

# ASSEMBLY, No. 2744

## STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED MARCH 15, 2012

**Sponsored by:**

**Assemblyman LOUIS D. GREENWALD**

**District 6 (Burlington and Camden)**

**Assemblyman VINCENT PRIETO**

**District 32 (Bergen and Hudson)**

**Assemblywoman SHEILA Y. OLIVER**

**District 34 (Essex and Passaic)**

**Assemblyman JOHN S. WISNIEWSKI**

**District 19 (Middlesex)**

**Assemblyman JERRY GREEN**

**District 22 (Middlesex, Somerset and Union)**

**Assemblyman GORDON M. JOHNSON**

**District 37 (Bergen)**

**Co-Sponsored by:**

**Assemblymen Benson, Schaer, Assemblywoman Wagner, Assemblymen Eustace, Mainor, Giblin, Assemblywomen Lampitt, Spencer, Jimenez, Assemblyman S.Connors, Assemblywoman Watson Coleman, Assemblymen P.Barnes, III, DeAngelo, Coughlin, Ramos, Assemblywomen Sumter, Tucker, Assemblymen Wimberly, Coutinho, Moriarty, Assemblywoman Mosquera, Assemblymen Fuentes, Wilson, Conaway, Singleton, Diegnan, Assemblywoman Caride, Assemblymen Egan, Milam, Caputo, Chivukula, Gusciora and Albano**

**SYNOPSIS**

Provides a NJHOPE credit, increases the current gross income tax homestead property tax credit, and increases the gross income tax rate on taxable income exceeding \$1,000,000.

**CURRENT VERSION OF TEXT**

As introduced.

(Sponsorship Updated As Of: 6/8/2012)

1 AN ACT increasing the gross income tax rate on taxable income  
2 exceeding \$1,000,000, increasing the current gross income tax  
3 homestead property tax credit, and providing a refundable New  
4 Jersey homeowner property tax expenditure credit, amending  
5 N.J.S.54A:2-1 and P.L.1996, c.60, and supplementing Title 54A  
6 of the New Jersey Statutes.

7  
8 BE IT ENACTED by the Senate and General Assembly of the State  
9 of New Jersey:

10  
11 1. N.J.S.54A:2-1 is amended to read as follows:

12 54A:2-1. Imposition of tax. There is hereby imposed a tax for  
13 each taxable year (which shall be the same as the taxable year for  
14 federal income tax purposes) on the New Jersey gross income as  
15 herein defined of every individual, estate or trust (other than a  
16 charitable trust or a trust forming part of a pension or profit-sharing  
17 plan), subject to the deductions, limitations and modifications  
18 hereinafter provided, determined in accordance with the following  
19 tables with respect to taxpayers' taxable income:

20 a. For married individuals filing a joint return and individuals  
21 filing as head of household or as surviving spouse for federal  
22 income tax purposes:

23 (1) for taxable years beginning on or after January 1, 1991 but  
24 before January 1, 1994:

If the taxable income is:	The tax is:
Not over \$20,000.00 . . . .	2% of taxable income
Over \$20,000.00 but not over \$50,000.00 . . . . .	\$400.00 plus 2.5% of the excess over \$20,000.00
Over \$50,000.00 but not over \$70,000.00 . . . . .	\$1,150.00 plus 3.5% of the excess over \$50,000.00
Over \$70,000.00 but not over \$80,000.00 . . . . .	\$1,850.00 plus 5.0% of the excess over \$70,000.00
Over \$80,000.00 but not over \$150,000.00 . . . . .	\$2,350.00 plus 6.5% of the excess over \$80,000.00
Over \$150,000.00 . . . . .	\$6,900.00 plus 7.0% of the excess over \$150,000.00

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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1 (2) for taxable years beginning on or after January 1, 1994 but  
2 before January 1, 1995:

3

4	If the taxable income is:	The tax is:
5		
6	Not over \$20,000.00 . . .	1.900% of taxable income
7		
8	Over \$20,000.00 but not	
9	over \$50,000.00 . . . .	\$380.00 plus 2.375% of the
10		excess over \$20,000.00
11	Over \$50,000.00 but not	
12	over \$70,000.00 . . . .	\$1,092.50 plus 3.325% of the
13		excess over \$50,000.00
14	Over \$70,000.00 but not	
15	over \$80,000.00 . . . .	\$1,757.50 plus 4.750% of the
16		excess over \$70,000.00
17	Over \$80,000.00 but not	
18	over \$150,000.00 . . . .	\$2,232.50 plus 6.175% of the
19		excess over \$80,000.00
20		
21	Over \$150,000.00 . . . . .	\$6,555.00 plus 6.650% of the
22		excess over \$150,000.00
23		

24 (3) for taxable years beginning on or after January 1, 1995 but  
25 before January 1, 1996:

26

27	If the taxable income is:	The tax is:
28		
29	Not over \$20,000.00 . . . .	1.700% of taxable income
30		
31	Over \$20,000.00 but not	
32	over \$50,000.00 . . . . .	\$340.00 plus 2.125% of the
33		excess over \$20,000.00
34	Over \$50,000.00 but not	
35	over \$70,000.00 . . . . .	\$977.50 plus 2.975% of the
36		excess over \$50,000.00
37	Over \$70,000.00 but not	
38	over \$80,000.00 . . . . .	\$1,572.50 plus 4.250% of the
39		excess over \$70,000.00
40	Over \$80,000.00 but not	
41	over \$150,000.00 . . . . .	\$1,997.50 plus 6.013% of the
42		excess over \$80,000.00
43		
44	Over \$150,000.00 . . . . .	\$6,206.60 plus 6.580% of the
45		excess over \$150,000.00
46		

47 (4) for taxable years beginning on or after January 1, 1996 but  
48 before January 1, 2004:

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1	If the taxable income is:	The tax is:
2		
3	Not over \$20,000.00 . . . . .	1.400% of taxable income
4		
5	Over \$20,000.00 but not	
6	over \$50,000.00 . . . . .	\$280.00 plus 1.750% of the
7		excess over \$20,000.00
8	Over \$50,000.00 but not	
9	over \$70,000.00 . . . . .	\$805.00 plus 2.450% of the
10		excess over \$50,000.00
11	Over \$70,000.00 but not	
12	over \$80,000.00 . . . . .	\$1,295.50 plus 3.500% of the
13		excess over \$70,000.00
14	Over \$80,000.00 but not	
15	over \$150,000.00 . . . . .	\$1,645.00 plus 5.525% of the
16		excess over \$80,000.00
17		
18	Over \$150,000.00 . . . . .	\$5,512.50 plus 6.370% of the
19	excess over \$150,000.00	
20		

21 (5) for taxable years beginning on or after January 1, 2004 but  
22 before January 1, 2012:

24	If the taxable income is:	The tax is:
25		
26	Not over \$20,000.00 . . . . .	1.400% of taxable income
27		
28	Over \$20,000.00 but not	
29	over \$50,000.00 . . . . .	\$280.00 plus 1.750% of the
30		excess over \$20,000.00
31	Over \$50,000.00 but not	
32	over \$70,000.00 . . . . .	\$805.00 plus 2.450% of the
33		excess over \$50,000.00
34	Over \$70,000.00 but not	
35	over \$80,000.00 . . . . .	\$1,295.50 plus 3.500% of the
36		excess over \$70,000.00
37	Over \$80,000.00 but not	
38	over \$150,000.00 . . . . .	\$1,645.00 plus 5.525% of the
39		excess over \$80,000.00
40	Over \$150,000.00 but not	
41	over \$500,000.00 . . . . .	\$5,512.50 plus 6.370% of the
42		excess over \$150,000.00
43		
44	Over \$500,000.00 . . . . .	\$27,807.50 plus 8.970% of the
45		excess over \$500,000.00
46		

47 (6) for taxable years beginning on or after January 1, 2012:

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<u>If the taxable income is:</u>	<u>The tax is:</u>
Not over \$20,000.00 . . . . .	1.400% of taxable income
Over \$20,000.00 but not over \$50,000.00 . . . . .	\$280.00 plus 1.750% of the excess over \$20,000.00
Over \$50,000.00 but not over \$70,000.00 . . . . .	\$805.00 plus 2.450% of the excess over \$50,000.00
Over \$70,000.00 but not over \$80,000.00 . . . . .	\$1,295.50 plus 3.500% of the excess over \$70,000.00
Over \$80,000.00 but not over \$150,000.00 . . . . .	\$1,645.00 plus 5.525% of the excess over \$80,000.00
Over \$150,000.00 but not over \$500,000.00 . . . . .	\$5,512.50 plus 6.370% of the excess over \$150,000.00
Over \$500,000.00 but not over \$1,000,000.00 . . . . .	\$27,807.50 plus 8.970% of the excess over \$500,000.00
Over \$1,000,000.00 . . . . .	\$72,657.50 plus 10.750% of the excess over \$1,000,000.00

b. For married individuals filing separately, unmarried individuals other than individuals filing as head of household or as a surviving spouse for federal income tax purposes, and estates and trusts:

(1) for taxable years beginning on or after January 1, 1991 but before January 1, 1994:

<u>If the taxable income is:</u>	<u>The tax is:</u>
Not over \$20,000.00 . . . . .	2% of taxable income
Over \$20,000.00 but not over \$35,000.00 . . . . .	\$400.00 plus 2.5% of the excess over \$20,000.00
Over \$35,000.00 but not over \$40,000.00 . . . . .	\$775.00 plus 5.0% of the excess over \$35,000.00
Over \$40,000.00 but not over \$75,000.00 . . . . .	\$1,025.00 plus 6.5% of the excess over \$40,000.00

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1 Over \$75,000.00 . . . . . \$3,300.00 plus 7.0% of the  
2 excess over \$75,000.00  
3

4 (2) for taxable years beginning on or after January 1, 1994 but  
5 before January 1, 1995:  
6

7 If the taxable income is: The tax is:

8  
9 Not over \$20,000.00 . . . . . 1.900% of taxable income  
10

11 Over \$20,000.00 but not  
12 over \$35,000.00 . . . . . \$380.00 plus 2.375% of the  
13 excess over \$20,000.00

14 Over \$35,000.00 but not  
15 over \$40,000.00 . . . . . \$736.25 plus 4.750% of the  
16 excess over \$35,000.00

17 Over \$40,000.00 but not  
18 over \$75,000.00 . . . . . \$973.75 plus 6.175% of the  
19 excess over \$40,000.00  
20

21 Over \$75,000.00 . . . . . \$3,135.00 plus 6.650% of the  
22 excess over \$75,000.00  
23

24 (3) for taxable years beginning on or after January 1, 1995 but  
25 before January 1, 1996:  
26

27 If the taxable income is: The tax is:

28  
29 Not over \$20,000.00 . . . . . 1.700% of taxable income  
30

31 Over \$20,000.00 but not  
32 over \$35,000.00 . . . . . \$340.00 plus 2.125% of the  
33 excess over \$20,000.00

34 Over \$35,000.00 but not  
35 over \$40,000.00 . . . . . \$658.75 plus 4.250% of the  
36 excess over \$35,000.00

37 Over \$40,000.00 but not  
38 over \$75,000.00 . . . . . \$871.25 plus 6.013% of the  
39 excess over \$40,000.00  
40

41 Over \$75,000.00 . . . . . \$2,975.80 plus 6.580% of the  
42 excess over \$75,000.00  
43

44 (4) for taxable years beginning on or after January 1, 1996 but  
45 before January 1, 2004:  
46

47 If the taxable income is: The tax is:

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1	Not over \$20,000.00 . . . . .	1.400% of taxable income
2		
3	Over \$20,000.00 but not	
4	over \$35,000.00 . . . . .	\$280.00 plus 1.750% of the
5		excess over \$20,000.00
6	Over \$35,000.00 but not	
7	over \$40,000.00 . . . . .	\$542.50 plus 3.500% of the
8		excess over \$35,000.00
9	Over \$40,000.00 but not	
10	over \$75,000.00 . . . . .	\$717.50 plus 5.525% of the
11		excess over \$40,000.00
12		
13	Over \$75,000.00 . . . . .	\$2,651.25 plus 6.370% of the
14	excess over \$75,000.00	
15		

16 (5) for taxable years beginning on or after January 1, 2004 but  
 17 before January 1, 2012:

18		
19	If the taxable income is:	The tax is:
20		
21	Not over \$20,000.00 . . . . .	1.400% of taxable income
22		
23	Over \$20,000.00 but not	
24	over \$35,000.00 . . . . .	\$280.00 plus 1.750% of the
25		excess over \$20,000.00
26	Over \$35,000.00 but not	
27	over \$40,000.00 . . . . .	\$542.50 plus 3.500% of the
28		excess over \$35,000.00
29	Over \$40,000.00 but not	
30	over \$75,000.00 . . . . .	\$717.50 plus 5.525% of the
31		excess over \$40,000.00
32	Over \$75,000.00 but not	
33	over \$500,000.00 . . . . .	\$2,651.25 plus 6.370% of the
34		excess over \$75,000.00
35		
36	Over \$500,000.00 . . . . .	\$29,723.75 plus 8.970% of the
37	excess over \$500,000.00	
38		

39 (6) for taxable years beginning on or after January 1, 2012:

40		
41	<u>If the taxable income is:</u>	<u>The tax is:</u>
42		
43	<u>Not over \$20,000.00 . . . . .</u>	<u>1.400% of taxable income</u>
44		
45	<u>Over \$20,000.00 but not</u>	
46	<u>over \$35,000.00 . . . . .</u>	<u>\$280.00 plus 1.750% of the</u>
47		<u>excess over \$20,000.00</u>
48	<u>Over \$35,000.00 but not</u>	

1	<u>over \$40,000.00 . . . . .</u>	<u>\$542.50 plus 3.500% of the</u>
2		<u>excess over \$35,000.00</u>
3	<u>Over \$40,000.00 but not</u>	
4	<u>over \$75,000.00 . . . . .</u>	<u>\$717.50 plus 5.525% of the</u>
5		<u>excess over \$40,000.00</u>
6	<u>Over \$75,000.00 but not</u>	
7	<u>over \$500,000.00 . . . . .</u>	<u>\$2,651.25 plus 6.370% of the</u>
8		<u>excess over \$75,000.00</u>
9		
10	<u>Over \$500,000.00 but not</u>	
11	<u>over \$1,000,000.00 . . . . .</u>	<u>\$29,723.75 plus 8.970% of the</u>
12		<u>excess over \$500,000.00</u>
13		
14	<u>Over \$1,000,000.00 . . . . .</u>	<u>\$74,573.75 plus 10.750% of the</u>
15		<u>excess over \$1,000,000.00</u>
16		

17 c. For the purposes of this section, an individual who would be  
 18 eligible to file as a head of household for federal income tax  
 19 purposes but for the fact that such taxpayer is a nonresident alien,  
 20 shall determine tax pursuant to subsection a. of this section.  
 21 (cf: P.L.2004, c.40, s.17)

22  
 23 2. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to  
 24 read as follows:

25 3. a. A resident taxpayer under the "New Jersey Gross Income  
 26 Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from  
 27 gross income for property taxes not in excess of \$10,000, subject to  
 28 the limitations of subsection f. of this section, due and paid for the  
 29 calendar year in which the taxes are due and payable on the  
 30 taxpayer's homestead.

31 Provided however, for taxable years beginning on or after  
 32 January 1, 2012 no taxpayer allowed a NJHOPE credit pursuant to  
 33 paragraph 3 of subsection b. of section 4 of P.L. . . . c. (C. . . . )  
 34 (pending before the Legislature as this bill) for the taxable year  
 35 shall be allowed a deduction pursuant to this section for the taxable  
 36 year.

37 b. A deduction for property taxes shall be allowed pursuant to  
 38 this section in relation to the amount of the property taxes actually  
 39 paid by or allocable to a resident taxpayer who has more than one  
 40 homestead, but the aggregate amount of the property taxes claimed  
 41 shall not exceed the total of the proportionate amounts of property  
 42 taxes assessed and levied against or allocable to each homestead for  
 43 the portion of the taxable year for which the taxpayer occupied it as  
 44 the taxpayer's principal residence.

45 c. If title to a homestead is held by more than one individual as  
 46 joint tenants or tenants in common, each individual shall be allowed  
 47 a deduction pursuant to this section only in relation to the  
 48 individual's proportionate share of the property taxes assessed and



1 levied against the homestead. The proportionate share shall be  
2 equal to that of all other individuals who hold the title, but if the  
3 conveyance under which the title is held provides for unequal  
4 interests therein, a taxpayer's share of the property taxes shall be in  
5 proportion to the taxpayer's interest in the title.

6 d. If title to a homestead is held by a husband and wife who own  
7 the homestead as tenants by the entirety, or if that husband and wife  
8 are both residential shareholders of a cooperative or mutual housing  
9 corporation and occupy the same homestead therein, and who elect  
10 to file separate income tax returns pursuant to the "New Jersey  
11 Gross Income Tax Act," N.J.S.54A:1-1 et seq., that husband and  
12 wife shall each be entitled to one-half of the deduction for property  
13 taxes for which they may be jointly eligible pursuant to this section.

14 e. If the homestead is a dwelling house consisting of more than  
15 one unit, that taxpayer shall be allowed a deduction for property  
16 taxes only in relation to the proportionate share of the property  
17 taxes assessed and levied against the residential unit occupied by  
18 the taxpayer, as determined by the local tax assessor.

19 f. Notwithstanding the provisions of subsection a. of this section  
20 to the contrary: (1) a resident taxpayer shall be allowed a deduction  
21 for a taxpayer's taxable year beginning during 1996 based on 50%  
22 of the property taxes not in excess of \$5,000 paid on the taxpayer's  
23 homestead; and (2) a resident taxpayer shall be allowed a deduction  
24 for a taxpayer's taxable year beginning during 1997 based on 75%  
25 of the property taxes not in excess of \$7,500 paid on the taxpayer's  
26 homestead.

27 g. Notwithstanding any other provision of this section, the  
28 deduction allowed under this section to a resident taxpayer eligible  
29 to receive a homestead property tax reimbursement pursuant to  
30 P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident  
31 taxpayer's base year property tax liability as determined pursuant to  
32 P.L.1997, c.348 (C.54:4-8.67 et al.).

33 h. Notwithstanding any other provision of this section, for the  
34 taxable year beginning January 1, 2009, a taxpayer who has gross  
35 income for the taxable year of more than \$250,000 and is not:

- 36 (1) 65 years of age or older at the close of the taxable year; or  
37 (2) allowed to claim a personal deduction as a blind or disabled  
38 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not be  
39 allowed a deduction pursuant to this section;

40 provided however, the deduction for a taxpayer who has gross  
41 income for the taxable year of more than \$150,000 but not  
42 exceeding \$250,000 and is not:

- 43 (1) 65 years of age or older at the close of the taxable year; or  
44 (2) allowed to claim a personal deduction as a blind or disabled  
45 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not  
46 exceed \$5,000.

47 (P.L.2009, c.69, s.2)

1       3. Section 6 of P.L.1996, c.60 (C.54A:3A-20) is amended to  
2 read as follows:

3       6. a. (1) Notwithstanding any provision of this act to the  
4 contrary, commencing with the taxpayer's taxable year beginning on  
5 or after January 1, 1996:

6       (a) a taxpayer; or

7       (b) a resident of this State who is 65 years of age or older at the  
8 close of the taxable year or who is allowed to claim a personal  
9 deduction as a blind or disabled taxpayer pursuant to subsection b.  
10 of N.J.S.54A:3-1 but who, pursuant to N.J.S.54A:2-4, is not subject  
11 to tax; and,

12       who paid property taxes or rent constituting property taxes on a  
13 homestead during the calendar year

14       may elect to take a credit instead of the deduction provided  
15 pursuant to **[section]** sections 3, 4, or 5 of P.L.1996, c.60  
16 (C.54A:3A-17 et seq.) in the amount of \$50, subject to the  
17 provisions of **[paragraph]** paragraphs (2) and (3) of this subsection.

18       (2) Notwithstanding the provisions of paragraph (1) of this  
19 subsection, the amount of tax liability reduction or credit allowed  
20 for the taxpayer's taxable year beginning during 1996 shall be \$25  
21 and the amount of tax liability reduction or credit allowed for the  
22 taxpayer's taxable year beginning during 1997 shall be \$37.50.

23       (3) Notwithstanding the provisions of paragraph (1) of this  
24 subsection, for taxable years beginning on or after January 1, 2012,  
25 but before January 1, 2014, the amount of the credit allowed  
26 pursuant to this section shall be \$150. For taxable years beginning  
27 on or after January 1, 2014, the amount of the credit allowed  
28 pursuant to this section shall be \$250.

29       b. A husband and wife who elect to file separate income tax  
30 returns pursuant to the "New Jersey Gross Income Tax Act,"  
31 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the credit  
32 allowed pursuant to subsection a. of this section.

33       c. The credit shall be paid to the taxpayer as a refund of  
34 overpayment pursuant to N.J.S.54A:9-7, provided however, that  
35 subsection (f) of that section shall not apply. The credit for a  
36 claimant qualified under subsection a. of this section who, pursuant  
37 to N.J.S.54A:2-4, is not subject to tax, shall be applied for  
38 annually on an application as shall be made available by the  
39 director, to be filed with the director on or before the date for filing  
40 annual gross income tax returns. The director shall determine the  
41 form and manner by which a qualified applicant shall apply for a  
42 refund of an overpayment pursuant to this section, and the time of  
43 the refund of the overpayment. For the purposes of this section,  
44 refunds of overpayments may be combined with payments of  
45 rebates pursuant to P.L.1990, c.61 (C.54:4-8.57 et seq.).

46       d. Notwithstanding the provisions of subsection a. of this  
47 section, for taxable years beginning on or after January 1, 2012 no  
48 taxpayer or resident that is allowed a NJHOPE credit pursuant to

1 paragraph 3 of subsection b. of section 4 of P.L. , c. (C. )  
2 (pending before the Legislature as this bill) for the taxable year  
3 shall be allowed a credit pursuant to this section for the taxable  
4 year.

5 (cf: P.L.1996, c.60, s.6)

6  
7 4. (New section) a. For taxable years beginning on or after  
8 January 1, 2012, a qualified homeowner shall be allowed a  
9 NJHOPE credit against the tax liability otherwise due for the  
10 taxable year pursuant to the "New Jersey Gross Income Tax Act,"  
11 N.J.S.54A:1-1 et seq., after all other credits and payments. If the  
12 NJHOPE credit exceeds the amount of tax liability otherwise due,  
13 that amount of excess shall be refunded as an overpayment pursuant  
14 to N.J.S.54A:9-7, provided however, subsection (f) of N.J.S.54A:9-  
15 7 concerning interest shall not apply.

16 b. (1) The amount of the NJHOPE credit shall be the greater of  
17 the two amounts calculated pursuant to paragraph (2) and paragraph  
18 (3) of this subsection.

19 (2) A qualified homeowner shall be allowed a NJHOPE credit in  
20 an amount equal to the homestead benefit that the qualified  
21 homeowner received pursuant to the annual appropriations act for  
22 State fiscal year 2012, P.L.2011, c.85. Provided however, the  
23 amount calculated pursuant to this paragraph shall only apply to a  
24 qualified homeowner who resides for the entire taxable year in the  
25 same home for which the qualified homeowner qualified for a  
26 homestead benefit received pursuant to the annual appropriations  
27 act for State fiscal year 2012, P.L.2011, c.85.

28 (3) (a) (i) A qualified homeowner with taxable income of  
29 \$250,000 or less for the taxable year shall be allowed a NJHOPE  
30 credit in an amount equal to 20 percent of the amount of property  
31 tax due and paid by the qualified homeowner for the qualified  
32 homeowner's home in the taxable year.

33 (ii) Provided however, a qualified homeowner with taxable  
34 income of \$250,000 or less for the taxable year who is 65 years of  
35 age or older at the close of the taxable year or is allowed to claim a  
36 personal exemption as a blind or disabled taxpayer pursuant to  
37 subsection b. of N.J.S.54A:3-1 for the taxable year, shall be allowed  
38 a NJHOPE credit in an amount equal to 25 percent of the amount of  
39 property tax due and paid by the qualified homeowner for the  
40 qualified homeowner's home in the taxable year.

41 (b) For a taxable year, the maximum amount of property tax due  
42 and paid that may be used for determining the amount of a qualified  
43 homeowner's NJHOPE credit shall be limited as follows:

44 For taxable years beginning on or after January 1, 2012, but  
45 before January 1, 2013, the maximum amount of property tax due  
46 and paid that shall be used for determining the amount of a  
47 qualified homeowner's NJHOPE credit shall not exceed \$5,000;

1 For taxable years beginning on or after January 1, 2013, but  
2 before January 1, 2014, the maximum amount of property tax due  
3 and paid that shall be used for determining the amount of a  
4 qualified homeowner's NJHOPE credit shall not exceed \$6,000;

5 For taxable years beginning on or after January 1, 2014, but  
6 before January 1, 2015, the maximum amount of property tax due  
7 and paid that shall be used for determining the amount of a  
8 qualified homeowner's NJHOPE credit shall not exceed \$7,500; and

9 For taxable years beginning on or after January 1, 2015, the  
10 maximum amount of property tax due and paid that shall be used  
11 for determining the amount of a qualified homeowner's NJHOPE  
12 credit shall not exceed \$10,000.

13 (c) Notwithstanding subparagraph (a) of this paragraph, if a  
14 qualified homeowner's taxable income for the taxable year exceeds  
15 \$250,000 but is less than \$260,000, a qualified homeowner shall be  
16 allowed a NJHOPE credit pursuant to this paragraph. Provided  
17 however, the maximum amount of the NJHOPE credit allowable  
18 under this paragraph for the taxable year shall be reduced by the  
19 percentage calculated by dividing the amount of the qualified  
20 homeowner's taxable income in excess of \$250,000, but not  
21 exceeding \$260,000, by \$10,000.

22 c. (1) For a qualified homeowner that has more than one home  
23 during the taxable year, a NJHOPE credit allowed pursuant to  
24 paragraph 3 of subsection b. of this section shall be allowed in  
25 relation to the amount of the property taxes actually paid by or  
26 allocable to the qualified homeowner, but the aggregate amount of  
27 the property taxes claimed shall not exceed the total of the  
28 proportionate amounts of property taxes assessed and levied against  
29 or allocable to each home for the portion of the taxable year for  
30 which the qualified homeowner occupied the home as the qualified  
31 homeowner's principal residence.

32 (2) For a qualified homeowner that shares title to a home as a  
33 joint tenant or tenant in common, the qualified homeowner allowed  
34 a NJHOPE credit pursuant to paragraph 3 of subsection b. of this  
35 section shall be allowed a credit only in relation to the qualified  
36 homeowner's proportionate share of the property taxes assessed and  
37 levied against the home. The proportionate share shall be equal to  
38 that of all other individuals who hold the title, but if the conveyance  
39 under which the title is held provides for unequal interests therein, a  
40 qualified homeowner's share of the property taxes shall be in  
41 proportion to the qualified homeowner's interest in the title.

42 (3) For a qualified homeowner allowed a NJHOPE credit  
43 pursuant to paragraph 3 of subsection b. of this section that files as  
44 a married individual filing separately that holds title to and occupies  
45 a home with their spouse as a tenant by the entirety or resident  
46 shareholder of a cooperative or mutual housing corporation, the  
47 qualified homeowner shall be entitled to one-half of the credit for

1 which the qualified homeowner and the qualified homeowner's  
2 spouse may be allowed as married individuals filing a joint return.

3 (4) For a qualified homeowner allowed a NJHOPE credit  
4 pursuant to paragraph 3 of subsection b. of this section that owns a  
5 home that consists of more than one unit, the qualified  
6 homeowner's NJHOPE credit shall only be allowed in relation to  
7 the proportionate share of property taxes assessed and levied  
8 against the residential unit occupied by the qualified homeowner as  
9 a principal residence, as determined by the local tax assessor.

10 d. For taxable years beginning on or after January 1, 2012, the  
11 director shall include in the content and form of the "New Jersey  
12 Gross Income Tax Act," N.J.S.54A:1-1 et seq., returns and return  
13 instructions prominent reference to the NJHOPE credit allowed  
14 pursuant to this section. For purposes of tax returns, prominent  
15 reference to the NJHOPE credit shall include, but not be limited to,  
16 explicit reference to the "NJHOPE Credit" on applicable tax return  
17 lines. For purposes of tax return instructions, prominent reference  
18 to the NJHOPE credit shall include, but not be limited to, a  
19 description of the program in the "Read This Before You Begin"  
20 page, in addition to the line and worksheet instructions prescribed  
21 by the Director of the Division of Taxation in the Department of the  
22 Treasury.

23 e. As used in this section:

24 "Condominium" means the form of real property ownership  
25 provided for under the "Condominium Act," P.L.1969, c.257  
26 (C.46:8B-1 et seq.).

27 "Continuing care retirement community" means a residential  
28 facility primarily for retired persons where lodging and nursing,  
29 medical or other health related services at the same or another  
30 location are provided as continuing care to an individual pursuant to  
31 an agreement effective for the life of the individual or for a period  
32 greater than one year, including mutually terminable contracts, and  
33 in consideration of the payment of an entrance fee with or without  
34 other periodic charges.

35 "Cooperative" means a housing corporation or association which  
36 entitles the holder of a share or membership interest thereof to  
37 possess and occupy for dwelling purposes a house, apartment, or  
38 other unit of housing owned or leased by the corporation or  
39 association, or to lease or purchase a unit of housing constructed or  
40 to be constructed by the corporation or association.

41 "Dwelling house" means any residential property assessed as real  
42 property which consists of not more than four units, of which not  
43 more than one may be used for commercial purposes, but shall not  
44 include a unit in a condominium, cooperative, horizontal property  
45 regime, or mutual housing corporation.

46 "Home" means a qualified homeowner's principal residence in  
47 New Jersey that qualifies as one of the following types of  
48 homesteads:

1 (1) a dwelling house and the land on which that dwelling house  
2 is located;

3 (2) a dwelling house situated on land owned by a person other  
4 than the qualified homeowner which constitutes the place of the  
5 qualified homeowner's dwelling house;

6 (3) a condominium unit or a unit in a horizontal property regime  
7 which constitutes the place of the qualified homeowner's  
8 condominium unit or unit in a horizontal property regime;

9 (4) a homestead where ownership is represented by the qualified  
10 homeowner's interest as a tenant for life or a tenant under a lease  
11 for 99 years or more and the qualified homeowner is entitled to and  
12 actually takes possession of the homestead under an executory  
13 contract for the sale thereof or under an agreement with a lending  
14 institution which holds title as security for a loan, or a resident of a  
15 continuing care retirement community pursuant to a contract for  
16 continuing care for the life of that person which requires the  
17 resident to bear, separately from any other charges, the  
18 proportionate share of property taxes attributable to the unit that the  
19 resident occupies; and

20 (5) a unit in a cooperative or mutual housing corporation which  
21 constitutes the place of domicile of a residential shareholder or  
22 lessee therein, or of a lessee or shareholder who is not a residential  
23 shareholder therein.

24 "Horizontal property regime" means the form of real property  
25 ownership provided for under the "Horizontal Property Act,"  
26 P.L.1963, c.168 (C.46:8A-1 et seq.).

27 "Mutual housing corporation" means a corporation not-for-  
28 profit, incorporated under the laws of this State on a mutual or  
29 cooperative basis within the scope of section 607 of the Lanham  
30 Public War Housing Act ("National Defense Housing Act"), Pub.L.  
31 76-849 (42 U.S.C. s.1587), as amended, which acquired a National  
32 Defense Housing Project pursuant to that act.

33 "NJHOPE credit" means the New Jersey HomeOwner Property  
34 Tax Expenditure credit allowed pursuant to this section.

35 "Principal residence" means a home actually and continually  
36 occupied by a qualified homeowner as the qualified homeowner's  
37 permanent residence, as distinguished from a "vacation home,"  
38 property owned and rented or offered for rent by the qualified  
39 homeowner, and other secondary real property holdings.

40 "Property tax" means payments to a municipality for which an  
41 assessment by a municipality has been made on an ad valorem basis  
42 on land and improvements, and shall not include payments made in  
43 lieu of taxes.

44 "Qualified homeowner" means a resident of the State that owns a  
45 home in New Jersey which is the resident's principal residence.

46 "Residential shareholder" means a tenant or holder of a  
47 membership interest in a cooperative or mutual housing corporation  
48 and who may deduct real property taxes for purposes of federal

1 income tax pursuant to section 216 of the federal Internal Revenue  
2 Code (26 U.S.C. s.216).

3  
4 5. (New section) a. To administer P.L. , c. (C. )  
5 (pending before the Legislature as this bill), the Director of the  
6 Division of Taxation in the Department of the Treasury shall adopt  
7 regulations in accordance with the “Administrative Procedure Act,”  
8 P.L.1968, c.410 (C.52:14B-1 et seq.) and prescribe forms in  
9 accordance with P.L. , c. (C. ) (pending before the  
10 Legislature as this bill).

11 b. Notwithstanding the provisions of the “Administrative  
12 Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), to the  
13 contrary, the director may adopt, immediately upon filing with the  
14 Office of Administrative Law, such regulations as the director  
15 deems necessary to implement the provisions of P.L. ,  
16 c. (C. ) (pending before the Legislature as this bill), which  
17 regulations shall be effective for a period not to exceed 180 days  
18 from the date of the filing. The regulations may thereafter be  
19 amended, adopted or readopted by the director as the director deems  
20 necessary in accordance with the “Administrative Procedure Act,”  
21 P.L.1968, c.410 (C.52:14B-1 et seq.).

22 c. (1) For purposes of the amendments to N.J.S.54A:2-1 made  
23 by section 1 of P.L. , c. (pending before the Legislature as this  
24 bill), paragraphs (2) and (3) of this subsection shall apply.

25 (2) No additions to tax or penalty shall be imposed upon a  
26 taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of  
27 increased estimated tax on taxable income received before October  
28 1, 2012 for which the amount of tax due is increased pursuant to the  
29 rate imposed on taxable income over \$1,000,000 by the  
30 amendments to N.J.S.54A:2-1 made by section 1 of P.L. ,  
31 c. (pending before the Legislature as this bill).

32 (3) No interest, penalties, or other costs shall be imposed upon  
33 an employer maintaining an office or transacting business within  
34 this State and making payment of any salaries, wages and  
35 remuneration subject to the “New Jersey Gross Income Tax Act,”  
36 N.J.S.54A:1-1 et seq., or making payment of any remuneration for  
37 employment subject to contribution under the New Jersey  
38 “unemployment compensation law,” pursuant to R.S.43:21-1 et  
39 seq., for insufficient withholding of salaries, wages, and other  
40 remuneration paid before October 1, 2012 that is attributable to an  
41 increase in the amount of tax due pursuant to the rate imposed on  
42 taxable income over \$1,000,000 by the amendments to N.J.S.54A:2-  
43 1 made by section 1 of P.L. , c. (pending before the Legislature  
44 as this bill).

45  
46 6. This act shall take effect immediately.

## STATEMENT

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The bill provides a refundable New Jersey HomeOwner Property Tax Expenditure (NJHOPE) credit, increases the current gross income tax credit for homestead property taxes, and increases the gross income tax rate on taxable income exceeding \$1,000,000.

New Jersey homeowners pay among the highest property taxes in the nation. For calendar year 2011, the average residential homeowner's property tax bill was \$7,759. According to the latest US census, New Jersey's median household income is \$69,811. A family earning the median household income and paying the average residential property tax is paying over 11% of their income in property taxes. The most recent data available shows the median property tax for a household with over \$3 million in income was \$17,740 or just 0.38% of the median income for that income group. A middle class family is paying over 11% of their income toward property taxes while the top less than 1% of income earners is paying just 0.38%. This data highlights the extremely regressive nature of the State's property tax burden. The purpose of this bill is to provide enhanced property tax relief to residents of this State through the gross income tax, while minimizing the impact of related revenue raising on the general population.

This bill uses the gross income tax as the vehicle to deliver substantial property tax relief to the middle class and those less well-off. The gross income tax is the vehicle being used to provide property tax relief to simplify administration and keep administrative cost to a minimum, if not non-existent. Using the gross income tax as the vehicle to deliver property tax relief also protects the bill's property tax credits from being lessened or eliminated through future budget language.

To provide property tax relief to New Jersey homeowners, the bill establishes a refundable NJHOPE credit for qualified homeowners beginning with taxable year 2012. The bill defines a qualified homeowner as a state resident that owns a home in New Jersey which is the homeowner's principal residence. The bill allows a qualified homeowner with \$250,000 or less of annual taxable income to calculate the amount of the NJHOPE credit using one of two methods, whichever leads to a larger credit amount.

The bill's first method of calculating the NJHOPE credit gives a qualified homeowner a credit in an amount equal to the homestead benefit received for State fiscal year 2012. The bill's first method of credit calculation is only available for qualified homeowners that reside for the entire taxable year in the same household that was used to qualify for the State fiscal year 2012 homestead benefit. If a qualified homeowner uses the first method of calculating the NJHOPE credit, the qualified homeowner may still claim the current homestead property tax deduction or credit.



1 The bill's second method of calculating the NJHOPE credit gives  
2 a qualified homeowner a credit in an amount equal to an applicable  
3 percentage of up to certain amounts of property taxes due and paid  
4 for a taxable year. For non-senior and non-disabled qualified  
5 homeowners, the applicable percentage of property taxes due and  
6 paid that is used for the credit calculation is 20 percent. For senior  
7 or disabled qualified homeowners, the applicable percentage of  
8 property taxes due and paid that is used for the credit calculation is  
9 25 percent.

10 For all qualified homeowners, the maximum amount of property  
11 taxes that may be taken into account for calculating the credit is  
12 phased in over four taxable years. The maximum amount of  
13 property taxes that may be taken into account for the credit begins  
14 at \$5,000 for taxable year 2012, increases to \$6,000 for taxable year  
15 2013, increases to \$7,500 for taxable year 2014, and is set at  
16 \$10,000 for taxable year 2015 and thereafter.

17 Applying the non-senior and non-disabled qualified  
18 homeowner's 20 percent credit to the maximum amount of property  
19 taxes that may be taken into account, the bill allows credits in  
20 amounts up to \$1,000 for taxable year 2012, \$1,200 for taxable year  
21 2013, \$1,500 for taxable year 2014, and \$2,000 for taxable year  
22 2015 and thereafter.

23 Applying the senior or disabled qualified homeowner's 25  
24 percent credit to the maximum amount of property taxes that may  
25 be taken into account, the bill allows credits in amounts up to  
26 \$1,250 for taxable year 2012, \$1,500 for taxable year 2013, \$1,875  
27 for taxable year 2014, and \$2,500 for taxable year 2015 and  
28 thereafter.

29 The bill prohibits a qualified homeowner from using the second  
30 method of calculating the NJHOPE credit in addition to the current  
31 homestead property tax deduction or credit for the same taxable  
32 year.

33 To avoid creating a tax "cliff," the bill allows a limited credit for  
34 qualified homeowners that have more than \$250,000 of taxable  
35 income, but less than \$260,000. For these qualified homeowners,  
36 the maximum credit available under the second method of  
37 calculation is reduced in proportion to the qualified homeowners  
38 taxable income within that range.

39 The bill also increases the value of the current gross income tax  
40 credit for homestead property taxes from \$50 to \$150 for taxable  
41 years beginning in 2012 or 2013 and further increases the credit to  
42 \$250 for taxable years beginning in or after 2014. The current  
43 gross income tax credit for homestead property taxes is a gross  
44 income tax benefit floor on the current homestead property tax  
45 deduction, which ensures that a claimant receives a benefit of no  
46 less than the fixed credit amount.

47 The bill increases gross income tax rates on annual taxable  
48 income exceeding \$1,000,000 from 8.97% to 10.75%. This gross

1 income tax rate change applies only to the portion of a taxpayer's  
2 annual taxable income that exceeds \$1,000,000. The rate change is  
3 scheduled to begin with taxable year 2012 and is maintained for  
4 future taxable years.

5 The bill grants the Director of the Division of Taxation  
6 emergency rulemaking authority to implement this bill for the  
7 current taxable year. The bill requires the Director of the Division  
8 of Taxation in the Department of the Treasury to make prominent  
9 reference to the availability of the bill's NJHOPE credit for  
10 qualified homeowners in tax returns and instructions.