SENATE, No. 146

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Senator GERALD CARDINALE
District 39 (Bergen and Passaic)
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SYNOPSIS

Increases maximum gross income tax deduction for homestead property taxes paid to $25,000.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT increasing the amount of the maximum gross income tax deduction allowed for homestead property taxes paid, amending P.L.1996, c.60.

WHEREAS, In recognition of the reality that property taxes and rents have become an ever-increasing burden on New Jersey families; now, therefore,

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

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

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

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

c. If title to a homestead is held by more than one individual as joint tenants or tenants in common, each individual shall be allowed a deduction pursuant to this section only in relation to the individual's proportionate share of the property taxes assessed and levied against the homestead. The proportionate share shall be equal to that of all other individuals who hold the title, but if the conveyance under which the title is held provides for unequal interests therein, a taxpayer's share of the property taxes shall be in proportion to the taxpayer's interest in the title.

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

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.

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

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

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

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

(1) 65 years of age or older at the close of the taxable year; or

(2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1,

shall not be allowed a deduction pursuant to this section;

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

(1) 65 years of age or older at the close of the taxable year; or

(2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1,

shall not exceed $5,000.

(cf: P.L.2009, c.69, s.2)

2. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to read as follows:

4. a. A resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction from gross income for that portion of the rent constituting property taxes not in excess of **[**$10,000**]** <u>$25,000</u>, subject to the limitations of subsection d. of this section, due and paid for the calendar year in which the rent constituting taxes is due and payable, for occupancy of that homestead.

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

c. If more than one taxpayer, other than husband and wife, qualify to deduct rent constituting property taxes by reason of their having occupied the same rented homestead, it shall be presumed that the deduction shall be equally divided. A taxpayer may, however, deduct an amount for rent constituting property taxes in the same proportion that the rent paid by that taxpayer bears to the total rent paid by all tenants of the same unit.

d. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of the rent constituting property taxes not in excess of $5,000 paid for the occupancy of that homestead; and (2) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1997 based on 75% of the rent constituting property taxes not in excess of $7,500 paid for the occupancy of that homestead.

(cf: P.L.1996, c.60, s.4)

3. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to read as follows:

5. a. If a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, the taxpayer shall be allowed a deduction, not in excess of **[**$10,000**]** $25,000, subject to the limitations of subsection b. of this section, the amount of which shall be equal to the sum of the amount of property taxes due and paid for the calendar year in which the property taxes are due and payable on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes due and paid for the calendar year in which the rent constituting property taxes is due and payable for the occupancy of a homestead that is a unit of residential rental property, provided however, that the amount of property taxes shall be subject to the limitations set forth in subsections b. through e. of section 3 and the amount of rent constituting property taxes shall be subject to the limitations set forth in subsections b. and c. of section 4 as may be applicable.

b. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of an amount not in excess of $5,000, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent

constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property; and (2) a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's taxable year beginning during 1997 based on 75% of an amount not in excess of $7,500, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property.
(cf: P.L.1996, c.60, s.5)

4. This act shall take effect immediately.

STATEMENT

This bill increases the maximum gross income tax deduction allowed for homestead property taxes paid. Currently, a resident taxpayer is allowed a deduction from gross income for property taxes paid for the calendar year on the taxpayer’s principal residence in the State, up to a maximum deduction of $10,000. Similarly, a resident taxpayer that rents or leases a unit of residential property that is the taxpayer’s principal residence is allowed to deduct from gross income 18% of the rent paid for occupancy during the taxable year, up to a maximum deduction of $10,000 for rent constituting property taxes. Current law also provides that a taxpayer who is eligible for a deduction for property taxes paid for part of the year, and also eligible for a deduction for rent constituting property taxes paid for part of the year is allowed to deduct the sum of the property taxes paid and the rent constituting property taxes paid, subject to certain limitations, up to a maximum deduction of $10,000. The $10,000 limit on the deduction for homestead property taxes paid dates to 1996 when the law providing the deduction was enacted.

This bill raises the amount of the maximum deduction from gross income allowed for homestead property taxes paid in each of the three provisions to $25,000 in recognition of the reality that property taxes and rents have become an ever-increasing burden on New Jersey families.