

ASSEMBLY, No. 596

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman JOHN DIMAIO

District 23 (Hunterdon, Somerset and Warren)

Co-Sponsored by:

Assemblymen Caputo, DeAngelo and Giblin

SYNOPSIS

Excludes gains on sales of certain real estate purchases from taxation under corporation business tax and gross income tax.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** excluding gains on sales of certain real estate purchases
2 from taxation under the corporation business tax and the gross
3 income tax, supplementing P.L.1945, c.162 and Title 54A of the
4 New Jersey Statutes.

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

8
9 1. a. Entire net income shall not include gains realized on the
10 sale or exchange of eligible real estate purchased by the taxpayer
11 during the three year period beginning on the date of enactment of
12 P.L. , c. (C.)(pending before the Legislature as this bill) and
13 ending on the same day of the same month three calendar years later
14 if at the time of sale that real property has been held by the taxpayer
15 for more than two years.

16 b. For purposes of determining a taxpayer's eligible real estate
17 holding period, the rules of section 1222 of the federal Internal
18 Revenue Code of 1986 (26 U.S.C. s.1222) shall apply.

19 c. As used in this section:

20 "Eligible real estate" means real estate that is not occupied by
21 the taxpayer. "Eligible real estate" does not include vacant land but
22 does include land in an approved subdivision actively on the market
23 for sale or being held for sale.

24 "Vacant land" means land in its unimproved state and idle land
25 not actively used for agriculture or other purposes.

26
27 2. a. Gross income shall not include gains realized on the sale
28 or exchange of eligible real estate purchased by the taxpayer during
29 the three year period beginning on the date of enactment of P.L. ,
30 c. (C.)(pending before the Legislature as this bill) and ending
31 on the same day of the same month three calendar years later if at
32 the time of sale that real property has been held by the taxpayer for
33 more than two years.

34 b. For purposes of determining of determining a taxpayer's
35 eligible real estate holding period, the rules of section 1222 of the
36 federal Internal Revenue Code of 1986 (26 U.S.C. s.1222) shall
37 apply.

38 c. For the purposes of this section, in the case of a taxpayer's
39 holding property transferred to the taxpayer in a transaction
40 described in subsection (a) of section 1041 of the federal Internal
41 Revenue Code of 1986 (26 U.S.C. s.1041), the taxpayer shall be
42 deemed to have purchased the property on the date the transferor
43 purchased the property and the period the taxpayer holds the
44 property shall include the period the transferor held the property.

45 d. For the purposes of this section, in the case of a taxpayer
46 acquiring property from a decedent or to whom property passed
47 from a decedent within the meaning of subsection (b) of section
48 1014 of the federal Internal Revenue Code of 1986 (26 U.S.C.

1 s.1014), if the basis of that property in the hands of the taxpayer is
2 determined pursuant to section 1014 of the federal Internal Revenue
3 Code of 1986 (26 U.S.C. s.1014) then the taxpayer shall be deemed
4 to have purchased the property on the date the decedent purchased
5 the property and the period the individual holds the property shall
6 include the period the decedent held the property.

7 e. As used in this section:

8 “Eligible real estate” means real estate that is not occupied by
9 the taxpayer. “Eligible real estate” does not include vacant land but
10 does include land in an approved subdivision actively on the market
11 for sale or being held for sale.

12 “Vacant land” means land in its unimproved state and idle land
13 not actively used for agriculture or other purposes.

14
15 3. This act shall take effect immediately.
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18 STATEMENT
19

20 This bill excludes the gains on sales of certain real estate
21 purchases from taxation under the corporation business tax and
22 gross income tax to stimulate real estate sales.

23 The exclusions apply to gains on the sales of certain land
24 purchased by the taxpayer during the three year period beginning on
25 the date of enactment of this bill and ending on that same calendar
26 date three years later. The exclusions apply to investment property
27 that is not occupied by the taxpayer. Vacant land, land in its
28 unimproved state and idle land not actively used for agriculture or
29 other purposes, are not eligible for the exclusion. If this investment
30 property is held for more than two years before it is sold, then any
31 gain on the sale is excluded from the income subject to the
32 corporation business tax or the gross income tax.