

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

**SENATE, No. 1411**

## **STATE OF NEW JERSEY 219th LEGISLATURE**

DATED: NOVEMBER 1, 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;  
Multi-year local government expenditure increase.
- Agencies Affected:** Department of the Treasury

#### **Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2022 to FY 2026</u></b>
<b>State Revenue Loss</b>	Indeterminate
<b>Local Expenditure Increase</b>	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 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 completed 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 future tax years on how many taxpayers will claim this deduction and in what amounts. 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 the deduction, though the bill does not mandate any particular action by any municipal government.

## **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 lines or plumbing containing hazardous amounts of lead, lead remediation, and replacement of leaded windows.

This deduction applies only 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. In the first year following enactment of the bill, a taxpayer is permitted to deduct expenses incurred since January 1, 2018. A taxpayer is required to submit an affidavit from the municipality where the residential property is located acknowledging the work done and the amounts paid by the taxpayer to a licensed contractor in order to qualify for the deduction. The tax deduction established by the bill expires on December 31, 2025.

## **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 resulting from gross income taxpayers claiming deductions authorized by the bill. 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. It is possible that State revenue losses and municipal expenditures may be somewhat frontloaded as the bill allows a taxpayer to deduct any expenses incurred between January 23 1, 2018 and the first taxable year following the bill's enactment, up to the \$45,000 cap.

The OLS notes the Department of Community Affairs currently administers 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 response to FY 2020 OLS Discussion Points, this program financed remediation work at 403 homes at an average cost of \$6,230 per home and abatement work at 52 homes at an average cost of \$14,463, not including administrative or program support costs. If one multiplies the average cost of the work by 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 to remediation, which is more costly. This is only one of many programs that support lead remediation and abatement in the State.

The OLS does not have sufficient data on how many taxpayers have completed 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 on how many taxpayers will claim this deduction and in what amounts. Therefore, the OLS estimates

that this bill will 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*  
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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.).