

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 1841

STATE OF NEW JERSEY

219th LEGISLATURE

DATED: MARCH 17, 2021

SUMMARY

- Synopsis:** Allows gross income tax deduction for amounts paid for removal of lead, asbestos, and other contaminants from taxpayer’s residential property.
- Type of Impact:** Multi-year loss of State revenue to the Property Tax Relief Fund
- Agencies Affected:** Department of the Treasury

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2021 to FY 2026</u>
State Revenue Loss	Indeterminate

- 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 will request 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 or 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.

BILL DESCRIPTION

This bill provides a gross income tax deduction for taxpayers for the amounts paid during a taxable year for lead-based paint hazard abatement, asbestos hazard abatement, replacement of water service line or plumbing containing hazardous amounts of lead, lead remediation, and replacement of leaded windows.

This deduction only applies if the abatement, remediation, or replacement occurs on a taxpayer's residential property. The deduction is available to a taxpayer regardless of the taxpayer's income, but the amount of the deduction is capped at \$45,000. During the first year of enactment of this bill, a taxpayer can deduct expenses incurred since January 1, 2018. This tax deduction expires on December 31, 2025. A taxpayer is required to submit receipts for the work done in order to qualify for the deduction and the work has to have been completed by a licensed contractor.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The 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 notes that in the Department of Community Affairs, there is currently the Lead Safe Home Remediation Pilot Program. This program is responsible for identifying and remediating lead-based paint hazards through interim controls to prevent elevated blood lead levels in pregnant women and children. According to the department's responses to FY 2020 OLS Discussion Points, this program remediated 403 homes at an average cost of \$6,230 for remediation work and abated 52 homes for at an average cost of \$14,436, not including administrative or program support costs. If one multiplies the average cost of the work to the number of homes, the total is approximately \$3.3 million. The Department also stated that the program had a hard time recruiting participants for remediation work and that most households preferred abatement work to remediation, which is more costly. This is only one of many programs that supports lead remediation and abatement in the State.

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 would cost given that each residential property will require different amounts of remediation and abatement work, and therefore cannot make a forecast for the future tax years or how many taxpayers will claim this deduction. Therefore, the OLS estimates that this bill would result in an indeterminate, multi-year loss of revenue to the Property Tax Relief Fund. 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.

Section: Revenue, Finance, and Appropriations

Analyst: Parag Shende
Associate Fiscal Analyst

Approved: Thomas Koenig
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).