

ASSEMBLY STATE AND LOCAL GOVERNMENT  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 2650**

with committee amendments

**STATE OF NEW JERSEY**

DATED: FEBRUARY 12, 2018

The Assembly State and Local Government Committee reports favorably and with committee amendments Assembly Bill No. 2650.

This bill will require the State to recognize an election of a taxpayer under the "Property Tax Deduction Act" under the New Jersey gross income tax to claim as an additional 2017 taxable year homestead property tax deduction up to \$10,000 made by the taxpayer for an advance prepayment of homestead property taxes during 2017 for the 2018 calendar year. The New Jersey Society of Certified Public Accountants has reported that according to the New Jersey Division of Taxation, "residents can claim a deduction or credit on their New Jersey income tax returns for the property taxes they have paid. However, they can take the deduction or credit only in the year in which the property taxes were due. Taxpayers cannot take deductions or credits for 2018 property tax pre-payments on their 2017 New Jersey Income Tax returns (NJ-1040). They must wait until they file their 2018 returns." This bill will reverse this policy and give the taxpayer a choice to take the pre-payment either under the 2017 additional deduction or as part of the 2018 property tax deduction which is limited to \$10,000 deduction.

Many New Jersey homestead property taxpayers responded to the capping of the federal itemized deduction for State and local taxes starting in 2018 under the federal "Tax Cuts and Jobs Act" enacted on December 22, 2017, by making these local property tax pre-payments. Some tax advisors and elected officials encouraged these pre-payments as a way to make the last uncapped itemized deduction under the federal income tax for 2017 for State and local taxes that can often exceed the new federal cap of \$10,000 that starts in 2018.

This bill will allow these pre-payments, motivated by the targeted tax changes that unfairly, directly impact many New Jersey federal income taxpayers under the "Tax Cuts and Jobs Act," to be allowed, at the election of the taxpayer, as additional 2017 New Jersey gross income tax deductions. The additional, elective deduction will also be capped at \$10,000 which is the maximum New Jersey homestead property tax deduction statutory limit for the annual property tax

deduction for property taxes paid within the tax year in which they are due since 1998. The pre-payments cannot be claimed as part of a 2017 taxable year additional deduction if the taxpayer requests a refund of the pre-payment from the municipality to which the pre-payment was made.

COMMITTEE AMENDMENTS:

The committee amendments clarify that the advance payment deduction for 2017 is subject to a separate \$10,000 limit and is in addition to the current statutory limit of \$10,000 for regular tax year property tax payments on a homestead. The committee amendments also clarify that it is a taxpayer's choice to either claim the 2017 advance payment up to \$10,000 on the gross income tax return for taxable year 2017 or treat the advance payment as if paid in 2018 and therefore part of the maximum \$10,000 deduction to be claimed on the gross income tax return for 2018. The committee amendments also require the Director of the Division of Taxation to provide prompt public notice in an expedited manner of the choice afforded to taxpayers under this bill.