

January 28, 2013

**ASSEMBLY BILL No. 2162
(First Reprint)**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 2162 (First Reprint) with my recommendations for reconsideration.

The economic recession that began in the 2000s has significantly impacted hard-working New Jerseyans all across the State, from minimum-wage earners to displaced middle-class workers and small business owners. In these difficult financial times, those most impacted by challenging economic conditions need assistance. That is why I have consistently stated my intention to consider balanced and responsible changes to the minimum wage. Time and again, I have asked the Legislature to answer that call to compromise and work collaboratively on solutions that will assist minimum wage earners without collapsing the small and medium businesses that drive our economy.

Unfortunately, the Legislature declined my invitation to join in the serious and significant task of crafting a sensible and balanced wage proposal, choosing instead to pass this lopsided bill. The sudden, significant minimum-wage increase in this bill, coupled with automatic raises each year tied to the United States consumer price index, will jeopardize the economic recovery we all seek. We can only build our State's earnings if we foster an environment that lifts up the working poor and struggling small businesses alike, the critical participants in our integrated economy. Any legislative initiative that promotes one at the expense of the other is an obstacle to recovery, and an unnecessary ceiling on the growth of our economy.

Given these challenges, and coupled with New Jersey's ongoing recovery from Superstorm Sandy, I am convinced that many of New Jersey's small businesses would not be able to survive the minimum-wage increase and automatic annual raises contemplated in this legislation. These business owners, facing added expenses in the form of payroll, taxes, and the costs of recovery, will be confronted with three dire options: lay-off workers, raise prices, or leave New Jersey. Each of those outcomes is a step backward on the road to economic recovery, and the consequences of such action will be a significant blow to the very hard-working families this bill purports to help.

Balanced solutions that address these challenges, however, are available. New Jersey needs carefully calibrated changes to the minimum wage that recognize the needs of both the working poor and entrepreneurial businesses. Therefore, I recommend that the minimum wage be increased in a responsible manner that allows New Jersey's businesses to plan for its gradual implementation, and without the unpredictability of automatic increases based upon a volatile consumer price index.

To accomplish that goal, I propose a full one-dollar increase in New Jersey's minimum wage structure. Under my proposal, New Jersey's minimum wage earners would receive an immediate raise of twenty-five cents per hour. The following year, my plan will provide workers an additional fifty-cent per hour increase. Finally, in the third year of implementation, workers would again see a twenty-five cent per hour raise. By combining both immediate and long-term increases to minimum wage pay, my plan will give workers the additional income that will spur consumer spending, and help grow strong, sound families. At the same time, businesses will have a short, but necessary,

period to plan for the implementation of the full one-dollar increase in a manner that will prevent the layoffs and relocations certain to accompany the Legislature's current proposal.

Additionally, and to make certain that New Jersey's working poor are on the strongest economic footing possible to continue their economic progress, today I recommend that, effective taxable year 2014, the benefit amounts provided under the New Jersey Earned Income Credit program be increased from 20 percent to 25 percent of the federal Earned Income Tax Credit amounts.

The phased one-dollar increase to our minimum wage, along with the increase to the New Jersey Earned Income Tax Credit, presents a comprehensive approach to the shared needs of businesses and employees. Implemented together, these recommendations will help New Jersey continue to chart a steady course to sustained success, and a certain economic future that will set the standard for our Nation. I urge the Legislature to concur swiftly and provide our citizens the wages, and tax benefits, they have earned.

Accordingly, I herewith return Assembly Bill No. 2162 (First Reprint) and recommend that it be amended as follows:

<u>Page 2, Title, Line 1:</u>	After "minimum wage" insert "and the Earned Income Tax Credit"
<u>Page 2, Title, Line 2:</u>	After "c.113" insert "and P.L.2000, c.80"
<u>Page 2, Section 1, Line 18:</u>	Delete "\$8.50" and insert "\$7.50"
<u>Page 2, Section 1, Line 19:</u>	After "March 1, 2013," insert "and \$8.00 per hour as of March 1, 2014, and \$8.25 per hour as of March 1, 2015"
<u>Page 2, Section 1, Lines 33-44:</u>	Delete in their entirety
<u>Page 3, Section 1, Lines 1-3:</u>	Delete in their entirety

Page 3, Section 1, Line 4:

Delete "increased to match the federal minimum wage rate."

Page 4, Line 24:

Insert new section 2:
 "2. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read as follows: 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; [and]

(g) 20% for taxable years beginning on or after January 1, 2010 but before January 1, 2014; and

(h) 25% for taxable years beginning on or after January 1, 2014.

(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 have discretion to 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. (cf:
P.L.2010, c.27. s.1)"

Page 4, Section 2, Line 25:

Delete "2" and insert
"3"

[seal]

Respectfully,

/s/Chris Christie

Governor

Attest:

/s/Charles B. McKenna

Chief Counsel to the Governor