

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 1411

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: NOVEMBER 18, 2021

SUMMARY

- Synopsis:** Allows gross income tax deduction for amounts paid for removal of lead, asbestos, sodium, chloride, and other contaminants from taxpayer’s 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

Fiscal Impact	<u>FY 2022 through FY 2026</u>
State Revenue Loss	Indeterminate
Local Expenditure Increase	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, sodium, chloride, and other contaminants on their residential property.
- The OLS does not have sufficient data on how many taxpayers have completed installation, 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 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 bill also allows a taxpayer whose private well water is contaminated with levels of sodium or chloride that exceed U.S. Environmental Protection Agency secondary maximum containment levels to deduct the following expenses from gross income: the cost of installing a water treatment system by a licensed contractor or plumber, the cost of replacing any pipes connected to the water treatment system, and the cost of any upgrades needed for the property's septic system or leach field to handle the increased volume of waste water from the water treatment system.

The deductions are 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 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.

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.

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 installation, 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 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.).