ASSEMBLY, No. 5569

STATE OF NEW JERSEY

222nd LEGISLATURE

INTRODUCED SEPTEMBER 24, 2026

Sponsored by:
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District 2 (Atlantic)
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SYNOPSIS

Increases amount of rental payments defined as rent constituting property taxes for purposes of deduction from gross income for property tax payments; increases property tax credit option for certain individuals.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning the gross income tax deduction and credit for property tax payments and amending P.L.1996, c.60.

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

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

2. As used in this act:

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

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

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

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

"Homestead" means:

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

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

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

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

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

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

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

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

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

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

"Rent constituting property taxes" means **[**18%**]** <u>30%</u> of the rent paid by the taxpayer for occupancy during the taxable year of a unit of residential rental property which the taxpayer occupies as a principal residence; notwithstanding the definition of "property taxes" herein, rent constituting property taxes includes the rent paid for the occupancy of a manufactured home installed in a mobile home park.

"Residential rental property" means:

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

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

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

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

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

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

6. a. (1) Notwithstanding any provision of this act to the contrary, commencing with the taxpayer's taxable year beginning on or after January 1, 1996:

(a) a taxpayer; or

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

who paid property taxes or rent constituting property taxes on a homestead during the calendar year may elect to take a credit instead of the deduction provided pursuant to section 3, 4, or 5 in the amount of **[**$50**]** $250, subject to the provisions of paragraph (2) of this subsection.

(2) Notwithstanding the provisions of paragraph (1) of this subsection, the amount of tax liability reduction or credit allowed for the taxpayer's taxable year beginning during 1996 shall be $25 and the amount of tax liability reduction or credit allowed for the taxpayer's taxable year beginning during 1997 shall be $37.50.

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

c. The credit shall be paid to the taxpayer as a refund of overpayment pursuant to N.J.S.54A:9-7, provided however, that subsection (f) of that section shall not apply. The credit for a claimant qualified under subsection a. of this section who, pursuant to N.J.S.54A:2-4, is not subject to tax, shall be applied for annually on an application as shall be made available by the director, to be filed

with the director on or before the date for filing annual gross income tax returns. The director shall determine the form and manner by which a qualified applicant shall apply for a refund of an overpayment pursuant to this section, and the time of the refund of the overpayment. For the purposes of this section, refunds of overpayments may be combined with payments of rebates pursuant to P.L.1990, c.61 (C.54:4-8.57 et seq.).
(cf: P.L.1996, c.60, s.6)

3. This act shall take effect immediately and shall apply to taxable years ending after the date of enactment.

STATEMENT

This bill amends the "Property Tax Deduction Act," (C.54A:3A-15 et seq.) to provide additional tax relief for property taxpayers by increasing, from 18 percent to 30 percent, the amount of rent defined as "rent constituting property taxes," and increasing, from $50 to $250 the property tax credit that certain individuals may elect to receive in lieu of an income tax deduction.

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, during the taxable year, for a unit of residential real property, which the taxpayer occupies as a principal residence. This bill increases the amount of rent constituting property taxes from 18 percent of rent paid to 30 percent of rent paid.

Increasing the limitation 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 the taxpayer's gross income subject to taxation and reducing a tenant's tax burden.

The bill also increases, from $50 to $250, the property tax credit that certain individuals who paid property taxes or rent constituting property taxes may elect to receive instead of the gross income tax deduction. This credit is available to State gross income taxpayers as well as residents who are 65 years of age or older or who are allowed to claim a personal deduction as a blind or disabled taxpayer, but who are not subject to gross income taxation.