ASSEMBLY, No. 2744

STATE OF NEW JERSEY
215th LEGISLATURE

INTRODUCED MARCH 15, 2012

Sponsored by:
Assemblyman  LOUIS D. GREENWALD
District 6 (Burlington and Camden)
Assemblyman  VINCENT PRIETO
District 32 (Bergen and Hudson)
Assemblywoman  SHEILA Y. OLIVER
District 34 (Essex and Passaic)
Assemblyman  JOHN S. WISNIEWSKI
District 19 (Middlesex)
Assemblyman  JERRY GREEN
District 22 (Middlesex, Somerset and Union)
Assemblyman  GORDON M. JOHNSON
District 37 (Bergen)

Co-Sponsored by:

SYNOPSIS
Provides a NJHOPE credit, increases the current gross income tax homestead property tax credit, and increases the gross income tax rate on taxable income exceeding $1,000,000.

CURRENT VERSION OF TEXT
As introduced.

(Sponsorship Updated As Of: 6/8/2012)
A2744 GREENWALD, PRIETO

AN ACT increasing the gross income tax rate on taxable income exceeding $1,000,000, increasing the current gross income tax homestead property tax credit, and providing a refundable New Jersey homeowner property tax expenditure credit, amending N.J.S.54A:2-1 and P.L.1996, c.60, and supplementing Title 54A of the New Jersey Statutes.

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

1. N.J.S.54A:2-1 is amended to read as follows:

54A:2-1. Imposition of tax. There is hereby imposed a tax for each taxable year (which shall be the same as the taxable year for federal income tax purposes) on the New Jersey gross income as herein defined of every individual, estate or trust (other than a charitable trust or a trust forming part of a pension or profit-sharing plan), subject to the deductions, limitations and modifications hereinafter provided, determined in accordance with the following tables with respect to taxpayers' taxable income:

a. For married individuals filing a joint return and individuals filing as head of household or as surviving spouse for federal income tax purposes:

(1) for taxable years beginning on or after January 1, 1991 but before January 1, 1994:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000.00</td>
<td>2% of taxable income</td>
</tr>
<tr>
<td>$20,000.00 - $50,000.00</td>
<td>$400.00 plus 2.5% of the excess over $20,000.00</td>
</tr>
<tr>
<td>$50,000.00 - $70,000.00</td>
<td>$1,150.00 plus 3.5% of the excess over $50,000.00</td>
</tr>
<tr>
<td>$70,000.00 - $80,000.00</td>
<td>$1,850.00 plus 5.0% of the excess over $70,000.00</td>
</tr>
<tr>
<td>$80,000.00 - $150,000.00</td>
<td>$2,350.00 plus 6.5% of the excess over $80,000.00</td>
</tr>
</tbody>
</table>

If the taxable income is:  
The tax is:

- Not over $20,000.00 . . . . . . . . . 2% of taxable income
- Over $20,000.00 but not
  - over $50,000.00 . . . . . . . . . . . . . . $400.00 plus 2.5% of the excess over $20,000.00
  - over $50,000.00 but not
    - over $70,000.00 . . . . . . . . . . . . . . $1,150.00 plus 3.5% of the excess over $50,000.00
    - over $70,000.00 but not
      - over $80,000.00 . . . . . . . . . . . . . . $1,850.00 plus 5.0% of the excess over $70,000.00
      - over $80,000.00 but not
        - over $150,000.00 . . . . . . . . . . . . . . $2,350.00 plus 6.5% of the excess over $80,000.00

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.
(2) for taxable years beginning on or after January 1, 1994 but before January 1, 1995:

If the taxable income is: The tax is:

Not over $20,000.00 . . . . 1.900% of taxable income

Over $20,000.00 but not over $50,000.00 . . . . $380.00 plus 2.375% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00 . . . . $1,092.50 plus 3.325% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00 . . . . $1,757.50 plus 4.750% of the excess over $70,000.00

Over $80,000.00 but not over $150,000.00 . . . . $2,232.50 plus 6.175% of the excess over $80,000.00

Over $150,000.00 . . . . . . . $6,555.00 plus 6.650% of the excess over $150,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is: The tax is:

Not over $20,000.00 . . . . 1.700% of taxable income

Over $20,000.00 but not over $50,000.00 . . . . $340.00 plus 2.125% of the excess over $20,000.00

Over $50,000.00 but not over $70,000.00 . . . . $977.50 plus 2.975% of the excess over $50,000.00

Over $70,000.00 but not over $80,000.00 . . . . $1,572.50 plus 4.250% of the excess over $70,000.00

Over $80,000.00 but not over $150,000.00 . . . . $1,997.50 plus 6.013% of the excess over $80,000.00

Over $150,000.00 . . . . . . . $6,206.60 plus 6.580% of the excess over $150,000.00

(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:
<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $20,000.00</td>
<td>1.400% of taxable income</td>
</tr>
<tr>
<td>Over $20,000.00 but not</td>
<td>$280.00 plus 1.750% of the excess over $20,000.00</td>
</tr>
<tr>
<td>over $50,000.00</td>
<td>$805.00 plus 2.450% of the excess over $50,000.00</td>
</tr>
<tr>
<td>Over $70,000.00 but not</td>
<td>$1,295.50 plus 3.500% of the excess over $70,000.00</td>
</tr>
<tr>
<td>over $80,000.00</td>
<td>$1,645.00 plus 5.525% of the excess over $80,000.00</td>
</tr>
<tr>
<td>Over $150,000.00</td>
<td>$5,512.50 plus 6.370% of the excess over $150,000.00</td>
</tr>
</tbody>
</table>

(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2012:

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $20,000.00</td>
<td>1.400% of taxable income</td>
</tr>
<tr>
<td>Over $20,000.00 but not</td>
<td>$280.00 plus 1.750% of the excess over $20,000.00</td>
</tr>
<tr>
<td>over $50,000.00</td>
<td>$805.00 plus 2.450% of the excess over $50,000.00</td>
</tr>
<tr>
<td>Over $70,000.00 but not</td>
<td>$1,295.50 plus 3.500% of the excess over $70,000.00</td>
</tr>
<tr>
<td>over $80,000.00</td>
<td>$1,645.00 plus 5.525% of the excess over $80,000.00</td>
</tr>
<tr>
<td>Over $150,000.00</td>
<td>$5,512.50 plus 6.370% of the excess over $150,000.00</td>
</tr>
<tr>
<td>Over $500,000.00</td>
<td>$27,807.50 plus 8.970% of the excess over $500,000.00</td>
</tr>
</tbody>
</table>

(6) for taxable years beginning on or after January 1, 2012:
If the taxable income is: The tax is:
Not over $20,000.00 . . . . . . . 1.400% of taxable income
Over $20,000.00 but not
over $50,000.00 . . . . . . . $280.00 plus 1.750% of the
excess over $20,000.00
Over $50,000.00 but not
over $70,000.00 . . . . . . . $805.00 plus 2.450% of the
excess over $50,000.00
Over $70,000.00 but not
over $80,000.00 . . . . . . . $1,295.50 plus 3.500% of the
excess over $70,000.00
Over $80,000.00 but not
over $150,000.00 . . . . . . . $1,645.00 plus 5.525% of the
excess over $80,000.00
Over $150,000.00 but not
over $500,000.00 . . . . . . . $5,512.50 plus 6.370% of the
excess over $150,000.00
Over $500,000.00 but not
over $1,000,000.00 . . . . . . $27,807.50 plus 8.970% of the
excess over $500,000.00
Over $1,000,000.00 . . . . . . $72,657.50 plus 10.750% of the
excess over $1,000,000.00
b. For married individuals filing separately, unmarried
individuals other than individuals filing as head of household or as
a surviving spouse for federal income tax purposes, and estates and
trusts:
(1) for taxable years beginning on or after January 1, 1991 but
before January 1, 1994:
If the taxable income is: The tax is:
Not over $20,000.00 . . . . . . 2% of taxable income
Over $20,000.00 but not
over $35,000.00 . . . . . . $400.00 plus 2.5% of the excess
over $20,000.00
Over $35,000.00 but not
over $40,000.00 . . . . . . $775.00 plus 5.0% of the excess
over $35,000.00
Over $40,000.00 but not
over $75,000.00 . . . . . . $1,025.00 plus 6.5% of the
excess over $40,000.00
Over $75,000.00 . . . . . . . . $3,300.00 plus 7.0% of the excess over $75,000.00

(2) for taxable years beginning on or after January 1, 1994 but before January 1, 1995:

If the taxable income is: The tax is:

Not over $20,000.00 . . . . . 1.900% of taxable income

Over $20,000.00 but not over $35,000.00 . . . . $380.00 plus 2.375% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00 . . . . $736.25 plus 4.750% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00 . . . . $973.75 plus 6.175% of the excess over $40,000.00

Over $75,000.00 . . . . . . . . $3,135.00 plus 6.650% of the excess over $75,000.00

(3) for taxable years beginning on or after January 1, 1995 but before January 1, 1996:

If the taxable income is: The tax is:

Not over $20,000.00 . . . . . 1.700% of taxable income

Over $20,000.00 but not over $35,000.00 . . . . $340.00 plus 2.125% of the excess over $20,000.00

Over $35,000.00 but not over $40,000.00 . . . . $658.75 plus 4.250% of the excess over $35,000.00

Over $40,000.00 but not over $75,000.00 . . . . $871.25 plus 6.013% of the excess over $40,000.00

Over $75,000.00 . . . . . . . . $2,975.80 plus 6.580% of the excess over $75,000.00

(4) for taxable years beginning on or after January 1, 1996 but before January 1, 2004:

If the taxable income is: The tax is:
(5) for taxable years beginning on or after January 1, 2004 but before January 1, 2012:

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $20,000.00</td>
<td>1.400% of taxable income</td>
</tr>
<tr>
<td>Over $20,000.00 but not</td>
<td>$280.00 plus 1.750% of the excess over $20,000.00</td>
</tr>
<tr>
<td>over $35,000.00</td>
<td>$542.50 plus 3.500% of the excess over $35,000.00</td>
</tr>
<tr>
<td>Over $40,000.00 but not</td>
<td>$717.50 plus 5.525% of the excess over $40,000.00</td>
</tr>
<tr>
<td>over $75,000.00</td>
<td>$2,651.25 plus 6.370% of the excess over $75,000.00</td>
</tr>
<tr>
<td>Over $75,000.00 but not</td>
<td>$29,723.75 plus 8.970% of the excess over $500,000.00</td>
</tr>
</tbody>
</table>

(6) for taxable years beginning on or after January 1, 2012:

<table>
<thead>
<tr>
<th>If the taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $20,000.00</td>
<td>1.400% of taxable income</td>
</tr>
<tr>
<td>Over $20,000.00 but not</td>
<td>$280.00 plus 1.750% of the excess over $20,000.00</td>
</tr>
<tr>
<td>over $35,000.00</td>
<td>$542.50 plus 3.500% of the excess over $35,000.00</td>
</tr>
<tr>
<td>Over $40,000.00 but not</td>
<td>$717.50 plus 5.525% of the excess over $40,000.00</td>
</tr>
<tr>
<td>over $500,000.00</td>
<td>$2,651.25 plus 6.370% of the excess over $75,000.00</td>
</tr>
<tr>
<td>Excess</td>
<td>Rate</td>
</tr>
<tr>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>over $40,000.00</td>
<td>$542.50 plus 3.500% of the excess over $35,000.00</td>
</tr>
<tr>
<td>over $75,000.00 but not over $50,000.00</td>
<td>$717.50 plus 5.525% of the excess over $40,000.00</td>
</tr>
<tr>
<td>over $500,000.00 but not over $75,000.00</td>
<td>$2,651.25 plus 6.370% of the excess over $75,000.00</td>
</tr>
<tr>
<td>over $1,000,000.00 but not over $500,000.00</td>
<td>$29,723.75 plus 8.970% of the excess over $500,000.00</td>
</tr>
<tr>
<td>over $1,000,000.00</td>
<td>$74,573.75 plus 10.750% of the excess over $1,000,000.00</td>
</tr>
</tbody>
</table>

c. For the purposes of this section, an individual who would be eligible to file as a head of household for federal income tax purposes but for the fact that such taxpayer is a nonresident alien, shall determine tax pursuant to subsection a. of this section.

2. 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, 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.

Provided however, for taxable years beginning on or after January 1, 2012 no taxpayer allowed a NJHOPE credit pursuant to paragraph 3 of subsection b. of section 4 of P.L. 2004, c.40, s.17 (pending before the Legislature as this bill) for the taxable year shall be allowed a deduction pursuant to this section for the taxable year.

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.

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.

(P.L.2009, c.69, s.2)
3. Section 6 of P.L.1996, c.60 (C.54A:3A-20) is amended to read as follows:

6. a. (1) Notwithstanding any provision of this act to the contrary, commencing with the taxpayer's taxable year beginning on or after January 1, 1996:

(a) a taxpayer; or
(b) a resident of this State who is 65 years of age or older at the close of the taxable year or who is allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1 but who, pursuant to N.J.S.54A:2-4, is not subject to tax; and,

who paid property taxes or rent constituting property taxes on a homestead during the calendar year

may elect to take a credit instead of the deduction provided pursuant to [section] sections 3, 4, or 5 of P.L.1996, c.60 (C.54A:3A-17 et seq.) in the amount of $50, subject to the provisions of [paragraph] paragraphs (2) and (3) of this subsection.

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the amount of tax liability reduction or credit allowed for the taxpayer's taxable year beginning during 1996 shall be $25 and the amount of tax liability reduction or credit allowed for the taxpayer's taxable year beginning during 1997 shall be $37.50.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, for taxable years beginning on or after January 1, 2012, but before January 1, 2014, the amount of the credit allowed pursuant to this section shall be $150. For taxable years beginning on or after January 1, 2014, the amount of the credit allowed pursuant to this section shall be $250.

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 credit allowed pursuant to subsection a. of this section.

c. The credit shall be paid to the taxpayer as a refund of overpayment pursuant to N.J.S.54A:9-7, provided however, that subsection (f) of that section shall not apply. The credit for a claimant qualified under subsection a. of this section who, pursuant to N.J.S.54A:2-4, is not subject to tax, shall be applied for annually on an application as shall be made available by the director, to be filed with the director on or before the date for filing annual gross income tax returns. The director shall determine the form and manner by which a qualified applicant shall apply for a refund of an overpayment pursuant to this section, and the time of the refund of the overpayment. For the purposes of this section, refunds of overpayments may be combined with payments of rebates pursuant to P.L.1990, c.61 (C.54:4-8.57 et seq.).

d. Notwithstanding the provisions of subsection a. of this section, for taxable years beginning on or after January 1, 2012 no taxpayer or resident that is allowed a NJHOPE credit pursuant to
paragraph 3 of subsection b. of section 4 of P.L., c. (C.)
(pending before the Legislature as this bill) for the taxable year
shall be allowed a credit pursuant to this section for the taxable
year.
(cf: P.L.1996, c.60, s.6)

4. (New section) a. For taxable years beginning on or after
January 1, 2012, a qualified homeowner shall be allowed a
NJHOPE credit against the tax liability otherwise due for the
taxable year pursuant to the “New Jersey Gross Income Tax Act,”
N.J.S.54A:1-1 et seq., after all other credits and payments. If the
NJHOPE credit exceeds the amount of tax liability otherwise due,
that amount of excess shall be refunded as an overpayment pursuant
to N.J.S.54A:9-7, provided however, subsection (f) of N.J.S.54A:9-
7 concerning interest shall not apply.

b. (1) The amount of the NJHOPE credit shall be the greater of
the two amounts calculated pursuant to paragraph (2) and paragraph
(3) of this subsection.

(2) A qualified homeowner shall be allowed a NJHOPE credit in
an amount equal to the homestead benefit that the qualified
homeowner received pursuant to the annual appropriations act for
State fiscal year 2012, P.L.2011, c.85. Provided however, the
amount calculated pursuant to this paragraph shall only apply to a
qualified homeowner who resides for the entire taxable year in the
same home for which the qualified homeowner qualified for a
homestead benefit received pursuant to the annual appropriations

(3) (a) (i) A qualified homeowner with taxable income of
$250,000 or less for the taxable year shall be allowed a NJHOPE
credit in an amount equal to 20 percent of the amount of property
tax due and paid by the qualified homeowner for the qualified
homeowner’s home in the taxable year.

(ii) Provided however, a qualified homeowner with taxable
income of $250,000 or less for the taxable year who is 65 years of
age or older at the close of the taxable year or is allowed to claim a
personal exemption as a blind or disabled taxpayer pursuant to
subsection b. of N.J.S.54A:3-1 for the taxable year, shall be allowed
a NJHOPE credit in an amount equal to 25 percent of the amount of
property tax due and paid by the qualified homeowner for the
qualified homeowner’s home in the taxable year.

(b) For a taxable year, the maximum amount of property tax due
and paid that may be used for determining the amount of a qualified
homeowner’s NJHOPE credit shall be limited as follows:

For taxable years beginning on or after January 1, 2012, but
before January 1, 2013, the maximum amount of property tax due
and paid that shall be used for determining the amount of a
qualified homeowner’s NJHOPE credit shall not exceed $5,000;
For taxable years beginning on or after January 1, 2013, but before January 1, 2014, the maximum amount of property tax due and paid that shall be used for determining the amount of a qualified homeowner’s NJHOPE credit shall not exceed $6,000;

For taxable years beginning on or after January 1, 2014, but before January 1, 2015, the maximum amount of property tax due and paid that shall be used for determining the amount of a qualified homeowner’s NJHOPE credit shall not exceed $7,500; and

For taxable years beginning on or after January 1, 2015, the maximum amount of property tax due and paid that shall be used for determining the amount of a qualified homeowner’s NJHOPE credit shall not exceed $10,000.

(c) Notwithstanding subparagraph (a) of this paragraph, if a qualified homeowner’s taxable income for the taxable year exceeds $250,000 but is less than $260,000, a qualified homeowner shall be allowed a NJHOPE credit pursuant to this paragraph. Provided however, the maximum amount of the NJHOPE credit allowable under this paragraph for the taxable year shall be reduced by the percentage calculated by dividing the amount of the qualified homeowner’s taxable income in excess of $250,000, but not exceeding $260,000, by $10,000.

c. (1) For a qualified homeowner that has more than one home during the taxable year, a NJHOPE credit allowed pursuant to paragraph 3 of subsection b. of this section shall be allowed in relation to the amount of the property taxes actually paid by or allocable to the qualified homeowner, 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 home for the portion of the taxable year for which the qualified homeowner occupied the home as the qualified homeowner’s principal residence.

(2) For a qualified homeowner that shares title to a home as a joint tenant or tenant in common, the qualified homeowner allowed a NJHOPE credit pursuant to paragraph 3 of subsection b. of this section shall be allowed a credit only in relation to the qualified homeowner’s proportionate share of the property taxes assessed and levied against the home. 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 qualified homeowner’s share of the property taxes shall be in proportion to the qualified homeowner’s interest in the title.

(3) For a qualified homeowner allowed a NJHOPE credit pursuant to paragraph 3 of subsection b. of this section that files as a married individual filing separately that holds title to and occupies a home with their spouse as a tenant by the entirety or resident shareholder of a cooperative or mutual housing corporation, the qualified homeowner shall be entitled to one-half of the credit for
which the qualified homeowner and the qualified homeowner’s spouse may be allowed as married individuals filing a joint return.

(4) For a qualified homeowner allowed a NJHOPE credit pursuant to paragraph 3 of subsection b. of this section that owns a home that consists of more than one unit, the qualified homeowner’s NJHOPE credit shall only be allowed in relation to the proportionate share of property taxes assessed and levied against the residential unit occupied by the qualified homeowner as a principal residence, as determined by the local tax assessor.

d. For taxable years beginning on or after January 1, 2012, the director shall include in the content and form of the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., returns and return instructions prominent reference to the NJHOPE credit allowed pursuant to this section. For purposes of tax returns, prominent reference to the NJHOPE credit shall include, but not be limited to, explicit reference to the “NJHOPE Credit” on applicable tax return lines. For purposes of tax return instructions, prominent reference to the NJHOPE credit shall include, but not be limited to, a description of the program in the “Read This Before You Begin” page, in addition to the line and worksheet instructions prescribed by the Director of the Division of Taxation in the Department of the Treasury.

e. As used in this section:

“Condominium” means the form of real property ownership provided for under the “Condominium Act,” P.L.1969, c.257 (C.46:8B-1 et seq.).

“Continuing care retirement community” means a residential facility primarily for retired persons where lodging and nursing, medical or other health related services at the same or another location are provided as continuing care to an individual pursuant to an agreement effective for the life of the individual or for a period greater than one year, including mutually terminable contracts, and in consideration of the payment of an entrance fee with or without other periodic charges.

“Cooperative” means a housing corporation or association which entitles the holder of a share or membership interest thereof to possess and occupy for dwelling purposes a house, apartment, or other unit of housing owned or leased by the corporation or association, or to lease or purchase a unit of housing constructed or to be constructed by the corporation or association.

“Dwelling house” means any residential property assessed as real property which consists of not more than four units, of which not more than one may be used for commercial purposes, but shall not include a unit in a condominium, cooperative, horizontal property regime, or mutual housing corporation.

“Home” means a qualified homeowner’s principal residence in New Jersey that qualifies as one of the following types of homesteads:
(1) a dwelling house and the land on which that dwelling house is located;
(2) a dwelling house situated on land owned by a person other than the qualified homeowner which constitutes the place of the qualified homeowner’s dwelling house;
(3) a condominium unit or a unit in a horizontal property regime which constitutes the place of the qualified homeowner's condominium unit or unit in a horizontal property regime;
(4) a homestead where ownership is represented by the qualified homeowner’s interest as a tenant for life or a tenant under a lease for 99 years or more and the qualified homeowner is entitled to and actually takes possession of the homestead under an executory contract for the sale thereof or under an agreement with a lending institution which holds title as security for a loan, or a resident of a continuing care retirement community pursuant to a contract for continuing care for the life of that person which requires the resident to bear, separately from any other charges, the proportionate share of property taxes attributable to the unit that the resident occupies; and
(5) 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.

“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.).

“Mutual housing corporation” means a corporation not-for-profit, incorporated under the laws of this State on a mutual or cooperative basis within the scope of section 607 of the Lanham Public War Housing Act (“National Defense Housing Act”), Pub.L. 76-849 (42 U.S.C. s.1587), as amended, which acquired a National Defense Housing Project pursuant to that act.

“NJHOPE credit” means the New Jersey HomeOwner Property Tax Expenditure credit allowed pursuant to this section.

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

“Property tax” means payments to a municipality for which an assessment by a municipality has been made on an ad valorem basis on land and improvements, and shall not include payments made in lieu of taxes.

“Qualified homeowner” means a resident of the State that owns a home in New Jersey which is the resident’s principal residence.

“Residential shareholder” means a tenant or holder of a membership interest in a cooperative or mutual housing corporation and who may deduct real property taxes for purposes of federal
income tax pursuant to section 216 of the federal Internal Revenue Code (26 U.S.C. s.216).

5. (New section) a. To administer P.L. , c. (C. ) (pending before the Legislature as this bill), the Director of the Division of Taxation in the Department of the Treasury shall adopt regulations in accordance with the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.) and prescribe forms in accordance with P.L. , c. (C. ) (pending before the Legislature as this bill).

b. Notwithstanding the provisions of the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the director may adopt, immediately upon filing with the Office of Administrative Law, such regulations as the director deems necessary to implement the provisions of P.L. , c. (C. ) (pending before the Legislature as this bill), which regulations shall be effective for a period not to exceed 180 days from the date of the filing. The regulations may thereafter be amended, adopted or readopted by the director as the director deems necessary in accordance with the “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.).

c. (1) For purposes of the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (pending before the Legislature as this bill), paragraphs (2) and (3) of this subsection shall apply.

(2) No additions to tax or penalty shall be imposed upon a taxpayer pursuant to N.J.S.54A:9-6 for insufficient payment of increased estimated tax on taxable income received before October 1, 2012 for which the amount of tax due is increased pursuant to the rate imposed on taxable income over $1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (pending before the Legislature as this bill).

(3) No interest, penalties, or other costs shall be imposed upon an employer maintaining an office or transacting business within this State and making payment of any salaries, wages and remuneration subject to the “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq., or making payment of any remuneration for employment subject to contribution under the New Jersey “unemployment compensation law,” pursuant to R.S.43:21-1 et seq., for insufficient withholding of salaries, wages, and other remuneration paid before October 1, 2012 that is attributable to an increase in the amount of tax due pursuant to the rate imposed on taxable income over $1,000,000 by the amendments to N.J.S.54A:2-1 made by section 1 of P.L. , c. (pending before the Legislature as this bill).

6. This act shall take effect immediately.
The bill provides a refundable New Jersey HomeOwner Property Tax Expenditure (NJHOPE) credit, increases the current gross income tax credit for homestead property taxes, and increases the gross income tax rate on taxable income exceeding $1,000,000.

New Jersey homeowners pay among the highest property taxes in the nation. For calendar year 2011, the average residential homeowner’s property tax bill was $7,759. According to the latest US census, New Jersey’s median household income is $69,811. A family earning the median household income and paying the average residential property tax is paying over 11% of their income in property taxes. The most recent data available shows the median property tax for a household with over $3 million in income was $17,740 or just 0.38% of the median income for that income group. A middle class family is paying over 11% of their income toward property taxes while the top less than 1% of income earners is paying just 0.38%. This data highlights the extremely regressive nature of the State’s property tax burden. The purpose of this bill is to provide enhanced property tax relief to residents of this State through the gross income tax, while minimizing the impact of related revenue raising on the general population.

This bill uses the gross income tax as the vehicle to deliver substantial property tax relief to the middle class and those less well-off. The gross income tax is the vehicle being used to provide property tax relief to simplify administration and keep administrative cost to a minimum, if not non-existent. Using the gross income tax as the vehicle to deliver property tax relief also protects the bill’s property tax credits from being lessened or eliminated through future budget language.

To provide property tax relief to New Jersey homeowners, the bill establishes a refundable NJHOPE credit for qualified homeowners beginning with taxable year 2012. The bill defines a qualified homeowner as a state resident that owns a home in New Jersey which is the homeowner’s principal residence. The bill allows a qualified homeowner with $250,000 or less of annual taxable income to calculate the amount of the NJHOPE credit using one of two methods, whichever leads to a larger credit amount.

The bill’s first method of calculating the NJHOPE credit gives a qualified homeowner a credit in an amount equal to the homestead benefit received for State fiscal year 2012. The bill’s first method of credit calculation is only available for qualified homeowners that reside for the entire taxable year in the same household that was used to qualify for the State fiscal year 2012 homestead benefit. If a qualified homeowner uses the first method of calculating the NJHOPE credit, the qualified homeowner may still claim the current homestead property tax deduction or credit.
The bill’s second method of calculating the NJHOPE credit gives a qualified homeowner a credit in an amount equal to an applicable percentage of up to certain amounts of property taxes due and paid for a taxable year. For non-senior and non-disabled qualified homeowners, the applicable percentage of property taxes due and paid that is used for the credit calculation is 20 percent. For senior or disabled qualified homeowners, the applicable percentage of property taxes due and paid that is used for the credit calculation is 25 percent.

For all qualified homeowners, the maximum amount of property taxes that may be taken into account for calculating the credit is phased in over four taxable years. The maximum amount of property taxes that may be taken into account for the credit begins at $5,000 for taxable year 2012, increases to $6,000 for taxable year 2013, increases to $7,500 for taxable year 2014, and is set at $10,000 for taxable year 2015 and thereafter.

Applying the non-senior and non-disabled qualified homeowner’s 20 percent credit to the maximum amount of property taxes that may be taken into account, the bill allows credits in amounts up to $1,000 for taxable year 2012, $1,200 for taxable year 2013, $1,500 for taxable year 2014, and $2,000 for taxable year 2015 and thereafter.

Applying the senior or disabled qualified homeowner’s 25 percent credit to the maximum amount of property taxes that may be taken into account, the bill allows credits in amounts up to $1,250 for taxable year 2012, $1,500 for taxable year 2013, $1,875 for taxable year 2014, and $2,500 for taxable year 2015 and thereafter.

The bill prohibits a qualified homeowner from using the second method of calculating the NJHOPE credit in addition to the current homestead property tax deduction or credit for the same taxable year.

To avoid creating a tax “cliff,” the bill allows a limited credit for qualified homeowners that have more than $250,000 of taxable income, but less than $260,000. For these qualified homeowners, the maximum credit available under the second method of calculation is reduced in proportion to the qualified homeowners’ taxable income within that range.

The bill also increases the value of the current gross income tax credit for homestead property taxes from $50 to $150 for taxable years beginning in 2012 or 2013 and further increases the credit to $250 for taxable years beginning in or after 2014. The current gross income tax credit for homestead property taxes is a gross income tax benefit floor on the current homestead property tax deduction, which ensures that a claimant receives a benefit of no less than the fixed credit amount.

The bill increases gross income tax rates on annual taxable income exceeding $1,000,000 from 8.97% to 10.75%. This gross
income tax rate change applies only to the portion of a taxpayer’s annual taxable income that exceeds $1,000,000. The rate change is scheduled to begin with taxable year 2012 and is maintained for future taxable years.

The bill grants the Director of the Division of Taxation emergency rulemaking authority to implement this bill for the current taxable year. The bill requires the Director of the Division of Taxation in the Department of the Treasury to make prominent reference to the availability of the bill’s NJHOPE credit for qualified homeowners in tax returns and instructions.