SENATE, No. 3603 **STATE OF NEW JERSEY** 219th LEGISLATURE

INTRODUCED APRIL 19, 2021

Sponsored by: Senator TROY SINGLETON District 7 (Burlington)

SYNOPSIS

Increases, from 18 percent to 30 percent, amount of rental payments defined as rent constituting property taxes for purposes of deduction from gross income for property tax payments.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the gross income tax deduction for property tax 2 payments and amending P.L.1996, c.60. 3 4 **BE IT ENACTED** by the Senate and General Assembly of the State 5 of New Jersey: 6 7 1. Section 2 of P.L.1996, c.60 (C.54A:3A-16) is amended to 8 read as follows: 9 2. As used in this act: 10 "Condominium" means the form of real property ownership provided for under the "Condominium Act," P.L.1969, c.257 11 12 (C.46:8B-1 et seq.). "Continuing care retirement community" means a residential 13 facility primarily for retired persons where lodging and nursing, 14 15 medical or other health related services at the same or another location are provided as continuing care to an individual pursuant to 16 17 an agreement effective for the life of the individual or for a period 18 greater than one year, including mutually terminable contracts, and in consideration of the payment of an entrance fee with or without 19 20 other periodic charges. 21 "Cooperative" means a housing corporation or association which 22 entitles the holder of a share or membership interest thereof to 23 possess and occupy for dwelling purposes a house, apartment, 24 manufactured or mobile home or other unit of housing owned or 25 leased by the corporation or association, or to lease or purchase a 26 unit of housing constructed or to be constructed by the corporation 27 or association. 28 "Dwelling house" means any residential property assessed as real 29 property which consists of not more than four units, of which not 30 more than one may be used for commercial purposes, but shall not 31 include a unit in a condominium, cooperative, horizontal property regime or mutual housing corporation. 32 33 "Homestead" means: 34 a dwelling house and the land on which that dwelling house a. 35 is located which constitutes the place of the taxpayer's domicile and is owned and used by the taxpayer as the taxpayer's principal 36 37 residence; 38 b. a dwelling house situated on land owned by a person other 39 than the taxpayer which constitutes the place of the taxpayer's 40 domicile and is owned and used by the taxpayer as the taxpayer's 41 principal residence;

c. a condominium unit or a unit in a horizontal property regime
or a continuing care retirement community which constitutes the
place of the taxpayer's domicile and is owned and used by the
taxpayer as the taxpayer's principal residence.

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 <u>thus</u> is new matter.

1 In addition to the generally accepted meaning of owned or 2 ownership, a homestead shall be deemed to be owned by a person if 3 that person is a tenant for life or a tenant under a lease for 99 years 4 or more, is entitled to and actually takes possession of the 5 homestead under an executory contract for the sale thereof or under an agreement with a lending institution which holds title as security 6 7 for a loan, or is a resident of a continuing care retirement 8 community pursuant to a contract for continuing care for the life of 9 that person which requires the resident to bear, separately from any 10 other charges, the proportionate share of property taxes attributable 11 to the unit that the resident occupies;

d. a unit in a cooperative or mutual housing corporation which
constitutes the place of domicile of a residential shareholder or
lessee therein, or of a lessee or shareholder who is not a residential
shareholder therein, which is used by the taxpayer as the taxpayer's
principal residence; and

e. a unit of residential rental property, which unit constitutes
the place of the taxpayer's domicile and is used by the taxpayer as
the taxpayer's principal residence.

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

23 "Mutual housing corporation" means a corporation not-for-profit, 24 incorporated under the laws of this State on a mutual or cooperative 25 basis within the scope of section 607 of the Lanham Act (National 26 Defense Housing), Pub.L.849, 76th Congress 27 (42 U.S.C.1521 et seq.), as amended, which acquired a National 28 Defense Housing Project pursuant to that act.

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

34 "Property taxes" means payments to municipalities for which an
35 assessment by a municipality has been made on an ad valorem basis
36 on both land and improvements, and shall not include payments
37 made in lieu of taxes.

38 "Rent constituting property taxes" means [18%] <u>30%</u> of the rent 39 paid by the taxpayer for occupancy during the taxable year of a unit 40 of residential rental property which the taxpayer occupies as a 41 principal residence; notwithstanding the definition of "property 42 taxes" herein, rent constituting property taxes includes the rent paid 43 for the occupancy of a manufactured home installed in a mobile 44 home park.

45 "Residential rental property" means:

a. any building or structure or complex of buildings or
structures in which dwelling units are rented or leased or offered for
rental or lease for residential purposes;

1 b. a rooming house, hotel or motel, if the rooms constituting 2 the homestead are equipped with kitchen and bathroom facilities; 3 and

c. any building or structure or complex of buildings or 4 5 structures constructed under the following sections of the National 6 Housing Act (Pub.L.73-479) as amended and supplemented: section 202, Housing Act of 1959 (Pub.L.86-372) and as 7 8 subsequently amended, section 231, Housing Act of 1959.

9 "Residential shareholder in a cooperative or mutual housing 10 corporation" means a tenant or holder of a membership interest in 11 that cooperative or corporation, whose residential unit therein 12 constitutes the tenant's or holder's domicile and principal residence, 13 and who may deduct real property taxes for purposes of federal 14 income tax pursuant to section 216 of the federal Internal Revenue Code of 1986, 26 U.S.C.216. 15

16 (cf: P.L.1996, c.60, s.2)

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18 2. This act shall take effect immediately and shall apply to 19 taxable years beginning on or after January 1, 2021.

STATEMENT

24 This bill amends the "Property Tax Deduction Act," 25 (N.J.S.A.54A:3A-15 et seq.) to provide additional income tax relief 26 for tenants by increasing, from 18 percent to 30 percent, the amount 27 of rent defined as "rent constituting property taxes".

28 Under the "Property Tax Deduction Act," a taxpayer is entitled 29 to a deduction of up to \$15,000 from gross income for property 30 taxes, or the rental equivalent thereof paid by tenants, due and paid 31 for that calendar year on a taxpayer's homestead. For tenants, the 32 amount of the deduction is based on the amount of "rent constituting property taxes". Current law sets the amount of rent 33 34 constituting property taxes at 18 percent of the rent paid by the 35 taxpayer for the occupancy, during the taxable year, of a unit of residential real property which the taxpayer occupies a principal 36 37 residence. This bill increases the amount rent constituting property 38 taxes from 18 percent of rent paid to 30 percent of rent paid.

39 Increasing the cap on the amount of rental payments defined as 40 rent constituting property taxes would allow eligible gross income 41 taxpayers to deduct a higher amount of rent from their gross 42 income, thereby lowering in the amount of gross income subject to 43 taxation and reducing a tenant's tax burden.