

40A: 21-1

LEGISLATIVE HISTORY CHECKLIST
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(Five year exemption and
abatement law--
Consolidation)

NJSA: 40A:21-1

LAWS OF: 1991 CHAPTER: 441

BILL NO: S2000

SPONSOR(S): Orechio

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Housing
SENATE: County and Municipal Revenue,
Finance & Appropriations

AMENDED DURING PASSAGE: Yes Amendments during passage
denoted by asterisks

DATE OF PASSAGE: ASSEMBLY: January 8, 1992
SENATE: June 27, 1991

DATE OF APPROVAL: January 18, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes 9-24-90 & 6-10-⁹¹~~81~~

FISCAL NOTE: No

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MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: Yes

HEARINGS: No

Report mentioned in statement:

974.90 New Jersey. County and Municipal Government Study
M966 Commission.

1987b Local redevelopment in New Jersey--Structuring a new
partnership...January, 1987.

KBG/pp

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[SECOND REPRINT]

SENATE, No. 2000

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1990 SESSION

By Senators ORECHIO and STOCKMAN

1 AN ACT concerning the abatement or exemption of taxes in
2 certain cases, supplementing Title 40A of the New Jersey
3 Statutes, and repealing P.L.1975, c.104, P.L.1977, c.12,
4 P.L.1977, c.284 and P.L.1979, c.233.

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

8 1. This act shall be known and may be cited as the
9 ¹["Comprehensive Tax Abatement and Exemption Law]
10 "Five-Year Exemption and Abatement Law¹."

11 2. The Legislature finds that the various statutes authorized
12 by Article VIII, Section I, paragraph 6 of the New Jersey
13 Constitution permitting municipalities to grant for periods of five
14 years exemptions or abatements, or both, from taxation in areas
15 in need of rehabilitation have proven to be effective in promoting
16 the construction and rehabilitation of residential and commercial
17 and industrial structures in areas threatened with economic and
18 social decline. There exists, however, a need to consolidate and
19 make more coherent the most useful features of those various
20 statutes in order to promote the most effective and coordinated
21 use of the various authorizations afforded to municipalities and
22 to include in-fill construction in a comprehensive strategy of
23 rehabilitation of these areas by permitting exemptions and
24 abatements for construction of new single family and multiple
25 dwellings. It is the purpose of this act to permit municipalities
26 the greatest flexibility possible within the constitutional
27 limitations to address problems of deterioration and decay while
28 preserving the salient features of the existing tax exemption and
29 abatement programs.

30 3. As used in this act:

31 a. "Abatement" means that portion of the assessed value of a
32 property as it existed prior to construction, improvement or
33 conversion of a building or structure thereon, which is exempted
34 from taxation pursuant to this act.

35 b. "Area in need of rehabilitation" means a portion or all of a
36 municipality which has been determined to be an area in need of
37 ¹rehabilitation or¹ redevelopment pursuant to ¹[law] the "Local
38 Redevelopment and Housing Law" P.L. , c. , (C.) (now pending

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:

¹ Senate SCM committee amendments adopted September 24, 1990.

² Assembly AHO committee amendments adopted January 6, 1992.

1 before the Legislature as Senate Bill No. 380 of 1990), a "blighted
2 area" as determined pursuant to the "Blighted Areas Act",
3 P.L.1949, c.187 (C.40:55-21.1 et seq.)¹, or ¹[in]¹ which ¹[: a
4 significant portion of residential, commercial and industrial
5 structures are in a deteriorated or substandard condition; there
6 exists a continuing pattern of property tax arrearage and vacant
7 or underutilized properties; and, where a program of
8 rehabilitation, improvement, and new in-fill construction will
9 prevent further deterioration and promote the overall
10 development of the municipality] has been determined to be in
11 need of rehabilitation pursuant to P.L.1975, c.104 (C.54:4-3.72 et
12 seq.), P.L.1977, c.12 (C.54:4-3.95 et seq.), or P.L.1979, c.233
13 (C.54:4-3.121 et seq.)¹.

14 c. "Assessor" means the officer of a taxing district charged
15 with the duty of assessing real property for the purpose of
16 general taxation.

17 d. "Commercial or industrial structure" means structure or
18 part thereof used for the manufacturing, processing or assembling
19 of material or manufactured products, or for research, office,
20 industrial, commercial, retail, recreational, hotel or motel
21 facilities, or warehousing purposes, or for any combination
22 thereof, which the governing body determines will tend to
23 maintain or provide gainful employment within the municipality,
24 assist in the economic development of the municipality, maintain
25 or increase the tax base of the municipality and maintain or
26 diversify and expand commerce within the municipality. It shall
27 not include any structure or part thereof used or to be used by
28 any business relocated from another qualifying municipality.

29 e. "Completion" means substantially ready for the intended
30 use for which a building or structure is constructed, improved or
31 converted.

32 f. "Condominium" means a property created or recorded as a
33 condominium pursuant to the "Condominium Act," P.L.1969,
34 c.257 (C.46:8B-1 et seq.).

35 g. "Construction" means the provision of a new dwelling,
36 multiple dwelling or commercial or industrial structure, or the
37 enlargement of the volume of an existing multiple dwelling or
38 commercial or industrial structure by more than 30%, but shall
39 not mean the conversion of an existing building or structure to
40 another use.

41 h. "Conversion" or "conversion alteration" means the
42 alteration or renovation of a nonresidential building or structure,
43 or hotel, motel, motor hotel or guesthouse, in such manner as to
44 convert the building or structure from its previous use to use as a
45 dwelling or multiple dwelling.

46 i. "Cooperative" means a housing corporation or association,
47 wherein the holder of a share or membership interest thereof is
48 entitled to possess and occupy for dwelling purposes a house,

1 apartment, or other unit of housing owned by the corporation or
2 association, or to purchase a unit of housing owned by the
3 corporation or association.

4 j. "Cost" means, when used with respect to abatements for
5 dwellings or multiple dwellings, only the cost or fair market value
6 of direct labor and materials used in improving a multiple
7 dwelling, or of converting another building or structure to a
8 multiple dwelling, or of constructing a dwelling, or of converting
9 another building or structure to a dwelling, including any
10 architectural, engineering, and contractor's fees associated
11 therewith, as the owner of the property shall cause to be
12 certified to the governing body by an independent and qualified
13 architect, following the completion of the project.

14 k. "Dwelling" means a building or part of a building used, to be
15 used or held for use as a home or residence, including accessory
16 buildings located on the same premises, together with the land
17 upon which such building or buildings are erected and which may
18 be necessary for the fair enjoyment thereof, but shall not mean
19 any building or part of a building, defined as a "multiple
20 dwelling" pursuant to the "Hotel and Multiple Dwelling Law,"
21 P.L.1967, c.76 (C.55:13A-1 et seq.). A dwelling shall include, as
22 they are separately conveyed to individual owners, individual
23 residences within a cooperative, if purchased separately by the
24 occupants thereof, and individual residences within a horizontal
25 property regime or a condominium, but shall not include "general
26 common elements" or "common elements" of such horizontal
27 property regime or condominium as defined pursuant to the
28 "Horizontal Property Act," P.L.1963, c.168 (C.46:8A-1 et seq.),
29 or the "Condominium Act," P.L.1969, c.257 (C.46:8B-1 et seq.),
30 or of a cooperative, if the residential units are owned separately.

31 l. "Exemption" means that portion of the assessor's full and
32 true value of any improvement, conversion alteration, or
33 construction not regarded as increasing the taxable value of a
34 property pursuant to this act.

35 m. "Horizontal property regime" means a property submitted
36 to a horizontal property regime pursuant to the "Horizontal
37 Property Act," P.L.1963, c.168 (C.46:8A-1 et seq.).

38 n. "Improvement" means a modernization, rehabilitation,
39 renovation, alteration or repair which produces a physical change
40 in an existing building or structure that improves the safety,
41 sanitation, decency or attractiveness of the building or structure
42 as a place for human habitation or work, and which does not
43 change its permitted use. In the case of a multiple dwelling, it
44 includes only improvements which affect common areas or
45 elements, or three or more dwelling units within the multiple
46 dwelling. In the case of a multiple dwelling or commercial or
47 industrial structure, it shall not include ordinary painting, repairs
48 and replacement of maintenance items, or an enlargement of the

1 volume of an existing structure by more than 30%. In no case
2 shall it include the repair of fire or other damage to a property
3 for which payment of a claim was received by any person from an
4 insurance company at any time during the three year period
5 immediately preceding the filing of an application pursuant to
6 this act.

7 o. "Multiple dwelling" means a building or structure meeting
8 the definition of "multiple dwelling" set forth in the "Hotel and
9 Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.), and
10 means for the purpose of improvement or construction the
11 "general common elements" and "common elements" of a
12 condominium, a cooperative, or a horizontal property regime.

13 ¹[4. The governing body of a municipality may determine to
14 utilize the authority granted under Article VIII, Section I,
15 paragraph 6 of the New Jersey Constitution, by adopting an
16 ordinance, recommended by the municipal planning board, which
17 designates all or any part of the municipality as an area in need
18 of rehabilitation for the purposes of this act. An ordinance so
19 adopted shall take effect upon approval by the Commissioner of
20 the Department of Community Affairs. The commissioner shall,
21 within 90 days of the effective date of this act, promulgate rules
22 and regulations setting forth criteria by which an area may be
23 designated as in need of rehabilitation pursuant to this act.

24 Application for exemptions and abatements from taxation may
25 be filed pursuant to an ordinance so adopted and approved to take
26 initial effect for the first full tax year commencing after the tax
27 year in which the ordinance is approved, and for tax years
28 thereafter as set forth in this act, but no application for
29 exemptions or abatements shall be filed for exemptions or
30 abatements to take initial effect for the eleventh full tax year or
31 any tax year occurring thereafter, unless the ordinance is
32 readopted by the governing body and approved by the
33 commissioner pursuant to this section.]¹

34 ¹[5. An ordinance adopted pursuant to this act shall set] 4.
35 2a.² The governing body of a municipality may determine to
36 utilize the authority granted under Article VIII, Section I,
37 paragraph 6 of the New Jersey Constitution, and adopt an
38 ordinance setting¹ forth the eligibility or noneligibility of
39 dwellings, multiple dwellings, or commercial and industrial
40 structures, or all of these, for exemptions or abatements, or both,
41 from taxation ¹in areas in need of rehabilitation¹. The ordinance
42 may differentiate among these types of structures as to whether
43 the property shall be eligible for exemptions or abatements, or
44 both, within the limitations set forth in this act. With respect to
45 a type of structure, the ordinance shall specify the eligibility of
46 improvements, conversions, or construction, or all of these, for
47 each type of structure. The ordinance may differentiate for the
48 purposes of determining eligibility pursuant to this section among

1 the various neighborhoods, zones, areas or portions of the
2 designated area in need of rehabilitation.

3 2b. When the governing body of a municipality has determined
4 that, apart from existence of any area in the municipality that
5 has been or could be formally declared blighted or in need of
6 rehabilitation, there are trends toward deterioration that, unless
7 countered by such incentives, will inexorably tend toward such
8 conditions within the municipality, it may adopt an ordinance
9 setting forth the reasons for its determination and providing for
10 the granting of exemptions, or of exemptions and abatements,
11 either throughout the municipality or in designated residential
12 neighborhoods, in the same manner and to the same extent as if
13 the municipality's neighborhoods had been determined to be in
14 need of rehabilitation pursuant to the procedure set forth in
15 subsection a. of this section.²

16 2c.² An ordinance ²[so]² adopted ²pursuant to this section²
17 may be amended from time to time ¹[, upon the recommendation
18 of the municipal planning board, for the purposes of adjusting
19 determinations made pursuant to this section, without the
20 approval of the Commissioner of the Department of Community
21 Affairs. The ordinance shall be deemed a part of the master plan
22 of the municipality]¹. An amendment to an ordinance shall not
23 affect any exemption, abatement, or tax agreement previously
24 granted and in force prior to the amendment.

25 ¹[No ordinance shall provide for tax agreements for the
26 exemption and abatement from taxation of construction of
27 commercial or industrial structures or multiple dwellings
28 pursuant to sections 9 through 13 of P.L. , c. (C.)(now
29 pending before the Legislature as this bill), unless the
30 municipality has qualified for State aid under P.L.1978, c.14
31 (C.52:27D-178 et seq.) or is certified by the Department of
32 Community Affairs to qualify under that law in every respect
33 except for one or more of the following: population, the number
34 of ADC children, the existence of publicly financed housing; or
35 the municipality has qualified for State aid under the "Depressed
36 Rural Centers Aid Act," P.L.1977, c.260 (C.52:27D-162 et seq.).]

37 Application for exemptions and abatements from taxation may
38 be filed pursuant to an ordinance so adopted to take initial effect
39 for the first full tax year commencing after the tax year in which
40 the ordinance is adopted, and for tax years thereafter as set forth
41 in this act, but no application for exemptions or abatements shall
42 be filed for exemptions or abatements to take initial effect for
43 the eleventh full tax year or any tax year occurring thereafter,
44 unless the ordinance is readopted by the governing body pursuant
45 to this section.¹

46 ¹[6.] 5.¹ a. If the ordinance adopted pursuant to this act shall
47 provide for the exemption from taxation of improvements to
48 dwellings, it shall require that, in determining the value of real

1 property, the municipality shall regard the first ²[\$4,000 or
2 \$10,000 or \$15,000] \$5,000 or \$15,000 or \$25,000², as the
3 ordinance shall specify, in assessor's full and true value of
4 improvements for each dwelling unit primarily and directly
5 affected by the improvement in any dwelling more than 20 years
6 old, as not increasing the value of the property for a period of
7 five years, notwithstanding that the value of the property to
8 which the improvements are made is increased thereby. During
9 the exemption period, the assessment on the property shall not be
10 less than the assessment thereon existing immediately prior to
11 the improvements, unless an abatement is granted pursuant to
12 subsection b. of this section, or there is damage to the dwelling
13 through action of the elements sufficient to warrant a reduction.

14 b. An ordinance providing for exemptions for improvements to
15 dwellings may also provide for the abatement of some portion of
16 the assessed value of property receiving the exemption as it
17 existed immediately prior to the improvement. An abatement for
18 a dwelling may be granted with respect to that property for a
19 total of up to five years, but the annual amount of the abatement
20 granted to any single property shall not exceed 30% of the annual
21 amount of the exemption granted under the ordinance. The
22 abatement period and the annual percentage of the abatement to
23 be granted shall be set forth in the ordinance, which may include
24 a schedule providing for a different percentage of abatement, up
25 to 30%, for each year of the abatement period.

26 c. An ordinance providing for exemptions or abatements, or
27 both, for improvements to dwellings may also provide for the
28 exemption of some portion of the assessed valuation of
29 construction of new dwellings or of conversions of other buildings
30 and structures, including unutilized public buildings, to dwelling
31 use, or both. If so, the ordinance shall require that, in
32 determining the value of real property, the municipality shall
33 regard a percentage, not to exceed 30%, of the assessor's full
34 and true value of the dwelling constructed, or conversion
35 alterations made, as not increasing the value of the property for
36 a total up to five years, notwithstanding that the value of the
37 property upon which the construction or conversion occurs in
38 increased thereby. The exemption period and the annual
39 percentage of the exemption to be granted shall be set forth in
40 the ordinance, which may include a schedule providing for a
41 different percentage of exemption, up to 30%, for each year of
42 the exemption period.

43 d. An ordinance providing for the exemption of some portion
44 of the assessed valuation of construction of new dwellings, or of
45 conversions of other buildings and structures to dwelling use, or
46 both, may also provide for the abatement of some portion of the
47 assessed value of the property receiving the exemption as it
48 existed immediately prior to the construction or conversion

1 alteration. An abatement for a dwelling may be granted for a
2 total of up to five years, but the annual amount of the abatement
3 shall not exceed 30% of the total cost of the construction or
4 conversion alteration, and the total amount of abatements
5 granted to any single property shall not exceed the total cost of
6 the construction or conversion alteration. The abatement period
7 and the annual percentage of the abatement to be granted shall
8 be set forth in the ordinance, which may include a schedule
9 providing for a different percentage of abatement, up to 30%, for
10 each year of the abatement period.

11 ¹[7.] 6.¹ a. If the ordinance adopted pursuant to this act shall
12 provide for the exemption from taxation of improvements to
13 multiple dwellings, or of conversions of other buildings and
14 structures, including unutilized public buildings, to multiple
15 dwelling use, or both, it shall require that, in determining the
16 value of real property, the municipality shall regard up to the
17 assessor's full and true value of the improvements or conversion
18 alterations as not increasing the value of the property for a
19 period of five years, notwithstanding that the value of the
20 property to which the improvements or conversion alterations are
21 made is increased thereby. During the exemption period, the
22 assessment on the property shall not be less than the assessment
23 thereon existing immediately prior to the improvements or
24 conversion alterations, unless an abatement is granted pursuant
25 to subsection b. of this section, or there is damage to the
26 multiple dwelling through action of the elements sufficient to
27 warrant a reduction.

28 b. An ordinance providing for exemption may also provide for
29 the abatement of some portion of the assessed value of property
30 receiving the exemption as it existed immediately prior to the
31 improvement or conversion alteration. An abatement for a
32 multiple dwelling may be granted with respect to that property
33 for a total of up to five years, but the annual amount of the
34 abatement shall not exceed 30% of the total cost of the
35 improvement or conversion alteration, and the total amount of
36 abatements granted to any single property shall not exceed the
37 total cost of the improvement or conversion alteration. The
38 abatement period and the annual percentage of the abatement to
39 be granted shall be set forth in the ordinance, which may include
40 a schedule providing for a different percentage of abatement, up
41 to 30%, for each year of the abatement period.

42 ¹[8.] 7.¹ If the ordinance adopted pursuant to this act shall
43 provide for the exemption from taxation of improvements to
44 commercial or industrial structures, it shall require that, in
45 determining the value of real property, the municipality shall
46 regard up to the assessor's full and true value of the
47 improvements as not increasing the value of the property for a
48 period of five years, notwithstanding that the value of the

1 property to which the improvements are made is increased
2 thereby. During the exemption period, the assessment on the
3 property shall not be less than the assessment thereon existing
4 immediately prior to the improvements, unless there is damage
5 to the structure through action of the elements sufficient to
6 warrant a reduction.

7 The ordinance may: a. grant exemptions for all commercial
8 and industrial improvements; b. define categories of
9 improvements which shall be approved by the assessor upon
10 proper application, and other categories of improvements which
11 may be exempted only after review, evaluation and approval by
12 the municipal governing body; or, c. authorize exemption for
13 improvements on an individual basis after review, evaluation and
14 approval of each application by the governing body.

15 ¹[9.] 8.¹ If the ordinance shall provide for tax agreements for
16 the exemption and abatement from taxation for construction of
17 commercial or industrial structures, or multiple dwellings, or
18 both, the ordinance shall set forth procedures for entering into
19 agreements for the exemption and abatement of real property
20 taxes in accordance with the provisions of sections 10 through 13
21 of P.L. , c. (C.) (now pending before the Legislature as this
22 bill). All tax agreements shall be applied for and granted on a
23 project basis.

24 ¹[10.] 9.¹ Applicants for tax exemption and abatement for new
25 construction of commercial or industrial structures or multiple
26 dwellings shall provide the municipal governing body with an
27 application setting forth:

28 a. A general description of a project for which exemption and
29 abatement is sought;

30 b. A legal description of all real estate necessary for the
31 project;

32 c. Plans, drawings and other documents as may be required by
33 the governing body to demonstrate the structure and design of
34 the project;

35 d. A description of the number, classes and type of employees
36 to be employed at the project site within two years of completion
37 of the project;

38 e. A statement of the reasons for seeking tax exemption and
39 abatement on the project, and a description of the benefits to be
40 realized by the applicant if a tax agreement is granted;

41 f. Estimates of the cost of completing such project;

42 g. A statement showing (1) the real property taxes currently
43 being assessed at the project site; (2) estimated tax payments
44 that would be made annually by the applicant on the project
45 during the period of the agreement, and (3) estimated tax
46 payments that would be made by the applicant on the project
47 during the first full year following the termination of the tax
48 agreement;

1 h. If the project is a commercial or industrial structure, a
2 description of any lease agreements between the applicant and
3 proposed users of the project, and a history and description of the
4 users' businesses;

5 i. If the project is a multiple dwelling, a description of the
6 number and types of dwelling units to be provided, a description
7 of the common elements or general common elements, and a
8 statement of the proposed initial rentals or sales prices of the
9 dwelling units according to type and of any rental lease or resale
10 restrictions to apply to the dwellings' units respecting low or
11 moderate income housing;

12 j. Such other pertinent information as the governing body may
13 require.

14 ¹[11.] 10.1 Upon adoption of an ordinance authorizing a tax
15 agreement for a particular project, the governing body may enter
16 into a written agreement with the applicant for the exemption
17 and abatement of local real property taxes. The agreement shall
18 provide for the applicant to pay to the municipality in lieu of full
19 property tax payments an amount annually to be computed by
20 one, but in no case a combination, of the following formulas:

21 a. Cost basis: the agreement may provide for the application
22 to pay to the municipality in lieu of full property tax payments an
23 amount equal to 2% of the cost of the project. For the purposes
24 of the agreement, "the cost of the project" means only the cost
25 or fair market value of direct labor and all materials used in the
26 construction, expansion, or rehabilitation of all buildings,
27 structure, and facilities at the project site, including the costs, if
28 any, of land acquisition and land preparation, provision of access
29 roads, utilities, drainage facilities, and parking facilities,
30 together with architectural, engineering, legal, surveying,
31 testing, and contractors' fees associated with the project; which
32 the applicant shall cause to be certified and verified to the
33 governing body by an independent and qualified architect,
34 following the completion of the project.

35 b. Gross revenue basis: the agreement may provide for the
36 applicant to pay to the municipality in lieu of full property tax
37 payments an amount annually equal to 15% of the annual gross
38 revenues from the project. For the purposes of the agreement,
39 "annual gross revenues" means the total annual gross rental and
40 other income payable to the owner of the project from the
41 project. If in any leasing, any real estate taxes or assessments on
42 property included in the project, any premiums for fire or other
43 insurance on or concerning property included in the project, or
44 any operating or maintenance expenses ordinarily paid by the
45 landlord, are to be paid by the tenant, then those payments shall
46 be computed and deemed to be part of the rent and shall be
47 included in the annual gross revenue. The tax agreement shall
48 establish the method of computing the revenues and may

1 establish a method of arbitration by which either the landlord or
2 tenant may dispute the amount of payments so included in the
3 annual gross revenue.

4 c. Tax phase-in basis: the agreement may provide for the
5 applicant to pay to the municipality in lieu of full property tax
6 payments an amount equal to a percentage of taxes otherwise
7 due, according to the following schedule:

8 (1) In the first full tax year after completion, no payment in
9 lieu of taxes otherwise due;

10 (2) In the second tax year, an amount not less than 20% of
11 taxes otherwise due;

12 (3) In the third tax year, an amount not less than 40% of taxes
13 otherwise due;

14 (4) In the fourth tax year, an amount not less than 60% of
15 taxes otherwise due;

16 (5) In the fifth tax year, an amount not less than 80% of taxes
17 otherwise due.

18 ¹[12.] 11.1 a. All tax agreements entered into by
19 municipalities pursuant to sections 9 through 13 of P.L. , c.
20 (now pending before the Legislature as this bill) shall be in effect
21 for no more than the five full tax years next following the date of
22 completion of the project.

23 b. All projects subject to tax agreement as provided herein
24 shall be subject to all applicable federal, State and local laws and
25 regulations on pollution control, worker safety, discrimination in
26 employment, housing provision, zoning, planning and building code
27 requirements.

28 c. That percentage which the payment in lieu of taxes for a
29 property bears to the property tax which would have been paid
30 had an exemption and abatement not been granted for the
31 property under the agreement shall be applied to the valuation of
32 the property to determine the reduced valuation of the property
33 to be included in the valuation of the municipality for
34 determining equalization for county tax apportionment and school
35 aid during the term of the tax agreements covering the
36 properties, and at the termination of an agreement for a property
37 the reduced valuation procedure required under this section shall
38 no longer apply.

39 d. Within 30 days after the execution of a tax agreement, a
40 municipality shall forward a copy of the agreement to the
41 Director of the Division of Local Government Services in the
42 Department of Community Affairs.

43 ¹[13.] 12.1 a. If during any tax year prior to the termination
44 of the tax agreement, the property owner ceases to operate or
45 disposes of the property, or fails to meet the conditions for
46 qualifying, then the tax which would have otherwise been payable
47 for each tax year shall become due and payable from the property
48 owner as if no exemption and abatement had been granted. The

1 governing body of the municipality shall notify the property
2 owner and tax collector forthwith and the tax collector shall
3 within 15 days thereof notify the owner of the property of the
4 amount of taxes due.

5 However, with respect to the disposal of the property, where it
6 is determined that the new owner of the property will continue to
7 use the property pursuant to the conditions which qualified the
8 property, no tax shall be due, the exemption and the abatement
9 shall continue, and the agreement shall remain in effect.

10 b. At the termination of a tax agreement, a project shall be
11 subject to all applicable real property taxes as provided by State
12 law and regulation and local ordinance; but nothing herein shall
13 prohibit a project, at the termination of an agreement, from
14 qualifying for and receiving the full benefits of any other tax
15 preferences provided by law.

16 ¹[14.] 13.¹ The assessor shall determine, on October 1 of the
17 year following the date of the completion of an improvement,
18 conversion or construction, the true taxable value thereof.
19 Except for projects subject to tax agreement, pursuant to
20 sections 9 through 13 of P.L. , c. (now pending before the
21 Legislature as this bill), the amount of tax to be paid for the first
22 full tax year following completion shall be based on the assessed
23 valuation of the property for the previous year, minus the amount
24 of the abatement, if any, allowed pursuant to this act, plus any
25 portion of the assessed valuation of the improvement, conversion
26 or construction not allowed an exemption pursuant to this act.
27 Subject to the provisions of the adopting ordinance, the property
28 shall continue to be treated in the appropriate manner for each of
29 the five full tax years subsequent to the original determination by
30 the assessor.

31 ¹[15.] 14.¹ Any ordinance adopted pursuant to the provisions of
32 this act may also provide that an additional improvement,
33 conversion or construction, completed on a property granted a
34 previous exemption or abatement pursuant to this act during the
35 period in which such previous exemption or abatement is in
36 effect, shall be qualified for an exemption, or exemption and
37 abatement, just as if such property had not received a previous
38 exemption or abatement. In such case, the additional
39 improvement, conversion or construction shall be considered as
40 separate for the purposes of calculating exemptions and
41 abatements pursuant to this act, except that the assessed value
42 of any previous improvement, conversion or construction shall be
43 added to the assessed valuation as it was prior to that
44 improvement, conversion alteration or construction for the
45 purpose of determining the assessed valuation of the property
46 from which any additional abatement is to be subtracted. Unless
47 provided by ordinance, no additional exemption or abatement
48 shall be allowed.

1 ¹[16.] 15.¹ No exemption or abatement shall be granted, or tax
2 agreement entered into, pursuant to this act with respect to any
3 property for which property taxes are delinquent or remain
4 unpaid, or for which penalties for nonpayment of taxes are due.

5 ¹[17.] 16.¹ No exemption or abatement shall be granted
6 pursuant to this act except upon written application therefor
7 filed with and approved by the assessor of the taxing district
8 wherein the improvement conversion alteration or construction is
9 made. Every application shall be on a form prescribed by the
10 Director of the Division of Taxation in the Department of the
11 Treasury, and provided for the use of claimants by the governing
12 body of the municipality constituting the taxing district, and shall
13 be filed with the assessor within 30 days, including Saturdays and
14 Sundays, following the completion of the improvement,
15 conversion alteration or construction. Every application for
16 exemption, or exemption and abatement, within a municipality
17 adopting the provisions of this act which is filed within the time
18 specified, shall be approved and allowed by the assessor to the
19 degree that the application is consistent with the provisions of
20 the adopting ordinance or the tax agreement, provided that the
21 improvement, conversion alteration or construction for which the
22 application is made qualifies as an improvement, a conversion
23 alteration or construction pursuant to the provisions of this act
24 and the tax agreement, if any. The granting of an exemption, or
25 exemption and abatement, or tax agreement shall be recorded
26 and made a permanent part of the official tax records of the
27 taxing district, which record shall contain a notice of the
28 termination date thereof.

29 ¹[18.] 17.¹ The exemption and abatement of real property
30 taxes provided by municipalities pursuant to this act shall apply
31 to property taxes levied for municipal purposes, school purposes,
32 county government purposes and for the purposes of funding any
33 other property tax exemptions or abatements.

34 ¹[19.] 18.¹ Notwithstanding any other provision of this act, no
35 exemption or abatement or tax agreement shall be allowed with
36 respect to any facility containing a licensed gambling casino.
37 The issuance of a casino license shall operate to invalidate any
38 existing exemption, abatement or tax agreement, and all unpaid
39 taxes otherwise due, were the exemption, abatement or tax
40 agreement not granted, on the full and true value of the property
41 shall become immediately due and payable.

42 ¹[20.] 19.¹ The Commissioner of the Department of
43 Community Affairs is authorized to determine standards and
44 guidelines and to promulgate rules and regulations to effectuate
45 the purposes of this act.

46 ¹[21.] The Department of Community Affairs shall prepare, in
47 sufficient quantity for distribution to residential property owners
48 in municipalities electing to offer exemptions, or exemptions and

1 abatements, pursuant to this act, a notice for taxpayers
2 describing the exemption program or exemption and abatement
3 program and the application procedure therefor.] 20.¹ A
4 municipality which has adopted an ordinance providing for
5 exemptions, or exemptions and abatements, pursuant to this act
6 shall include the appropriate notice in the mailing of annual
7 property tax bills to each owner of a dwelling located in an area
8 in which exemptions, or exemptions and abatements, may be
9 allowed pursuant to the ordinance during the first year following
10 adoption of the ordinance.

11 ¹[22.] 21.¹ The governing body of a municipality adopting an
12 ordinance pursuant to this act shall report, on or before October
13 1 of each year, to the Director of the Division of Local
14 Government Services in the Department of Community Affairs
15 and to the Director of the Division of Taxation in the Department
16 of the Treasury the total amount of real property taxes exempted
17 and the total amount abated within the municipality in the
18 current tax year for each of the following:

- 19 a. improvements of dwellings;
20 b. construction of dwellings;
21 c. improvements and conversions of multiple dwellings;
22 d. improvements of commercial or industrial structures;
23 e. construction of multiple dwellings under tax agreements; and
24 f. construction of commercial or industrial structures under
25 tax agreements.

26 In the case of e. and f. above, the report shall state instead the
27 total amount of payments made in lieu of taxes according to each
28 formula utilized by the municipality, and the difference between
29 that total amount and the total amount of real property taxes
30 which would have been paid on the project had the tax agreement
31 not been in effect, for the current tax year.

32 The Director of the Division of Taxation shall include a
33 summary of the information provided in the annual reports in the
34 annual report of the division.

35 ¹[23.] 22.¹ The following are repealed:

36 P.L.1975, c.104 (C.54:4-3.72 et seq.)

37 P.L.1977, c.12 (C.54:4-3.95 et seq.)

38 P.L.1977, c.284 (C.54:4-3.79a. and 54:4-3.79 b.)

39 P.L.1979, c.233 (C.54:4-3.121 et seq.)

40 ¹[24.] 23.¹ No exemption or abatement granted, or tax
41 agreement entered into, pursuant to an ordinance adopted
42 pursuant to an act repealed by this act shall be affected or
43 terminated by virtue of that repeal, but shall remain in effect for
44 the time and under the terms granted as if the act authorizing
45 the ordinance had not been so repealed. Notwithstanding that
46 repeal, any restriction or limitation contained in that act against
47 a property being granted an additional exemption or abatement
48 thereunder shall apply with respect to granting an exemption or

1 abatement under this act, and no property which was granted an
2 exemption or abatement under an act so repealed shall be granted
3 an exemption or abatement under this act unless the property
4 would have qualified for an additional exemption or abatement
5 under the act so repealed.

6 ¹[25.] 24.¹ This act shall take effect immediately, and
7 exemptions and abatements may be granted, and tax agreements
8 entered into, for the first full tax year commencing after
9 enactment and for tax years thereafter.

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12 LOCAL TAXATION

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"Five-Year Exemption and Abatement Law."

1 entered into, pursuant to an ordinance adopted pursuant to an act
2 repealed by this act shall be affected or terminated by virtue of
3 that repeal, but shall remain in effect for the time and under the
4 terms granted as if the act authorizing the ordinance had not
5 been so repealed. Notwithstanding that repeal, any restriction or
6 limitation contained in that act against a property being granted
7 an additional exemption or abatement thereunder shall apply with
8 respect to granting an exemption or abatement under this act,
9 and no property which was granted an exemption or abatement
10 under an act so repealed shall be granted an exemption or
11 abatement under this act unless the property would have qualified
12 for an additional exemption or abatement under the act so
13 repealed.

14 25. This act shall take effect immediately, and exemptions and
15 abatements may be granted, and tax agreements entered into, for
16 the first full tax year commencing after enactment and for tax
17 years thereafter.

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Spencer STATEMENT

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22 This bill, the "Comprehensive Tax Abatement and Exemption
23 Law," consolidates the various five-year tax exemption and
24 abatement statutes enacted under Article VIII, Section I,
25 paragraph 6 of the State Constitution. It incorporates the
26 recommendations of the County and Municipal Government Study
27 Commission in this regard contained in its report, Local
28 Development in New Jersey (1987).

29 Besides consolidating and eliminating overlapping sections of
30 law, the bill would provide for a standard definition of "areas in
31 need of rehabilitation" to govern all exemptions and abatements
32 whether granted to residential dwellings, multiple dwellings, or
33 commercial or industrial structures. A designation of an area as
34 being in need of rehabilitation would be made by the Department
35 of Community Affairs upon application by the municipality. If
36 appropriate, an entire municipality could be designated as an area
37 in need of rehabilitation. The designation would be based on
38 regulations and specific criteria adopted by the department. Any
39 designations would have a time limit of 10 years, at which time a
40 review of the original designation would take place.

41 Once an area within a municipality, or the entire municipality,
42 has been designated as an area in need of rehabilitation, the local
43 governing body would then be able to enact a local ordinance
44 providing for five-year tax exemptions and abatements for the
45 improvement of one or two unit residential structures; the
46 improvement, expansion, or construction of new commercial and
47 industrial projects; the conversion to, or improvement of, existing
48 multiple dwellings; or any one or combination of the above types

1 of projects.

2 Because of the importance of in-fill construction in a
3 comprehensive strategy for improvement of areas in need of
4 rehabilitation, the bill provides for tax abatements and
5 exemptions for the construction of new single family or multiple
6 dwelling projects.

7 The bill also strengthens the reporting requirements on the use
8 of the various tax exemption and abatement options permitted, in
9 order to provide a continuous monitoring of the effects of
10 utilization.

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12

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LOCAL TAXATION

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15 "Comprehensive Tax Abatement and Exemption Law;"
16 consolidates various statutes providing for five-year exemptions
17 and abatements.

ASSEMBLY HOUSING COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2000

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 9, 1991

The Assembly Housing Committee reports favorably Senate Bill No. 2000 (1R) with committee amendments.

This bill, the "Five Year Exemption and Abatement Law," consolidates the various five-year tax exemption and abatement statutes enacted under Article VIII, Section I, paragraph 6 of the State Constitution. It incorporates the recommendations of the County and Municipal Government Study Commission in this regard contained in its 1987 report, Local Development in New Jersey.

In addition to consolidating and eliminating overlapping sections of law, the bill would provide for a standard definition of "areas in need of rehabilitation" to govern all exemptions and abatements whether granted to residential dwellings, multiple dwellings, or commercial or industrial structures. A designation of an area as being in need of rehabilitation would be made by the Department of Community Affairs upon application by the municipality. If appropriate, an entire municipality could be designated as an area in need of rehabilitation. The designation would be based on regulations and specific criteria adopted by the department. Any designations would have a time limit of 10 years, at which time a review of the original designation would take place.

Once an area within a municipality, or the entire municipality, has been designated as an area in need of rehabilitation, the local governing body would then be able to enact a local ordinance providing for five-year tax exemptions and abatements for the improvement of one or two unit residential structures; the improvement, expansion, or construction of new commercial and industrial projects; the conversion to, or improvement of, existing multiple dwellings; or any one or combination of the above types of projects. The bill also provides for tax abatements and exemptions for the construction of new single family or multiple dwelling projects.

The bill also strengthens the reporting requirements on the use of the various tax exemption and abatement options permitted, in order to provide a continuous monitoring of the effects of utilization.

Amendments adopted by the committee would enable any municipality, if its governing body determines that these tax incentives should be utilized in order to counteract trends toward deterioration in residential neighborhoods, to adopt a program of

exemptions and abatements on its own initiative without the necessity of a formal declaration by the county planning board or the Department of Community Affairs. In addition, the amendments increase the allowable tax exemption maximums from \$4,000, \$10,000 and \$15,000 to \$5,000, \$15,000 and \$25,000, respectively, as the municipality ordinance may specify, for the value added by an improvement.

This bill, as amended, is identical to Assembly Bill No. 4685, as amended by this committee on December 9, 1991.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 2000

STATE OF NEW JERSEY

DATED: JUNE 10, 1991

The Senate Revenue, Finance and Appropriations Committee reports favorably Senate Bill No. 2000 (1R).

Senate Bill No. 2000 (1R), the "Five Year Exemption and Abatement Law," consolidates the various five-year tax exemption and abatement statutes enacted under Article VIII, Section I, paragraph 6 of the State Constitution. It incorporates the recommendations of the County and Municipal Government Study Commission in this regard contained in its 1987 report, Local Development in New Jersey.

In addition to consolidating and eliminating overlapping sections of law, the bill would provide for a standard definition of "areas in need of rehabilitation" to govern all exemptions and abatements whether granted to residential dwellings, multiple dwellings, or commercial or industrial structures. A designation of an area as being in need of rehabilitation would be made by the Department of Community Affairs upon application by the municipality. If appropriate, an entire municipality could be designated as an area in need of rehabilitation. The designation would be based on regulations and specific criteria adopted by the department. Any designations would have a time limit of 10 years, at which time a review of the original designation would take place.

Once an area within a municipality, or the entire municipality, has been designated as an area in need of rehabilitation, the local governing body would then be able to enact a local ordinance providing for five-year tax exemptions and abatements for the improvement of one or two unit residential structures; the improvement, expansion, or construction of new commercial and industrial projects; the conversion to, or improvement of, existing multiple dwellings; or any one or combination of the above types of projects. The bill also provides for tax abatements and exemptions for the construction of new single family or multiple dwelling projects.

The bill also strengthens the reporting requirements on the use of the various tax exemption and abatement options permitted, in order to provide a continuous monitoring of the effects of utilization.

FISCAL IMPACT

As this bill consolidates existing laws which permit municipalities to offer five year tax exemptions and abatements, it has no direct impact on State revenues.

SENATE COUNTY AND MUNICIPAL
GOVERNMENT COMMITTEE

STATEMENT TO

SENATE, No. 2000

with Senate committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 24, 1990

The Senate County and Municipal Government Committee favorably reports Senate Bill No. 2000 with Senate committee amendments.

As amended by the committee, Senate Bill No. 2000, the "Five Year Exemption and Abatement Law," consolidates the various five-year tax exemption and abatement statutes enacted under Article VIII, Section I, paragraph 6 of the State Constitution. It incorporates the recommendations of the County and Municipal Government Study Commission in this regard contained in its report, Local Development in New Jersey (1987).

Besides consolidating and eliminating overlapping sections of law, the bill would provide for a standard definition of "areas in need of rehabilitation" to govern all exemptions and abatements whether granted to residential dwellings, multiple dwellings, or commercial or industrial structures. A designation of an area as being in need of rehabilitation would be made by the Department of Community Affairs upon application by the municipality. If appropriate, an entire municipality could be designated as an area in need of rehabilitation. The designation would be based on regulations and specific criteria adopted by the department. Any designations would have a time limit of 10 years, at which time a review of the original designation would take place.

Once an area within a municipality, or the entire municipality, has been designated as an area in need of rehabilitation, the local governing body would then be able to enact a local ordinance providing for five-year tax exemptions and abatements for the improvement of one or two unit residential structures; the improvement, expansion, or construction of new commercial and industrial projects; the conversion to, or improvement of, existing multiple dwellings; or any one or combination of the above types of projects.

Because of the importance of in-fill construction in a comprehensive strategy for improvement of areas in need of rehabilitation, the bill provides for tax abatements and exemptions for the construction of new single family or multiple dwelling projects.

The bill also strengthens the reporting requirements on the use of the various tax exemption and abatement options permitted, in order to provide a continuous monitoring of the effects of utilization.

COMMITTEE AMENDMENTS

The committee amended the bill by changing the definition of "area in need of rehabilitation" to make it consistent with the provisions of Senate Bill No. 380 of 1990, the "Local Redevelopment and Housing Law."

The committee also amended the bill to simplify the procedures for adopting a tax abatement and exemption ordinance. The committee accomplished this by combining sections 4 and 5 of the bill to provide the governing body of a municipality with the power to adopt an ordinance providing for tax abatements and exemptions in any area in need of rehabilitation. Such an ordinance may be amended from time to time, and remains in effect for ten years from its initial adoption, unless the ordinance is readopted by the governing body.

Further, the committee amendments remove the requirement for Department of Community Affairs approval of the adoption and amendment of local tax abatement and exemption ordinances.

In addition, the committee amended section 21 of the bill to remove the requirement that the Department of Community Affairs prepare notices to local property taxpayers describing the local tax abatement and exemption program.

Finally, the committee removed the provisions of the bill limiting the number of municipalities eligible to enact tax abatements and exemption ordinances so that any municipality with a duly designated area in need of rehabilitation can enact a tax abatement and exemption ordinance.

This bill was pre-filed for introduction in the 1990 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.