

AN ACT permitting taxpayers to deduct the total amount of State property taxes due and paid on a principal residence in a calendar year from the taxpayer's gross income tax obligation and amending P.L.1996, c.60.

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

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

3. a. A resident taxpayer under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be allowed a deduction from gross income for property taxes **[not in excess of \$10,000]**, subject to the limitations of subsection f. of this section, due and paid for the calendar year in which the taxes are due and payable on the taxpayer's homestead.

b. A deduction for property taxes shall be allowed pursuant to this section in relation to the amount of the property taxes actually paid by or allocable to a resident taxpayer who has more than one homestead, but the aggregate amount of the property taxes claimed shall not exceed the total of the proportionate amounts of property taxes assessed and levied against or allocable to each homestead for the portion of the taxable year for which the taxpayer occupied it as the taxpayer's principal residence.

c. If title to a homestead is held by more than one individual as joint tenants or tenants in common, each individual shall be allowed a deduction pursuant to this section only in relation to the individual's proportionate share of the property taxes assessed and levied against the homestead. The proportionate share shall be equal to that of all other individuals who hold the title, but if the conveyance under which the title is held provides for unequal interests therein, a taxpayer's share of the property taxes shall be in proportion to the taxpayer's interest in the title.

d. If title to a homestead is held by a husband and wife who own the homestead as tenants by the entirety, or if that husband and wife are both residential shareholders of a cooperative or mutual housing corporation and occupy the same homestead therein, and 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., that husband and wife shall each be entitled to one-half of the deduction for property taxes for which they may be jointly eligible pursuant to this section.

e. If the homestead is a dwelling house consisting of more than one unit, that taxpayer shall be allowed a deduction for property taxes only in relation to the proportionate share of the property taxes assessed and levied against the residential unit occupied by the taxpayer, as determined by the local tax assessor.

**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.

f. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a resident taxpayer shall be allowed a deduction for a taxpayer's taxable year beginning during 1996 based on 50% of the property taxes not in excess of \$5,000 paid on the taxpayer's homestead; and (2) a resident taxpayer shall be allowed a deduction for a taxpayer's taxable year beginning during 1997 based on 75% of the property taxes not in excess of \$7,500 paid on the taxpayer's homestead.

g. Notwithstanding any other provision of this section, the deduction allowed under this section to a resident taxpayer eligible to receive a homestead property tax reimbursement pursuant to P.L.1997, c.348 (C.54:4-8.67 et al.) shall not exceed that resident taxpayer's base year property tax liability as determined pursuant to P.L.1997, c.348 (C.54:4-8.67 et al.).

h. Notwithstanding any other provision of this section, for the taxable year beginning January 1, 2009, a taxpayer who has gross income for the taxable year of more than \$250,000 and is not:

(1) 65 years of age or older at the close of the taxable year; or

(2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not be allowed a deduction pursuant to this section;

provided however, the deduction for a taxpayer who has gross income for the taxable year of more than \$150,000 but not exceeding \$250,000 and is not:

(1) 65 years of age or older at the close of the taxable year; or

(2) allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection (b) of N.J.S.54A:3-1, shall not exceed \$5,000.

(cf: P.L.2009, c.69, s.2)

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

4. a. A resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction from gross income for that portion of the rent constituting property taxes [not in excess of \$10,000], subject to the limitations of subsection d. of this section, due and paid for the calendar year in which the rent constituting taxes is due and payable, for occupancy of that homestead.

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 property tax deduction allowed pursuant to this section.

c. If more than one taxpayer, other than husband and wife, qualify to deduct rent constituting property taxes by reason of their having occupied the same rented homestead, it shall be presumed that the deduction shall be equally divided. A taxpayer may, however, deduct an amount for rent constituting property taxes in

the same proportion that the rent paid by that taxpayer bears to the total rent paid by all tenants of the same unit.

d. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of the rent constituting property taxes not in excess of \$5,000 paid for the occupancy of that homestead; and (2) a resident taxpayer whose homestead is a unit of residential rental property shall be allowed a deduction for the taxpayer's taxable year beginning during 1997 based on 75% of the rent constituting property taxes not in excess of \$7,500 paid for the occupancy of that homestead.

(cf: P.L.1996, c.60, s.4)

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

5. a. If a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, the taxpayer shall be allowed a deduction, [not in excess of \$10,000,] subject to the limitations of subsection b. of this section, the amount of which shall be equal to the sum of the amount of property taxes due and paid for the calendar year in which the property taxes are due and payable on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes due and paid for the calendar year in which the rent constituting property taxes is due and payable for the occupancy of a homestead that is a unit of residential rental property, provided however, that the amount of property taxes shall be subject to the limitations set forth in subsections b. through e. of section 3 and the amount of rent constituting property taxes shall be subject to the limitations set forth in subsections b. and c. of section 4 as may be applicable.

b. Notwithstanding the provisions of subsection a. of this section to the contrary: (1) a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's taxable year beginning during 1996 based on 50% of an amount not in excess of \$5,000, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property; and (2) a taxpayer who is eligible for a deduction for property taxes under section 3 of this act for a part of the taxable year and is also eligible for a deduction for rent constituting property taxes under section 4 of this act for a part of the taxable year, shall be allowed a deduction for the taxpayer's

taxable year beginning during 1997 based on 75% of an amount not in excess of \$7,500, the amount of which shall be equal to the sum of the amount of property taxes paid on a homestead that is not a unit of residential rental property and the amount of rent constituting property taxes paid for the occupancy of a homestead that is a unit of residential rental property.

(cf: P.L.1996, c.60, s.5)

4. This act shall take effect immediately and apply to taxable years beginning on or after January 1, 2018.

#### STATEMENT

This bill permits taxpayers to deduct the total amount of State property taxes, due and paid in a calendar year on the taxpayer's principal residence, from the taxpayer's gross income tax obligation.

Under current law, a taxpayer may deduct up to \$10,000 of property taxes due and paid in the calendar year on the taxpayer's primary residence from the taxpayer's gross income tax obligation. If the taxpayer is a renter, the taxpayer may deduct up to \$10,000 of the amount of "rent constituting property tax," which is defined in P.L.1996, c.60, s.2 (C.54A:3A-16) to mean 18 percent of rent, due and paid in the calendar year from the taxpayer's gross income tax obligation. This bill eliminates these \$10,000 maximum allowable deductions, thereby permitting a taxpayer to deduct the full amount of property taxes, or rent constituting property taxes, due and paid by the taxpayer in the calendar year on the taxpayer's primary residence.

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Permits taxpayers to deduct the total amount of State property taxes paid on principal residence from gross income tax obligation.