

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## ASSEMBLY, No. 1841

with committee amendments

# STATE OF NEW JERSEY

DATED: MARCH 17, 2021

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 1841 (1R).

As amended by the committee, this bill allows taxpayers regardless of income to deduct up to a combined \$45,000 from gross income in a year for the following expenses:

- lead-based paint hazard abatement in the taxpayer's residential property, if performed by a certified lead abatement contractor;
- asbestos hazard abatement in the taxpayer's residential property, if performed by a licensed asbestos abatement contractor;
- replacement of a water service line containing hazardous amounts of lead, if the line is owned by the taxpayer, the line is on the real property of the taxpayer's residential property, and the line's replacement is necessary for abatement of the hazard in the taxpayer's residential property; and
- replacement of plumbing containing hazardous amounts of lead in the taxpayer's residential property.
- remediation of lead and other contaminants in the soil of a taxpayer's residential property
- replacement of leaded windows

The Director of the Division of Taxation is required to set the standards by which taxpayers are to prove that they qualify for the deduction. To be eligible for the deduction for amounts paid for lead-based paint hazard abatement or asbestos hazard abatement, the taxpayer has to submit an affidavit from the municipality in which the residential property is located to the director acknowledging that the work was done and the amount paid by the taxpayer to the licensed contractor.

As used in the bill, "residential property" means a taxpayer's primary residence, owner occupied home, or rental unit.

COMMITTEE ADMENDMENTS:

The committee amendments require that the taxpayer submit an affidavit from the municipality in which the municipality is located to the director of the Division of Taxation acknowledging that the work was done and the amount paid by the taxpayer to the licensed contractor as opposed to having the taxpayer submit the receipt to the director.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that this bill would result in an indeterminate, multi-year loss of State revenue to the Property Tax Relief Fund as it provides a gross income tax deduction to taxpayers for the costs related to abatement, remediation, and replacement of lead, asbestos, and other contaminants on their residential property.

The OLS does not have sufficient data on how many taxpayers have requested remediation, abatement, or replacement work since January 1, 2018, and the OLS does not have data on how much this work costs, and therefore cannot make a forecast for the future tax years on how many taxpayers will claim this deduction. Therefore, the OLS estimates that this bill would result in an indeterminate loss of revenue to the Property Tax Relief Fund through FY 2026. However, it is noted that a taxpayer is eligible for the deduction regardless of income, which may increase its usage and the state's revenue loss.

The OLS notes that some local governments may incur additional costs to produce affidavits requested by taxpayers attempting to claim this deduction, though the bill does not mandate any particular action by any municipal government.