

# ASSEMBLY, No. 1787

## STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Assemblywoman NANCY F. MUNOZ**

**District 21 (Morris, Somerset and Union)**

**SYNOPSIS**

Increases and indexes maximum homestead property tax deduction under gross income tax.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT increasing and indexing the maximum gross income tax  
2 deduction allowed for homestead property taxes paid by  
3 homeowners and tenants, and amending P.L.1996, c.60.  
4

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

7  
8 1. Section 2 of P.L.1996, c.60 (C.54A:3A-16) is amended to  
9 read as follows:

10 2. As used in this act:

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

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

22 "Cooperative" means a housing corporation or association which  
23 entitles the holder of a share or membership interest thereof to  
24 possess and occupy for dwelling purposes a house, apartment,  
25 manufactured or mobile home or other unit of housing owned or  
26 leased by the corporation or association, or to lease or purchase a  
27 unit of housing constructed or to be constructed by the corporation  
28 or association.

29 "Cost-of-living adjustment" for any tax year means the factor  
30 calculated by dividing the consumer price index for all urban  
31 consumers for the nation, as prepared by the United States  
32 Department of Labor as of the close of the 12-month period ending  
33 on August 31 of the taxable year, by that index as of the close of the  
34 12-month period ending on August 31 of the calendar year  
35 preceding the taxable year in which the recomputation of the  
36 maximum deduction amount is made.

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

42 "Homestead" means:

43 a. a dwelling house and the land on which that dwelling house  
44 is located which constitutes the place of the taxpayer's domicile and  
45 is owned and used by the taxpayer as the taxpayer's principal  
46 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       b. a dwelling house situated on land owned by a person other  
2 than the taxpayer which constitutes the place of the taxpayer's  
3 domicile and is owned and used by the taxpayer as the taxpayer's  
4 principal residence;

5       c. a condominium unit or a unit in a horizontal property regime  
6 or a continuing care retirement community which constitutes the  
7 place of the taxpayer's domicile and is owned and used by the  
8 taxpayer as the taxpayer's principal residence.

9       In addition to the generally accepted meaning of owned or  
10 ownership, a homestead shall be deemed to be owned by a person if  
11 that person is a tenant for life or a tenant under a lease for 99 years  
12 or more, is entitled to and actually takes possession of the  
13 homestead under an executory contract for the sale thereof or under  
14 an agreement with a lending institution which holds title as security  
15 for a loan, or is a resident of a continuing care retirement  
16 community pursuant to a contract for continuing care for the life of  
17 that person which requires the resident to bear, separately from any  
18 other charges, the proportionate share of property taxes attributable  
19 to the unit that the resident occupies;

20       d. a unit in a cooperative or mutual housing corporation which  
21 constitutes the place of domicile of a residential shareholder or  
22 lessee therein, or of a lessee or shareholder who is not a residential  
23 shareholder therein, which is used by the taxpayer as the taxpayer's  
24 principal residence; and

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

28       "Horizontal property regime" means the form of real property  
29 ownership provided for under the "Horizontal Property Act,"  
30 P.L.1963, c.168 (C.46:8A-1 et seq.).

31       "Mutual housing corporation" means a corporation not-for-profit,  
32 incorporated under the laws of this State on a mutual or cooperative  
33 basis within the scope of section 607 of the "Lanham Public War  
34 Housing Act" ("National Defense Housing Act"), [Pub.L.849, 76th  
35 Congress (42 U.S.C. 1521 et seq.)] Pub.L.76-849  
36 (42 U.S.C. s.1587), as amended, which acquired a National Defense  
37 Housing Project pursuant to that act.

38       "Principal residence" means a homestead actually and  
39 continually occupied by a taxpayer as the taxpayer's permanent  
40 residence, as distinguished from a vacation home, property owned  
41 and rented or offered for rent by the taxpayer, and other secondary  
42 real property holdings.

43       "Property taxes" means payments to municipalities for which an  
44 assessment by a municipality has been made on an ad valorem basis  
45 on both land and improvements, and shall not include payments  
46 made in lieu of taxes.

47       "Rent constituting property taxes" means 18% of the rent paid by  
48 the taxpayer for occupancy during the taxable year of a unit of

1 residential rental property which the taxpayer occupies as a  
2 principal residence; notwithstanding the definition of "property  
3 taxes" herein, rent constituting property taxes includes the rent paid  
4 for the occupancy of a manufactured home installed in a mobile  
5 home park.

6 "Residential rental property" means:

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

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

13 c. any building or structure or complex of buildings or  
14 structures constructed under [the following sections of the National  
15 Housing Act (Pub.L.73-479) as amended and supplemented: section  
16 202,] sections 1701q and 1715v of the "National Housing Act [of  
17 1959]," [(Pub.L.86-372)] Pub.L.73-479 (12 U.S.C. s.1701 et seq.) [  
18 and as subsequently amended, section 231, Housing Act of 1959].

19 "Residential shareholder in a cooperative or mutual housing  
20 corporation" means a tenant or holder of a membership interest in  
21 that cooperative or corporation, whose residential unit therein  
22 constitutes the tenant's or holder's domicile and principal residence,  
23 and who may deduct real property taxes for purposes of federal  
24 income tax pursuant to section 216 of the federal Internal Revenue  
25 Code of 1986[, ] (26 U.S.C. s.216).

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

27

28 2. Section 3 of P.L.1996, c.60 (C.54A:3A-17) is amended to  
29 read as follows:

30 3. a. A resident taxpayer under the "New Jersey Gross Income  
31 Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from  
32 gross income for the amount of property tax credit as defined in  
33 section 1 of P.L.2018, c.11 (C.54:4-66.6) plus property taxes [, the  
34 total of which shall not exceed \$15,000, subject to the limitations of  
35 subsection f. of this section] [Property taxes deductible under this  
36 section shall be due and paid for the calendar year in which the  
37 taxes are due and payable on the taxpayer's homestead.] due and  
38 paid for the calendar year in which taxes are due and payable on the  
39 taxpayer's homestead. The deduction shall not exceed \$15,000 for  
40 taxable years before calendar year 2019, \$17,000 for the taxable  
41 year beginning in calendar year 2020, and the maximum amount  
42 recomputed pursuant to subsection i. of this section for taxable  
43 years beginning in calendar year 2021 and each year thereafter.

44 b. A deduction for property taxes or property tax credits shall  
45 be allowed pursuant to this section in relation to the amount of the  
46 property taxes or property tax credits actually paid by or allocable  
47 to a resident taxpayer who has more than one homestead, but the

1 aggregate amount of the property taxes or property tax credits  
2 claimed shall not exceed the total of the proportionate amounts of  
3 property taxes assessed and levied against or allocable to each  
4 homestead for the portion of the taxable year for which the taxpayer  
5 occupied it as the taxpayer's principal residence.

6 c. If title to a homestead is held by more than one individual as  
7 joint tenants or tenants in common, each individual shall be allowed  
8 a deduction pursuant to this section only in relation to the  
9 individual's proportionate share of the property taxes assessed and  
10 levied against the homestead. The proportionate share shall be  
11 equal to that of all other individuals who hold the title, but if the  
12 conveyance under which the title is held provides for unequal  
13 interests therein, a taxpayer's share of the property taxes shall be in  
14 proportion to the taxpayer's interest in the title.

15 d. If title to a homestead is held by a husband and wife who  
16 own the homestead as tenants by the entirety, or if that husband and  
17 wife are both residential shareholders of a cooperative or mutual  
18 housing corporation and occupy the same homestead therein, and  
19 who elect to file separate income tax returns pursuant to the "New  
20 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., that husband  
21 and wife shall each be entitled to one-half of the deduction for  
22 property taxes for which they may be jointly eligible pursuant to  
23 this section.

24 e. If the homestead is a dwelling house consisting of more than  
25 one unit, that taxpayer shall be allowed a deduction for property  
26 taxes or property tax credits only in relation to the proportionate  
27 share of the property taxes assessed and levied against the  
28 residential unit occupied by the taxpayer, as determined by the local  
29 tax assessor.

30 f. **【Notwithstanding the provisions of subsection a. of this**  
31 **section to the contrary: (1) a resident taxpayer shall be allowed a**  
32 **deduction for a taxpayer's taxable year beginning during 1996 based**  
33 **on 50% of the property taxes not in excess of \$5,000 paid on the**  
34 **taxpayer's homestead; and (2) a resident taxpayer shall be allowed a**  
35 **deduction for a taxpayer's taxable year beginning during 1997 based**  
36 **on 75% of the property taxes not in excess of \$7,500 paid on the**  
37 **taxpayer's homestead.】** (Deleted by amendment, P.L. , c. )  
38 (pending before the Legislature as this bill)

39 g. Notwithstanding any other provision of this section, the  
40 deduction allowed under this section to a resident taxpayer eligible  
41 to receive a homestead property tax reimbursement pursuant to  
42 P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident  
43 taxpayer's base year property tax liability as determined pursuant to  
44 P.L.1997, c.348 (C.54:4-8.67 et al.).

45 h. Notwithstanding any other provision of this section, for the  
46 taxable year beginning January 1, 2009, a taxpayer who has gross  
47 income for the taxable year of more than \$250,000 and is not:

48 (1) 65 years of age or older at the close of the taxable year; or

1 (2) allowed to claim a personal deduction as a blind or disabled  
2 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not be  
3 allowed a deduction pursuant to this section;

4 provided however, the deduction for a taxpayer who has gross  
5 income for the taxable year of more than \$150,000 but not  
6 exceeding \$250,000 and is not:

7 (1) 65 years of age or older at the close of the taxable year; or

8 (2) allowed to claim a personal deduction as a blind or disabled  
9 taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not  
10 exceed \$5,000.

11 i. For the taxable year beginning January 1, 2021 and in each  
12 taxable year thereafter, the director shall annually recompute the  
13 maximum deduction amount allowed pursuant to subsection a. of  
14 this section, by multiplying the maximum deduction amount  
15 allowed in the prior taxable year by the cost-of-living adjustment.  
16 The director shall round the recomputed maximum deduction  
17 amount next highest multiple of \$5.

18 (cf: P.L.2018, c.45, s.1)

19  
20 3. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to  
21 read as follows:

22 4. a. A resident taxpayer whose homestead is a unit of  
23 residential rental property shall be allowed a deduction from gross  
24 income for that portion of the rent constituting property taxes [not  
25 in excess of \$15,000, subject to the limitations of subsection d. of  
26 this section,] due and paid for the calendar year in which the rent  
27 constituting taxes is due and payable, for occupancy of that  
28 homestead. The deduction shall not exceed \$15,000 for taxable  
29 years before calendar year 2019, \$17,000 for the taxable year  
30 beginning in calendar year 2020, and the maximum amount  
31 recomputed pursuant to subsection i. of this section for taxable year  
32 for taxable years beginning in calendar year 2021 and each year  
33 thereafter.

34 b. A husband and wife who elect to file separate income tax  
35 returns pursuant to the "New Jersey Gross Income Tax Act,"  
36 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the  
37 property tax deduction allowed pursuant to this section.

38 c. If more than one taxpayer, other than husband and wife,  
39 qualify to deduct rent constituting property taxes by reason of their  
40 having occupied the same rented homestead, it shall be presumed  
41 that the deduction shall be equally divided. A taxpayer may,  
42 however, deduct an amount for rent constituting property taxes in  
43 the same proportion that the rent paid by that taxpayer bears to the  
44 total rent paid by all tenants of the same unit.

45 d. [Notwithstanding the provisions of subsection a. of this  
46 section to the contrary: (1) a resident taxpayer whose homestead is  
47 a unit of residential rental property shall be allowed a deduction for  
48 the taxpayer's taxable year beginning during 1996 based on 50% of

1 the rent constituting property taxes not in excess of \$5,000 paid for  
2 the occupancy of that homestead; and (2) a resident taxpayer whose  
3 homestead is a unit of residential rental property shall be allowed a  
4 deduction for the taxpayer's taxable year beginning during 1997  
5 based on 75% of the rent constituting property taxes not in excess  
6 of \$7,500 paid for the occupancy of that homestead.】 (Deleted by  
7 amendment, P.L. , c. ) (pending before the Legislature as this  
8 bill)

9 e. For the taxable year beginning January 1, 2021 and in each  
10 taxable year thereafter, the director shall annually recompute the  
11 maximum deduction amount allowed pursuant to subsection a. of  
12 this section, by multiplying the maximum deduction amount  
13 allowed in the prior taxable year by the cost-of-living adjustment.  
14 The director shall round the recomputed maximum deduction  
15 amount next highest multiple of \$5.

16 (cf: P.L.2018, c.45, s.2)

17

18 4. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to  
19 read as follows:

20 5. a. If a taxpayer who is eligible for a deduction for property  
21 taxes under section 3 of this act for a part of the taxable year is also  
22 eligible for a deduction for rent constituting property taxes under  
23 section 4 of this act for a part of the taxable year, the taxpayer shall  
24 be allowed a deduction, **【not in excess of \$15,000, subject to the**  
25 **limitations of subsection b. of this section,】** the amount of which  
26 shall be equal to the sum of the amount of property tax credit as  
27 defined in section 1 of P.L.2018, c.11 (C.54:4-66.6) plus the  
28 amount of property taxes due and paid for the calendar year in  
29 which the property taxes are due and payable on a homestead that is  
30 not a unit of residential rental property and the amount of rent  
31 constituting property taxes due and paid for the calendar year in  
32 which the rent constituting property taxes is due and payable for the  
33 occupancy of a homestead that is a unit of residential rental  
34 property, provided however, that the amount of property taxes and  
35 property tax credits shall be subject to the limitations set forth in  
36 subsections b. through e. of section 3 and the amount of rent  
37 constituting property taxes shall be subject to the limitations set  
38 forth in subsections b. and c. of section 4 as may be applicable. The  
39 deduction shall not exceed \$15,000 for taxable years before  
40 calendar year 2019, \$17,000 for the taxable year beginning in  
41 calendar year 2020, and the maximum amount recomputed pursuant  
42 to subsection i. of this section for taxable year for taxable years  
43 beginning in calendar year 2021 and each year thereafter.

44 b. **【Notwithstanding the provisions of subsection a. of this**  
45 **section to the contrary: (1) a taxpayer who is eligible for a**  
46 **deduction for property taxes under section 3 of this act for a part of**  
47 **the taxable year and is also eligible for a deduction for rent**  
48 **constituting property taxes under section 4 of this act for a part of**

1 the taxable year, shall be allowed a deduction for the taxpayer's  
2 taxable year beginning during 1996 based on 50% of an amount not  
3 in excess of \$5,000, the amount of which shall be equal to the sum  
4 of the amount of property taxes paid on a homestead that is not a  
5 unit of residential rental property and the amount of rent  
6 constituting property taxes paid for the occupancy of a homestead  
7 that is a unit of residential rental property; and (2) a taxpayer who is  
8 eligible for a deduction for property taxes under section 3 of this act  
9 for a part of the taxable year and is also eligible for a deduction for  
10 rent constituting property taxes under section 4 of this act for a part  
11 of the taxable year, shall be allowed a deduction for the taxpayer's  
12 taxable year beginning during 1997 based on 75% of an amount not  
13 in excess of \$7,500, the amount of which shall be equal to the sum  
14 of the amount of property taxes paid on a homestead that is not a  
15 unit of residential rental property and the amount of rent  
16 constituting property taxes paid for the occupancy of a homestead  
17 that is a unit of residential rental property.】 (Deleted by  
18 amendment, P.L. , c. ) (pending before the Legislature as this  
19 bill)

20 c. For the taxable year beginning January 1, 2021 and in each  
21 taxable year thereafter, the director shall annually recompute the  
22 maximum deduction amount allowed pursuant to subsection a. of  
23 this section, by multiplying the maximum deduction amount  
24 allowed in the prior taxable year by the cost-of-living adjustment.  
25 The director shall round the recomputed maximum deduction  
26 amount next highest multiple of \$5.  
27 (cf: P.L.2018, c.45, s.3).

28  
29 5. This act shall take effect immediately.  
30

31  
32 STATEMENT  
33

34 This bill increases the maximum amount of the homestead  
35 property tax deduction allowable for gross income tax purposes.  
36 The current \$15,000 limit of property taxes paid by homeowners or  
37 tenants on their principal residences is increased to \$17,000 for tax  
38 year 2020. Thereafter, this amount will be indexed and recomputed  
39 annually to reflect a cost-of-living adjustment based on the  
40 consumer price index for urban consumers as prepared by the U.S.  
41 Department of Labor.

42 With property taxes increasing dramatically over the past few  
43 years, the maximum deduction amount should be increased to  
44 further assist the property taxpayers of this State.