

ASSEMBLY, No. 262

STATE OF NEW JERSEY

216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

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SYNOPSIS

Tax Relief for New Jersey Families Act; provides income tax credits for property tax relief, quadruples the homestead property tax credit and increases the earned income tax credit.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning property tax relief, increasing benefit amounts
2 under the New Jersey earned income tax credit program,
3 amending P.L.1996, c.60 and P.L.2000, c.80, and supplementing
4 Title 54A of the New Jersey Statutes.

5

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

8

9 1. Section 6 of P.L.1996, c.60 (C.54A:3A-20) is amended to
10 read as follows:

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

14 (a) a taxpayer; or

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

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

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

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

31 (3) Notwithstanding the provisions of paragraph (1) of this
32 subsection, for taxable years beginning on or after January 1, 2013,
33 but before January 1, 2014 the amount of the credit allowed
34 pursuant to this section shall be \$100. For taxable years beginning
35 on or after January 1, 2014, but before January 1, 2015 the amount
36 of the credit allowed pursuant to this section shall be \$150. For
37 taxable years beginning on or after January 1, 2015, the amount of
38 the credit allowed pursuant to this section shall be \$200.

39 b. A husband and wife who elect to file separate income tax
40 returns pursuant to the "New Jersey Gross Income Tax Act,"
41 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the credit
42 allowed pursuant to subsection a. of this section.

43 c. The credit shall be paid to the taxpayer as a refund of
44 overpayment pursuant to N.J.S.54A:9-7, provided however, that

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

12 d. Notwithstanding the provisions of subsection a. of this
13 section, for taxable years beginning on or after January 1, 2012 no
14 taxpayer or resident that is allowed a New Jersey direct property tax
15 relief credit pursuant to section 2 of P.L. , c. (C.) (pending
16 before the Legislature as this bill) for the taxable year shall be
17 allowed a credit pursuant to this section for the taxable year.
18 (cf: P.L.1996, c.60, s.6)

19

20 2. (New section) a. There is established the New Jersey Direct
21 Property Tax Relief Program.

22 For taxable years beginning on or after January 1, 2012, a
23 qualified homeowner shall be allowed a New Jersey direct property
24 tax relief credit against the tax liability otherwise due for the
25 taxable year pursuant to the "New Jersey Gross Income Tax Act,"
26 N.J.S.54A:1-1 et seq., after all other credits and payments. If the
27 New Jersey direct property tax relief credit exceeds the amount of
28 tax liability otherwise due, that amount of excess shall be refunded
29 as an overpayment pursuant to N.J.S.54A:9-7, provided however,
30 subsection (f) of N.J.S.54A:9-7 concerning interest shall not apply.

31 b. For taxable years beginning on or after January 1, 2012, but
32 before January 1, 2013, a qualified homeowner with \$400,000 or
33 less of taxable income for the taxable year shall be allowed a New
34 Jersey direct property tax relief credit in the amount of \$100.

35 c. For taxable years beginning on or after January 1, 2013, a
36 qualified homeowner with \$400,000 or less of taxable income for
37 the taxable year shall be allowed a New Jersey direct property tax
38 relief credit in an amount equal to a percentage of the amount of
39 property tax due and paid by the qualified homeowner for the
40 qualified homeowner's home in the taxable year. Provided,
41 however, that the amount of property tax due and paid that is
42 considered for purposes of calculating the amount of the New
43 Jersey direct property tax relief credit for the taxable year shall not
44 exceed \$10,000 per qualified homeowner and the individual, if any,
45 with whom the qualified homeowner is eligible to file a joint return
46 and determine tax pursuant to subsection a. of N.J.S.54A:2-1,
47 notwithstanding subsections b. and d. of N.J.S.54A:8-3.1.

1 For taxable years beginning on or after January 1, 2013, but
2 before January 1, 2014, the percentage of the amount of property
3 tax due and paid for purposes of calculating the amount of the New
4 Jersey direct property tax relief credit shall be four percent.

5 For taxable years beginning on or after January 1, 2014, but
6 before January 1, 2015, the percentage of the amount of property
7 tax due and paid for purposes of calculating the amount of the New
8 Jersey direct property tax relief credit shall be eight percent.

9 For taxable years beginning on or after January 1, 2015, the
10 percentage of the amount of property tax due and paid for purposes
11 of calculating the amount of the New Jersey direct property tax
12 relief credit shall be ten percent.

13 d. (1) For purposes of determining a qualified homeowner's
14 eligibility for a New Jersey direct property tax relief credit pursuant
15 to this section and relative to the limits on taxable income for the
16 taxable year:

17 taxable income shall be calculated without the net profits from a
18 business that would otherwise be included in that calculation
19 pursuant to subsection b. of N.J.S.54A:5-1;

20 a qualified homeowner's taxable income for the taxable year
21 shall be deemed to include the taxable income for the taxable year
22 of an individual with whom the qualified homeowner is eligible to
23 file a joint return and determine tax pursuant to subsection a. of
24 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
25 N.J.S.54A:8-3.1; and

26 if the individual with whom the qualified homeowner is eligible
27 to file a joint return and determine tax pursuant to subsection a. of
28 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
29 N.J.S.54A:8-3.1, is not a resident, the qualified homeowner's
30 taxable income for the taxable year shall be calculated as if the
31 individual with whom the qualified homeowner is eligible to file a
32 joint return and determine tax pursuant to subsection a. of
33 N.J.S.54A:2-1, notwithstanding subsections b. and d. of
34 N.J.S.54A:8-3.1, were a resident for the taxable year.

35 (2) A New Jersey direct property tax relief credit allowed
36 pursuant to subsection c. of this section shall be allowed in relation
37 to the amount of the property taxes actually paid by or allocable to a
38 qualified homeowner who has more than one home, but the
39 aggregate amount of the property taxes claimed shall not exceed the
40 total of the proportionate amounts of property taxes assessed and
41 levied against or allocable to each home for the portion of the
42 taxable year for which the qualified homeowner occupied the home
43 as the qualified homeowner's principal residence.

44 (3) If title to a home is held by more than one individual as joint
45 tenants or tenants in common, each qualified homeowner shall be
46 allowed a New Jersey direct property tax relief credit only in
47 relation to the qualified homeowner's proportionate share of the

1 property taxes assessed and levied against the home. The
2 proportionate share shall be equal to that of all other individuals
3 who hold the title, but if the conveyance under which the title is
4 held provides for unequal interests therein, a qualified homeowner's
5 share of the property taxes shall be in proportion to the qualified
6 homeowner's interest in the title.

7 (4) If title to a home is held by a husband and wife who own the
8 home as tenants by the entirety, or if that husband and wife are both
9 residential shareholders of a cooperative or mutual housing
10 corporation and occupy the same home therein, and who elect to file
11 separate income tax returns pursuant to the "New Jersey Gross
12 Income Tax Act," N.J.S.54A:1-1 et seq., that husband and wife
13 shall each be entitled to one-half of the New Jersey direct property
14 tax relief credit for which they may be jointly eligible pursuant to
15 this section.

16 (5) If a qualified homeowner's home consists of more than one
17 unit, the qualified homeowner's New Jersey direct property tax
18 relief credit allowed pursuant to subsection c. of this section shall
19 be allowed only in relation to the proportionate share of the
20 property taxes assessed and levied against the residential unit
21 occupied by the qualified homeowner, as determined by the local
22 tax assessor.

23 e. The Director of the Division of Taxation in the Department
24 of the Treasury shall adopt rules and regulations in accordance with
25 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
26 et seq.), as the director determines are necessary to implement
27 P.L. , c. (pending before the Legislature as this bill).

28 The director shall implement a simplified application process for
29 the New Jersey direct property tax relief credit for qualified
30 homeowners that are not required to file a gross income tax return
31 pursuant to N.J.S.54A:8-3.1.

32 f. As used in this section:

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

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

44 "Cooperative" means a housing corporation or association which
45 entitles the holder of a share or membership interest thereof to
46 possess and occupy for dwelling purposes a house, apartment, or
47 other unit of housing owned or leased by the corporation or

1 association, or to lease or purchase a unit of housing constructed or
2 to be constructed by the corporation or association.

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

8 “Home” means a qualified homeowner’s principal residence in
9 New Jersey that qualifies as one of the following types of
10 homesteads:

11 (1) a dwelling house and the land on which that dwelling house
12 is located;

13 (2) a dwelling house situated on land owned by a person other
14 than the qualified homeowner which constitutes the place of the
15 qualified homeowner’s dwelling house;

16 (3) a condominium unit or a unit in a horizontal property regime
17 which constitutes the place of the qualified homeowner’s
18 condominium unit or unit in a horizontal property regime;

19 (4) a homestead where ownership is represented by the qualified
20 homeowner’s interest as a tenant for life or a tenant under a lease
21 for 99 years or more and the qualified homeowner is entitled to and
22 actually takes possession of the homestead under an executory
23 contract for the sale thereof or under an agreement with a lending
24 institution which holds title as security for a loan, or a resident of a
25 continuing care retirement community pursuant to a contract for
26 continuing care for the life of that person which requires the
27 resident to bear, separately from any other charges, the
28 proportionate share of property taxes attributable to the unit that the
29 resident occupies; and

30 (5) a unit in a cooperative or mutual housing corporation which
31 constitutes the place of domicile of a residential shareholder or
32 lessee therein, or of a lessee or shareholder who is not a residential
33 shareholder therein.

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

37 “Mutual housing corporation” means a corporation not-for-
38 profit, incorporated under the laws of this State on a mutual or
39 cooperative basis within the scope of section 607 of the Lanham
40 Public War Housing Act (“National Defense Housing Act”), Pub.L.
41 76-849 (42 U.S.C. s.1587), as amended, which acquired a National
42 Defense Housing Project pursuant to that act.

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

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

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

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

12
13 3. Section 2 of P.L.2000, c.80 (C.54A:4-7) is amended to read
14 as follows:

15 2. There is established the New Jersey Earned Income Tax
16 Credit program in the Division of Taxation in the Department of the
17 Treasury.

18 a. (1) A resident individual who is eligible for a credit under
19 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
20 s.32) shall be allowed a credit for the taxable year equal to a
21 percentage, as provided in paragraph (2) of this subsection, of the
22 federal earned income tax credit that would be allowed to the
23 individual or the married individuals filing a joint return under
24 section 32 of the federal Internal Revenue Code of 1986 (26 U.S.C.
25 s.32) for the same taxable year for which a credit is claimed
26 pursuant to this section, subject to the restrictions of this subsection
27 and subsections b., c., d. and e. of this section.

28 (2) For the purposes of the calculation of the New Jersey earned
29 income tax credit, the percentage of the federal earned income tax
30 credit referred to in paragraph (1) of this subsection shall be:

31 (a) 10% for the taxable year beginning on or after January 1,
32 2000, but before January 1, 2001;

33 (b) 15% for the taxable year beginning on or after January 1,
34 2001, but before January 1, 2002;

35 (c) 17.5% for the taxable year beginning on or after January 1,
36 2002, but before January 1, 2003;

37 (d) 20% for taxable years beginning on or after January 1, 2003,
38 but before January 1, 2008;

39 (e) 22.5% for taxable years beginning on or after January 1,
40 2008 but before January 1, 2009;

41 (f) 25% for taxable years beginning on or after January 1, 2009
42 but before January 1, 2010; **【and】**

43 (g) 20% for taxable years beginning on or after January 1, 2010,
44 but before January 1, 2013; and

45 (h) 25% for taxable years beginning on or after January 1, 2013.

46 (3) To qualify for the New Jersey earned income tax credit, if
47 the claimant is married, except for a claimant who files as a head of

1 household or surviving spouse for federal income tax purposes for
2 the taxable year, the claimant shall file a joint return or claim for
3 the credit.

4 b. In the case of a part-year resident claimant, the amount of
5 the credit allowed pursuant to this section shall be pro-rated, based
6 upon that proportion which the total number of months of the
7 claimant's residency in the taxable year bears to 12 in that period.
8 For this purpose, 15 days or more shall constitute a month.

9 c. The amount of the credit allowed pursuant to this section
10 shall be applied against the tax otherwise due under N.J.S.54A:1-1
11 et seq., after all other credits and payments. If the credit exceeds the
12 amount of tax otherwise due, that amount of excess shall be an
13 overpayment for the purposes of N.J.S.54A:9-7; provided however,
14 that subsection (f) of N.J.S.54A:9-7 shall not apply. The credit
15 provided under this section as a credit against the tax otherwise due
16 and the amount of the credit treated as an overpayment shall be
17 treated as a credit towards or overpayment of gross income tax,
18 subject to all provisions of N.J.S.54A:1-1 et seq., except as may be
19 otherwise specifically provided in P.L.2000, c.80 (C.54A:4-6 et al.).

20 d. The Director of the Division of Taxation in the Department
21 of the Treasury shall have discretion to establish a program for the
22 distribution of earned income tax credits pursuant to the provisions
23 of this section.

24 e. Any earned income tax credit pursuant to this section shall
25 not be taken into account as income or receipts for purposes of
26 determining the eligibility of an individual for benefits or assistance
27 or the amount or extent of benefits or assistance under any State
28 program and, to the extent permitted by federal law, under any State
29 program financed in whole or in part with federal funds.

30 (cf: P.L.2010, c.27, s.1)

31
32 4. This act shall take effect immediately.
33
34

35 STATEMENT

36
37 This bill, part of Governor Christie's Middle Class Reform
38 Agenda, provides direct property tax relief through the New Jersey
39 gross income tax. The purpose of the bill is to deliver real relief to
40 working and middle class families, responsibly stimulating New
41 Jersey's economy while improving the state's tax climate. As the
42 Governor recommended in an address to the Legislature on July 2,
43 2012, and in proposed amendments to Assembly Bill No. 3201, the
44 bill has the following three components: (i) establishes the New
45 Jersey Direct Property Tax Relief Program via a property tax relief
46 credit; (ii) increases the New Jersey earned income tax credit from
47 20 percent to 25 percent of the federal earned income tax credit; and

(iii) increases the current credit for homestead property taxes, which is commonly referred to as the renter's credit.

Establishes the New Jersey Direct Property Tax Relief Program

The bill establishes the New Jersey Direct Property Tax Relief Program by providing a property tax relief credit under the gross income tax. The bill's New Jersey direct property tax relief credit is a refundable gross income tax credit available for qualified homeowners with \$400,000 or less of taxable income. The credit is phased in over four taxable years:

- For taxable years beginning in 2012, the bill sets the credit at \$100;
- For taxable years beginning in 2013, the bill sets the credit at four percent of up to \$10,000 of property tax paid on the qualified homeowner's principal residence;
- For taxable years beginning in 2014, the bill sets the credit at eight percent of up to \$10,000 of property tax paid on the qualified homeowner's principal residence; and
- For taxable years beginning in 2015 or thereafter, the bill sets the credit at ten percent of up to \$10,000 of property tax paid on the qualified homeowner's principal residence.

For purposes of the New Jersey direct property tax relief credit's income eligibility requirements the bill provides that taxable income is to be calculated without respect to net profits from business (i.e. sole proprietorship income). The bill also provides that the calculation of taxable income include the income of the resident homeowner and the individual, if any, with whom the resident homeowner is eligible to file jointly.

The bill also requires a resident homeowner to share the \$10,000 limit on property taxes that are taken into account for the credit calculation with the individual, if any, with whom the resident homeowner is eligible to file jointly.

The bill does not allow the New Jersey direct property tax relief credit to be taken for the same taxable year that a qualified homeowner claims the current gross income tax credit for homestead property taxes.

The bill requires the director to implement a simplified application process for the New Jersey direct property tax relief credit for qualified homeowners that are not required to file a gross income tax return.

The bill gives the Director of the Division of Taxation rulemaking authority to implement the bill.

Increases the New Jersey Earned Income Tax Credit Amount

The bill increases the New Jersey earned income tax credit amount as a percentage of the federal earned income tax credit from

1 20 percent to 25 percent. This change applies to taxable years
2 beginning on or after January 1, 2013.

3

4 **Increases the Gross Income Tax Credit for Homestead Property**
5 **Taxes – the Renter’s Credit**

6 The bill increases the value of the current gross income tax credit
7 for homestead property taxes, which is commonly referred to as the
8 renter’s credit, from \$50 to \$100 for taxable years beginning in
9 2013, to \$150 for taxable years beginning in 2014, and to \$200 for
10 taxable years beginning in 2015 and thereafter.

11 come tax credit.