ASSEMBLY HOUSING COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2246

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 2, 2022

The Assembly Housing Committee reports favorably Assembly Bill No. 2246 with committee amendments.

This bill establishes the New Jersey Homebuyer Tax Credit Program under the gross income tax.

To qualify for the credit, a taxpayer is required to: (1) be a first-time homebuyer; and (2) enter into a contract of sale on a qualified home purchase within certain prescribed dates. For qualifying new home purchases, a taxpayer has 18 months from the contract of sale in which to complete the purchase. For qualifying previously occupied homes, a taxpayer has 12 months from the contract of sale in which to complete the purchase. The taxpayer is also required to occupy the property as her or his principal residence for at least three consecutive years after the date of the purchase.

The tax credit provided by the bill is refundable and is allowed for up to $15,000 or five percent of the purchase price, whichever is less. The total credits available are capped at $100 million, with up to $25 million allocated for qualified home purchases made between the effective date of the bill and up to one year thereafter; and up to $25 million allocated for qualified home purchases made after one year, but before two years, after the effective date of the bill. If the tax credit program is renewed, up to $25 million is available for qualified home purchases made up to one year after the renewal date; and up to $25 million is available for qualified purchases made between one year, but before two years, after the date the program is renewed. For each year the program is in effect, up to $18.75 million is allocated for purchases of newly constructed homes not previously occupied, and up to $6.25 million is allocated for purchases of previously occupied homes.

The credit is only available to taxpayers who are New Jersey residents, are natural persons, and have not previously owned qualified residential property. Moreover, the New Jersey reported gross income of the taxpayer, combined with the New Jersey reported gross income of other individuals expected to be permanent residents of the property (domiciled for more than 180 days of the year), cannot exceed 150 percent of the median income for households of the same size in the housing region where the property is located. The value of the qualified residential property likewise cannot exceed $500,000.

The credit is provided on a first-come, first-serve basis, and the claiming of the credit for personal income tax filing purposes will be divided into three equal credit amounts claimed over three taxable years. The terms of the credit require that the home continue to be occupied as the taxpayer's principal residence for three years.

If the taxpayer fails to use the home as his or her principal residence for at least 36 months next following the date of the qualified home purchase, then the taxpayer must pay back the full amount of the credit received. Likewise, if the Director of the Division of Taxation in the Department of the Treasury determines that a taxpayer has used a strawman to make more than one qualified home purchase, in order to “flip houses” and claim multiple credits pursuant to the bill, then the taxpayer is required to pay back the full amount of all credits received; this prohibition is not intended to preclude the use of a real estate agent or broker in facilitating a qualified home purchase. In the event the taxpayer dies during the 36 months the qualified residential property is required to be used as the taxpayer’s principal residence, then any heirs to whom the property has been bequeathed are required to: (1) meet the definition of “first-time homebuyer taxpayer”; and (2) use the property as that heir’s or heirs’ principal residence for the balance of the 36 months; otherwise, the credit is disallowed for all tax years beginning after the death of the original purchaser/taxpayer.

After the end of the second year in which this program is operational, the Office of Revenue and Economic Analysis in the Department of the Treasury is required to prepare and submit a report to the Governor and Legislature to study the efficacy of the tax credit program. This report, at a minimum, is required to include: (1) the impact of the tax credit program on State revenue; (2) the extent to which home purchases by first time homebuyers (including purchases of new qualified residential property) increased during the period the tax credits were available; (3) whether the data suggests that a two year extension of the tax credit program may have a material, positive impact on the State’s construction, real estate, and any other sectors of the State economy; and (4) whether the fiscal condition and outlook of the State has materially changed in way that materially affect the purpose underlying the program to promote home ownership and strengthen key sectors of the State’s economy. Upon receipt of this report, the Legislature may adopt, and the Governor may sign, a joint resolution that extends the program for two additional years.

The effective date of this bill is the first day of the sixth month next following the date of enactment.

The bill is intended to create a substantial and immediate incentive for potential homebuyers of modest means. Recognizing that much direct and indirect economic activity is generated through new home construction and home resales, this incentive is expected not only to strengthen homebuilding industry in this State, but also to stimulate economic growth through indirect related spending, including boosting State and local government revenue collections generated by this activity.

COMMITTEE AMENDMENTS:

The committee amendments to the bill would accomplish the following:

- Limit program availability to households for whom income does not exceed 150 percent of the median income for households of the same size in the housing region where the property is located;
- Limit qualified residential properties to those not exceeding $500,000, replacing a $560,000 limitation;
- Make a technical change.