FISCAL NOTE

[First Reprint]

ASSEMBLY, No. 1678

STATE OF NEW JERSEY
214th LEGISLATURE

DATED: MAY 27, 2010

SUMMARY

Synopsis:	Establishes a New Jersey Homebuyer Tax Credit Program under the New Jersey gross income tax for home purchases during calendar year 2010.
Type of Impact:	Three year loss of gross income tax revenue deposited into the Property Tax Relief Fund (PTRF).
Agencies Affected:	Department of the Treasury.

Executive Estimate

Fiscal Impact	FY 2011	FY 2012	FY 2013	FY 2014
(PTRF) **State Revenue Loss**	Up to $33,300,000	$33,300,000	$33,300,000	Potential Shift from FY 2011

- The Department of Treasury, Division of Taxation, estimates that this bill would reduce gross income tax revenues deposited into the Property Tax Relief Fund by equal annual amounts of $33.3 million in Fiscal Years 2011, 2012, and 2013. The bill caps total tax credits at $100.0 million, and directs that the credits be divided and applied in equal amounts for the three consecutive taxable years beginning in Taxable Year 2010. The Division estimates that total potential home sales will exceed amounts necessary to reach the maximum $100.0 million credit under the bill.

- The Office of Legislative Services **concurs** with the Executive's estimate of the potential fiscal impact of this bill. Committee amendments that shift the effective period for qualifying home purchases may result in a partial shift of amounts from the first three fiscal years to FY 2014, but the potential value of the shift is unknown.

BILL DESCRIPTION

Assembly Bill No. 1678 (1R) of 2010 establishes the New Jersey Homebuyer Tax Credit

Program under the New Jersey gross income tax for home purchases during calendar year 2010. Refundable tax credits may be allowed for up to $15,000 or 5 percent of the home purchase price, which ever is less, for homebuyers of new and previously owned homes. The total credits available will be capped at $100 million, with $75 million allocated for purchases of newly constructed homes not previously occupied and $25 million allocated for purchases of previously occupied homes. The determinations of credit eligibility will be provided to interested homebuyers in advance of their purchase through an automated, convenient and prompt process to be administered by the Division of Taxation. These determinations will be provided on a first come, first serve basis and the claiming of the credit for personal income tax filing purposes will be divided into three equal credits claimed over three taxable years. The home must continue to be occupied as the taxpayer's principle residence for three years.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of Treasury, Division of Taxation, estimates that this bill would reduce gross income tax (GIT) revenues deposited into the Property Tax Relief Fund (PTRF) by equal annual amounts of $33.3 million in Fiscal Years 2011, 2012, and 2013. The bill caps total tax credits at $100.0 million, and directs that the credits be divided and applied in equal amounts for the three consecutive taxable years beginning in Taxable Year 2010. The Division estimates that total potential home sales will exceed amounts necessary to reach the maximum $100.0 million credit under the bill.

Based on data from the US Census (American Community Survey), the estimated median home price in the State in 2008 was $367,600. The bill allows up to a 5.0 percent credit, or $18,380 of the median price, which exceeds the $15,000 maximum credit under the bill. The Division’s data for 2009 suggest total new building permits of between 11,000 and 12,000 in 2009. Assuming 11,500 new home sales in 2010, the Division estimates the $15,000 credit would yield $172.5 million in potential credit claims, well above the $75.0 million capped amount of credits for new home sales under the bill. Likewise, the Division believes that sale of previously occupied homes in 2010 will easily exceed the approximately 1,667 units (0.08 percent of the available housing stock) necessary to reach the $25.0 million cap (at a $15,000 credit per unit sold).

In total, taxpayer credit claims under this bill should reach the capped credit amounts for both new home sales and previously owned home sales. Total GIT revenue reductions to the PTRF should reach the $100.0 million cap under the bill, and be divided equally among Fiscal Years 2011, 2012, and 2013.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services concurs with the Executive’s estimate of the potential fiscal impact of this bill. Committee amendments that shift the effective period for qualifying home purchases may result in a partial shift of amounts from the first three fiscal years to FY 2014, but the potential value of the shift is unknown.

Based on available home sales data, credit claims should exceed amounts permitted under the caps in the bill, even under currently weak economic conditions and historically low levels of home sales. For example, the National Association of Realtors estimates that the resale of existing homes in New Jersey equaled 112,300 in 2008 and 115,400 in 2009, well above the Division's estimate of 1,667 sales necessary to reach the capped $25.0 million credit amount under the bill. Credit claims for new home sales should also exceed the bill's $75.0 million cap. Accordingly, the combined credits for sales of new homes and previously owned homes should reach the total capped amount of $100.0 million, and this amount should be divided equally among three years, as specified by the bill. Since credits are determined on a first come, first served basis, some unknown number of home buyers in 2010 will not receive a credit, once the program's maximum amounts have been reached.

Section:	*Revenue, Finance and Appropriations*
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This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).