

SENATE, No. 10

STATE OF NEW JERSEY 215th LEGISLATURE

INTRODUCED MAY 3, 2012

Sponsored by:

Senator STEPHEN M. SWEENEY

District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Establishes the New Jersey Direct Property Tax Relief Program by providing a property tax relief credit under the gross income tax and increasing the current gross income tax credit for homestead property taxes.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning property tax relief, amending P.L.1996, c.60,
2 and supplementing Title 54A of the New Jersey Statutes.

3

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

6

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

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

12 (a) a taxpayer; or

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

18 who paid property taxes or rent constituting property taxes on a
19 homestead during the calendar year

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

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

29 (3) Notwithstanding the provisions of paragraph (1) of this
30 subsection, for taxable years beginning on or after January 1, 2013,
31 but before January 1, 2014 the amount of the credit allowed
32 pursuant to this section shall be \$100. For taxable years beginning
33 on or after January 1, 2014, but before January 1, 2015 the amount
34 of the credit allowed pursuant to this section shall be \$150. For
35 taxable years beginning on or after January 1, 2015, the amount of
36 the credit allowed pursuant to this section shall be \$200.

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

41 c. The credit shall be paid to the taxpayer as a refund of
42 overpayment pursuant to N.J.S.54A:9-7, provided however, that
43 subsection (f) of that section shall not apply. The credit for a
44 claimant qualified under subsection a. of this section who, pursuant
45 to N.J.S.54A:2-4, is not subject to tax, shall be applied for

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.

1 annually on an application as shall be made available by the
2 director, to be filed with the director on or before the date for filing
3 annual gross income tax returns. The director shall determine the
4 form and manner by which a qualified applicant shall apply for a
5 refund of an overpayment pursuant to this section, and the time of
6 the refund of the overpayment. For the purposes of this section,
7 refunds of overpayments may be combined with payments of
8 rebates pursuant to P.L.1990, c.61 (C.54:4-8.57 et seq.).

9 d. Notwithstanding the provisions of subsection a. of this
10 section, for taxable years beginning on or after January 1, 2012 no
11 taxpayer or resident that is allowed a New Jersey direct property tax
12 relief credit pursuant to section 2 of P.L. , c. (C.) (pending
13 before the Legislature as this bill) for the taxable year shall be
14 allowed a credit pursuant to this section for the taxable year.

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

16
17 2. (New section) a. There is established the New Jersey Direct
18 Property Tax Relief Program.

19 For taxable years beginning on or after January 1, 2012, a
20 qualified homeowner shall be allowed a New Jersey direct property
21 tax relief credit against the tax liability otherwise due for the
22 taxable year pursuant to the "New Jersey Gross Income Tax Act,"
23 N.J.S.54A:1-1 et seq., after all other credits and payments. If the
24 New Jersey direct property tax relief credit exceeds the amount of
25 tax liability otherwise due, that amount of excess shall be refunded
26 as an overpayment pursuant to N.J.S.54A:9-7, provided however,
27 subsection (f) of N.J.S.54A:9-7 concerning interest shall not apply.

28 b. For taxable years beginning on or after January 1, 2012, but
29 before January 1, 2013, a qualified homeowner with \$250,000 or
30 less of taxable income for the taxable year shall be allowed a New
31 Jersey direct property tax relief credit in the amount of \$100.

32 c. For taxable years beginning on or after January 1, 2013, a
33 qualified homeowner with \$250,000 or less of taxable income for
34 the taxable year shall be allowed a New Jersey direct property tax
35 relief credit in an amount equal to a percentage of the amount of
36 property tax due and paid by the qualified homeowner for the
37 qualified homeowner's home in the taxable year. Provided
38 however, the amount of property tax due and paid that is considered
39 for purposes of calculating the amount of the New Jersey direct
40 property tax relief credit for the taxable year shall not exceed
41 \$10,000 per qualified homeowner and the individual, if any, with
42 whom the qualified homeowner is eligible to file a joint return and
43 determine tax pursuant to subsection a. of N.J.S.54A:2-1,
44 notwithstanding subsections b. and d. of N.J.S.54A:8-3.1.

45 For taxable years beginning on or after January 1, 2013, but
46 before January 1, 2014, the percentage of the amount of property
47 tax due and paid for purposes of calculating the amount of the New
48 Jersey direct property tax relief credit shall be four percent.

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1 For taxable years beginning on or after January 1, 2014, but
2 before January 1, 2015, the percentage of the amount of property
3 tax due and paid for purposes of calculating the amount of the New
4 Jersey direct property tax relief credit shall be eight percent.

5 For taxable years beginning on or after January 1, 2015, the
6 percentage of the amount of property tax due and paid for purposes
7 of calculating the amount of the New Jersey direct property tax
8 relief credit shall be ten percent.

9 d. A qualified homeowner with more than \$250,000 of taxable
10 income for the taxable year, but not exceeding \$255,000, shall be
11 allowed a New Jersey direct property tax relief credit pursuant to
12 this section. Provided however, the maximum amount of the New
13 Jersey direct property tax relief credit allowed pursuant to
14 subsections b. or c. of this section for the qualified homeowner for
15 the taxable year shall be reduced by the percentage calculated by
16 dividing the amount of the qualified homeowner's taxable income
17 exceeding \$250,000, but less than \$255,000, by \$5,000.

18 e. (1) For purposes of determining a qualified homeowner's
19 eligibility for a New Jersey direct property tax relief credit pursuant
20 to this section and relative to the limits on taxable income for the
21 taxable year:

22 a qualified homeowner's taxable income for the taxable year
23 shall be deemed to include the taxable income for the taxable year
24 of an individual with whom the qualified homeowner is eligible to
25 file a joint return and determine tax pursuant to subsection a. of
26 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
27 N.J.S.54A:8-3.1; and

28 if the individual with whom the qualified homeowner is eligible
29 to file a joint return and determine tax pursuant to subsection a. of
30 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
31 N.J.S.54A:8-3.1, is not a resident, the qualified homeowner's
32 taxable income for the taxable year shall be calculated as if the
33 individual with whom the qualified homeowner is eligible to file a
34 joint return and determine tax pursuant to subsection a. of
35 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
36 N.J.S.54A:8-3.1, were a resident for the taxable year.

37 (2) A New Jersey direct property tax relief credit allowed
38 pursuant to subsection c. of this section shall be allowed in relation
39 to the amount of the property taxes actually paid by or allocable to a
40 qualified homeowner who has more than one home, but the
41 aggregate amount of the property taxes claimed shall not exceed the
42 total of the proportionate amounts of property taxes assessed and
43 levied against or allocable to each home for the portion of the
44 taxable year for which the qualified homeowner occupied the home
45 as the qualified homeowner's principal residence.

46 (3) If title to a home is held by more than one individual as joint
47 tenants or tenants in common, each qualified homeowner shall be
48 allowed a New Jersey direct property tax relief credit only in

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

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

17 (5) If a qualified homeowner's home consists of more than one
18 unit, the qualified homeowner's New Jersey direct property tax
19 relief credit allowed pursuant to subsection c. of this section shall
20 be allowed only in relation to the proportionate share of the
21 property taxes assessed and levied against the residential unit
22 occupied by the qualified homeowner, as determined by the local
23 tax assessor.

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

29 The director shall implement a simplified application process for
30 the New Jersey direct property tax relief credit for qualified
31 homeowners that are not required to file a gross income tax return
32 pursuant to N.J.S.54A:8-3.1.

33 g. As used in this section:

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

37 "Continuing care retirement community" means a residential
38 facility primarily for retired persons where lodging and nursing,
39 medical or other health related services at the same or another
40 location are provided as continuing care to an individual pursuant to
41 an agreement effective for the life of the individual or for a period
42 greater than one year, including mutually terminable contracts, and
43 in consideration of the payment of an entrance fee with or without
44 other periodic charges.

45 "Cooperative" means a housing corporation or association which
46 entitles the holder of a share or membership interest thereof to
47 possess and occupy for dwelling purposes a house, apartment, or
48 other unit of housing owned or leased by the corporation or

1 association, or to lease or purchase a unit of housing constructed or
2 to be constructed by the corporation or association.

3 “Dwelling house” means any residential property assessed as real
4 property which consists of not more than four units, of which not
5 more than one may be used for commercial purposes, but shall not
6 include a unit in a condominium, cooperative, horizontal property
7 regime, or mutual housing corporation.

8 “Home” means a qualified homeowner’s principal residence in
9 New Jersey that qualifies as one of the following types of
10 homesteads:

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

13 (2) a dwelling house situated on land owned by a person other
14 than the qualified homeowner which constitutes the place of the
15 qualified homeowner’s dwelling house;

16 (3) a condominium unit or a unit in a horizontal property regime
17 which constitutes the place of the qualified homeowner’s
18 condominium unit or unit in a horizontal property regime;

19 (4) a homestead where ownership is represented by the qualified
20 homeowner’s interest as a tenant for life or a tenant under a lease
21 for 99 years or more and the qualified homeowner is entitled to and
22 actually takes possession of the homestead under an executory
23 contract for the sale thereof or under an agreement with a lending
24 institution which holds title as security for a loan, or a resident of a
25 continuing care retirement community pursuant to a contract for
26 continuing care for the life of that person which requires the
27 resident to bear, separately from any other charges, the
28 proportionate share of property taxes attributable to the unit that the
29 resident occupies; and

30 (5) a unit in a cooperative or mutual housing corporation which
31 constitutes the place of domicile of a residential shareholder or
32 lessee therein, or of a lessee or shareholder who is not a residential
33 shareholder therein.

34 “Horizontal property regime” means the form of real property
35 ownership provided for under the “Horizontal Property Act,”
36 P.L.1963, c.168 (C.46:8A-1 et seq.).

37 “Mutual housing corporation” means a corporation not-for-
38 profit, incorporated under the laws of this State on a mutual or
39 cooperative basis within the scope of section 607 of the Lanham
40 Public War Housing Act (“National Defense Housing Act”), Pub.L.
41 76-849 (42 U.S.C. s.1587), as amended, which acquired a National
42 Defense Housing Project pursuant to that act.

43 “Principal residence” means a home actually and continually
44 occupied by a qualified homeowner as the qualified homeowner’s
45 permanent residence, as distinguished from a “vacation home,”
46 property owned and rented or offered for rent by the qualified
47 homeowner, and other secondary real property holdings.

1 “Property tax” means payments to a municipality for which an
2 assessment by a municipality has been made on an ad valorem basis
3 on land and improvements, and shall not include payments made in
4 lieu of taxes.

5 “Qualified homeowner” means a resident of the State that owns a
6 home in New Jersey which is the resident’s principal residence.

7 “Residential shareholder” means a tenant or holder of a
8 membership interest in a cooperative or mutual housing corporation
9 and who may deduct real property taxes for purposes of federal
10 income tax pursuant to section 216 of the federal Internal Revenue
11 Code (26U.S.C. s.216).

12

13 3. This act shall take effect immediately.

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STATEMENT

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18 The bill establishes the New Jersey Direct Property Tax Relief
19 Program by providing a property tax relief credit under the gross
20 income tax and increasing the current gross income tax credit for
21 homestead property taxes. The purpose of this bill is to increase the
22 amount of property tax relief provided through the gross income
23 tax.

24 The bill’s New Jersey direct property tax relief credit is a
25 refundable gross income tax credit available for resident
26 homeowners with \$250,000 or less of taxable income. The credit is
27 phased in over four taxable years:

- 28 • For taxable years beginning in 2012, the bill sets the credit at
29 \$100;
- 30 • For taxable years beginning in 2013, the bill sets the credit at
31 four percent of the first \$10,000 of property tax paid on the
32 qualified homeowner’s principal residence;
- 33 • For taxable years beginning in 2014, the bill sets the credit at
34 eight percent of the first \$10,000 of property tax paid on the
35 qualified homeowner’s principal residence; and
- 36 • For taxable years beginning in 2015 or thereafter, the bill sets the
37 credit at ten percent of the first \$10,000 of property tax paid on
38 the qualified homeowner’s principal residence.

39 To avoid creating a tax “cliff,” the bill allows a limited credit
40 for qualified homeowners that have more than \$250,000 of taxable
41 income, but less than \$255,000. For these qualified homeowners,
42 the maximum credit available is reduced in proportion to the
43 qualified homeowners’ taxable income within that range.

44 For purposes of the New Jersey direct property tax relief credit’s
45 income eligibility requirements, the calculation of annual taxable
46 income includes the income of the resident homeowner and the
47 individual, if any, with whom the resident homeowner is eligible to
48 file jointly. The bill also requires a resident homeowner to share

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1 the \$10,000 limit on property taxes that are taken into account for
2 the credit calculation with the individual, if any, with whom the
3 resident homeowner is eligible to file jointly.

4 The bill does not allow the New Jersey direct property tax relief
5 credit to be taken for the same taxable year that a qualified
6 homeowner claims the current gross income tax credit for
7 homestead property taxes.

8 The bill also increases the value of the current gross income tax
9 credit for homestead property taxes, which is sometimes referred to as
10 the renter's credit, from \$50 to \$100 for taxable years beginning in
11 2013, to \$150 for taxable years beginning in 2014, and to \$200 for
12 taxable years beginning in 2015 and thereafter.

13 The bill gives the Director of the Division of Taxation
14 rulemaking authority to implement the bill. The bill requires the
15 director to implement a simplified application process for the New
16 Jersey direct property tax relief credit for qualified homeowners
17 that are not required to file a gross income tax return pursuant to
18 N.J.S.54A:8-3.1.