

ASSEMBLY, No. 2625

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:

Assemblywoman CAROL A. MURPHY

District 7 (Burlington)

SYNOPSIS

Provides refundable gross income tax credit for early principal payments on certain home mortgages.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** providing a credit under the New Jersey gross income tax
2 for early payments of principal on certain home mortgages,
3 supplementing Title 54A of the New Jersey Statutes.

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

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8 1. a. A taxpayer shall be allowed a credit against the tax
9 otherwise due for the taxable year under the "New Jersey Gross
10 Income Tax Act," N.J.S.54A:1-1 et seq., in an amount equal to 50
11 percent of the excess home mortgage principal payments made
12 during the taxable year on the taxpayer's principal residence in this
13 State, which credit amount shall not exceed \$1,000 for a taxable
14 year.

15 b. As used in this section:

16 "Acquisition indebtedness" means indebtedness which is
17 incurred in acquiring, constructing, or substantially improving the
18 principal residence of the taxpayer that is secured by that residence;
19 and shall include indebtedness secured by that residence resulting
20 from the refinancing of indebtedness that was incurred in acquiring,
21 constructing, or substantially improving the principal residence of
22 the taxpayer; but only to the extent the amount of the indebtedness
23 resulting from the refinancing does not exceed the amount of the
24 refinanced indebtedness.

25 "Excess home mortgage principal payments" means, with respect
26 to qualified home mortgage indebtedness for any taxable year, the
27 excess of

28 (1) the aggregate amount of principal paid by the taxpayer with
29 respect to such indebtedness during the taxable year, over

30 (2) the aggregate amount of principal which would have been
31 paid by the taxpayer with respect to such indebtedness during such
32 taxable year if the taxpayer had timely made each required payment
33 under the terms of the indebtedness during such taxable year (and
34 no other payments);

35 "Homestead" has the same meaning as "homestead" as defined
36 in section 2 of P.L.1996, c.60 (C.54A:3A-16);

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

42 "Qualified home mortgage indebtedness" means acquisition
43 indebtedness if

44 (1) the residence with respect to such acquisition indebtedness is
45 the primary residence of the taxpayer, and

46 (2) the indebtedness constitutes a traditional mortgage.

47 "Traditional mortgage" means indebtedness

1 (1) the term of which is not less than 15 years and not more than
2 30 years, and

3 (2) the required payments under which are each the same
4 amount and made in equal intervals during the term of the
5 indebtedness (or if any payment is required at a different interval,
6 the amount of such payment is adjusted in the same proportion as
7 the change in interval).

8 c. The amount of the credit allowed pursuant to this section
9 shall be applied against the tax otherwise due under N.J.S.54A:1-1
10 et seq., after all other credits and payments. If the credit exceeds
11 the amount of tax otherwise due, that amount of excess shall be an
12 overpayment for the purposes of N.J.S.54A:9-7; provided however,
13 that subsection (f) of N.J.S.54A:9-7 shall not apply.

14 d. Notwithstanding the annual maximum credit amount of
15 \$1,000 provided for in subsection a. of this section for a taxable
16 year:

17 (1) a taxpayer who files for gross income tax purposes as an
18 unmarried individual, who has more than \$125,000 of taxable
19 income for the taxable year, before the allowance of any
20 exemptions, deductions, credits, or exclusions, but not exceeding
21 \$135,000 for the taxable year, before the allowance of any
22 exemptions, deductions, credits, or exclusions shall determine the
23 taxpayer's annual maximum credit amount allowed pursuant to
24 subsection a. of this section by reducing that amount by 10 percent
25 for each \$1,000 of taxable income exceeding \$125,000, but not
26 exceeding \$135,000; and

27 (2) taxpayers who file for gross income tax purposes as married
28 individuals filing a joint return, who have more than \$250,000 of
29 taxable income for the taxable year, before the allowance of any
30 exemptions, deductions, credits, or exclusions, but not exceeding
31 \$270,000 for the taxable year, before the allowance of any
32 exemptions, deductions, credits, or exclusions shall determine the
33 taxpayer's annual maximum credit amount allowed pursuant to
34 subsection a. of this section by reducing that amount by 20 percent
35 for each \$2,000 of taxable income exceeding \$250,000, but not
36 exceeding \$270,000.

37 e. Married individuals filing separately for gross income tax
38 purposes for a taxable year shall not be allowed a credit pursuant to
39 this section.

40 f. No taxpayer shall be allowed a credit pursuant to this section
41 after the taxpayer, including as a married individual filing a joint
42 return, has been allowed a credit pursuant to this section for any ten
43 preceding taxable years.

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45 2. Notwithstanding any provision of P.L.1968, c.410
46 (C.52:14B-1 et seq.) to the contrary, the Director of the Division of
47 Taxation, Department of the Treasury, may adopt immediately upon
48 filing with the Office of Administrative Law such regulations as the

1 director deems necessary to implement the provisions of this act,
2 which shall be effective for a period not to exceed 360 days
3 following enactment of P.L. , c. (C.) (pending before the
4 Legislature as this bill) and may thereafter be amended, adopted or
5 readopted by the director in accordance with the requirements of
6 P.L.1968, c.410. The regulations may include directions for
7 persons engaged in a trade or business who receive from any
8 individual interest aggregating \$600 or more for any calendar year
9 on any mortgage, who are required by law to report to the Secretary
10 of the Treasury, and to provide to mortgagors, through information
11 returns, mortgage interest payments from individuals, to include on
12 the information returns and provide to mortgagors the amount of
13 excess home mortgage principal payments received for any calendar
14 year.

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16 3. This act shall take effect immediately and shall apply to
17 taxable years beginning on or after January 1 next following the
18 date of enactment.

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STATEMENT

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23 This bill provides for a refundable gross income tax credit for
24 50% of early home mortgage principal payments that taxpayers
25 make in addition to their required monthly mortgage payments.
26 Extra payments made in addition to home mortgage required
27 monthly payments are required to be credited as a payment on the
28 principal amount of the mortgage loan amount. The annual
29 refundable tax credit is allowed up to \$1,000 per year and can be
30 claimed for up to 10 taxable years. This bill is modeled on federal
31 legislation referred to as the Building Equity for the American
32 Middle-Class Act (BEAM Act) that will encourage families to build
33 equity in their home, pay down their home mortgage more quickly,
34 thus creating more wealth while securing the American dream of
35 homeownership. This bill will provide a gross income tax break
36 that rewards middle class families that chose to more quickly pay
37 down the principal amounts of their home mortgages.

38 Mortgages eligible for this tax credit are purchase money
39 mortgages or refinanced purchase money mortgages that must: (1)
40 be for a primary residence, (2) be for a term between 15 and 30
41 years, and (3) require payments that are each the same amount and
42 made in equal intervals during the term of the mortgage. The
43 \$1,000 limit on the amount of the credit phases down for single
44 taxpayers who have taxable income between \$125,000 and
45 \$135,000 and for married individuals filing jointly who have
46 taxable income between \$250,000 and \$270,000. No credit is
47 allowed for single taxpayers with taxable income over \$135,000 and
48 for married individuals filing jointly with taxable income over

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- 1 \$270,000. Married individuals must file a joint return to claim the
- 2 credit.