

## FEELING AT HOME WITH THE NEW LAW?

If not, we can help



If you have some unanswered questions on how to claim your new tax benefits, or questions on any New Jersey tax—please call us at your nearest Division of Taxation office listed below:

**Cherry Hill Office**  
11 Ormond Ave.  
Cherry Hill, NJ 08002  
(609) 795-5970

**Sea Girt Office**  
2100 Hwy. 35  
Suite C  
Sea Girt, NJ 08750  
(201) 449-0200

**Fair Lawn Office**  
22-08 Rt. 208, S.  
Fair Lawn, NJ 07410  
(201) 265-8610

**Bridgewater Office**  
1011 Rt. 22  
2nd Floor  
Bridgewater, NJ 08807  
(201) 526-7665

**Newark Office**  
1100 Raymond Blvd.  
Room 103  
Newark, NJ 07102  
(201) 648-3690

**Vineland Office**  
80 S. Main Rd.  
Suite 12  
Vineland, NJ 08360  
(609) 691-9020

**Trenton**  
Main Office  
(609) 292-6400

**Northfield Office**  
1915-A New Rd.  
Northfield, NJ 08225  
(609) 441-3666

or write to us:

**Taxpayer Services**  
New Jersey Division of Taxation  
50 Barrack St. CN-269  
Trenton, NJ 08646-0269

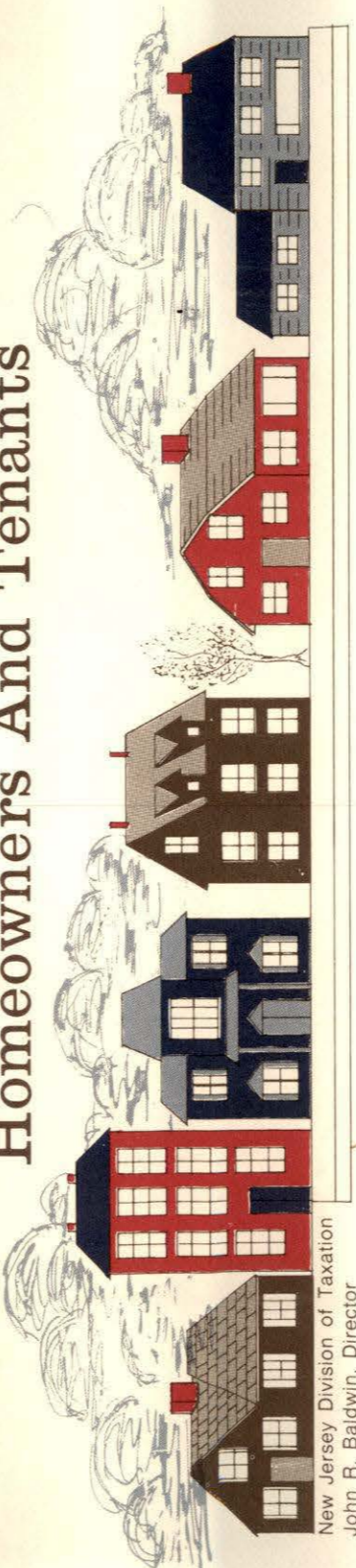
Need forms? The forms mentioned in this brochure are available from Taxpayer Services.

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NEW IN 1985!

# Residential Property Tax Deduction/Credit For Homeowners And Tenants

New Jersey State Library



New Jersey Division of Taxation  
John R. Baldwin, Director  
December 1985

## NEW JERSEY RESIDENTS MAY NOW BE ELIGIBLE FOR NEW BENEFITS UNDER THE "HOMESTEAD TAX RELIEF ACT"

### WHAT IS IT?

This Act, approved August 25, 1985 and effective January 1, 1985, provides property tax relief for every qualified homeowner and tenant whose principal residence is in New Jersey. The benefits available are:

**The Residential Property Tax Deduction** which reduces the amount of New Jersey taxable income (income *after* personal exemptions and deductions) by a homeowner's property taxes or 18% of a tenant's rent paid in this state; and

**The Residential Property Tax Relief Credit** which provides a maximum credit to homeowners of \$65 for property taxes paid and a \$35 credit to renters for a property tax allowance.

Homeowners and tenants may be eligible for *either* benefit. These benefits are *in addition* to the other property tax benefits that you may currently enjoy, such as the Homestead Rebate or the tenant credit you may be eligible for when filing your New Jersey income tax return.

### WHO IS ELIGIBLE?

These benefits are available to:

- 1) All homeowners whose principal residence is in this state and who pay their property tax;
- 2) All renters of a full living unit that includes a separate kitchen and bath and is the taxpayer's principal residence in this state.

## QUICK REFERENCE

New Jersey residents are the only eligible applicants.

### Full Year Residents

**Homeowner:** deduct the greater of the property tax paid or the amount from the schedule.

**Tenant:** deduct the greater of 18% of rent paid or the amount from the schedule.

**Part homeowner, part tenant:** deduct the sum of actual property tax paid and 18% of actual rent paid. *Do not use the schedules.*

**Part Year Residents:** Base deductions on amounts paid as a resident in New Jersey during the year. *Do not use schedules.*

**Homeowner:** deduct the amount of paid property tax.

**Tenant:** deduct 18% of rent paid.

**Part homeowner, part tenant:** deduct the sum of property tax paid and 18% of rent paid.

**Taxpayers With Gross Income Less Than \$3,000 Claiming A Refund; Taxpayers Claiming Credit For Taxes Paid To Other Jurisdictions:** Claim the Residential Property Tax Credit whether a full- or part-year resident.

**Homeowner:** \$65 credit

**Tenant:** \$35 credit

**Part homeowner, part tenant:** prorate each credit based on total number of months you occupied each principal residence over the total number of months which you lived in New Jersey.

**All benefits under this Act are prorated for multiple owners/units.**

**Don't Forget:** Form NJ-1040-H may be filed to claim these benefits if you are not required to file a resident income tax return.

## HOW CAN I CLAIM THESE BENEFITS?

These benefits may be claimed when you file your New Jersey resident income tax return (NJ-1040). A separate form NJ-1040-H (Residential Property Tax Credit Application) is provided for those individuals who are not required to file the income tax return, but are eligible for benefits under this Act.

### HOMEOWNERS

If you own your principal residence in New Jersey and pay your property tax, you may claim these benefits when filing your New Jersey state income tax return. You will deduct the actual property taxes paid or a greater amount which is indicated on the following schedule:

IF TAXABLE INCOME IS:	YOU MAY DEDUCT THE GREATER OF ACTUAL PROPERTY TAXES PAID, OR:
Not over \$20,000	\$3,250
Over \$20,000 but not over \$50,000	\$2,600
Over \$50,000	\$1,857

As a homeowner or tenant, you still qualify for the full benefit even if your Residential Property Tax Deduction is greater than your taxable income. You may claim the balance of this deduction as a Residential Property Tax Credit on your New Jersey tax return.

Homeowners and tenants who do not have taxable income and are filing for a refund of New Jersey income tax withheld will claim the Residential Property Tax Credit on their NJ-1040. Homeowners may claim \$65 and tenants \$35.

### TENANTS

If you pay rent for your principal residence in New Jersey, you are eligible for the Residential Property Tax Deduction. You will be granted an allowance of 18% of rent paid for your residence which must include separate kitchen and bath facilities. This living unit differs from room rentals that may only provide *access to* kitchen or bath facilities.

The amount of the deduction you may claim will be equal to 18% of actual rent paid in this state or a greater amount as specified on the following schedule:

IF TAXABLE INCOME IS:	YOU MAY DEDUCT THE GREATER OF 18% OF RENT PAID, OR:
Not over \$20,000	\$1,750
Over \$20,000 but not over \$50,000	\$1,400
Over \$50,000	\$1,000

**Example** (homeowners): You have owned and lived in your New Jersey home for several years. Property taxes due and paid by you in 1985 were \$1,800. Your taxable income is \$37,000. Using the homeowner's schedule, that allowance based on income is \$2,600. You may deduct the *greater* of property taxes paid or the amount from the schedule. In this case, your deduction is \$2,600.

**Example** (tenants): You have been renting a full apartment in New Jersey for the past three years. Actual rent paid by you during 1985 was \$4,200. Your taxable income is \$17,000. Using the tenant's schedule, the allowance based on income is \$1,750. You may deduct the *greater* of 18% of rent paid ( $\$4,200 \times 18\% = \$756$ ) or the amount from the schedule which, in this situation, would be \$1,750.

**Remember:** You may claim these benefits by filing Form NJ-1040-H if you are not required to file a New Jersey resident tax return.

### MULTIPLE OWNERS/TENANTS: MULTIPLE UNITS

If your New Jersey home is owned by more than one person or you share a residence with others and pay rent, you must prorate your minimum allowed Residential Property Tax Deduction. This is based on your legal share in the property or on your actual share of the property taxes or rent paid.

**Example:** You live in your home with two sisters. Each owns an equal share in the property. Your taxable income is \$25,000. Your share of the property tax is \$1,000. Using the homeowner's schedule, the allowance based on income is \$2,600. This is prorated as follows:

$$\$2,600 \times 33.3\% = \$865.80.$$

You may deduct the *greater* of property taxes paid or a prorated amount from the schedule; your deduction is \$1,000.

**Example:** You share your apartment with another person and pay half the total rent. Your taxable income is \$18,000. Your share of the rent is \$6,000 per year. Using the tenant's schedule, the allowance based on income is \$1,750. This is prorated as follows:

$$\$1,750 \times 50\% = \$875.$$

You may deduct the *greater* of 18% of rent paid or a prorated amount from the schedule.

$$\$6,000 \times 18\% = \$1,080.$$

You may deduct \$1,080.

However, if your share of the rent is \$3,000 per year:  
 $\$3,000 \times 18\% (.18) = \$540$ . You will deduct \$875.

If you own your principal residence in New Jersey and it consists of more than one full unit, your minimum allowed Residential Property Tax Deduction must be prorated based on the property taxes assessed on that portion which you occupy.

### DID YOU MOVE DURING THE YEAR?



If you lived in New Jersey for part of the year, you may deduct that amount of property tax paid or 18% of rent paid by you for that part of the year you lived in New Jersey.

Full year New Jersey residents owning or renting their principal residence for the entire year may deduct the greater of actual property tax paid or 18% of rent paid, or a larger amount from the appropriate schedule.

You may not, however, use the schedule if you were a full year New Jersey resident and both owned and rented your principal residence in the same year. You would calculate the benefit by deducting the total of property tax paid while an owner and 18% of rent paid while a tenant during the year.

### DO YOU TAKE CREDIT FOR TAXES PAID TO OTHER STATES?

As a homeowner or tenant with active income from another state, you will claim the Residential Property Tax Credit when filing your New Jersey state income tax return. In this case your actual taxes or rent constituting property taxes need not be reported. Homeowners may claim a \$65 credit; qualified tenants, \$35.

If you take credit for taxes paid to another state and were both a New Jersey homeowner and tenant during the taxable year, you must prorate each credit (homeowner = \$65; tenant = \$35) based on the total number of months you occupied each residence during the year. The sum of these will be claimed as your credit.