

ASSEMBLY, No. 5676

STATE OF NEW JERSEY 222nd LEGISLATURE

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Sponsored by:

Assemblyman ANTHONY S. VERRELLI

District 15 (Hunterdon and Mercer)

SYNOPSIS

Imposes 10 percent tax on computer processing for certain artificial intelligence systems and dedicates revenue to “AI Workforce Impact Transition Fund.”

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT imposing a tax on AI computer processing, dedicating
2 revenues to the support of individuals displaced from their jobs
3 due to artificial intelligence, and supplementing Titles 34 and 54
4 of the Revised Statutes.

5
6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
7 *of New Jersey:*

8
9 1. As used in sections 1 through 3 of P.L. , c. (C.)
10 (pending before the Legislature as this bill):

11 “AI computer processing” means the performance of computer
12 processing services for use in AI system services by a qualified AI
13 business.

14 “AI computer processor” means a person, including a contracted
15 processor or controlled processor, performing AI computer
16 processing.

17 “AI system development” means the development, training, and
18 refinement of an AI system, including, but not limited to, the design
19 and training of an AI system that is, or is intended to be,
20 commercially available and intended, in whole or in part, for business
21 uses within the State.

22 “AI system operation” means the operation, maintenance, or
23 modification of an AI system that is commercially available and
24 intended, in whole or in part, for business uses within the State.

25 “AI system services” means services related to AI system
26 development or AI system operation.

27 “Artificial intelligence system” or “AI system” means any
28 machine-based system that processes inputs using algorithms,
29 statistical models, or neural networks to generate outputs such as
30 predictions, recommendations, decisions, or content that materially
31 influence or replace human judgment in performing a job function.
32 “AI system” includes machine learning systems, large language
33 models, generative artificial intelligence tools, robotic process
34 automation systems, and automated decision-making platforms. “AI
35 system” does not include general-purpose software, standard
36 database management systems, or basic rule-based automation that
37 does not incorporate learning or adaptive capabilities.

38 “Contracted processor” means an AI computer processor, other
39 than a controlled processor, that performs AI computer processing
40 for use by a qualified AI business in exchange for the payment of
41 consideration.

42 “Controlled processor” means an AI computer processor owned
43 and operated by a qualified AI business, including any affiliate or
44 subsidiary thereof, which AI computer processor performs AI
45 computer processing for use by the qualified AI business.

46 “Director” means the Director of the Division of Taxation.

47 “Division” means the Division of Taxation in the Department of
48 the Treasury.

1 “Person” means an individual, business, or other entity.

2 “Qualified AI business” means a person engaged in AI system
3 services.

4 “Token” is a specific unit of computer processing calculated
5 independently by each service provider, which unit is uniquely
6 identifiable to the type of computer processing generated and which
7 unit may: be identified as query processing, model-processing,
8 input-output processing, or another technical classification; generate
9 a specific billing based on computer processing services; and be
10 measured in floating-point operations per second.

11

12 2. a. (1) There is imposed a tax in the amount of 10 percent of
13 the value generated by AI computer processing performed: by any
14 AI computer processor that is located in the State; or for use by a
15 qualified AI business engaged in AI system services. The tax
16 imposed pursuant to this section shall be paid by the AI computer
17 processor that performs the AI computer processing.

18 (2) For the purposes of determining the tax imposed pursuant to
19 this section, the value generated by AI computer processing shall be
20 equal to the market value of the tokens required to perform the AI
21 computer processing, as calculated using the following methods:

22 (a) if the AI computer processing is performed by a contracted
23 processor, the value generated by AI computer processing shall equal
24 the number of tokens required to perform the AI computer
25 processing, multiplied by the billing rate per token charged by the AI
26 computer processor; or

27 (b) if the AI computer processing is performed by a controlled
28 processor, the value generated by AI computer processing shall be
29 calculated pursuant to a method of calculation approved by the
30 division for the respective AI computer processor.

31 (3) Notwithstanding any provision of this subsection to the
32 contrary, when AI computer processing is performed by an AI
33 computer processor located outside the State for a qualified AI
34 business, the amount of tax otherwise imposed pursuant to this
35 section shall be apportioned on the basis of the percentage of the
36 value generated by AI computer processing for the qualified AI
37 business that is attributable to AI system services used for or intended
38 for business uses within the State.

39 b. (1) The Director of the Division of Taxation shall collect and
40 administer the tax imposed pursuant to this section. In carrying out
41 the provisions of this section, the director shall have all powers and
42 authority granted in P.L.1966, c.30 (C.54:32B-1 et seq.). The tax
43 shall be reported and paid to the director on a quarterly basis in a
44 manner prescribed by the director.

45 (2) As applicable, each person responsible for calculation and
46 payment of the tax imposed, collected, or required to be paid,
47 collected, or remitted under this section shall have the same right in
48 respect to collecting the tax from that person’s customer or in respect

1 to non-payment of the tax by the customer as if the tax were a part of
2 the purchase price of the AI computer processing and payable at the
3 same time; provided, however, that the director shall be joined as a
4 party in any action or proceeding brought to collect the tax.

5 (3) For the purposes of this subsection, “person responsible for
6 the calculation and payment of the tax” includes: a person, including
7 a partnership, or corporation; an officer, director, stockholder, or
8 employee of a corporation; or a member or employee of a partnership,
9 who as such officer, director, stockholder, employee, or member is
10 under the duty to pay, collect, or remit the tax imposed in this section.

11 c. The tax imposed pursuant to this section shall be governed by
12 the provisions of the State Uniform Tax Procedure Law, R.S.54:48-
13 1 et seq.

14 d. Any amounts collected pursuant to this section shall be
15 deposited into the fund established pursuant to section 4 of
16 P.L. , c. (C.) (pending before the Legislature as this bill).

17
18 3. a. An AI computer processor subject to tax pursuant to section
19 2 of P.L. , c. (C.) (pending before the Legislature as this
20 bill) shall retain records of all AI computer processing performed by
21 the AI computer processor. The records shall be retained in such
22 form and manner as the division may require, which records shall be
23 submitted to the division at such intervals as the division may require
24 and upon the division’s request. The records shall include, but need
25 not be limited to:

26 (1) the scope and nature of AI computer processing performed,
27 including information verifying the AI system services for which the
28 AI computer processing was used, and the qualified AI business for
29 which the AI computer processing was performed;

30 (2) the total volume of AI computer processing performed by the
31 AI computer processor in its capacity as a controlled processor and
32 in its capacity as a contracted processor, respectively;

33 (3) the total value generated by AI computer processing,
34 performed by the AI computer processor in its capacity as a
35 controlled processor and in its capacity as a contracted processor,
36 respectively, including the method of calculation;

37 (4) the amount of AI computer processing performed in this State
38 and the value generated by AI computer processing for a qualified AI
39 business that is attributable to AI system services used for or intended
40 for business uses within the State; and

41 (5) any other information required by the division.

42 b. A qualified AI business shall retain records of all AI computer
43 processing performed by an AI computer processor for use by the
44 qualified AI business engaged in AI system services. The records
45 shall be retained in such form and manner as the division may require,
46 which records shall be submitted to the division at such intervals as
47 the division may require and upon the division’s request. The records
48 shall include, but need not be limited to:

1 (1) the scope and nature of AI computer processing consumed,
2 including information verifying the AI system services for which the
3 AI computer processing was used, and the AI computer processor
4 that performed the AI computer processing;

5 (2) the total volume of AI computer processing used by the
6 qualified AI business, including the total volume performed by a
7 controlled processor and a contracted processor, respectively;

8 (3) the total value generated by AI computer processing used by
9 the qualified AI business, including, but not limited to, receipts
10 documenting the consideration paid to any contracted processor for
11 the performance of AI computer processing;

12 (4) the value generated by AI computer processing used by the
13 qualified AI business that is attributable to AI system services used
14 for or intended for business uses within the State; and

15 (5) any other information required by the division.
16

17 4. a. As used in this section:

18 “AI system development” means the development, training, and
19 refinement of an AI system, including, but not limited to, the design
20 and training of an AI system that is, or is intended to be,
21 commercially available and intended, in whole or in part, for business
22 uses within the State.

23 “AI system operation” means the operation, maintenance, or
24 modification of an AI system that is commercially available and
25 intended, in whole or in part, for business uses within the State.

26 “AI system services” means services related to AI system
27 development or AI system operation.

28 “Artificial intelligence system” or “AI system” means any
29 machine-based system that processes inputs using algorithms,
30 statistical models, or neural networks to generate outputs such as
31 predictions, recommendations, decisions, or content that materially
32 influence or replace human judgment in performing a job function.
33 “AI system” includes machine learning systems, large language
34 models, generative artificial intelligence tools, robotic process
35 automation systems, and automated decision-making platforms. “AI
36 system” does not include general-purpose software, standard
37 database management systems, or basic rule-based automation that
38 does not incorporate learning or adaptive capabilities.

39 “Commission” means the State Employment and Training
40 Commission established pursuant to section 5 of P.L.1989, c.293
41 (C.34:15C-2).

42 “Commissioner” means the Commissioner of the Department of
43 Labor and Workforce Development.

44 “Department” means the Department of Labor and Workforce
45 Development.

46 “Displaced worker” means an individual whose employment is
47 terminated or whose job is expected to become obsolete within 12

1 months due to the current or expected operation of an AI system or
2 the performance of AI system services therefor.

3 “Fund” means the AI Workforce Impact Transition Fund
4 established pursuant to subsection b. of this section.

5 b. A dedicated, non-lapsing “AI Workforce Impact Transition
6 Fund,” to be managed and invested by the State Treasurer, is hereby
7 established by the Department of Labor and Workforce
8 Development. The monies in the fund shall be dedicated for the
9 support of displaced workers transitioning to an alternate career,
10 including, but not limited to: the selection of an alternate career; and
11 the provision of or assistance in accessing career training. The
12 department shall publish information about the support available
13 pursuant to this section, including how an individual may access that
14 support, on the department’s Internet website.

15 c. The fund shall be credited with:

16 (1) all monies received pursuant to subsection d. of section 2 of
17 P.L. , c. (C.) (pending before the Legislature as this bill);

18 (2) any return on the investment of monies deposited in the fund;
19 and

20 (3) any other funds made available to the department for the
21 purposes outlined in subsection b. of this section, including but not
22 limited to, appropriations by the Legislature, federal grants, and
23 donations from private persons.

24 d. The commissioner is authorized to expend monies from the
25 AI Workforce Impact Transition Fund, subject to appropriation by
26 the Legislature, for the following purposes:

27 (1) the provision of training services for the support of displaced
28 workers transitioning to an alternate career, including, but not limited
29 to, the selection of an alternate career and the provision of, or
30 assistance in accessing, career training;

31 (2) the provision of grants to qualified organizations for the
32 design, planning, and implementation of training programs and
33 services in support of displaced workers;

34 (3) the provision of student support services and dual enrollment
35 programs in public high schools;

36 (4) reasonable administrative costs incurred by the department,
37 which shall not exceed 10 percent of the revenues deposited into the
38 fund during any fiscal year, except for additional start-up
39 administrative expenses approved by the Director of the Office of
40 Management and Budget during the first year of activity for the
41 training services; and

42 (5) reasonable costs as incurred by the commission, which shall
43 not exceed 0.5 percent of the revenues deposited into the fund during
44 any fiscal year, as required by the commission to design criteria and
45 conduct an annual evaluation of the training services provided
46 through the fund.

47 e. The State Employment and Training Commission shall
48 annually evaluate the training services provided through the AI

1 Workforce Impact Transition Fund and shall provide a report to the
2 commissioner upon completion.

3 f. Within six months of the conclusion of each fiscal year, the
4 commissioner shall submit, to the Governor and, pursuant to section
5 2 of P.L.1991, c.164 (C.52:14-19.1), to the Legislature, a written
6 report that includes, but is not limited to: the total revenues deposited
7 into the fund from each source; the total amounts expended from the
8 fund for each authorized purpose; grants provided, including the
9 amount and, if applicable, the names of recipient organizations; the
10 number of workers supported pursuant to this section; the total
11 number of workers who have become reemployed; administrative
12 spending; relevant State Employment and Training Commission
13 evaluation data; and any other information which the commissioner
14 determines is pertinent to the evaluation of the training services
15 provided through the AI Workforce Impact Transition Fund.

16
17 5. a. The Division of Taxation shall adopt, pursuant to the
18 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
19 seq.), any rules and regulations necessary to implement sections 1
20 through 3 of P.L. , c. (C.) (pending before the Legislature
21 as this bill). The rules and regulations adopted pursuant to this
22 subsection shall include, but shall not be limited to:

23 (1) standards for the calculation of value generated by AI
24 computer processing; and

25 (2) requirements for documentation and reporting pursuant to
26 section 3 of P.L. , c. (C.) (pending before the Legislature as
27 this bill).

28 b. The Department of Labor and Workforce Development shall
29 adopt, pursuant to the “Administrative Procedure Act,” P.L.1968,
30 c.410 (C.52:14B-1 et seq.), any rules and regulations necessary to
31 implement section 4 of P.L. , c. (C.) (pending before the
32 Legislature as this bill). The rules and regulations adopted pursuant
33 to this subsection shall include, but shall not be limited to:

34 (1) standards for determining that an individual is a displaced
35 worker; and

36 (2) the nature and duration of support available to displaced
37 workers.

38
39 6. This act shall take effect on the January 1 next following the
40 date of enactment, provided that the Division of Taxation and
41 Department of Labor and Workforce Development may take such
42 anticipatory action as necessary.

43
44
45 STATEMENT

46
47 This bill imposes on AI computer processors a tax of 10 percent
48 on the value generated by AI computer processing. The bill dedicates

1 revenues to the support of displaced workers transitioning to an
2 alternate career due to artificial intelligence.

3 Under the bill, an AI computer processor is required to pay the 10
4 percent tax on the value generated by AI computer processing. An
5 “AI computer processor” is an entity, including a contracted
6 processor or controlled processor, performing AI computer
7 processing. “Contracted processor” means an AI computer
8 processor, other than a controlled processor, that performs AI
9 computer processing for use by a qualified AI business in exchange
10 for the payment of consideration. “Controlled processor” means an
11 AI computer processor owned and operated by a qualified AI
12 business, including any affiliate or subsidiary thereof, which AI
13 computer processor performs AI computer processing for use by the
14 qualified AI business.

15 The bill defines “AI computer processing” as the performance of
16 computer processing services for use in AI system services by a
17 qualified AI business. “Qualified AI business” generally means a
18 person engaged in AI system services. “AI system services” means
19 AI system development or AI system operation for an AI system that
20 is, or is intended to be, commercially available and intended, in whole
21 or in part, for business uses in this State.

22 “AI system” is defined to mean any machine-based system that
23 processes inputs using algorithms, statistical models, or neural
24 networks to generate outputs such as predictions, recommendations,
25 decisions, or content that materially influence or replace human
26 judgment in performing a job function.

27 28 *Calculation of the Tax*

29 An AI computer processor that performs AI computer processing
30 is required to pay the tax imposed under the bill in the amount of 10
31 percent of the value generated by AI computer processing performed.
32 The tax is imposed on any AI computer processor that is located in
33 the State and any AI computer processor that performs AI computer
34 processing for use by a qualified AI business engaged in AI system
35 services.

36 For the purposes of determining the tax imposed under the bill, the
37 value generated by AI computer processing equals the market value
38 of the tokens required to perform the AI computer processing. A
39 “token” is a specific unit of computer processing calculated
40 independently by each service provider, which unit is uniquely
41 identifiable to the type of computer processing generated. The tax is
42 to be calculated using the applicable method outlined in the bill,
43 depending upon whether the AI computer processing subject to tax
44 was performed by a controlled processor or a contracted processor.

45 If the AI computer processing is performed by a contracted
46 processor, the value generated by AI computer processing equals the
47 number of tokens required to perform the AI computer processing,
48 multiplied by the billing rate per token charged by the AI computer

1 processor. If the AI computer processing is performed by a
2 controlled processor, the value generated by AI computer processing
3 is to be calculated pursuant to a method of calculation approved by
4 the Division of Taxation (division) for the respective AI computer
5 processor.

6 When AI computer processing is performed by an AI computer
7 processor located outside the State for a qualified AI business, the
8 amount of tax otherwise imposed is to be apportioned on the basis of
9 the percentage of the value generated by AI computer processing for
10 the qualified AI business that is attributable to AI system services
11 used for or intended for business uses within the State.

12
13 *Records of Taxable AI Computer Processing*

14 The bill requires an AI computer processor and a qualified AI
15 business each to retain records of AI computer processing, in such
16 form and manner as the division may require, and to submit the
17 records to the division at such intervals as the division requires or
18 upon request.

19 An AI computer processor's records are to include, but not be
20 limited to: (1) the scope and nature of AI computer processing
21 performed, including information verifying the AI system services
22 for which the AI computer processing was used, and the qualified AI
23 business for which the AI computer processing was performed; (2)
24 the total volume of AI computer processing performed by the AI
25 computer processor in its capacity as a controlled processor and in its
26 capacity as a contracted processor, respectively; (3) the total value
27 generated by AI computer processing, performed by the AI computer
28 processing in its capacity as a controlled processor and in its capacity
29 as a contracted processor, respectively, including the method of
30 calculation; (4) the amount of AI computer processing performed in
31 this State and the value generated by AI computer processing for a
32 qualified AI business that is attributable to AI system services used
33 for or intended for business uses within the State; and (5) any other
34 information the division requires.

35 A qualified AI business's records are to include, but not be limited
36 to: (1) the scope and nature of AI computer processing consumed,
37 including information verifying the AI system services for which the
38 AI computer processing was used, and the AI computer processor
39 that performed the AI computer processing; (2) the total volume of
40 AI computer processing used by the qualified AI business, including
41 the total volume performed by a controlled processor and a
42 contracted processor, respectively; (3) the total value generated by
43 AI computer processing used by the qualified AI business, including,
44 but not limited to, receipts documenting the consideration paid to any
45 contracted processor for the performance of AI computer processing;
46 (4) the value generated by AI computer processing used by the
47 qualified AI business that is attributable to AI system services used

1 for or intended for business uses within the State; and (5) any other
2 information required by the division.

3

4 *AI Workforce Impact Transition Fund*

5 The bill dedicates revenues from the tax to the “AI Workforce
6 Impact Transition Fund,” to be established in the Department of
7 Labor and Workforce Development (department) under the bill. The
8 monies in the fund are dedicated for: (1) training services in support
9 of displaced workers transitioning to an alternate career, including,
10 but not limited to, the selection of an alternate career; and the
11 provision of, or assistance in accessing, career training; (2) grants to
12 qualified organization for the design, planning, and implementation
13 of training programs and services in support of displaced workers;
14 and (3) funding student support services and dual enrollment
15 programs in public high schools. The department is required to
16 publish information online about the support available, including
17 how an individual may access that support. The bill defines a
18 “displaced worker” as an individual whose employment is terminated
19 or whose job is expected to become obsolete within 12 months due
20 to the current or expected operation of an AI system or the
21 performance of AI system services therefor.

22 The bill restricts related administrative costs to 10 percent in any
23 fiscal year but allows an exception for certain start-up expenses. The
24 bill requires the State Employment and Training Commissioner
25 (SETC) to design criteria and conduct an annual evaluation of the
26 training services provided through the AI Workforce Impact Training
27 Fund. The commissioner is required to publish an annual report to
28 the Governor and the Legislature within six months of the conclusion
29 of each fiscal year that includes: the total revenues deposited into the
30 fund from each source; the total amounts expended from the fund for
31 each authorized purpose; grants provided, including the amount and,
32 if applicable, the names of recipient organizations; the number of
33 workers supported; the total number of workers who have become
34 reemployed; administrative spending; relevant State Employment
35 and Training Commission evaluation data; and any other information
36 which the commissioner determines is pertinent to the evaluation of
37 the training services provided through the AI Workforce Impact
38 Transition Fund.