

SENATE, No. 1422

STATE OF NEW JERSEY
221st LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2024 SESSION

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

Senator SHIRLEY K. TURNER

District 15 (Hunterdon and Mercer)

SYNOPSIS

Allows taxpayers to utilize alternative method of depreciation of certain expenditures in connection with construction of new affordable housing developments.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT allowing taxpayers to utilize alternative method of
2 depreciation for certain expenditures under corporation business
3 and gross income taxes, supplementing P.L.1945, c.162
4 (C.54:10A-1 et seq.) and Title 54A of the New Jersey Statutes.

5

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

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9 1. a. Notwithstanding paragraph (12) of subsection (k) of
10 section 4 of P.L.1945, c.162 (C.54:10A-4), for purposes of
11 calculating the depreciation deduction allowed pursuant to the
12 Corporation Business Tax Act (1945), P.L.1945, c.162 (C.54:10A-1
13 et seq.), a taxpayer shall be allowed to depreciate a percentage of
14 eligible property expenditures, as that percentage is determined and
15 computed pursuant to subsection b. of this section, over a ten-year
16 period.

17 b. For purposes of calculating the percentage of eligible
18 property expenditures depreciated by a taxpayer pursuant to
19 subsection a. of this section, the taxpayer shall apply the following
20 formula: $2 \times (\text{the number of affordable housing units in the}$
21 $\text{development} / \text{the number of non-affordable housing units in the}$
22 $\text{development})$.

23 c. The Director of the Division of Taxation in the Department of
24 the Treasury shall prescribe the rules and regulations necessary to
25 carry out the provisions of this section.

26 d. As used in this section:

27 "Affordable housing development" means a development that
28 includes one or more units of housing, at least 20 percent of which
29 qualify as affordable housing.

30 "Affordable housing" means housing occupied or restricted to
31 occupancy by households with income no greater than 80 percent of
32 the regional median income, including, but not limited to, housing
33 that is deed restricted as affordable pursuant to the "Fair Housing
34 Act," P.L.1985, c.222 (C.52:27D-301 et al.).

35 "Eligible property expenditures" means capital expenditures
36 incurred by the taxpayer in connection with the construction of a
37 new affordable housing development owned by the taxpayer.

38 "Non-affordable housing" means housing that does not qualify as
39 affordable housing.

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41 2. a. Notwithstanding section 26 of P.L.2004, c.65
42 (C.54A:5-1.2), for purposes of calculating the depreciation
43 deduction allowed under the "New Jersey Gross Income Tax Act,"
44 N.J.S.54A:1-1 et seq., a taxpayer shall be allowed to depreciate a
45 percentage of eligible property expenditures, as that percentage is
46 determined and computed pursuant to subsection b. of this section,
47 over a ten-year period.

1 b. For purposes of calculating the percentage of eligible
2 property expenditures depreciated by a taxpayer pursuant to
3 subsection a. of this section, the taxpayer shall apply the following
4 formula: $2 \times$ (the number of affordable housing units in the
5 development / the number of non-affordable housing units in the
6 development).

7 c. The Director of the Division of Taxation in the Department of
8 the Treasury shall prescribe the rules and regulations necessary to
9 carry out the provisions of this section.

10 d. As used in this section:

11 "Affordable housing development" means a development that
12 includes one or more units of housing, at least 20 percent of which
13 qualify as affordable housing.

14 "Affordable housing" means housing occupied or restricted to
15 occupancy by households with income no greater than 80 percent of
16 the regional median income, including, but not limited to, housing
17 that is deed restricted as affordable pursuant to the "Fair Housing
18 Act," P.L.1985, c.222 (C.52:27D-301 et al.).

19 "Eligible property expenditures" means capital expenditures
20 incurred by the taxpayer in connection with the construction of a
21 new affordable housing development owned by the taxpayer.

22 "Non-affordable housing" means housing that does not qualify as
23 affordable housing.

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25 3. This act shall take effect immediately and shall apply to
26 eligible property expenditures incurred on and after the effective
27 date of P.L. , c. (C.) (pending before the Legislature as this
28 bill).

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31 STATEMENT

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33 This bill allows taxpayers to claim a deduction for depreciation,
34 under the Gross Income Tax and the Corporation Business Tax,
35 based on a percentage of eligible property expenditures, meaning
36 capital expenditures incurred by the taxpayer in connection with the
37 construction of a new affordable housing development owned by
38 the taxpayer. Under the bill, a taxpayer may claim this deduction
39 over a ten-year period.

40 To calculate the percentage of eligible property expenditures that
41 may be depreciated, the taxpayer would be required to apply the
42 following formula: $2 \times$ (the number of affordable housing units in
43 the development / the number of non-affordable housing units in the
44 development).

45 As defined in the bill, "affordable housing development" means
46 a development that includes one or more units of housing, at least
47 20 percent of which qualify as affordable housing. The bill defines
48 "affordable housing" as housing occupied or restricted to occupancy

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- 1 by households with income no greater than 80 percent of the
- 2 regional median income, including, but not limited to, housing that
- 3 is deed restricted as affordable pursuant to the "Fair Housing Act."