

SENATE, No. 343

STATE OF NEW JERSEY 220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

Senator NICHOLAS P. SCUTARI

District 22 (Middlesex, Somerset and Union)

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

Introduced Pending Technical Review by Legislative Counsel.



(Sponsorship Updated As Of: 1/27/2022)

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:

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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
11 provided for under the "Condominium Act," P.L.1969, c.257
12 (C.46:8B-1 et seq.).

13 "Continuing care retirement community" means a residential
14 facility primarily for retired persons where lodging and nursing,
15 medical or other health related services at the same or another
16 location are provided as continuing care to an individual pursuant to
17 an agreement effective for the life of the individual or for a period
18 greater than one year, including mutually terminable contracts, and
19 in consideration of the payment of an entrance fee with or without
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 unit
26 of housing constructed or to be constructed by the corporation or
27 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
32 regime or mutual housing corporation.

33 "Homestead" means:

34 a. a dwelling house and the land on which that dwelling house
35 is located which constitutes the place of the taxpayer's domicile and
36 is owned and used by the taxpayer as the taxpayer's principal
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;

42 c. a condominium unit or a unit in a horizontal property regime
43 or a continuing care retirement community which constitutes the
44 place of the taxpayer's domicile and is owned and used by the
45 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 thus 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 homestead
5 under an executory contract for the sale thereof or under an
6 agreement with a lending institution which holds title as security for
7 a loan, or is a resident of a continuing care retirement community
8 pursuant to a contract for continuing care for the life of that person
9 which requires the resident to bear, separately from any other
10 charges, the proportionate share of property taxes attributable to the
11 unit that the resident occupies;

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

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

20 "Horizontal property regime" means the form of real property
21 ownership provided for under the "Horizontal Property Act,"
22 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.

29 "Principal residence" means a homestead actually and continually
30 occupied by a taxpayer as the taxpayer's permanent residence, as
31 distinguished from a vacation home, property owned and rented or
32 offered for rent by the taxpayer, and other secondary real property
33 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 made
37 in lieu of taxes.

38 "Rent constituting property taxes" means [18%] 30% 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 home
44 park.

45 "Residential rental property" means:

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

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

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

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

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

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

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STATEMENT

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

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

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