SENATE, No. 735

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Senator ANTHONY M. BUCCO
District 25 (Morris and Somerset)

SYNOPSIS

Allows gross income tax deduction for functional improvements and home repairs made to taxpayer's primary residence.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT allowing a gross income tax deduction for expenses related to functional improvements and home repairs made to a primary residence, and supplementing chapter 3 of Title 54A of the New Jersey Statutes.

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

1. a. A taxpayer shall be allowed to deduct from the taxpayer's gross income the amounts paid by the taxpayer during the taxable year for functional improvement expenses or repair and maintenance expenses.

b. In the case of married individuals who file separately, each individual shall be permitted to claim one-half of the deduction allowed pursuant to this section for amounts paid in connection with a primary residence occupied by both individuals during the taxable year.

c. As used in this section:

"Functional improvement expense" means an amount paid by a taxpayer for expenses incurred for the purpose of materially improving the operating condition, and considerably prolonging the useful life, of the primary residence of the taxpayer. This term is distinguished from, and does not include, work performed that adapts all or part of a residence for new uses, remodels a residence for aesthetic purposes, or does not concern an essential aspect of the habitability of a residence.

"Primary residence" means a residence, located in the State, that is actually and continually occupied by a taxpayer as the permanent residence of the taxpayer; this includes, but is not limited to, a mobile home or a residential unit within a cooperative or mutual housing corporation. This term is distinguished from, and does not include, a vacation home or other secondary real property.

"Repair and maintenance expense" means an amount paid by a taxpayer for expenses incurred for the purpose of keeping the primary residence of the taxpayer in an ordinarily efficient operating condition. This term is distinguished from, and does not include, work performed that adapts all or part of a residence for new uses, remodels a residence for aesthetic purposes, or does not concern an essential aspect of the habitability of a residence.

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

STATEMENT

This bill provides State taxpayers with a gross income tax deduction for functional improvements and repair and maintenance performed on a taxpayer's primary residence.

Specifically, a taxpayer may claim a deduction for all: "functional improvement expenses" paid by the taxpayer for expenses incurred for the purpose of considerably prolonging the useful life of the taxpayer's primary residence and materially improving the operating condition of the taxpayer's primary residence; and for all "repair and maintenance expenses" paid by the taxpayer for work performed on that taxpayer's primary residence in order to maintain the property in an ordinarily efficient operating condition. The term "primary residence" means a residence located in this State that is actually and continually occupied as a taxpayer's permanent residence, including mobile homes and co-op units. Improvements that adapt all or part of a residence for new uses (*e.g.*, renovating a basement), remodel an aspect of a residence for aesthetic purposes, or that do not concern an essential aspect of the habitability of the residence do not qualify for this deduction.

The gross income tax deduction made available by this bill covers expenses incurred by a property owner or a property renter.

This bill does not impose a limit on the amount of expenses that may be claimed by a taxpayer for a taxable year. However, if a married couple files separate tax returns, they each may claim half of the same functional improvement or repair and maintenance expense. This mechanism allows both spouses to benefit from the deduction made available by this bill while avoiding potential "double-dipping."

This bill eases the burdens placed on New Jersey taxpayers associated with maintaining a home. By offering this gross income tax deduction, this bill encourages investing in our homes, promotes the safety and welfare of our communities, and encourages more individuals to reside in this State.