLE</u> <u>SENIOR CITIZEN</u> <u>(\$2,000 deduction)</u>	<u>FAMILY OF FOUR OR</u> <u>SENIOR CITIZEN COUPLE</u> <u>(\$4,000 deduction)</u>
5,000	\$ 80	\$ 60	\$ 20
10,000	180	160	120
15,000	280	260	220
20,000	380	360	320
30,000	625	600	550
40,000	875	850	800
50,000	1,125	1,100	1,050

3. Tenant's Credit:

Tenants and shareholders in cooperatives may take a \$65 homestead credit against payment of the tax computed on their gross income (since they do not receive the homestead exemption for property taxes under A-1330).

In addition, tenants and shareholders in cooperatives, who are disabled, 65 years or older, or surviving spouses (over 55 years of age) of senior citizens, shall be entitled to an additional tax credit of \$35 (a total tax credit of \$100).

4. Commuter's Credit:

A credit against an income tax imposed by another State, or by a political subdivision of another State (such as New York City), is included.

5. Withholding:

The tax is applicable to income earned after July 1, 1976. In effect, each taxpayer would pay tax on only one-half of his 1976 income. Likewise, deductions and credits for the 1976 tax year would be allowed at one-half the amounts allowed under the act.

Withholding of the tax would begin September 1, 1976, so that the State will collect 6 months of taxes in the last 4 months of 1976.

6. Taxable Income:

Salaries, wages, tips, bonuses, commissions, profits from business - less necessary expenses, royalties, gambling winnings, dividends, income from the sale of property or stock, and interest on bank accounts and out-of-State government bonds and notes.

7. Excludable Income:

Social Security benefits, railroad retirement benefits, certain death benefits, workmen's compensation, unemployment benefits, gifts and inheritances, military pay\*, scholarships, gain from sale of residence if another residence purchased, pensions\*, annuities, lottery winnings, interest on New Jersey State and local bond and notes (including Inter-State agencies such as the Port Authority).

8. P.L. 1976, c. 47 repealed the "Tax on Capital Gains and Other Unearned Income," (C.54:8B-1 et seq.) as of July 1, 1976. Taxpayers under that act shall be liable for tax under that act for the period of January 1, 1976 to July 1, 1976.
9. P.L. 1976, c.47 also repealed the "Emergency Transportation Tax Act," (C.54:8A-1 et seq. and the "Transportation Benefits Tax Act," (C.54:8A-58 et seq.), as of July 1, 1976. These were income taxes on out-of-State residents working in New Jersey. After July 1, 1976, these persons shall be taxed under the new income tax; for the period prior thereto such persons shall be liable to the tax under the repealed taxes.
10. All proceeds of the tax are to be deposited in a "Property Tax Relief Fund," and used exclusively for the purpose of providing property tax relief and reducing or offsetting property taxes, including the funding of State aid to education pursuant to P.L. 1975, c.212, and the provision of homestead exemptions from property taxes as required under Assembly Bill 1330 (see below).

11. "Gubernatorial Elections Fund" allows each taxpayer to designate \$1 of his tax to fund gubernatorial elections in New Jersey, with no increase in tax to the taxpayer.
12. Estimated Revenues: Estimated revenue from the tax for fiscal year 1977 is \$775 million. The estimate for 1978 is \$827 million, and for 1979, \$903 million.
13. Appropriations: \$5 million is appropriated in the act for administration and collection of taxes, which is less than 3/4 of 1% of the estimated annual receipts.
14. Conditions to Enactment: The tax will remain inoperative unless Senate Bill 1546 (providing for tenants' property tax rebates), Assembly Bill 1330 (homestead property tax exemptions) and Assembly Bill 1663 (State revenue sharing with local governments) are enacted into law.

ASSEMBLY BILL 2137 (AMENDS P.L. 1976, c. 47) - PASSED BOTH HOUSES

In addition to deductions permitted under New Jersey Gross Income Tax Act, each taxpayer is allowed to deduct \$1,000 from his gross income for each dependent under the age of 22 years who is attending an accredited post-secondary institution of higher education on a full-time basis and for whom the taxpayer paid one-half or more of the costs of tuition and maintenance of the dependent's attendance at such institution.

ASSEMBLY BILL 2136 (AMENDS P.L. 1976, c. 47) - PASSED BOTH HOUSES

Provides that the New Jersey Gross Income Tax Act shall expire on June 30, 1978.

ASSEMBLY CONCURRENT RESOLUTION 140 - PASSED BOTH HOUSES

Proposes an amendment to the Constitution to dedicate the net receipts of any State tax levied on the personal income of individuals, estates and trusts to the reduction or offsetting of local property taxes. Such receipts shall be annually appropriated for such property tax purposes pursuant to formulas established by the Legislature.

ASSEMBLY BILL 1330 - PASSED BOTH HOUSES

Entitles homeowners to receive refunds from the State on their property taxes. The yearly rebates would be sent out in two semi-annual installments. Homeowners would have to apply to their local tax assessors annually to be eligible. The rebates would start next spring.

The homestead rebate would be calculated by multiplying \$1.50 by the equalized valuation up to \$10,000, or by 2/3 of the equalized valuation, whichever is lesser. The product so derived shall then be added to 12.5% of the effective tax rate of the municipality multiplied by \$10,000 of equalized value, or 2/3 of equalized value, whichever is lesser.

In addition, a senior citizen taxpayer, or a disabled person under 65 years of age, or a surviving spouse if over 55 years of age of such a senior citizen or disabled person, shall receive an additional exemption of \$50.

The examples below are of annual refunds homeowners could expect to receive if their homes have a true value of \$15,000 or more. The amount varies according to the municipal tax rate.

<u>Tax rate per \$100 of equalized valuation</u>	<u>Property Tax Rebate</u>	<u>Senior Citizen Rebate</u>
\$ 2	\$ 175	\$ 225
4	200	250
6	225	275
8	250	300
10	275	325

For fiscal year 1977 the rebate would be one-half that provided for in a full fiscal year thereafter. The homestead rebates provided for in this bill are estimated to cost \$130 million in fiscal year 1977, \$260 million in fiscal year 1978, and \$260 million in fiscal year 1979.

The Homestead Rebate shall not exceed 50% of the total property taxes due. Persons presently receiving the Senior Citizens deduction of \$160.00, or the Veteran's Deduction of \$50.00 shall continue to receive such deductions in addition to the Homestead Rebate.

SENATE BILL 877 - CAPS ON STATE SPENDING - PASSED BOTH HOUSES

Limits the expenditures of the State in each fiscal year commencing after June 30, 1977 by the following formula:

$$\frac{\text{State per capita personal income for current fiscal year}}{\text{State per capita personal income for base year}} \quad X$$

$$\text{Appropriations of State for base year} = \text{Maximum expenditures}$$

Expenditures include all amounts appropriated by the State in the general appropriations law and all other laws appropriating money for any purpose in any fiscal year, exclusive of expenditures for debt service, money received from the Federal Government, and State aid to counties, municipalities, school districts or other instrumentalities.

State per capita income is based upon data certified by the U.S. Department of Commerce.

State expenditures may be increased over the maximum ceiling in any fiscal year if any function or service of a county or municipality is transferred to the State, or if the costs of operation or performance of the aforesaid is assumed by the State. Also, State expenditures may be increased in any fiscal year if any function or service of any agency or instrumentality of the State or any county or municipality with power to issue bonds to finance the undertaking of such function or performance of such service is transferred to the State or its operations or performance is assumed by the State. The transfer or assumption will for the purposes of the formula be considered to have occurred in the base year, and the appropriation of the State for the base year component of the formula will be adjusted to reflect any increase in expenditures due to such transfer or assumption.

If in any fiscal year, any function or service of the State is transferred to any county, municipality or agency or instrumentality of the State, or if they assume the costs of operation or performance, the decrease in State expenditures will be reflected in the appropriation of the State for the base year component of the formula.

The State may exceed the maximum expenditures permitted by this formula in any fiscal year if such increase is approved by the people of the State in a referendum.

ASSEMBLY BILL 1738 - CAPS ON SPENDING - MUNICIPALITIES AND  
COUNTIES - PASSED BOTH HOUSES

Prohibits municipalities and counties from increasing their final appropriations by more than 5% over the previous year, beginning in the tax year 1977 for a three year trial period.

Exceptions to the 5% limit for municipalities:

- (1) Increases based on assessed valuation of new construction or improvements;
- (2) Capital expenditures funded by any other source than property tax, and programs funded by Federal and State funds in which financial share of municipality does not increase final appropriations by 5%;
- (3) Appropriation to meet an emergency, approved by 2/3 of governing body and Local Finance Board; emergency appropriation limited to 3% of current and utility operating appropriations;
- (4) Debt Service;
- (5) Funds needed to finance preceding year's deficit;
- (6) Amounts reserved for uncollected taxes;
- (7) Expenditures mandated after effective date of this act by Federal or State law;
- (8) Expenditures derived from new or increased service fees imposed by ordinance, or derived from sale of municipal assets;
- (9) Approval by referendum.

Exceptions to the 5% limit for counties:

- (1) Increases based on assessed valuation of new construction or improvements;
- (2) Capital expenditures funded by any source other than county levy;
- (3) Appropriation to meet an emergency, approved by 2/3 of board of chosen freeholders and, where pertinent, by the county executive;
- (4) Debt service;
- (5) Expenditures mandated after the effective date of this act by Federal or State law.

ASSEMBLY BILL 1663 - REVENUE SHARING - PASSED BOTH HOUSES

Provides a method of revenue sharing between the State and municipalities for the purpose of direct reduction of local property taxes.

The bill would take effect January 1, 1977. In fiscal year 1977, \$25 million would be distributed to municipalities, in fiscal 1978 and 1979, \$50 million would be distributed. In addition, under the bill the State would pick up that portion of the senior citizens exemptions granted under P.L. 1971, c.20 (C.54:4-8 et seq.) and veteran's deductions which municipalities now bear, at a cost to the State of \$18 million in 1977, and \$36 million in 1978 and 1979.

The bill provides that revenue sharing funds shall be distributed on a per capita basis. Only municipalities with tax rates in excess of \$1 per \$100 of true value shall qualify for revenue sharing. In Fiscal Year 1977, municipalities will receive approximately \$3.50 per capita; in Fiscal Year 1978 and thereafter, municipalities will receive approximately \$7.00 per capita.

ACR-109 - AMENDS CONSTITUTION TO PROVIDE HOMESTEAD TAX REBATE OR CREDIT FOR SENIOR CITIZENS, DISABLED CITIZENS AND THEIR SURVIVING SPOUSES - PASSED BOTH HOUSES

Provides for a differential homestead rebate or credit on property taxes to citizens and residents of New Jersey who are age 65 years or more, or who are less than age 65 years but are permanently and totally disabled, or who are age 55 years or more and the surviving spouse of a deceased citizen or resident of New Jersey who during his lifetime received or upon the adoption of this amendment would have been entitled to receive a rebate or credit related to property taxes.

SENATE CONCURRENT RESOLUTION 41 - PASSED BOTH HOUSES

Establishes a Commission on Efficiency and Economy in State Government consisting of 10 members. Five members are to be appointed by the Senate President, 3 of whom shall be Senators, (not more than 2 of the same party) and 2 shall be private citizens. Five members are to be appointed by the Speaker of the General Assembly, 3 of whom are to be Assemblyman (not more than 2 of the same party) and 2 shall be private citizens. The commission's duty shall be to uncover waste, duplication, inefficiency and mismanagement in State government. The commission may hold public hearings and issue studies and reports, and shall report at least twice a year to the Legislature its findings. The members are to serve without compensation, except citizen members shall be compensated for necessary expenses.

SENATE BILL 1546 - PASSED IN SENATE

This bill, according to section 54A:9-27(c) of P.L. 1976, c. 47, must be enacted before P.L. 1976, c. 47 (the gross income tax) can take effect.

It would require owners of real rental property of 4 or more units to pass on to rental tenants any property tax reduction on such real rental property received, pursuant to distributions under the property tax relief provisions of P.L. 1976, c. 47 (the Gross Income Tax). The bill is entitled the "Tenants' Property Tax Rebate Act." No cost is anticipated to be incurred from the provisions of the act.

BUSINESS TAX REFORM PACKAGE

Objective - to stimulate the economy and create jobs.

ASSEMBLY BILL 1761 - PASSED BOTH HOUSES

Exempts from the Sales Tax purchases of machinery and equipment used in production - effective January 1, 1978. This exemption is estimated to cost \$35 million in fiscal year 1979.

ASSEMBLY BILL 1762 - PASSED BOTH HOUSES

Repeals the Unincorporated Business Tax - effective January 1, 1977. This repeal is estimated to cost approximately \$20 million beginning in fiscal year 1978.

ASSEMBLY BILL 1763 - PASSED BOTH HOUSES

Repeals the Retail Gross Receipts Tax - effective January 1, 1977. This repeal is estimated to cost approximately \$10 million beginning in fiscal year 1978.

ASSEMBLY BILL 1764 - PASSED BOTH HOUSES

Amends the act providing for the distribution of revenues to municipalities as replacement revenues pursuant to the Business Personal Replacement Program of 1966. The enactment of A-1762 and A-1763 would make this change necessary.