

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1411

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1411 (1R), with committee amendments.

This bill would allow taxpayers, regardless of income, to deduct up to a combined \$45,000 from gross income in a year for the following expenses:

(1) lead-based paint hazard abatement in the taxpayer's residential property if performed by a certified lead abatement contractor;

(2) asbestos hazard abatement in the taxpayer's residential property if performed by a licensed asbestos abatement contractor;

(3) replacement of a water service line containing hazardous amounts of lead if the line is owned by the taxpayer, the line is on the real property of the taxpayer's residential property, and the line's replacement is necessary for abatement of the hazard in the taxpayer's residential property;

(4) replacement of plumbing containing hazardous amounts of lead in the taxpayer's residential property;

(5) remediation of lead and other contaminants in the soil of a taxpayer's residential property;

(6) replacement of leaded windows on the taxpayer's residential property;

(7) the cost of installing a water treatment by a licensed contractor or plumber if the private well water servicing the taxpayer's property is contaminated with excess sodium or chloride levels;

(8) the cost of replacing any pipes connected to the water treatment system if the private well water servicing the taxpayer's property is contaminated with excess sodium or chloride levels; and

(9) the cost of certain upgrades to a property's septic system of leach field if the private well water servicing the taxpayer's property is contaminated with excess sodium or chloride levels.

As used in the bill, "residential property" means a taxpayer's primary residence, owner-occupied home, or rental unit.

The Director of the Division of Taxation in the Department of the Treasury would be required to set the standards by which taxpayers are to demonstrate that they qualify for the deduction. To be eligible for

the deduction for costs related to lead-based paint hazard abatement or asbestos hazard abatement, the taxpayer would be required to submit an affidavit from the municipality in which the residential property is located to the director acknowledging that the work was done and the amount paid by the taxpayer to the licensed contractor.

During the first taxable year following the bill's enactment, a taxpayer would be allowed to deduct any covered expenses incurred between January 1, 2018 and that year. The provisions of the bill would expire on December 31, 2025.

As amended, this bill is identical to Assembly Bill No. 1841 (3R), which was also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amendments provide that when a taxpayer's property is serviced by a private water well that is contaminated with excess sodium or chloride levels, the taxpayer may claim the gross income tax deduction for the following expenses: (1) the cost of installing a water treatment system by a licensed contractor or plumber; (2) the cost of replacing any pipes connected to the water treatment system; and (3) the cost of any upgrades needed for the property's septic system or leach field to handle the increased volume of wastewater from the water treatment system.

FISCAL IMPACT:

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, sodium, chloride, 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.