

SENATE, No. 177

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Senator RICE

1 AN ACT providing a gross income tax credit for certain home
2 improvements, supplementing Title 54A of the New Jersey Statutes.

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

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7 1. a. As used in this section:

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

11 "Cooperative" means a housing corporation or association which
12 entitles the holder of a share or membership interest thereof to possess
13 and occupy for dwelling purposes a house, apartment, manufactured
14 or mobile home or other unit of housing owned or leased by the
15 corporation or association, or to lease or purchase a unit of housing
16 constructed or to be constructed by the corporation or association.

17 "Cost of home improvement" means the actual amount of money
18 and the monetary value of any other thing of value constituting the
19 entire consideration exchanged or to be exchanged for the materials
20 and services which constitute the home improvement.

21 "Director" means the Director of the Division of Taxation in the
22 Department of the Treasury.

23 "Home improvement" means the improvement of a qualified
24 residence which does not change the permitted use of the residence
25 and shall include the modernization, rehabilitation, renovation,
26 alteration or repair of the residence, provided that the cost of the home
27 improvement equals or exceeds \$1,000.

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 Act (National
34 Defense Housing), Pub.L. 849, 76th Congress (42 U.S.C. § 1521 et
35 seq.), as amended, which acquired a National Defense Housing Project

1 pursuant to that act.

2 "Qualified residence" means any residential property which is
3 owned by the claimant, assessed as real property, consists of a single
4 residential unit, and constitutes the principal place of residence of the
5 claimant. A qualified residence may be a unit in a condominium or
6 horizontal property regime, but shall not be a unit in a cooperative or
7 mutual housing corporation. A person shall be deemed to have
8 ownership of a residence under this paragraph if that person is a tenant
9 for life or a tenant under a lease for 99 years or more and is entitled to
10 and actually takes possession of the residence under an executory
11 contract for the sale thereof or under an agreement with a lending
12 institution which holds title as security for a loan;

13 b. A resident taxpayer shall be allowed a credit against the tax
14 otherwise due pursuant to N.J.S.54A:1-1 et seq. as follows:

15 (1) If the taxpayer's gross income is not greater than \$35,000, the
16 credit shall be an amount equal to 15% of the cost of the home
17 improvement;

18 (2) If the taxpayer's gross income is greater than \$35,000 but not
19 greater than \$70,000, the credit shall be an amount equal to 10% of
20 the cost of the home improvement; and

21 (3) If the taxpayer's gross income is greater than \$70,000 but not
22 greater than \$150,000, the credit shall be an amount equal to 5% of
23 the cost of the home improvement.

24 The maximum credit allowed in any tax year pursuant to this
25 section shall be \$5,000.

26 c. The amount of the credit shall be applied during the taxable year
27 in which the final payment for the home improvement is made against
28 any tax liability otherwise due after any other credits permitted
29 pursuant to law have been applied. If the credit reduces the taxpayer's
30 tax liability to zero, the remaining amount of the credit shall be
31 considered an overpayment of the tax.

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33 2. The director shall promulgate rules and regulations in
34 accordance with the "Administrative Procedure Act," P.L.1968, c.410
35 (C.52:14-1 et seq.) as are deemed necessary to administer the
36 provisions of this act.

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38 3. This act shall take effect immediately and shall apply to taxable
39 years beginning on or after January 1, 1994.

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STATEMENT

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44 This bill provides for a credit under the New Jersey gross income
45 tax equal to between 5% and 15% of the cost of certain home
46 improvements. Under the bill home improvements include the

1 modernization, rehabilitation, renovation, alteration or repair of a
2 residence owned and occupied by the claimant. To qualify for the
3 credit the cost of the home improvement must equal or exceed \$1,000.

4 The percentage of the cost of the improvement that is allowed as a
5 credit depends upon the claimant's gross income. Taxpayers with an
6 income of \$35,000 or less receive a credit equal to 15% of the cost of
7 the improvement. Taxpayers with incomes above \$35,000 but not
8 more than \$70,000 receive a credit equal to 10% of the cost of the
9 improvement. Taxpayers with incomes above \$70,000 but not greater
10 than \$150,000 receive a credit equal to 5% of the cost of the
11 improvement. Taxpayers with incomes above \$150,000 are not
12 eligible for the credit. The maximum credit permitted under the bill is
13 \$5,000. If a taxpayer's credit exceeds the taxpayer's liability, the
14 taxpayer may receive the difference as a refund.

15 This bill provides a stimulus to the State's economy and encourages
16 homeowners to improve their properties by giving them tax
17 incentives. Currently, tax incentives for home improvements are only
18 available to owners of rental property.

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23 Provides credit for home improvement costs under gross income tax.