

# ASSEMBLY, No. 3928

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED APRIL 9, 2020

**Sponsored by:**

**Assemblyman CHRISTOPHER P. DEPHILLIPS**

**District 40 (Bergen, Essex, Morris and Passaic)**

**Assemblyman BRIAN BERGEN**

**District 25 (Morris and Somerset)**

**Assemblywoman VALERIE VAINIERI HUTTLE**

**District 37 (Bergen)**

**SYNOPSIS**

Increases, from 18 percent to 30 percent, amount of rental payments defined as rent constituting property taxes for purposes of deduction from gross income for property tax payments.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 2/22/2021)**

1 AN ACT concerning the gross income tax deduction for property tax  
2 payments and amending P.L.1996, c.60.

3

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

6

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

9 2. As used in this act:

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

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

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

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

33 "Homestead" means:

34 a. a dwelling house and the land on which that dwelling house  
35 is located which constitutes the place of the taxpayer's domicile and  
36 is owned and used by the taxpayer as the taxpayer's principal  
37 residence;

38 b. a dwelling house situated on land owned by a person other  
39 than the taxpayer which constitutes the place of the taxpayer's  
40 domicile and is owned and used by the taxpayer as the taxpayer's  
41 principal residence;

42 c. a condominium unit or a unit in a horizontal property regime  
43 or a continuing care retirement community which constitutes the  
44 place of the taxpayer's domicile and is owned and used by the  
45 taxpayer as the taxpayer's principal 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 In addition to the generally accepted meaning of owned or  
2 ownership, a homestead shall be deemed to be owned by a person if  
3 that person is a tenant for life or a tenant under a lease for 99 years  
4 or more, is entitled to and actually takes possession of the  
5 homestead under an executory contract for the sale thereof or under  
6 an agreement with a lending institution which holds title as security  
7 for a loan, or is a resident of a continuing care retirement  
8 community pursuant to a contract for continuing care for the life of  
9 that person which requires the resident to bear, separately from any  
10 other charges, the proportionate share of property taxes attributable  
11 to the unit that the resident occupies;

12 d. a unit in a cooperative or mutual housing corporation which  
13 constitutes the place of domicile of a residential shareholder or  
14 lessee therein, or of a lessee or shareholder who is not a residential  
15 shareholder therein, which is used by the taxpayer as the taxpayer's  
16 principal residence; and

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

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

23 "Mutual housing corporation" means a corporation not-for-profit,  
24 incorporated under the laws of this State on a mutual or cooperative  
25 basis within the scope of section 607 of the Lanham Act (National  
26 Defense Housing), Pub.L.849, 76th Congress (42 U.S.C.1521 et  
27 seq.), as amended, which acquired a National Defense Housing  
28 Project pursuant to that act.

29 "Principal residence" means a homestead actually and  
30 continually occupied by a taxpayer as the taxpayer's permanent  
31 residence, as distinguished from a vacation home, property owned  
32 and rented or offered for rent by the taxpayer, and other secondary  
33 real property holdings.

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

38 "Rent constituting property taxes" means [18%] 30% of the rent  
39 paid by the taxpayer for occupancy during the taxable year of a unit  
40 of residential rental property which the taxpayer occupies as a  
41 principal residence; notwithstanding the definition of "property  
42 taxes" herein, rent constituting property taxes includes the rent paid  
43 for the occupancy of a manufactured home installed in a mobile  
44 home park.

45 "Residential rental property" means:

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

1       b. a rooming house, hotel or motel, if the rooms constituting  
2 the homestead are equipped with kitchen and bathroom facilities;  
3 and

4       c. any building or structure or complex of buildings or  
5 structures constructed under the following sections of the National  
6 Housing Act (Pub.L.73-479) as amended and supplemented:  
7 section 202, Housing Act of 1959 (Pub.L.86-372) and as  
8 subsequently amended, section 231, Housing Act of 1959.

9       "Residential shareholder in a cooperative or mutual housing  
10 corporation" means a tenant or holder of a membership interest in  
11 that cooperative or corporation, whose residential unit therein  
12 constitutes the tenant's or holder's domicile and principal residence,  
13 and who may deduct real property taxes for purposes of federal  
14 income tax pursuant to section 216 of the federal Internal Revenue  
15 Code of 1986, 26 U.S.C.216.

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

17

18       2. This act shall take effect immediately and shall apply to  
19 taxable years beginning on or after January 1, 2020.

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STATEMENT

23

24       This bill amends the "Property Tax Deduction Act,"  
25 (N.J.S.A.54A:3A-15 et seq.) to provide additional income tax relief  
26 for tenants by increasing, from 18 percent to 30 percent, the amount  
27 of rent defined as "rent constituting property taxes".

28       Under the "Property Tax Deduction Act," a taxpayer is entitled  
29 to a deduction of up to \$15,000 from gross income for property  
30 taxes, or the rental equivalent thereof paid by tenants, due and paid  
31 for that calendar year on a taxpayer's homestead. For tenants, the  
32 amount of the deduction is based on the amount of "rent  
33 constituting property taxes". Current law sets the amount of rent  
34 constituting property taxes at 18 percent of the rent paid by the  
35 taxpayer for the occupancy, during the taxable year, of a unit of  
36 residential real property which the taxpayer occupies a principal  
37 residence. This bill increases the amount rent constituting property  
38 taxes from 18 percent of rent paid to 30 percent of rent paid.

39       Increasing the cap on the amount of rental payments defined as  
40 rent constituting property taxes would allow eligible gross income  
41 taxpayers to deduct a higher amount of rent from their gross  
42 income, thereby lowering in the amount of gross income subject to  
43 taxation and reducing a tenant's tax burden.