

ASSEMBLY, No. 4077

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED FEBRUARY 19, 2026

Sponsored by:

Assemblywoman MITCHELLE DRULIS

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Assemblyman GABRIEL RODRIGUEZ

District 33 (Hudson)

Co-Sponsored by:

Assemblywoman Sweeney

SYNOPSIS

Imposes various taxes and fees on operators of private prisons to offset social costs of incarceration.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/19/2026)

1 AN ACT imposing taxes and fees on operators of private prisons and
2 supplementing Title 54 of the Revised Statutes.

3

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

6

7 1. Sections 1 through 4 of P.L. , c. (C.) (pending
8 before the Legislature as this bill) shall be known and may be cited
9 as the “Knowledge, Accountability, and Rights in Incarceration
10 Markets Act.”

11

12 2. a. For the purposes of this section:

13 “Director” means the Director of the Division of Taxation in the
14 Department of the Treasury.

15 “Public entity” means any federal, State, county, or municipal
16 entity.

17 b. A taxpayer that operates a private correctional facility in the
18 State and has entered into a contract with a public entity for the
19 provision of correctional services, shall be subject to a fee based on
20 the value of such contract with the public entity during each year in
21 which the contract is in effect. The amount of the fee shall be equal
22 to eight percent of the consideration given, or contracted to be
23 given, by the public entity to the taxpayer for the provision of
24 correctional services.

25 c. Every taxpayer subject to the fee imposed pursuant to
26 subsection b. of this section shall annually file a return for the
27 preceding calendar year with the director on such forms as the
28 director shall prescribe. The return shall indicate the total dollar
29 value of the contract entered into by the taxpayer for the provision
30 of correctional services and include a copy of such contract. At the
31 time a return is filed pursuant to this subsection, a taxpayer shall
32 remit the full amount of the fee due.

33 d. A taxpayer that fails to file a return when due or fails to pay
34 the amount of the fee when due shall be subject to such penalties
35 and interest as shall be provided by the director.

36 e. There is established a special, nonlapsing account within the
37 General Fund, to be known as the “Detention and Deportation
38 Defense Initiative Support Fund,” into which all revenues generated
39 from the fee imposed pursuant to this section shall be credited. The
40 monies in the account shall be dedicated and annually appropriated
41 by the Legislature to the Department of Human Services to support
42 the provision of legal services by accredited institutions of higher
43 education through the Detention and Deportation Defense Initiative,
44 or any other successor initiative or program.

45

46 3. a. For the purposes of this section:

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

1 b. A taxpayer that operates a private correctional facility in the
2 State shall be subject to a fee based on the number of inmates who
3 are detained at the taxpayer's private correctional facility. The
4 amount of the fee shall be \$15 per inmate for each day such inmate
5 is detained at the taxpayer's private correctional facility in a month.

6 c. Every taxpayer subject to the fee imposed pursuant to
7 subsection b. of this section shall file a return for the preceding
8 month with the director on such forms as the director shall
9 prescribe. The return shall indicate the total number of inmates
10 detained at the taxpayer's private correctional facility during the
11 preceding month and the number of days during that month in
12 which such inmates were detained by the taxpayer. At the time a
13 return is filed pursuant to this subsection, a taxpayer shall remit the
14 full amount of the fee due.

15 d. A taxpayer that fails to file a return when due or fails to pay
16 the amount of the fee when due, shall be subject to such penalties
17 and interest as shall be provided by the director.

18 e. There is established a special, nonlapsing account within the
19 General Fund, to be known as the "Private Prison Societal
20 Rehabilitation Support Fund," into which all revenues generated
21 from the fee imposed pursuant to this section shall be credited. The
22 monies in the account shall be dedicated and annually appropriated
23 by the Legislature to support community-based programs related to
24 food security, housing, recreation, job training, and youth
25 mentorship.

26

27 4. a. For the purposes of this section:

28 "Allocated taxable net income" means taxable net income as
29 defined in subsection (w) of section 4 of P.L.1945, c.162
30 (C.54:10A-4).

31 "Combined group" means a combined group as defined in
32 subsection (z) of section 4 of P.L.1945, c.162 (C.54:10A-4).

33 "S corporation" shall mean a New Jersey S corporation, as
34 defined in subsection (p) of section 4 of P.L.1945, c.162 (C.54:10A-
35 4), which does not make an election to be taxed as a C corporation
36 pursuant to either subsection (ff) of P.L.1945, c.162 (C.54:10A-4)
37 or subsection d. of section 3 of P.L.1993, c.173 (C.54:10A-5.22).

38 "Taxpayer" means any business entity or combined group that is
39 subject to tax, as provided in the Corporation Business Tax (1945),
40 P.L.1945, c.162 (C.54:10A-1 et seq.), except not including any S
41 corporation.

42 b. In addition to the tax paid by each taxpayer determined
43 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), a taxpayer
44 that operates a private correctional facility in the State shall be
45 assessed a private prison surtax equal to three percent of the
46 taxpayer's allocated taxable net income during each privilege
47 period. The private prison surtax shall be due and payable in
48 accordance with section 15 of P.L.1945, c.162 (C.54:10A-15), and

1 the private prison surtax shall be administered pursuant to the
2 provisions of P.L.1945, c.162 (C.54:10A-1 et seq.).
3 Notwithstanding the provisions of any other law to the contrary, no
4 credits shall be allowed against the private prison surtax liability
5 computed under this section except for credits for installment
6 payments, estimated payments made with a request for an extension
7 of time for filing a return, or overpayments from prior privilege
8 periods.

9 c. The gross amount of all revenues generated from the private
10 prison surtax imposed pursuant to this section shall be credited to
11 the "Private Prison Societal Rehabilitation Support Fund"
12 established pursuant to subsection e. of section 3 of
13 P.L. , c. (C.) (pending before the Legislature as this bill),
14 except for amounts credited to the special account in the General
15 Fund created pursuant to Article VIII, Section II, paragraph 6 of the
16 New Jersey Constitution. The monies credited to the fund pursuant
17 to this section shall be used for the fund's authorized purposes,
18 provided that one percent of the private prison surtax revenues shall
19 be appropriated to support programs provided by the State, one
20 percent of such revenues shall be appropriated to support programs
21 provided by the county in which the private correctional facility of
22 the taxpayer is located, and one percent of such revenues shall be
23 appropriated to support programs provided by the municipality in
24 which the private correctional facility of the taxpayer is located.

25

26 5. The Director of the Division of Taxation shall, in accordance
27 with the "Administrative Procedure Act," P.L.1968, c.410
28 (C.52:14B-1 et seq.), adopt rules and regulations as necessary to
29 implement the provisions of P.L. , c. (C.) (pending before
30 the Legislature as this bill).

31

32 6. This act shall take effect immediately and shall apply to
33 taxable years and privilege periods beginning on or after January of
34 the year next following the date of enactment.

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36

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STATEMENT

38

39 This bill, to be called the "Knowledge, Accountability and
40 Rights in Incarceration Markets Act," or the "KARIM Act," would
41 impose additional taxes and fees on the operators of private prisons.

42 First, a private prison operator that has entered into a contract
43 with a public entity for the provision of correctional services would
44 be subject to a fee based on the value of such contract with the
45 public entity. The amount of the fee would be equal to eight
46 percent of the consideration given, or contracted to be given, by the
47 public entity to the taxpayer for the provision of correctional
48 services. The revenues collected from this fee would be credited to

1 a special, nonlapsing account within the General Fund, to be known
2 as the “Detention and Deportation Defense Initiative Support
3 Fund,” and dedicated to the Department of Human Services to
4 support the provision of legal services by accredited institutions of
5 higher education through the Detention and Deportation Defense
6 Initiative, or any other successor initiative or program.

7 The bill also imposes a monthly fee based on the number of
8 inmates who are detained at a taxpayer’s private correctional
9 facility. The amount of the fee would be \$15 per inmate for each
10 day such inmate is detained at the taxpayer’s private correctional
11 facility each month. The revenues collected from the inmate fee
12 would be credited to a special, nonlapsing account within the
13 General Fund, to be known as the “Private Prison Societal
14 Rehabilitation Support Fund,” and dedicated to support community-
15 based programs related to food security, housing, recreation, job
16 training, and youth mentorship.

17 Finally, the bill would impose a percent private prison surtax on
18 corporate operators of private prisons. This surtax would be
19 imposed in addition to the corporation’s tax liability under the
20 State’s Corporation Business Tax in an amount equal to three
21 percent of the corporation’s allocated taxable net income for any
22 privilege period in which it operates a private correctional facility
23 in the State. The revenues collected from the surtax would
24 generally be credited to the Private Prison Societal Rehabilitation
25 Support Fund” in support of the fund’s purposes, except that one
26 percent of these revenues would be required to be appropriated to
27 support programs provided by the State, the county in which the
28 private correctional facility of the taxpayer is located, and the
29 municipality in which the private correctional facility of the
30 taxpayer is located respectively.