

# SENATE STATE GOVERNMENT COMMITTEE

## STATEMENT TO

### **SENATE, No. 1**

with committee amendments

# STATE OF NEW JERSEY

DATED: MAY 9, 1996

The Senate State Government Committee reports favorably and with committee amendments Senate, No. 1.

Senate Bill No. 1, entitled the "Property Tax Deduction Act," provides a gross income tax deduction of up to \$10,000 for property taxes paid by homeowners, or the rental equivalent thereof paid by tenants, on a taxpayer's principal residence in this State.

In effect, this bill reinstates the deduction of property taxes under the gross income tax which was allowed under the former "Homestead Tax Relief Act," P.L.1985, c.304 (C.54A:3A-1 et seq.). However, unlike the former "Homestead Tax Relief Act," this bill limits the deduction for taxpayers to \$10,000.

For resident gross income taxpayers, and homestead property tax payers and tenants who have no gross income tax liability, an annual refundable tax credit of \$50 is provided if the property tax deduction or its rental equivalent does not result in at least a \$50 gross income tax savings.

This bill was pre-filed for introduction in the 1996 session pending technical review. As reported, this bill includes the changes required by technical review which has been performed.

#### COMMITTEE AMENDMENTS

The committee amended the bill to provide that resident gross income taxpayers, and homestead property taxpayers who have no gross income tax liability, will receive an annual refundable tax credit of \$50 if the property tax deduction or its rental equivalent does not result in at least a \$50 gross income tax savings. The committee also amended the bill to ensure that the annual gross income tax revenue estimated to be foregone in the Property Tax Relief Fund due to the deduction and the refundable tax credit is annually restored to the Property Tax Relief Fund from other General Fund State revenues without impacting on the annual level of State aid to municipalities, school districts and counties.