



**FLOOR AMENDMENT STATEMENT:** No

**LEGISLATIVE FISCAL ESTIMATE:** Yes

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** No

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

RH/CL

P.L. 2017, CHAPTER 367, *approved January 16, 2018*  
Assembly, No. 3150 (*First Reprint*)

1 AN ACT concerning eligibility to receive the veteran's property tax  
2 exemption and amending P.L.1971, c.398.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 2 of P.L.1971, c.398 (C.54:4-3.33a) is amended to  
8 read as follows:

9 2. a. **[For]** Except as provided in subsection b. of this section,  
10 for the purposes of [this act and the act hereby amended and  
11 supplemented] P.L.1948, c.259, as amended and supplemented by  
12 P.L.1971, c.398, "active service in time of war" means the periods  
13 of time set forth in subsection (a) of section [1(a)] 1 of [chapter  
14 171 of the laws of 1963] P.L.1963, c.171 (C.54:4-8.10)[, and  
15 chapter 165 of the laws of 1965], except that "active service in time  
16 of war" for World War II means active service at some time during  
17 December 7, 1941 to December 31, 1946.

18 b. For the purpose of eligibility for the property tax exemption  
19 authorized in section 1 of P.L.1948, c.259 (C.54:4-3.30), <sup>1</sup>[there  
20 shall be no minimum length of continuous or aggregate service  
21 required in any foreign country, on board any ship or naval vessel,  
22 or in any foreign airspace, and there also shall be no requirement  
23 that the service-connected disability suffered by a veteran shall  
24 have occurred during any such contiguous or aggregate service,  
25 notwithstanding any requirement thereof contained in the definition  
26 of "active service in time of war" in subsection (a) of section 1 of  
27 P.L.1963, c.171 (C.54:4-8.10)] "active service in time of war" shall  
28 mean active service during a time period specified in the definition  
29 of "active service in time of war" in section 1 of P.L.1963, c.171  
30 (C.54:4-8.10), but shall not require a minimum length of continuous  
31 or aggregate service in any foreign country, on board any ship or  
32 naval vessel, or in any foreign airspace; and also shall not require  
33 that the service-connected disability suffered by a veteran shall  
34 have occurred during contiguous or aggregate service in any foreign  
35 country, on board any ship or naval vessel, or in any foreign  
36 airspace<sup>1</sup> .

37 (cf: P.L.1971, c.398, s.2)

38

39 2. This act shall take effect immediately.

**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.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup>Assembly AAP committee amendments adopted January 30, 2017.

**A3150 [1R]**

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Authorizes veterans property tax exemption for totally disabled

4

veterans who did not serve in theater of war.

# ASSEMBLY, No. 3150

## STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED FEBRUARY 22, 2016

**Sponsored by:**

**Assemblyman R. BRUCE LAND**

**District 1 (Atlantic, Cape May and Cumberland)**

**Assemblyman BOB ANDRZEJCZAK**

**District 1 (Atlantic, Cape May and Cumberland)**

**Assemblyman JAY WEBBER**

**District 26 (Essex, Morris and Passaic)**

**Assemblyman ERIC HOUGHTALING**

**District 11 (Monmouth)**

**Assemblyman VINCENT MAZZEO**

**District 2 (Atlantic)**

**Assemblyman JOE DANIELSEN**

**District 17 (Middlesex and Somerset)**

**Co-Sponsored by:**

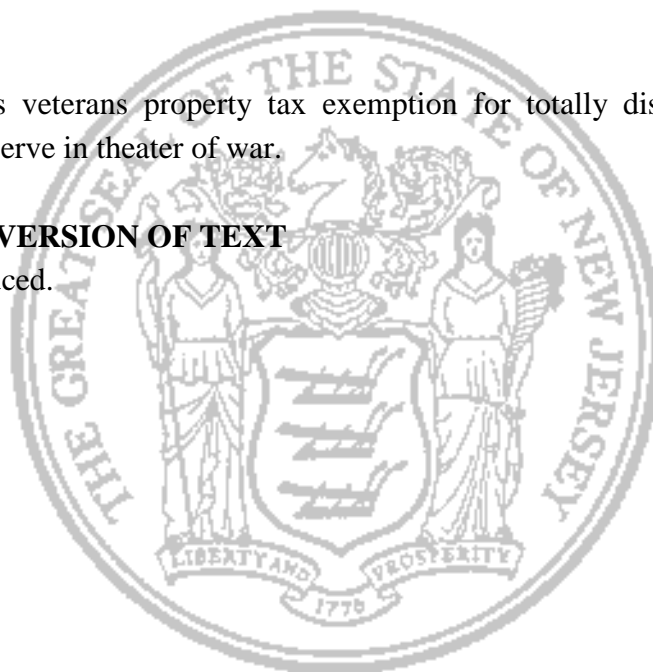
**Assemblymen Johnson, Eustace and Peterson**

**SYNOPSIS**

Authorizes veterans property tax exemption for totally disabled veterans who did not serve in theater of war.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 1/31/2017)**

1 AN ACT concerning eligibility to receive the veteran's property tax  
2 exemption and amending P.L.1971, c.398.

3

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

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7 1. Section 2 of P.L.1971, c.398 (C.54:4-3.33a) is amended to  
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10 for the purposes of [this act and the act hereby amended and  
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13 of time set forth in subsection (a) of section [1(a)] 1 of [chapter  
14 171 of the laws of 1963] P.L.1963, c.171 (C.54:4-8.10)[, and  
15 chapter 165 of the laws of 1965], except that "active service in time  
16 of war" for World War II means active service at some time during  
17 December 7, 1941 to December 31, 1946.

18 b. For the purpose of eligibility for the property tax exemption  
19 authorized in section 1 of P.L.1948, c.259 (C.54:4-3.30), there shall  
20 be no minimum length of continuous or aggregate service required  
21 in any foreign country, on board any ship or naval vessel, or in any  
22 foreign airspace, and there also shall be no requirement that the  
23 service-connected disability suffered by a veteran shall have  
24 occurred during any such contiguous or aggregate service,  
25 notwithstanding any requirement thereof contained in the definition  
26 of "active service in time of war" in subsection (a) of section 1 of  
27 P.L.1963, c.171 (C.54:4-8.10).

28 (cf: P.L.1971, c.398, s.2)

29

30 2. This act shall take effect immediately.

31

32

33

#### STATEMENT

34

35 This bill would authorize any veteran of military service in any  
36 branch of the armed forces of the United States who became 100%  
37 disabled as the result of that military service to receive the 100%  
38 property tax exemption, without a requirement that the service-  
39 connected disability suffered by a veteran shall have occurred under  
40 any such service, and notwithstanding that the 100% disabled  
41 veteran did not serve for any period of time in any foreign country,  
42 on board any ship or naval vessel, or in any foreign airspace.

43 Under current law, service in a foreign country, on board a ship  
44 or naval vessel, or in foreign airspace is required with respect to

**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.

**A3150 LAND, ANDRZEJCZAK**

3

1 service in the conflicts that did not reach the status of “war,”  
2 thereby rendering property tax exemption-ineligible veterans who  
3 became 100% disabled as the result of their service, but who did not  
4 serve in the “theater of war.” This bill would allow veterans  
5 disabled under those circumstances to receive the property tax  
6 exemption for 100% disabled veterans.

ASSEMBLY STATE AND LOCAL GOVERNMENT  
COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3150**

**STATE OF NEW JERSEY**

DATED: MAY 19, 2016

The Assembly State and Local Government Committee reports favorably Assembly Bill No. 3150.

This bill would authorize any veteran of military service in any branch of the armed forces of the United States who became 100% disabled as the result of that military service to receive the 100% property tax exemption, without a requirement that the service-connected disability suffered by a veteran shall have occurred under any such service, and notwithstanding that the 100% disabled veteran did not serve for any period of time in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of “war,” thereby rendering property tax exemption-ineligible those veterans who became 100% disabled as the result of their service, but who did not serve in the “theater of war.” This bill would allow veterans disabled under those circumstances to receive the property tax exemption for 100% disabled veterans.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 3150

with committee amendments

# STATE OF NEW JERSEY

DATED: JANUARY 30, 2017

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3150, with committee amendments.

As amended, this bill amends current law regarding eligibility for the veterans' property tax exemption to expand eligibility to receive the property tax exemption.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of "war," thereby rendering ineligible for the property tax exemption those veterans who became 100% disabled as the result of their service, but who did not serve in the "theater of war." This bill allows veterans who became 100% disabled as the result of their service during conflicts, but who did not serve in the "theater of war," to receive the property tax exemption.

The bill provides that for the purpose of eligibility for the property tax exemption, there shall be *no* minimum length of continuous or aggregate service required in any foreign country, on board any ship or naval vessel, or in any foreign airspace; and there shall be *no* requirement that the service-connected disability suffered by a veteran shall have occurred during any service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates this bill will result in potential property tax revenue losses to local units. However, local government revenue would decrease only if tax rates were not adjusted to compensate for newly granted exemptions. The impact in individual local units will vary based on the number of newly qualified 100% disabled veterans and surviving spouses living in a municipality and the amount of property taxes levied on their homes.

Up to 7,600 disabled veterans may be eligible to apply for a property tax exemption. It is likely that this pool of potential applicants is smaller because not all disabled veterans will meet all

program requirements (i.e., lack of homeownership or lack of the required disability rating).

The estimated Statewide revenue loss for calendar year 2017 represents about one quarter of one percent of the total property tax levy for 2016.

COMMITTEE AMENDMENTS:

The amendment clarifies that, for the purposes of eligibility for the veterans' property tax exemption, "active service in time of war" means active service during a time period specified in the definition of "active service in time of war" in section 1 of P.L.1963, c.171 (C.54:4-8.10), but does *not* require a minimum length of continuous or aggregate service in any foreign country, on board any ship or naval vessel, or in any foreign airspace, and does *not* require that the service-connected disability suffered by a veteran have occurred during contiguous or aggregate service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

### ASSEMBLY, No. 3150

# STATE OF NEW JERSEY

DATED: JANUARY 5, 2018

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 3150 (1R).

This bill amends current law regarding eligibility for the veterans' property tax exemption to expand eligibility to receive the property tax exemption.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of "war," thereby rendering ineligible for the property tax exemption those veterans who became 100% disabled as the result of their service, but who did not serve in the "theater of war." This bill allows veterans who became 100% disabled as the result of their service during conflicts, but who did not serve in the "theater of war," to receive the property tax exemption.

The bill provides that for the purpose of eligibility for the property tax exemption, there shall be *no* minimum length of continuous or aggregate service required in any foreign country, on board any ship or naval vessel, or in any foreign airspace; and there shall be *no* requirement that the service-connected disability suffered by a veteran shall have occurred during any service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

As reported, this bill is identical Senate Bill No. 1622, as amended and reported by the committee.

#### FISCAL IMPACT:

The Office of Legislative Services estimates that this bill will result in potential property tax revenue losses to local units of up to \$67.4 million in calendar year 2018, \$68.7 million in calendar year 2019, and \$70.1 million in calendar year 2020. However, local government revenue would decrease only if tax rates are not adjusted to compensate for newly granted exemptions. The impact on individual local units will vary based on the number of newly qualified 100% disabled veterans and surviving spouses living in a municipality and the amount of property taxes levied on their homes.

Up to 7,600 disabled veterans may be eligible to apply for a property tax exemption. It is likely that this pool of potential

applicants is smaller because not all disabled veterans will meet all program requirements (i.e., lack of homeownership or lack of required disability rating).

The estimated Statewide revenue loss for calendar year 2018 represents about one quarter of one percent of the total property tax levy for 2017.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 3150 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: FEBRUARY 10, 2017

### SUMMARY

**Synopsis:** Authorizes veterans property tax exemption for totally disabled veterans who did not serve in theater of war.

**Type of Impact:** Local revenue loss/Shift of property tax liabilities to other property owners.

**Agencies Affected:** Local units.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>School Revenue</b>	\$34.7 million	\$35.4 million	\$36.1 million
<b>Municipal Revenue</b>	\$19.6 million	\$20.0 million	\$20.4 million
<b>County Revenue</b>	\$12.0 million	\$12.2 million	\$12.4 million
<b><i>Total Revenue Loss</i></b>	<b><i>\$66.3 million</i></b>	<b><i>\$67.6 million</i></b>	<b><i>\$68.9 million</i></b>

- The Office of Legislative Services (OLS) estimates that the enactment of Assembly Bill No. 3150 (1R) will result in potential property tax revenue losses to local units. Local government revenue would actually decrease only if tax rates were not adjusted to compensate for newly granted exemptions. The impact in individual local units will vary based on the number of disabled veterans and surviving spouses living in a municipality and the amount of property taxes levied on their homes.
- Up to 7,600 disabled veterans may be eligible to apply for a property tax exemption. It is likely that this pool of potential applicants is smaller because not all disabled veterans will meet all program requirements (i.e., lack of homeownership or lack of the required disability rating).
- The estimated Statewide revenue loss for calendar year 2017 represents about one quarter of one percent of the total property tax levy for 2016.

## **BILL DESCRIPTION**

Assembly Bill No. 3150 (1R) of 2016 amends current law regarding eligibility for the disabled veterans' property tax exemption to expand eligibility to receive the property tax exemption.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of "war," thereby rendering ineligible for the property tax exemption those veterans who became 100 percent totally and permanently disabled as a result of their service, but who did not serve in the "theater of war." The bill allows veterans who became 100 percent totally and permanently disabled as a result of their service during conflicts, but who did not serve in the "theater of war," to receive the property tax exemption.

The bill provides that for the purpose of eligibility for the disabled veterans' property tax exemption, there shall be no minimum length of continuous or aggregate service required in any foreign county, on board any ship or naval vessel, or in any foreign airspace; and there shall be no requirement that a service-connected disability suffered by a veteran shall have occurred during any service in any foreign county, on board any ship or naval vessel, or in any foreign airspace.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the enactment of Assembly Bill No. 3150 (1R) would result in potential local property tax revenue losses to local units (i.e., counties, municipalities, and school districts) of up to \$66.3 million in calendar year 2017; up to \$67.8 million in calendar year 2018; and up to \$68.9 million in calendar year 2019. Local units would experience revenue losses in the form of property taxes that are not paid by veterans and surviving spouses who are granted a property tax exemption. These taxes would most likely be shifted to other taxable properties through tax rate adjustments that result from local budget processes. Although current law limits annual increases in the total property tax levy to 2 percent per year, local governments are permitted to increase rates in order to raise the permissible amount when there is a decline in the value of ratables.

An additional 7,600 veterans may be eligible to apply for a property tax exemption. This estimate assumes that all eligible disabled veterans will apply for, and be granted, a property tax exemption. However, the potential pool of new applicants is likely smaller, perhaps to a significant extent.

Veterans of the United States Armed Forces who served during a "time of war or other emergency, but did not serve in the theater of war, and who have a service-connected disability or have been declared 100 percent permanently disabled by the United States Veterans Administration (now the Department of Veterans Affairs or "VA"), would be eligible to apply for a full property tax exemption on their dwelling house and the lot or curtilage on which it is located, as of the date the veteran acquires the property, or as of the date the veteran's 100 percent permanent disability is declared. The New Jersey Department of Military and Veterans

Affairs has also indicated that a veteran with a disability rating of at least 60 percent and who is declared “individually unemployable” is considered to be 100 percent permanently and totally disabled for purposes of the property tax exemption.

The VA publishes county-level estimates on the number of veterans who receive VA disability and pension benefits in each Federal Fiscal Year. The VA data for Federal Fiscal Year 2016 (October 1, 2015 to September 30, 2016) indicate that 27,961 veterans living in New Jersey have a disability rating of 50 percent or higher. VA population data also show that 73 percent of all veterans living in New Jersey served in wartime and 27 percent of veterans living in New Jersey served in peacetime. When these proportions are applied to the number of veterans living in New Jersey with a disability rating of 50 percent or higher, the OLS estimates that a maximum of 7,600 veterans would be eligible to apply for the property tax deduction.

By using property tax data compiled by the Division of Local Government Services in the Department of Community Affairs, the OLS has calculated that the average residential property tax bill has increased by 1.96 percent per year since 2011. Using these data, the OLS projects an average residential property tax bill for calendar year 2017 of \$8,718. To estimate the amount revenue losses, the OLS multiplied the projected number of new exemptions (7,600) by the estimated average residential property tax bill (\$8,718). The total, \$66.25 million, represents the estimated maximum amount of property tax revenues that would not be imposed in 2017 if all eligible disabled veterans apply for and receive the property tax exemption. This calculation was repeated to provide Statewide revenue loss estimates for calendar years 2018 and 2019.

Property tax data reported in the 2016 County Abstracts of Ratables indicates that for 2016, the local property tax levy for school purposes accounted for about 52 percent of the total property tax levy while the property tax levies for county and municipal purposes accounted for 18 percent and 30 percent of the total levy, respectively. Based on those proportions, without a tax rate adjustment, school districts would lose approximately \$34.7 million in revenues, counties would lose \$12 million in revenues, and municipalities would lose \$19.6 million in revenues in calendar year 2017. Although the estimated Statewide revenue loss for calendar year 2017 represents about one quarter of one percent of the total property tax levy in calendar year 2016 (\$28.3 billion), the impact on individual local unit tax rates will vary based on the number of disabled veterans and surviving spouses living in a municipality and the amount of property taxes exempted.

The OLS notes that the actual pool of applicants will likely be smaller than anticipated. First, not all disabled veterans are property owners. Second, data limitations required OLS to include veterans with a disability rating of 50 percent to 60 percent in the pool of potential new applicants. These veterans are not eligible apply for the property tax exemption. Third, there are veterans with a disability rating of 60 percent to 100 percent who are not individually unemployable, and are not eligible to apply for the property tax exemption. Fourth, there are veterans who have a 100 percent disability rating who have not been declared 100 percent permanently and totally disabled, and are not eligible to apply for the property tax exemption. Fifth, there are veterans who have a 100 percent disability rating, but served during peacetime. Sixth, data on the number of disabled veterans’ property tax exemptions provided to the OLS does not distinguish between exemptions granted to disabled veterans and exemptions granted to surviving spouses. Therefore, the OLS cannot remove these veterans from the potential pool of applicants. A smaller pool of potential claimants will also result in reduced local revenue losses.

If enacted into law, the bill takes effect immediately, and it is conceivable that disabled veterans may begin to file claims for property tax exemptions in 2017. N.J.S.A.54:5-3.31 provides that a partial or prorated exemption is permitted for the remainder of any taxable year as of the date of the property ownership, or the date of the 100 percent permanent and total disability rating, provided that all other eligibility requirements are met. The OLS notes that the

first property tax payment for the current tax year was due on February 1, 2017. Because exemptions granted during a tax year are prorated, revenue losses for the current year will be lower than anticipated.

Current law allows the surviving spouse of a 100 percent totally and permanently disabled wartime veteran who has not moved or remarried to file a claim for the full property tax exemption. This bill extends that right to the surviving spouse of a disabled veteran who did not complete active service in time of war. It is conceivable that local units will sustain revenue losses over an extended period of time if a surviving spouse receives the property tax exemption for several years following the death of a disabled veteran.

Finally, the OLS notes that N.J.S.A.54:4-3.32 permits the governing body of a municipality, by resolution, to refund all taxes collected on any property which would have been exempt of proper claim had been made in writing by a totally disabled veteran or a qualified surviving spouse. If Assembly Bill No. 3150 (1R) is enacted into law, a municipality may choose to refund any taxes collected on a property, following enactment of the bill, which would have been otherwise exempt. This is a potential additional cost that may be realized in the future if a municipality exercises this option.

*Section: Local Government*  
*Analyst: Scott A. Brodsky*  
*Senior Fiscal Analyst*  
*Approved: Frank W. Haines III*  
*Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# SENATE, No. 1622

## STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED FEBRUARY 16, 2016

**Sponsored by:**

**Senator JEFF VAN DREW**

**District 1 (Atlantic, Cape May and Cumberland)**

**Senator NILSA CRUZ-PEREZ**

**District 5 (Camden and Gloucester)**

**Co-Sponsored by:**

**Senators A.R.Bucco, Beach and Oroho**

**SYNOPSIS**

Authorizes veterans property tax exemption for totally disabled veterans who did not serve in theater of war.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 1/6/2018)**

1 AN ACT concerning eligibility to receive the veteran's property tax  
2 exemption and amending P.L.1971, c.398.

3

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

6

7 1. Section 2 of P.L.1971, c.398 (C.54:4-3.33a) is amended to  
8 read as follows:

9 2. a. **For** Except as provided in subsection b. of this section,  
10 for the purposes of [this act and the act hereby amended and  
11 supplemented] P.L.1948, c.259, as amended and supplemented by  
12 P.L.1971, c.398, "active service in time of war" means the periods  
13 of time set forth in subsection (a) of section [1(a)] 1 of [chapter  
14 171 of the laws of 1963] P.L.1963, c.171 (C.54:4-8.10)[, and  
15 chapter 165 of the laws of 1965], except that "active service in time  
16 of war" for World War II means active service at some time during  
17 December 7, 1941 to December 31, 1946.

18 b. For the purpose of eligibility for the property tax exemption  
19 authorized in section 1 of P.L.1948, c.259 (C.54:4-3.30), there shall  
20 be no minimum length of continuous or aggregate service required  
21 in any foreign country, on board any ship or naval vessel, or in any  
22 foreign airspace, and there also shall be no requirement that the  
23 service-connected disability suffered by a veteran shall have  
24 occurred during any such continuous or aggregate service,  
25 notwithstanding any requirement thereof contained in the definition  
26 of "active service in time of war" in subsection (a) of section 1 of  
27 P.L.1963, c.171 (C.54:4-8.10).

28 (cf: P.L.1971, c.398, s.2)

29

30 2. This act shall take effect immediately.

31

32

33

#### STATEMENT

34

35 This bill would authorize any veteran of military service in any  
36 branch of the armed forces of the United States who became 100%  
37 disabled as the result of that military service to receive the 100%  
38 property tax exemption, without a requirement that the service-  
39 connected disability suffered by a veteran shall have occurred under  
40 any continuous or aggregate service requirement and notwithstanding  
41 that the 100% disabled veteran did not serve for any period of time in  
42 any foreign country, on board any ship or naval vessel, or in any  
43 foreign airspace.

44 Under current law, service in a foreign country, on board a ship or  
45 naval vessel, or in foreign airspace is required with respect to service

**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.

**S1622 VAN DREW, CRUZ PEREZ**

3

1 in the conflicts that did not reach the status of “war,” thereby rendering  
2 property tax exemption-ineligible veterans who became 100% disabled  
3 as the result of their service, but who did not serve in the “theater of  
4 war.” This bill would allow veterans disabled under those  
5 circumstances to receive the property tax exemption for 100% disabled  
6 veterans.

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

### SENATE, No. 1622

# STATE OF NEW JERSEY

DATED: MARCH 7, 2016

The Senate Community and Urban Affairs Committee reports favorably Senate Bill No. 1622.

This bill would authorize any veteran of military service in any branch of the armed forces of the United States who became 100% disabled as the result of that military service to receive the 100% property tax exemption, without a requirement that the service-connected disability suffered by a veteran shall have occurred under any continuous or aggregate service requirement and notwithstanding that the 100% disabled veteran did not serve for any period of time in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of “war,” thereby rendering property tax exemption-ineligible veterans who became 100% disabled as the result of their service, but who did not serve in the “theater of war.” This bill would allow veterans disabled under those circumstances to receive the property tax exemption for 100% disabled veterans.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 1622**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JANUARY 5, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1622, with committee amendments.

As amended, this bill amends current law regarding eligibility for the veterans' property tax exemption to expand eligibility to receive the property tax exemption.

Under current law, service in a foreign country, on board a ship or naval vessel, or in foreign airspace is required with respect to service in the conflicts that did not reach the status of "war," thereby rendering ineligible for the property tax exemption those veterans who became 100% disabled as the result of their service, but who did not serve in the "theater of war." This bill allows veterans who became 100% disabled as the result of their service during conflicts, but who did not serve in the "theater of war," to receive the property tax exemption.

The bill provides that for the purpose of eligibility for the property tax exemption, there shall be no minimum length of continuous or aggregate service required in any foreign country, on board any ship or naval vessel, or in any foreign airspace; and there shall be no requirement that the service-connected disability suffered by a veteran shall have occurred during any service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

As amended and reported, this bill is identical to Assembly bill No. 3150 (1R), as also reported by the committee.

#### COMMITTEE AMENDMENTS:

The committee amendment clarifies that, for the purposes of eligibility for the veterans' property tax exemption, "active service in time of war" means active service during a time period specified in the definition of "active service in time of war" in section 1 of P.L.1963, c.171 (C.54:4-8.10), but does not require a minimum length of continuous or aggregate service in any foreign country, on board any ship or naval vessel, or in any foreign airspace, and does not require that the service-connected disability suffered by a veteran have occurred during contiguous or aggregate service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

**FISCAL IMPACT:**

The Office of Legislative Services estimates that this bill will result in potential property tax revenue losses to local units of up to \$67.4 million in calendar year 2018, \$68.7 million in calendar year 2019, and \$70.1 million in calendar year 2020. However, local government revenue would decrease only if tax rates are not adjusted to compensate for newly granted exemptions. The impact on individual local units will vary based on the number of newly qualified 100% disabled veterans and surviving spouses living in a municipality and the amount of property taxes levied on their homes.

Up to 7,600 disabled veterans may be eligible to apply for a property tax exemption. It is likely that this pool of potential applicants is smaller because not all disabled veterans will meet all program requirements (i.e., lack of homeownership or lack of required disability rating).

The estimated Statewide revenue loss for calendar year 2018 represents about one quarter of one percent of the total property tax levy for 2017.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 1622 STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JANUARY 9, 2018

### SUMMARY

**Synopsis:** Authorizes veterans property tax exemption for totally disabled veterans who did not serve in theater of war.

**Type of Impact:** Local revenue loss/Shift of property tax liabilities to other property owners.

**Agencies Affected:** Local units.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>School Revenue</b>	\$35.4 million	\$36.1 million	\$36.8 million
<b>Municipal Revenue</b>	\$19.8 million	\$20.2 million	\$20.6 million
<b>County Revenue</b>	\$12.2 million	\$12.4 million	\$12.7 million
<b>Total Revenue Loss</b>	\$67.4 million	\$68.7 million	\$70.1 million

- The Office of Legislative Services (OLS) estimates that the enactment of this bill will result in potential property tax revenue losses to local units. Local government revenue would actually decrease only if tax rates are not adjusted to compensate for newly granted exemptions. The impact in individual local units will vary based on the number of disabled veterans and surviving spouses living in a municipality and the amount of property taxes levied on their homes.
- Up to 7,600 disabled veterans may be eligible to apply for a property tax exemption. It is likely that this pool of potential applicants is smaller because not all disabled veterans will meet all program requirements (i.e., lack of homeownership or lack of the required disability rating).
- The estimated Statewide revenue loss for calendar year 2018 represents one quarter of one percent of the total property tax levy for 2017.

## **BILL DESCRIPTION**

This bill amends current law regarding eligibility for the disabled veterans' property tax exemption to expand eligibility to receive the property tax exemption.

Under current law, service in a foreign county, on board a ship or naval vessel, or in foreign airspace is required with respect to service in conflicts that did not reach the status of "war," thereby rendering ineligible for the property tax exemption those veterans who became 100 percent totally and permanently disabled as a result of their service, but who did not serve in the "theater of war." The bill allows veterans who became 100 percent total and permanently disabled as a result of their service during conflicts, but who did not serve in the "theater of war," to receive the property tax exemption.

The bill provides that for the purpose of eligibility for the disabled veterans' property tax exemption, there shall be no minimum length of continuous or aggregate service required in any foreign county, on board any ship or naval vessel, or in any foreign airspace; and there shall be no requirement that a service connected disability suffered by a veteran shall have occurred during any service in any foreign country, on board any ship or naval vessel, or in any foreign airspace.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the enactment of this bill would result in potential local property tax revenue losses to local units (i.e., counties, municipalities, and school districts) of up to \$67.4 million in calendar year 2018, \$68.7 million in calendar year 2019, and \$70.1 million in calendar year 2020. Local units would experience revenue losses in the form of property taxes that are not paid by veterans and surviving spouses who are granted a property tax exemption. These taxes would most likely be shifted to other taxable properties through tax rate adjustments that result from local budget processes. Although current law limits annual increases in the total property tax levy to 2 percent per year, local governments are permitted to increase rates in order to raise the permissible amount when there is a decline in the value of ratables.

An additional 7,600 totally disabled veterans may be eligible to apply for a property tax exemption. This estimate assumes that all eligible disabled veterans will apply for, and be granted, a property tax exemption. However, the potential pool of new applicants is likely smaller, perhaps to a significant extent.

Veterans of the United States Armed Forces who served during "time of war" or other emergency, but did not serve in a theater of war, and who have a service-connected disability or have been declared total or 100 percent permanently disabled by the United States Veterans Administration (now the Department of Veterans Affairs or "VA"), would be eligible to apply for a full property tax exemption on their dwelling house and the lot or curtilage on which it is located, as of the date the veteran acquires the property, or as of the date the veteran's total or 100 percent permanent disability is declared. The New Jersey Department of Military and Veterans Affairs has also indicated that a veteran with a disability rating of at least 60 percent

and who is declared “individually unemployable” is considered to be 100 percent permanently and totally disabled for purposes of the property tax exemption.

The VA publishes county-level estimates on the number of veterans who receive VA disability and pension benefits in each Federal Fiscal Year. The VA data for Federal Fiscal Year 2016 (October 1, 2015 to September 30, 2016) indicate that 27,961 veterans living in New Jersey have a disability rating of 50 percent or higher. VA population data also show that 73 percent of veterans living in New Jersey served in wartime and 27 percent of veterans living in New Jersey served in peacetime. When these proportions are applied to the number of veterans living in New Jersey with a disability rating of 50 percent or higher, the OLS estimates that a maximum of 7,600 veterans would be eligible to apply for the total property tax deduction.

By using property tax data compiled by the Division of Local Government Services in the Department of Community Affairs, the OLS has calculated that the average residential property tax bill has increased by 1.96 percent per year since 2012. Using these data, the OLS projects an average residential property tax bill for calendar year 2018 of \$8,859. To estimate the amount of revenue losses, the OLS multiplied the projected number of new exemptions (7,600) by the estimated average residential property tax bill (\$8,859). The total, \$67.3 million represents the estimated maximum amount of property tax revenues that would not be imposed in 2018 if all eligible disabled veterans apply for and receive the property tax exemption. This calculation was repeated to provide Statewide revenue loss estimates for calendar years 2019 and 2020.

Property tax data reported in the County Abstracts of Ratables indicates that for 2017, the local property tax levy for school purposes accounted for about 52 percent of the total property tax levy while the property tax levies for county and municipal purposes accounted for 18 percent and 30 percent of the total levy, respectively. Based on those proportions, without a tax rate adjustment, school districts would lose approximately \$35.4 million in revenues, counties would lose \$12.2 million in revenues, and municipalities would lose \$19.8 million in revenues in calendar year 2018. Although the estimated Statewide revenue loss for calendar year 2018 represents about one quarter of one percent of the total property tax levy in calendar year 2017 (\$28.8 billion), the impact on individual local unit tax rates will vary based on the number of newly qualified disabled veterans and surviving spouses living in a municipality and the amount of property taxes exempted.

The OLS notes that the actual pool of applicants will likely be smaller than anticipated. First, not all disabled veterans are property owners. Second, data limitations required OLS to include veterans with a disability rating of 50 percent to 60 percent in the pool of potential new applicants. These veterans are not eligible to apply for the property tax exemption. Third, there are veterans with a disability rating of 60 percent to 100 percent who are not individually unemployable, and are not eligible to apply for the property tax exemption. Fourth, there are veterans who have a 100 percent disability rating who have not been declared 100 percent permanently and totally disabled, and are not eligible to apply for the property tax exemption. Fifth, there are veterans who have a 100 percent disability rating, but served during peacetime. Sixth, data on the number of disabled veterans’ property tax exemptions provided to the OLS does not distinguish between exemptions granted to disabled veterans and exemptions granted to surviving spouses. Therefore, the OLS cannot remove these veterans from the potential pool of applicants. A smaller pool of potential claimants will also result in smaller local revenue losses.

The bill takes effect immediately, and therefore disabled veterans may begin to file claims for property tax exemptions in 2018. N.J.S.A.54:5-3.31 provides that a partial or prorated exemption is permitted for the remainder of any taxable year as of the date of the property ownership, or the date of the 100 percent permanent and total disability rating, provided that all other eligibility requirements are met. The OLS notes that initial property tax payments for a tax

year are due on February 1. Because exemptions granted during a tax year are prorated, revenue losses for the initial year may be lower than anticipated.

Current law allows the surviving spouse of a 100 percent totally and permanently disabled wartime veteran who has not moved or remarried to file a claim for the full property tax exemption. This bill extends that right to the surviving spouse of a disabled veteran who did not complete active service in time of war. It is conceivable that local units will sustain revenue losses over an extended period of time if a surviving spouse receives the property tax exemption for several years following the death of a disabled veteran.

Finally, the OLS notes that N.J.S.A.54:4-3.32 permits the governing body of a municipality, by resolution, to refund all taxes collected on any property which would have been exempt of proper claim had been made in writing by a totally disabled veteran or a qualified surviving spouse. If this bill is enacted into law, a municipality may choose to refund any taxes collected on a property, following enactment of the bill, which would have been otherwise exempt. This is a potential additional cost that may be realized in the future if a municipality exercises this option.

*Section: Local Government*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).