

SENATE, No. 4123

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED NOVEMBER 12, 2021

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

Allows employees to claim gross income tax deduction for unreimbursed home office expenses.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** allowing employees to claim a gross income tax deduction
2 for unreimbursed home office expenses and supplementing Title
3 54A of the New Jersey Statutes.

4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

7
8 1. a. A taxpayer who is classified as an employee shall be
9 allowed a deduction against gross income for any unreimbursed
10 home office expenses incurred by the taxpayer during the taxable
11 year, provided that:

12 (1) the taxpayer is required, as a condition of employment, to
13 maintain a suitable work area outside of the employer's premises, or
14 the taxpayer is not permitted to report to the employer's premises
15 due to a public health emergency;

16 (2) the home office is the principal location in which the
17 taxpayer's employment duties are performed; and

18 (3) the home office is regularly and exclusively used to perform
19 the taxpayer's employment duties, and the taxpayer does not use the
20 home office for personal purposes.

21 b. The amount of the deduction shall be calculated in the same
22 manner as the deductions otherwise allowed for federal tax
23 purposes under sections 162 and 280A of the federal Internal
24 Revenue Code (26 U.S.C. ss.162 and 280A), except that the
25 deduction shall not be subject to the limitations set forth in section
26 67 of the federal Internal Revenue Code (26 U.S.C. s.67).

27 c. As used in this section:

28 "Home office" means an area in the taxpayer's principal
29 residence that is dedicated to the performance of the taxpayer's
30 employment duties.

31 "Unreimbursed home office expenses" means expenses incurred
32 by a taxpayer associated with the maintenance of a home office,
33 including the purchase of home office supplies, which expenses are
34 not reimbursed by the taxpayer's employer.

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36 2. Notwithstanding any provision of the "Administrative
37 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the
38 contrary, the Director of the Division of Taxation in the Department
39 of the Treasury may, immediately upon filing with the Office of
40 Administrative Law, adopt rules and regulations necessary to
41 implement the provisions of P.L. , c. (C.) (pending before
42 the Legislature as this bill), which shall be effective for a period not
43 to exceed 18 months following the date of filing and may thereafter
44 be amended, adopted, or readopted by the director in accordance
45 with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

46
47 3. This act shall take effect immediately and shall first apply to
48 the taxable year next following the date of enactment.

STATEMENT

This bill allows taxpayers who are classified as employees to claim a gross income tax deduction for unreimbursed home office expenses.

Under current law, the federal government allows independent contractors and self-employed persons to claim a deduction from federal taxable income for the costs associated with the business use of the taxpayer's home. Similarly, independent contractors and self-employed persons can also claim a deduction for ordinary and necessary business expenses, which may include the purchase of home office supplies. Although employees could claim these deductions before the enactment of the federal "Tax Cuts and Jobs Act of 2017," Pub.L. 115-97 (TCJA), the TCJA prohibited employees from claiming the deductions during taxable years 2018 through 2025.

This bill would allow persons classified as employees to claim a similar deduction for State tax purposes. Specifically, employees could claim the deduction for unreimbursed home office expenses, which would include expenses associated with the maintenance of a home office and the purchase home office supplies.

However, a taxpayer would be required to meet the following conditions in order to qualify for the deduction: (1) the taxpayer is required, as a condition of employment, to maintain a suitable work area outside of the employer's premises, or the taxpayer is not be permitted to report to the employer's premises due to a public health emergency; (2) the home office is the principal location in which the taxpayer performs his employment duties; and (3) the home office is regularly and exclusively used to perform the taxpayer's employment duties, and the taxpayer does not use the home office for personal purposes.

Under the bill, the amount of the deduction would be calculated in the same manner as the deductions otherwise allowed for federal tax purposes, except that that the deduction would not be limited to the amount of unreimbursed home office expenses that exceed two percent of the taxpayer's federal adjusted gross income.