

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 343**

# **STATE OF NEW JERSEY**

DATED: FEBRUARY 28, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 343 (1R).

This bill amends the “Property Tax Deduction Act” (N.J.S.A.54A:3A-15 et seq.) to provide additional income tax relief for tenants by increasing, from 18 percent to 30 percent, the amount of rent defined as “rent constituting property taxes.”

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

Increasing the cap 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 gross income subject to taxation and reducing a tenant’s tax burden.

### FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that increasing the amount of rent constituting property taxes, which would allow income taxpayers to deduct a higher amount of rent from their gross income, could reduce State revenues by roughly \$85.7 million to \$135.5 million annually.

The OLS notes that the COVID-19 pandemic has affected both occupancies and the price of rent. The actual impact of the bill may initially vary from the OLS estimate, since the rental market in New Jersey is still recovering from the pandemic.