

SENATE, No. 4712

STATE OF NEW JERSEY
222nd LEGISLATURE

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Sponsored by:
Senator SHIRLEY K. TURNER
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
21 business 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.

35 “AI 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;
9 generate a specific billing based on computer processing services;
10 and be 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
24 equal the number of tokens required to perform the AI computer
25 processing, multiplied by the billing rate per token charged by the
26 AI 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
38 intended 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

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

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

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

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

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

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

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

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

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

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

44 b. A qualified AI business shall retain records of all AI
45 computer processing performed by an AI computer processor for
46 use by the qualified AI business engaged in AI system services.
47 The records shall be retained in such form and manner as the
48 division may require, which records shall be submitted to the

1 division at such intervals as the division may require and upon the
2 division's request. The records shall include, but need not be
3 limited to:

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

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

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

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

18 (5) any other information required by the division.
19

20 4. a. As used in this section:

21 "AI system development" means the development, training, and
22 refinement of an AI system, including, but not limited to, the design
23 and training of an AI system that is, or is intended to be,
24 commercially available and intended, in whole or in part, for
25 business uses within the State.

26 "AI system operation" means the operation, maintenance, or
27 modification of an AI system that is commercially available and
28 intended, in whole or in part, for business uses within the State.

29 "AI system services" means services related to AI system
30 development or AI system operation.

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

42 "Commission" means the State Employment and Training
43 Commission established pursuant to section 5 of P.L.1989, c.293
44 (C.34:15C-2).

45 "Commissioner" means the Commissioner of the Department of
46 Labor and Workforce Development.

47 "Department" means the Department of Labor and Workforce
48 Development.

1 “Displaced worker” means an individual whose employment is
2 terminated or whose job is expected to become obsolete within 12
3 months due to the current or expected operation of an AI system or
4 the performance of AI system services therefor.

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

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

17 c. The fund shall be credited with:

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

20 (2) any return on the investment of monies deposited in the
21 fund; and

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

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

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

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

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

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

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

1 e. The State Employment and Training Commission shall
2 annually evaluate the training services provided through the AI
3 Workforce Impact Transition Fund and shall provide a report to the
4 commissioner upon completion.

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

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

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

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

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

37 (1) standards for determining that an individual is a displaced
38 worker; and

39 (2) the nature and duration of support available to displaced
40 workers.

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

STATEMENT

This bill imposes on AI computer processors a tax of 10 percent on the value generated by AI computer processing. The bill dedicates revenues to the support of displaced workers transitioning to an alternate career due to artificial intelligence.

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

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

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

Calculation of the Tax

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

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

1 If the AI computer processing is performed by a contracted
2 processor, the value generated by AI computer processing equals
3 the number of tokens required to perform the AI computer
4 processing, multiplied by the billing rate per token charged by the
5 AI computer processor. If the AI computer processing is performed
6 by a controlled processor, the value generated by AI computer
7 processing is to be calculated pursuant to a method of calculation
8 approved by the Division of Taxation (division) for the respective
9 AI computer processor.

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

16

17 *Records of Taxable AI Computer Processing*

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

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

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

1 consideration paid to any contracted processor for the performance
2 of AI computer processing; (4) the value generated by AI computer
3 processing used by the qualified AI business that is attributable to
4 AI system services used for or intended for business uses within the
5 State; and (5) any other information required by the division.

6
7 *AI Workforce Impact Transition Fund*

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

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