

New Jersey Authorizes Creation of Charitable Funds for Property Tax Credit Purposes

Overview

On May 4, 2018, Governor Murphy signed Senate Bill 1893 (S. 1893),¹ which authorizes the following:

- Municipalities, counties or school districts may establish charitable funds for specific public purposes.
- Individual taxpayers who donate to such charitable funds receive a credit that can be applied to offset up to 90 percent of their New Jersey property tax liability.

This tax alert summarizes these law changes that are effective as specified in the discussion that follows.

Credit for contributions to specified charitable fund

S. 1893 permits a "credit for up to 90 percent of the amount of local charitable donations contributed on behalf of the owner's specified local real property to a charitable fund established ...within the local unit, or a different percentage as determined appropriate by the director [of local government services]."²

Establishment of charitable fund

Pursuant to S. 1893, local units³ (i.e., a municipality, county or school district) "may establish by ordinance, or resolution, as appropriate, one or more charitable funds for specific public purposes of the local unit."⁴

Effective date currently uncertain

S. 1893 is meant to take effect on the "60th day following enactment, provided that the Commissioner of Banking and Insurance, Commissioner of Community Affairs, the State Treasurer, the Director of the Division of Local Government Services, and the Director of the Division of Taxation may take such anticipatory action as may be necessary to effectuate the provisions of [S. 1893]."⁵

As the effective date is dependent upon the establishment of a locally administered charitable fund and actions of multiple state-level governmental agencies, the actual effective date could vary by local unit.

Credits allowable as deductions for New Jersey Gross Income Tax

Contributions considered to be property tax credits shall be deductible for New Jersey gross income tax purposes subject to the same New Jersey statutory tax limit of \$10,000.⁶

Additional changes affecting new property tax credit mechanism

This tax alert does not provide a comprehensive summary of all law changes contained in S. 1893. Taxpayers should note that in addition to the changes summarized above, S. 1893 enacts provisions regarding the following:

- Receipt and notification requirements,⁷
- Credit application and timing,⁸
- Rules for coordination with "servicing organizations" (many of which pay property taxes on behalf of a mortgagee/taxpayer),⁹ and

¹ P.L. 2018, c.11. A copy of the adopted law is accessible [here](#).

² S. 1893 at p7, ln 11-16

³ S. 1893 at p2, ln 39. Local unit is defined as a municipality, county or school district.

⁴ S. 1893 at p3, ln 16-18

⁵ S. 1893 at p29, ln 29-35

⁶ S. 1893 at p 27, ln7-14

⁷ S. 1893 at p 6, ln 6-11

⁸ S. 1893 at p 7, ln 20-25

⁹ S. 1893 at p 3

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- Other provisions that are relevant to the administration of the fund by the local unit.

Considerations

The federal tax treatment of charitable contributions in exchange for property tax credits remains uncertain. Taxpayers should consult with their tax advisers regarding the mechanics of this New Jersey program as well as the implications for federal tax purposes.

Contacts:

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