

SENATE, No. 182

STATE OF NEW JERSEY
221st LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2024 SESSION

Sponsored by:

Senator VINCENT J. POLISTINA

District 2 (Atlantic)

SYNOPSIS

Increases gross income tax relief based on rent constituting property taxes for residential tenants and establishes refundable gross income tax credit in place of gross income tax deduction for residential tenants.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT increasing property tax relief for tenants under the New
2 Jersey gross income tax, amending P.L.1996, c.60.

3

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

6

7 1. Section 2 of P.L.1996, c.60 (C.54A:3A-16) is amended to
8 read as follows:

9 2. As used in this act:

10 "Condominium" means the form of real property ownership
11 provided for under the "Condominium Act," P.L.1969, c.257
12 (C.46:8B-1 et seq.).

13 "Continuing care retirement community" means a residential
14 facility primarily for retired persons where lodging and nursing,
15 medical or other health related services at the same or another
16 location are provided as continuing care to an individual pursuant to
17 an agreement effective for the life of the individual or for a period
18 greater than one year, including mutually terminable contracts, and
19 in consideration of the payment of an entrance fee with or without
20 other periodic charges.

21 "Cooperative" means a housing corporation or association which
22 entitles the holder of a share or membership interest thereof to
23 possess and occupy for dwelling purposes a house, apartment,
24 manufactured or mobile home or other unit of housing owned or
25 leased by the corporation or association, or to lease or purchase a
26 unit of housing constructed or to be constructed by the corporation
27 or association.

28 "Dwelling house" means any residential property assessed as real
29 property which consists of not more than four units, of which not
30 more than one may be used for commercial purposes, but shall not
31 include a unit in a condominium, cooperative, horizontal property
32 regime or mutual housing corporation.

33 "Homestead" means:

34 a. a dwelling house and the land on which that dwelling house
35 is located which constitutes the place of the taxpayer's domicile and
36 is owned and used by the taxpayer as the taxpayer's principal
37 residence;

38 b. a dwelling house situated on land owned by a person other
39 than the taxpayer which constitutes the place of the taxpayer's
40 domicile and is owned and used by the taxpayer as the taxpayer's
41 principal residence;

42 c. a condominium unit or a unit in a horizontal property regime
43 or a continuing care retirement community which constitutes the
44 place of the taxpayer's domicile and is owned and used by the
45 taxpayer as the taxpayer's principal residence.

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 In addition to the generally accepted meaning of owned or
2 ownership, a homestead shall be deemed to be owned by a person if
3 that person is a tenant for life or a tenant under a lease for 99 years
4 or more, is entitled to and actually takes possession of the
5 homestead under an executory contract for the sale thereof or under
6 an agreement with a lending institution which holds title as security
7 for a loan, or is a resident of a continuing care retirement
8 community pursuant to a contract for continuing care for the life of
9 that person which requires the resident to bear, separately from any
10 other charges, the proportionate share of property taxes attributable
11 to the unit that the resident occupies;

12 d. a unit in a cooperative or mutual housing corporation which
13 constitutes the place of domicile of a residential shareholder or
14 lessee therein, or of a lessee or shareholder who is not a residential
15 shareholder therein, which is used by the taxpayer as the taxpayer's
16 principal residence; and

17 e. a unit of residential rental property, which unit constitutes the
18 place of the taxpayer's domicile and is used by the taxpayer as the
19 taxpayer's principal residence.

20 "Horizontal property regime" means the form of real property
21 ownership provided for under the "Horizontal Property Act,"
22 P.L.1963, c.168 (C.46:8A-1 et seq.).

23 "Mutual housing corporation" means a corporation not-for-profit,
24 incorporated under the laws of this State on a mutual or cooperative
25 basis within the scope of section 607 of the Lanham Act (National
26 Defense Housing), Pub.L.849, 76th Congress (42 U.S.C.1521 et
27 seq.), as amended, which acquired a National Defense Housing
28 Project pursuant to that act.

29 "Principal residence" means a homestead actually and
30 continually occupied by a taxpayer as the taxpayer's permanent
31 residence, as distinguished from a vacation home, property owned
32 and rented or offered for rent by the taxpayer, and other secondary
33 real property holdings.

34 "Property taxes" means payments to municipalities for which an
35 assessment by a municipality has been made on an ad valorem basis
36 on both land and improvements, and shall not include payments
37 made in lieu of taxes.

38 "Rent constituting property taxes" means ~~18%~~ 30 percent of
39 the rent paid by the taxpayer for occupancy during the taxable year
40 of a unit of residential rental property which the taxpayer occupies
41 as a principal residence; notwithstanding the definition of "property
42 taxes" herein, rent constituting property taxes includes the rent paid
43 for the occupancy of a manufactured home installed in a mobile
44 home park.

45 "Residential rental property" means:

46 a. any building or structure or complex of buildings or structures
47 in which dwelling units are rented or leased or offered for rental or
48 lease for residential purposes;

1 b. a rooming house, hotel or motel, if the rooms constituting the
2 homestead are equipped with kitchen and bathroom facilities; and

3 c. any building or structure or complex of buildings or structures
4 constructed under the following sections of the National Housing
5 Act (Pub.L.73-479) as amended and supplemented: section 202,
6 Housing Act of 1959 (Pub.L.86-372) and as subsequently amended,
7 section 231, Housing Act of 1959.

8 "Residential shareholder in a cooperative or mutual housing
9 corporation" means a tenant or holder of a membership interest in
10 that cooperative or corporation, whose residential unit therein
11 constitutes the tenant's or holder's domicile and principal residence,
12 and who may deduct real property taxes for purposes of federal
13 income tax pursuant to section 216 of the federal Internal Revenue
14 Code of 1986, 26 U.S.C.216.

15 (cf: P.L.1996, c.60, s.2)

16
17 2. Section 4 of P.L.1996, c.60 (C.54A:3A-18) is amended to
18 read as follows:

19 4. a. A resident taxpayer whose homestead is a unit of
20 residential rental property shall be allowed a **[deduction from gross**
21 **income for]** credit against the tax otherwise due for the taxable year
22 under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et
23 seq., in an amount equal to that portion of the rent constituting
24 property taxes not in excess of \$15,000, subject to the limitations of
25 subsection d. of this section, due and paid for the calendar year in
26 which the rent constituting taxes is due and payable, for occupancy
27 of that homestead.

28 b. A husband and wife who elect to file separate income tax
29 returns pursuant to the "New Jersey Gross Income Tax Act,"
30 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the
31 **[property tax deduction]** tax credit allowed pursuant to this section.

32 c. If more than one taxpayer, other than husband and wife,
33 qualify **[to deduct]** for a credit for rent constituting property taxes
34 by reason of their having occupied the same rented homestead, it
35 shall be presumed that the **[deduction]** credit shall be equally
36 divided. A taxpayer may, however, **[deduct an]** apply a credit
37 amount for rent constituting property taxes in the same proportion
38 that the rent paid by that taxpayer bears to the total rent paid by all
39 tenants of the same unit.

40 d. **[Notwithstanding the provisions of subsection a. of this**
41 **section to the contrary:** (1) a resident taxpayer whose homestead is
42 a unit of residential rental property shall be allowed a deduction for
43 the taxpayer's taxable year beginning during 1996 based on 50% of
44 the rent constituting property taxes not in excess of \$5,000 paid for
45 the occupancy of that homestead; and (2) a resident taxpayer whose
46 homestead is a unit of residential rental property shall be allowed a
47 deduction for the taxpayer's taxable year beginning during 1997

1 based on 75% of the rent constituting property taxes not in excess
2 of \$7,500 paid for the occupancy of that homestead.】 (Deleted by
3 amendment, P.L. , c.) (pending before the Legislature as this
4 bill)
5 (cf: P.L.2018, c.45, s.2)
6

7 3. Section 5 of P.L.1996, c.60 (C.54A:3A-19) is amended to
8 read as follows:

9 5. a. If a taxpayer who is eligible for a deduction for property
10 taxes under section 3 of **【this act】** P.L.1996, c.60 (C.54A:3A-17)
11 for a part of the taxable year is also eligible for a **【deduction】** tax
12 credit for rent constituting property taxes under section 4 of **【this**
13 **act】** P.L.1996, c.60 (C.54A:3A-18) for a part of the taxable year,
14 the taxpayer shall be allowed a deduction, not in excess of \$15,000,
15 **【subject to the limitations of subsection b. of this section,】** the
16 amount of which shall be equal to the sum of the amount of
17 property tax credit as defined in section 1 of P.L.2018, c.11
18 (C.54:4-66.6) plus the amount of property taxes due and paid for the
19 calendar year in which the property taxes are due and payable on a
20 homestead that is not a unit of residential rental property and the
21 amount of a tax credit for rent constituting property taxes due and
22 paid for the calendar year in which the rent constituting property
23 taxes is due and payable for the occupancy of a homestead that is a
24 unit of residential rental property, provided however, that the
25 amount of property taxes and property tax credits shall be subject to
26 the limitations set forth in subsections b. through e. of section 3 of
27 P.L.1996, c.60 (C.54A:3A-17) and the amount of a tax credit for
28 rent constituting property taxes shall be subject to the limitations set
29 forth in subsections b. and c. of section 4 of P.L.1996, c.60
30 (C.54A:3A-18) as may be applicable.

31 b. **【Notwithstanding the provisions of subsection a. of this**
32 **section to the contrary:** (1) a taxpayer who is eligible for a
33 deduction for property taxes under section 3 of this act for a part of
34 the taxable year and is also eligible for a deduction for rent
35 constituting property taxes under section 4 of this act for a part of
36 the taxable year, shall be allowed a deduction for the taxpayer's
37 taxable year beginning during 1996 based on 50% of an amount not
38 in excess of \$5,000, the amount of which shall be equal to the sum
39 of the amount of property taxes paid on a homestead that is not a
40 unit of residential rental property and the amount of rent
41 constituting property taxes paid for the occupancy of a homestead
42 that is a unit of residential rental property; and (2) a taxpayer who is
43 eligible for a deduction for property taxes under section 3 of this act
44 for a part of the taxable year and is also eligible for a deduction for
45 rent constituting property taxes under section 4 of this act for a part
46 of the taxable year, shall be allowed a deduction for the taxpayer's
47 taxable year beginning during 1997 based on 75% of an amount not

1 in excess of \$7,500, the amount of which shall be equal to the sum
2 of the amount of property taxes paid on a homestead that is not a
3 unit of residential rental property and the amount of rent
4 constituting property taxes paid for the occupancy of a homestead
5 that is a unit of residential rental property.】 (Deleted by
6 amendment, P.L. , c.) (pending before the Legislature as this
7 bill)

8 (cf: P.L.2018, c.45, s.3)

9

10 4. Section 6 of P.L.1996, c.60 (C.54A:3A-20) is amended to
11 read as follows:

12 6. a. (1) Notwithstanding any provision of **【this act】** P.L.1996,
13 c.60 (C.54A:3A-15 et al.) to the contrary, commencing with the
14 taxpayer's taxable year beginning on or after January 1, 1996:

15 (a) a taxpayer; or

16 (b) a resident of this State who is 65 years of age or older at the
17 close of the taxable year or who is allowed to claim a personal
18 deduction as a blind or disabled taxpayer pursuant to subsection b.
19 of N.J.S.54A:3-1 but who, pursuant to N.J.S.54A:2-4, is not subject
20 to tax; and,

21 who paid property taxes **【or rent constituting property taxes】** on
22 a homestead during the calendar year may elect to take a credit
23 instead of the deduction provided pursuant to section 3 of P.L.1996,
24 c.60 (C.54A:3A-17), **【4, or 5】** in the amount of \$50**【,** subject to the
25 provisions of paragraph (2) of this subsection**】**.

26 (2) **【Notwithstanding the provisions of paragraph (1) of this**
27 **subsection, the amount of tax liability reduction or credit allowed**
28 **for the taxpayer's taxable year beginning during 1996 shall be \$25**
29 **and the amount of tax liability reduction or credit allowed for the**
30 **taxpayer's taxable year beginning during 1997 shall be \$37.50.】**
31 (Deleted by amendment, P.L. , c.) (pending before the
32 Legislature as this bill)

33 b. A husband and wife who elect to file separate income tax
34 returns pursuant to the "New Jersey Gross Income Tax Act,"
35 N.J.S.54A:1-1 et seq., shall each be entitled to one-half of the credit
36 allowed pursuant to subsection a. of this section.

37 c. The credit shall be paid to the taxpayer as a refund of
38 overpayment pursuant to N.J.S.54A:9-7, provided however, that
39 subsection (f) of that section shall not apply. The credit for a
40 claimant qualified under subsection a. of this section who, pursuant
41 to N.J.S.54A:2-4, is not subject to tax, shall be applied for
42 annually on an application as shall be made available by the
43 director, to be filed with the director on or before the date for filing
44 annual gross income tax returns. The director shall determine the
45 form and manner by which a qualified applicant shall apply for a
46 refund of an overpayment pursuant to this section, and the time of
47 the refund of the overpayment. For the purposes of this section,

1 refunds of overpayments may be combined with payments of
2 rebates pursuant to P.L.1990, c.61 (C.54:4-8.57 et seq.).
3 (cf: P.L.1996, c.60, s.6)
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5 5. This act shall take effect immediately but shall first apply to
6 the taxable year next following the date of enactment.
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STATEMENT

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12 This bill increases tax relief under the New Jersey gross income
13 tax for residential tenants. The bill provides income tax relief for
14 tenants by increasing, from 18 percent to 30 percent, the amount of
15 rent defined as “rent constituting property taxes”. The bill also
16 changes the gross income tax deduction for residential tenants to a
17 refundable gross income tax credit of up to \$15,000 for “rent
18 constituting property taxes.”

19 Increasing the cap on the amount of rental payments defined as
20 “rent constituting property taxes” and allowing that amount to be a
21 refundable tax credit of up to \$15,000 will reduce residential
22 tenants’ tax burdens.