

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 3603

STATE OF NEW JERSEY

DATED: DECEMBER 6, 2021

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 3603.

This bill amends the “Property Tax Deduction Act,” (N.J.S.A.54A:3A-15 et seq.) to provide additional income tax relief for tenants by increasing, from 18 percent to 30 percent, the amount of rent defined as “rent constituting property taxes”.

Under the “Property Tax Deduction Act,” a taxpayer is entitled to a deduction of up to \$15,000 from gross income for property taxes, or the rental equivalent thereof paid by tenants, due and paid for that calendar year on a taxpayer’s homestead. For tenants, the amount of the deduction is based on the amount of “rent constituting property taxes”. Current law sets the amount of rent constituting property taxes at 18 percent of the rent paid by the taxpayer for the occupancy, during the taxable year, of a unit of residential real property which the taxpayer occupies a principal residence. This bill increases the amount rent constituting property taxes from 18 percent of rent paid to 30 percent of rent paid.

Increasing the cap on the amount of rental payments defined as rent constituting property taxes would allow eligible gross income taxpayers to deduct a higher amount of rent from their gross income, thereby lowering in the amount of gross income subject to taxation and reducing a tenant’s tax burden.