

# 54:4-3.6

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2001                      **CHAPTER:** 18  
**NJSA:** 54:4-3.6                      (Religious or charitable organizations—lease property)  
**BILL NO:** A3038                      (Substituted for S1659)

**SPONSOR(S):** Malone and Cottrell

**DATE INTRODUCED:** December 7, 2000

**COMMITTEE:**                      **ASSEMBLY:** Appropriations

**SENATE:** -----

**AMENDED DURING PASSAGE:** No

**DATE OF PASSAGE:**                      **ASSEMBLY:** December 11, 2000

**SENATE:** December 18, 2000

**DATE OF APPROVAL:** January 29, 2001

### FOLLOWING ARE ATTACHED IF AVAILABLE:

**FINAL TEXT OF BILL** (Original version enacted)

(Amendments during passage denoted by superscript numbers)

#### A3038

**SPONSORS STATEMENT:** (Begins on page 4 of original bill)                      Yes

**COMMITTEE STATEMENT:**                      **ASSEMBLY:**                      Yes

**SENATE:**                      No

**FLOOR AMENDMENT STATEMENTS:**                      No

**LEGISLATIVE FISCAL ESTIMATE:**                      No

#### S1659

**SPONSORS STATEMENT:** (Begins on page 4 of original bill)                      Yes

**COMMITTEE STATEMENT:** **ASSEMBLY:** No  
**SENATE:** Yes 10/19/00 (Com. &  
Urb.) 12/14/00 (Budget)

**FLOOR AMENDMENT STATEMENTS:** No

**LEGISLATIVE FISCAL ESTIMATE:** Yes

**FINAL VERSION (2<sup>nd</sup> Reprint)** Yes

**VETO MESSAGE:** No

**GOVERNOR'S PRESS RELEASE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

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**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** Yes

"Churches get tax relief for some rentals,"2-1-2001 Star Ledger, p.33

# ASSEMBLY, No. 3038

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED DECEMBER 7, 2000

**Sponsored by:**

**Assemblyman JOSEPH R. MALONE, III**

**District 30 (Burlington, Monmouth and Ocean)**

**Assemblyman MELVIN COTTRELL**

**District 30 (Burlington, Monmouth and Ocean)**

**Co-Sponsored by:**

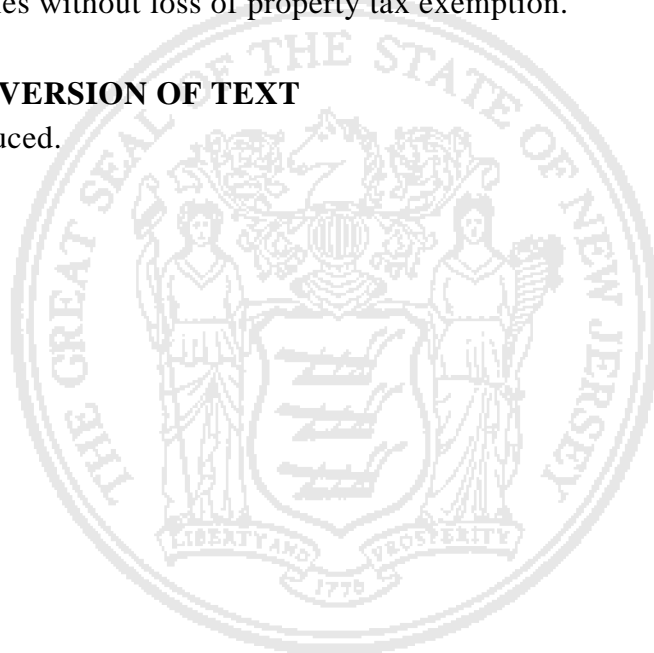
**Assemblymen Garrett, Gregg, Merkt, Assemblywomen Murphy,  
Weinberg, Senators Singer, DiFrancesco, Allen, Inverso, Bucco,  
Matheussen, Kosco, Sinagra and Littell**

**SYNOPSIS**

Permits religious or charitable organization to lease property to other tax-exempt entities without loss of property tax exemption.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 12/19/2000)**

1 AN ACT concerning exemption from property taxation and amending  
2 R.S.54:4-3.6.

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

6  
7 1. R.S.54:4-3.6 is amended to read as follows:

8 54:4-3.6. The following property shall be exempt from taxation  
9 under this chapter: all buildings actually used for colleges, schools,  
10 academies or seminaries, provided that if any portion of such buildings  
11 are leased to profit-making organizations or otherwise used for  
12 purposes which are not themselves exempt from taxation, said portion  
13 shall be subject to taxation and the remaining portion only shall be  
14 exempt; all buildings actually used for historical societies, associations  
15 or exhibitions, when owned by the State, county or any political  
16 subdivision thereof or when located on land owned by an educational  
17 institution which derives its primary support from State revenue; all  
18 buildings actually and exclusively used for public libraries, [religious  
19 worship or] asylum or schools for feebleminded or idiotic persons and  
20 children; all buildings used exclusively by any association or  
21 corporation formed for the purpose and actually engaged in the work  
22 of preventing cruelty to animals; all buildings actually and exclusively  
23 used and owned by volunteer first-aid squads, which squads are or  
24 shall be incorporated as associations not for pecuniary profit; all  
25 buildings actually used in the work of associations and corporations  
26 organized exclusively for the moral and mental improvement of men,  
27 women and children, provided that if any portion of a building used for  
28 that purpose is leased to profit-making organizations or is otherwise  
29 used for purposes which are not themselves exempt from taxation, that  
30 portion shall be subject to taxation and the remaining portion only  
31 shall be exempt; all buildings actually [and exclusively] used in the  
32 work of associations and corporations organized exclusively for  
33 religious purposes, including religious worship, or charitable purposes,  
34 provided that if any portion of a building used for that purpose is  
35 leased to a profit-making organization or is otherwise used for  
36 purposes which are not themselves exempt from taxation, that portion  
37 shall be subject to taxation and the remaining portion shall be exempt  
38 from taxation, and provided further that if any portion of a building is  
39 used for a different exempt use by an exempt entity, that portion shall  
40 also be exempt from taxation; all buildings actually used in the work  
41 of associations and corporations organized exclusively for hospital  
42 purposes, provided that if any portion of a building used for hospital  
43 purposes is leased to profit-making organizations or otherwise used

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 for purposes which are not themselves exempt from taxation, that  
2 portion shall be subject to taxation and the remaining portion only  
3 shall be exempt; all buildings owned or held by an association or  
4 corporation created for the purpose of holding the title to such  
5 buildings as are actually and exclusively used in the work of two or  
6 more associations or corporations organized exclusively for the moral  
7 and mental improvement of men, women and children; all buildings  
8 owned by a corporation created under or otherwise subject to the  
9 provisions of Title 15 of the Revised Statutes or Title 15A of the New  
10 Jersey Statutes and actually and exclusively used in the work of one or  
11 more associations or corporations organized exclusively for charitable  
12 or religious purposes, which associations or corporations may or may  
13 not pay rent for the use of the premises or the portions of the premises  
14 used by them; the buildings, not exceeding two, actually occupied as  
15 a parsonage by the officiating clergymen of any religious corporation  
16 of this State, together with the accessory buildings located on the same  
17 premises; the land whereon any of the buildings hereinbefore  
18 mentioned are erected, and which may be necessary for the fair  
19 enjoyment thereof, and which is devoted to the purposes above  
20 mentioned and to no other purpose and does not exceed five acres in  
21 extent; the furniture and personal property in said buildings if used in  
22 and devoted to the purposes above mentioned; all property owned and  
23 used by any nonprofit corporation in connection with its curriculum,  
24 work, care, treatment and study of feeble-minded, mentally retarded,  
25 or idiotic men, women, or children shall also be exempt from taxation,  
26 provided that such corporation conducts and maintains research or  
27 professional training facilities for the care and training of  
28 feeble-minded, mentally retarded, or idiotic men, women, or children;  
29 provided, in case of all the foregoing, the buildings, or the lands on  
30 which they stand, or the associations, corporations or institutions  
31 using and occupying them as aforesaid, are not conducted for profit,  
32 except that the exemption of the buildings and lands used for  
33 charitable, benevolent or religious purposes shall extend to cases  
34 where the charitable, benevolent or religious work therein carried on  
35 is supported partly by fees and charges received from or on behalf of  
36 beneficiaries using or occupying the buildings; provided the building  
37 is wholly controlled by and the entire income therefrom is used for said  
38 charitable, benevolent or religious purposes. The foregoing exemption  
39 shall apply only where the association, corporation or institution  
40 claiming the exemption owns the property in question and is  
41 incorporated or organized under the laws of this State and authorized  
42 to carry out the purposes on account of which the exemption is  
43 claimed or where an educational institution, as provided herein, has  
44 leased said property to a historical society or association or to a  
45 corporation organized for such purposes and created under or  
46 otherwise subject to the provisions of Title 15 of the Revised Statutes

1 or Title 15A of the New Jersey Statutes.

2 As used in this section "hospital purposes" includes health care  
3 facilities for the elderly, such as nursing homes; residential health care  
4 facilities; assisted living residences; facilities with a Class C license  
5 pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and  
6 Boarding House Act of 1979"; similar facilities that provide medical,  
7 nursing or personal care services to their residents; and that portion of  
8 the central administrative or service facility of a continuing care  
9 retirement community that is reasonably allocable as a health care  
10 facility for the elderly.  
11 (cf: P.L.1993, c.166)

12

13 2. This act shall take effect immediately and section 1 shall be  
14 retroactive to September 30, 1999.

15

16

17

STATEMENT

18

19 This bill would permit a religious or charitable organization to lease  
20 a portion of a building to another exempt entity for use as a different  
21 exempt use without risking the loss of its property tax exemption as  
22 is the case under current law. This bill is in direct response to Roman  
23 Catholic Archdiocese of Newark v. City of East Orange, 17 N.J.Tax  
24 298 (Tax Court, May 27, 1998), aff'd 18 N.J.Tax 649 (App. Div.,  
25 March 21, 2000) which, at page 316, held that "a religious or  
26 charitable organization which leases its property to an educational  
27 organization loses its tax exemption under N.J.S.A.54:4-3.6." This  
28 case leads to the result that public boards of education, which are  
29 themselves tax exempt entities, are required to pay real property taxes  
30 if they lease property from a religious or charitable organization.

31 Under the bill, so long as the religious or charitable organization  
32 leases property to an otherwise exempt entity for a tax exempt use,  
33 there will be no change to the property's tax exempt status. The bill  
34 would also allow a religious or charitable organization to lease out a  
35 portion of a building to a for-profit organization and retain a partial  
36 tax exemption on the remaining portion of the building.

37 The language of the bill tracks the language of other partial  
38 exemptions that have been enacted by the Legislature. Over the past  
39 20 years, the statute in question has been amended three times to allow  
40 educational institutions, hospitals and institutions for the mental and  
41 moral improvement of men, women and children to lease a portion of  
42 a building to a profit-making organization without losing the  
43 exemption for the remaining portion of the building.

44 The bill would take effect immediately and be retroactive to  
45 September 30, 1999.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3038**

**STATE OF NEW JERSEY**

DATED: DECEMBER 7, 2000

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3038.

Assembly Bill No. 3038 permits a religious or charitable organization to lease a portion of a building to another property tax-exempt entity for a different but property tax-exempt use without risking the loss of its property tax exemption. The bill also allows a religious or charitable organization to lease out a portion of a building to a non-exempt organization, or for a nontax-exempt use, and retain the property tax exemption on the remaining portion of the building.

This bill is in direct response to Roman Catholic Archdiocese of Newark v. City of East Orange, 17 N.J.Tax 298 (Tax Court, May 27, 1998), aff'd 18 N.J.Tax 649 (App. Div., March 21, 2000) which held that "a religious or charitable organization which leases its property to an educational organization loses its tax exemption under N.J.S.A.54:4-3.6." [17 N.J.Tax, at 316]. This case leads to the result that public boards of education, which are themselves tax exempt entities, are required to pay real property taxes if they lease property from a religious or charitable organization.

The bill is retroactive to September 30, 1999, making it effective as of the October 1, 1999 date on which lists of exempt properties were struck for tax year 2000.

FISCAL IMPACT:

This bill has no effect on State revenue or expenditures. The local government and school board fiscal impact is not determinable from the information available.

# SENATE, No. 1659

## STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED SEPTEMBER 21, 2000

**Sponsored by:**

**Senator ROBERT W. SINGER**

**District 30 (Burlington, Monmouth and Ocean)**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Co-Sponsored by:**

**Senator Allen**

**SYNOPSIS**

Permits religious organization to receive funds from educational, religious, charitable, benevolent, social or civic organizations for use of its facilities without loss of its property tax exemption.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 10/3/2000)**



1 AN ACT concerning exemption from property taxation and amending  
2 R.S.54:4-3.6.

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

6  
7 1. R.S.54:4-3.6 is amended to read as follows:

8 54:4-3.6. The following property shall be exempt from taxation  
9 under this chapter: all buildings actually used for colleges, schools,  
10 academies or seminaries, provided that if any portion of such buildings  
11 are leased to profit-making organizations or otherwise used for  
12 purposes which are not themselves exempt from taxation, said portion  
13 shall be subject to taxation and the remaining portion only shall be  
14 exempt; all buildings actually used for historical societies, associations  
15 or exhibitions, when owned by the State, county or any political  
16 subdivision thereof or when located on land owned by an educational  
17 institution which derives its primary support from State revenue; all  
18 buildings actually and exclusively used for public libraries, religious  
19 worship or asylum or schools for feebleminded or idiotic persons and  
20 children; all buildings used exclusively by any association or  
21 corporation formed for the purpose and actually engaged in the work  
22 of preventing cruelty to animals; all buildings actually and exclusively  
23 used and owned by volunteer first-aid squads, which squads are or  
24 shall be incorporated as associations not for pecuniary profit; all  
25 buildings actually used in the work of associations and corporations  
26 organized exclusively for the moral and mental improvement of men,  
27 women and children, provided that if any portion of a building used for  
28 that purpose is leased to profit-making organizations or is otherwise  
29 used for purposes which are not themselves exempt from taxation, that  
30 portion shall be subject to taxation and the remaining portion only  
31 shall be exempt; all buildings actually and exclusively used in the work  
32 of associations and corporations organized exclusively for religious or  
33 charitable purposes; all buildings actually used in the work of  
34 associations and corporations organized exclusively for hospital  
35 purposes, provided that if any portion of a building used for hospital  
36 purposes is leased to profit-making organizations or otherwise used  
37 for purposes which are not themselves exempt from taxation, that  
38 portion shall be subject to taxation and the remaining portion only  
39 shall be exempt; all buildings owned or held by an association or  
40 corporation created for the purpose of holding the title to such  
41 buildings as are actually and exclusively used in the work of two or  
42 more associations or corporations organized exclusively for the moral  
43 and mental improvement of men, women and children; all buildings

**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.**

1 owned by a corporation created under or otherwise subject to the  
2 provisions of Title 15 of the Revised Statutes or Title 15A of the New  
3 Jersey Statutes and actually and exclusively used in the work of one or  
4 more associations or corporations organized exclusively for charitable  
5 or religious purposes, which associations or corporations may or may  
6 not pay rent for the use of the premises or the portions of the premises  
7 used by them; the buildings, not exceeding two, actually occupied as  
8 a parsonage by the officiating clergymen of any religious corporation  
9 of this State, together with the accessory buildings located on the same  
10 premises; the land whereon any of the buildings hereinbefore  
11 mentioned are erected, and which may be necessary for the fair  
12 enjoyment thereof, and which is devoted to the purposes above  
13 mentioned and to no other purpose and does not exceed five acres in  
14 extent; the furniture and personal property in said buildings if used in  
15 and devoted to the purposes above mentioned; all property owned and  
16 used by any nonprofit corporation in connection with its curriculum,  
17 work, care, treatment and study of feeble-minded, mentally retarded,  
18 or idiotic men, women, or children shall also be exempt from taxation,  
19 provided that such corporation conducts and maintains research or  
20 professional training facilities for the care and training of  
21 feeble-minded, mentally retarded, or idiotic men, women, or children;  
22 provided, in case of all the foregoing, the buildings, or the lands on  
23 which they stand, or the associations, corporations or institutions  
24 using and occupying them as aforesaid, are not conducted for profit,  
25 except that the exemption of the buildings and lands used for  
26 charitable, benevolent or religious purposes shall extend to cases  
27 where the charitable, benevolent or religious work therein carried on  
28 is supported partly by fees and charges received from or on behalf of  
29 beneficiaries using or occupying the buildings; provided the building  
30 is wholly controlled by and the entire income therefrom is used for said  
31 charitable, benevolent or religious purposes. The foregoing exemption  
32 shall apply only where the association, corporation or institution  
33 claiming the exemption owns the property in question and is  
34 incorporated or organized under the laws of this State and authorized  
35 to carry out the purposes on account of which the exemption is  
36 claimed or where an educational institution, as provided herein, has  
37 leased said property to a historical society or association or to a  
38 corporation organized for such purposes and created under or  
39 otherwise subject to the provisions of Title 15 of the Revised Statutes  
40 or Title 15A of the New Jersey Statutes.

41 As used in this section "hospital purposes" includes health care  
42 facilities for the elderly, such as nursing homes; residential health care  
43 facilities; assisted living residences; facilities with a Class C license  
44 pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and  
45 Boarding House Act of 1979"; similar facilities that provide medical,  
46 nursing or personal care services to their residents; and that portion of

1 the central administrative or service facility of a continuing care  
2 retirement community that is reasonably allocable as a health care  
3 facility for the elderly.

4 No nonresidential property owned or used by an otherwise exempt  
5 religious organization shall lose its exemption or be denied an  
6 exemption from taxation under this section solely because it derives a  
7 portion of its income from rents, fees, charges, or donations paid to  
8 the religious organization in connection with the use of any portion of  
9 its nonresidential property by any educational, religious, charitable,  
10 benevolent, social or civic organization as long as the entire income  
11 derived from such use is devoted to the authorized purposes of the  
12 religious organization and the building is wholly controlled by the  
13 religious organization. For the purposes of this section nonresidential  
14 property means any building designed and built for use as a church,  
15 school, organization center, social or civic hall, or which having been  
16 designed and built for residential use, has been altered, converted or  
17 reconstructed for nonresidential use by a religious organization and the  
18 land on which the building is erected and which may be necessary for  
19 the fair enjoyment thereof, and which is devoted to educational,  
20 religious, charitable, benevolent, social or civic purposes, and does not  
21 exceed five acres in extent.

22 (cf: P.L.1962, c.154, s.1)

23

24 2. This act shall take effect immediately.

25

26

#### STATEMENT

27

28 This bill permits a religious organization to receive funds from  
29 educational, religious, charitable, benevolent, social or civic  
30 organizations for use of its nonresidential facilities without risking the  
31 loss of its property tax exemption as is the case under current law.

32 Specifically, this bill provides that no nonresidential property owned  
33 or used by an otherwise exempt religious organization will lose its  
34 exemption or be denied an exemption from taxation under  
35 N.J.S.A.54:4-3.6 solely because it derives a portion of its income from  
36 rents, fees, charges, or donations paid to it in connection with the use  
37 of any portion of its nonresidential property by any educational,  
38 religious, charitable, benevolent, social or civic organization as long  
39 as the entire income derived from such use is devoted to the  
40 authorized purposes of the religious organization and the building is  
41 wholly controlled by the religious organization.

42 For the purposes of this bill nonresidential property means any  
43 building designed and built for use as a church, school, organization  
44 center, social or civic hall, or which having been designed and built for  
45 residential use, has been altered, converted or reconstructed for  
46 nonresidential use by a religious organization, and the land on which  
47 the building is erected.

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

### **SENATE, No. 1659**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: OCTOBER 19, 2000

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Senate Bill No. 1659.

As amended by the committee, this bill would permit a religious or charitable organization to lease a portion of a building to another exempt entity for use as a different exempt use without risking the loss of its property tax exemption as is the case under current law. This bill is in direct response to Roman Catholic Archdiocese of Newark v. City of East Orange, 17 N.J.Tax 298 (Tax Court, May 27, 1998), aff'd 18 N.J.Tax 649 (App. Div., March 21, 2000) which held that "a religious or charitable organization which leases its property to an educational organization loses its tax exemption under N.J.S.A.54:4-3.6." [17 N.J.Tax at 316]. This case leads to the result that public boards of education, which are themselves tax exempt entities, are required to pay real property taxes if they lease property from a religious or charitable organization.

Under the bill, as amended, so long as the religious or charitable organization leases property to an otherwise exempt entity for a tax exempt use, there will be no change to the property's tax exempt status. The bill, as amended, would also allow a religious or charitable organization to lease out a portion of a building to a for-profit organization and retain a partial tax exemption on the remaining portion of the building.

The committee amended the bill at the urging of the New Jersey Catholic Conference and others who believe that the new language more closely tracks the language of other partial exemptions that have been enacted by the Legislature. Over the past 20 years, the statute in question has been amended three times to allow educational institutions, hospitals and institutions for the mental and moral improvement of men, women and children to lease a portion of a building to a profit-making organization without losing the exemption for the remaining portion of the building.

[First Reprint]

**SENATE, No. 1659**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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INTRODUCED SEPTEMBER 21, 2000

**Sponsored by:**

**Senator ROBERT W. SINGER**

**District 30 (Burlington, Monmouth and Ocean)**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Co-Sponsored by:**

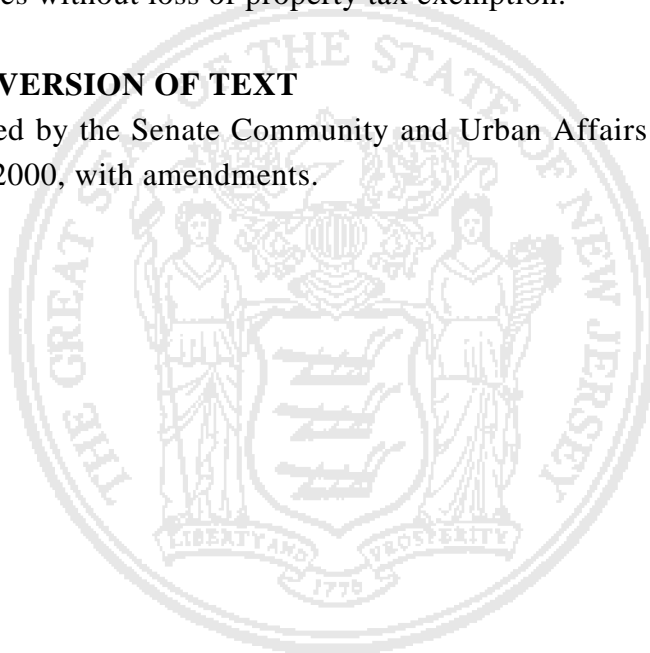
**Senators Allen, Inverso, Bucco, Matheussen, Kosco and Sinagra**

**SYNOPSIS**

Permits religious or charitable organization to lease property to other tax-exempt entities without loss of property tax exemption.

**CURRENT VERSION OF TEXT**

As reported by the Senate Community and Urban Affairs Committee on October 19, 2000, with amendments.



**(Sponsorship Updated As Of: 12/5/2000)**

1 AN ACT concerning exemption from property taxation and amending  
2 R.S.54:4-3.6.

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

6  
7 1. R.S.54:4-3.6 is amended to read as follows:

8 54:4-3.6. The following property shall be exempt from taxation  
9 under this chapter: all buildings actually used for colleges, schools,  
10 academies or seminaries, provided that if any portion of such buildings  
11 are leased to profit-making organizations or otherwise used for  
12 purposes which are not themselves exempt from taxation, said portion  
13 shall be subject to taxation and the remaining portion only shall be  
14 exempt; all buildings actually used for historical societies, associations  
15 or exhibitions, when owned by the State, county or any political  
16 subdivision thereof or when located on land owned by an educational  
17 institution which derives its primary support from State revenue; all  
18 buildings actually and exclusively used for public libraries, religious  
19 worship or asylum or schools for feebleminded or idiotic persons and  
20 children; all buildings used exclusively by any association or  
21 corporation formed for the purpose and actually engaged in the work  
22 of preventing cruelty to animals; all buildings actually and exclusively  
23 used and owned by volunteer first-aid squads, which squads are or  
24 shall be incorporated as associations not for pecuniary profit; all  
25 buildings actually used in the work of associations and corporations  
26 organized exclusively for the moral and mental improvement of men,  
27 women and children, provided that if any portion of a building used for  
28 that purpose is leased to profit-making organizations or is otherwise  
29 used for purposes which are not themselves exempt from taxation, that  
30 portion shall be subject to taxation and the remaining portion only  
31 shall be exempt; all buildings actually <sup>1</sup>[and exclusively]<sup>1</sup> used in the  
32 work of associations and corporations organized exclusively for  
33 religious or charitable purposes <sup>1</sup>, provided that if any portion of a  
34 building used for that purpose is leased to a profit-making organization  
35 or is otherwise used for purposes which are not themselves exempt  
36 from taxation, that portion shall be subject to taxation and the  
37 remaining portion shall be exempt from taxation, and provided further  
38 that if any portion of a building is used for a different exempt use by  
39 an exempt entity, that portion shall also be exempt from taxation<sup>1</sup>; all  
40 buildings actually used in the work of associations and corporations  
41 organized exclusively for hospital purposes, provided that if any

**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> Senate SCU committee amendments adopted October 19, 2000.

1 portion of a building used for hospital purposes is leased to  
2 profit-making organizations or otherwise used for purposes which are  
3 not themselves exempt from taxation, that portion shall be subject to  
4 taxation and the remaining portion only shall be exempt; all buildings  
5 owned or held by an association or corporation created for the  
6 purpose of holding the title to such buildings as are actually and  
7 exclusively used in the work of two or more associations or  
8 corporations organized exclusively for the moral and mental  
9 improvement of men, women and children; all buildings owned by a  
10 corporation created under or otherwise subject to the provisions of  
11 Title 15 of the Revised Statutes or Title 15A of the New Jersey  
12 Statutes and actually and exclusively used in the work of one or more  
13 associations or corporations organized exclusively for charitable or  
14 religious purposes, which associations or corporations may or may not  
15 pay rent for the use of the premises or the portions of the premises  
16 used by them; the buildings, not exceeding two, actually occupied as  
17 a parsonage by the officiating clergymen of any religious corporation  
18 of this State, together with the accessory buildings located on the same  
19 premises; the land whereon any of the buildings hereinbefore  
20 mentioned are erected, and which may be necessary for the fair  
21 enjoyment thereof, and which is devoted to the purposes above  
22 mentioned and to no other purpose and does not exceed five acres in  
23 extent; the furniture and personal property in said buildings if used in  
24 and devoted to the purposes above mentioned; all property owned and  
25 used by any nonprofit corporation in connection with its curriculum,  
26 work, care, treatment and study of feeble-minded, mentally retarded,  
27 or idiotic men, women, or children shall also be exempt from taxation,  
28 provided that such corporation conducts and maintains research or  
29 professional training facilities for the care and training of  
30 feeble-minded, mentally retarded, or idiotic men, women, or children;  
31 provided, in case of all the foregoing, the buildings, or the lands on  
32 which they stand, or the associations, corporations or institutions  
33 using and occupying them as aforesaid, are not conducted for profit,  
34 except that the exemption of the buildings and lands used for  
35 charitable, benevolent or religious purposes shall extend to cases  
36 where the charitable, benevolent or religious work therein carried on  
37 is supported partly by fees and charges received from or on behalf of  
38 beneficiaries using or occupying the buildings; provided the building  
39 is wholly controlled by and the entire income therefrom is used for said  
40 charitable, benevolent or religious purposes. The foregoing exemption  
41 shall apply only where the association, corporation or institution  
42 claiming the exemption owns the property in question and is  
43 incorporated or organized under the laws of this State and authorized  
44 to carry out the purposes on account of which the exemption is  
45 claimed or where an educational institution, as provided herein, has  
46 leased said property to a historical society or association or to a

1 corporation organized for such purposes and created under or  
2 otherwise subject to the provisions of Title 15 of the Revised Statutes  
3 or Title 15A of the New Jersey Statutes.

4 As used in this section "hospital purposes" includes health care  
5 facilities for the elderly, such as nursing homes; residential health care  
6 facilities; assisted living residences; facilities with a Class C license  
7 pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and  
8 Boarding House Act of 1979"; similar facilities that provide medical,  
9 nursing or personal care services to their residents; and that portion of  
10 the central administrative or service facility of a continuing care  
11 retirement community that is reasonably allocable as a health care  
12 facility for the elderly.

13 <sup>1</sup>[No nonresidential property owned or used by an otherwise  
14 exempt religious organization shall lose its exemption or be denied an  
15 exemption from taxation under this section solely because it derives a  
16 portion of its income from rents, fees, charges, or donations paid to  
17 the religious organization in connection with the use of any portion of  
18 its nonresidential property by any educational, religious, charitable,  
19 benevolent, social or civic organization as long as the entire income  
20 derived from such use is devoted to the authorized purposes of the  
21 religious organization and the building is wholly controlled by the  
22 religious organization. For the purposes of this section nonresidential  
23 property means any building designed and built for use as a church,  
24 school, organization center, social or civic hall, or which having been  
25 designed and built for residential use, has been altered, converted or  
26 reconstructed for nonresidential use by a religious organization and the  
27 land on which the building is erected and which may be necessary for  
28 the fair enjoyment thereof, and which is devoted to educational,  
29 religious, charitable, benevolent, social or civic purposes, and does not  
30 exceed five acres in extent.

31 (cf: P.L.1962, c.154, s.1)] (cf: P.L.1993, c.166)<sup>1</sup>

32

33 2. This act shall take effect immediately.



# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## **SENATE, No. 1659**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: DECEMBER 14, 2000

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1659 (1R).

This bill amends the statute that provides an exemption from the local property tax for real property used for charitable and other not-for-profit purposes. The bill would permit a religious or charitable organization to lease a portion of a building to another exempt entity for a different exempt use without risking the loss of its property tax exemption. This bill is in direct response to Roman Catholic Archdiocese of Newark v. City of East Orange, 17 N.J.Tax 298 (Tax Court, May 27, 1998), aff'd 18 N.J.Tax 649 (App. Div., March 21, 2000) which held that "a religious or charitable organization which leases its property to an educational organization loses its tax exemption under N.J.S.A.54:4-3.6." (17 N.J.Tax, at 316.)

Under the bill, if the religious or charitable organization (1) uses all or a portion of its property for a non-exempt purpose, or (2) leases all or a portion of the property to a profit-making organization, then the portion so used or leased would become subject to taxation, and only the remaining portion of the property (if any) would continue to be exempt from taxation. If, on the other hand, the organization leases all or a portion of the property to an otherwise exempt entity for a tax exempt use, the tax exempt status of that portion of the property would be unchanged.

### COMMITTEE AMENDMENTS

Committee amendments to this bill (1) for purposes of clarity, revise the text of the exemption statute to consolidate in one place two separate references to religious purposes, and (2) provide that the legislation shall be applicable retroactively from September 30, 1999.

### FISCAL IMPACT

This bill will have no direct impact on State revenues or expenditures. The bill may prevent a municipality to which it applies from realizing small potential increases in property tax receipts from

religious and charitable organizations that lease property to exempt organizations for exempt purposes. Of course, local government units will experience no actual aggregate loss in property tax revenue if tax liability is shifted to owners of non-exempt property to offset exemptions under the legislation.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1659

STATE OF NEW JERSEY

209th LEGISLATURE

DATED: JANUARY 10, 2001

## SUMMARY

**Synopsis:** Permits religious or charitable organization to lease property to other tax-exempt entities without loss of property tax exemption.

**Type of Impact:** Annual property tax loss to local government units.

**Agencies Affected:** Local government units.

### Office of Legislative Services Estimate

Fiscal Impact	Year 1	Year 2	Year 3
Local Government Units	(\$2.6 million)	(\$2.6 million)	(\$2.6 million)

- ! Since property leases are not recorded at the county registrar's office no actual information is available with which to estimate the number of religious and charitable leases that exist or the actual property tax loss or gain from those leases to local government units under the bill.
- ! Religious and charitable property in New Jersey in 1998 was exempted on a statewide basis from the payment of about \$256.7 million in property tax. Not counting any increase in property taxes due to profit making entities leasing the property of religious and charitable organizations for the first time, and assuming that one percent of the \$256.7 million in foregone property tax payments represents property taxes currently paid by other tax exempt entities leasing the property of religious and charitable organizations, it can be estimated that the statewide property tax loss to local government units would be \$2.6 million.
- ! Of course, local government units will experience no actual property tax loss if property taxes are shifted to other property taxpayers to make up for the property tax loss under the new exemptions granted under this bill.

## BILL DESCRIPTION

Senate Bill No. 1659 (1R) of 2000 amends N.J.S.A.54:4-3.6 to permit a religious or charitable organization to lease a portion of a building to a non religious or non charitable organization to use for a different tax exempt use without risking the loss of its property tax exemption as is the case under current law. This amendment is in direct response to a 1998 New Jersey Tax Court case 17 N.J.Tax 298, aff'd 18 N.J.Tax 649 (App. Div., March 21, 2000) which

held that "a religious or charitable organization which leases its property to an educational organization loses its tax exemption under N.J.S.A.54:4-3.6." For example, this case leads to the result under current law that public boards of education, which are themselves tax exempt entities, are required to pay real property taxes if they lease property from a religious or charitable organization.

The bill also amends N.J.S.A.54:4-3.6 by removing the religious or charitable organization's exclusive use requirement of its property in order to enjoy its property tax exemption. The bill would now permit a religious or charitable organization to lease a part of its building to a profit making organization and pay property tax on only that leased portion of its property.

## FISCAL ANALYSIS

### ***EXECUTIVE BRANCH***

None received.

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

The Office of Legislative Services (OLS) notes that since property leases are not recorded at the county registrar's office no actual information is available with which to estimate the number of religious or charitable leases that exist or the potential revenue loss or gain from those leases to local government units under the bill.

However, the 1999 Annual Report of the Division of Taxation indicates that the exempt assessed value of religious and charitable property in New Jersey in 1998 was \$8.7 billion. The same report also indicates that the 1998 State average property tax rate is \$2.95 per \$100 of assessed value. Therefore, religious and charitable property in New Jersey in 1998 was exempted on a statewide basis from the payment of about \$256.7 million in property tax (\$8.7 billion x .0295). Not counting any increase in property tax due to profit making entities leasing the property of religious and charitable organizations for the first time, and assuming that one percent of the \$256.7 million in foregone property tax payments represents property taxes currently paid by other tax exempt entities on the property of religious and charitable organizations leased by them, there would be a statewide estimated property tax loss to local government units under this bill of \$2.6 million. Of course, local government units will experience no actual property tax loss if property taxes are shifted to other property taxpayers to make up for the property tax loss under the new exemptions granted under this bill.

Section: *Local Government*

Analyst: *Gerald M. Dowgin*  
*Lead Fiscal Analyst*

Approved: *Alan R. Kooney*  
*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.

[Second Reprint]

**SENATE, No. 1659**

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**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

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INTRODUCED SEPTEMBER 21, 2000

**Sponsored by:**

**Senator ROBERT W. SINGER**

**District 30 (Burlington, Monmouth and Ocean)**

**Senator DONALD T. DIFRANCESCO**

**District 22 (Middlesex, Morris, Somerset and Union)**

**Co-Sponsored by:**

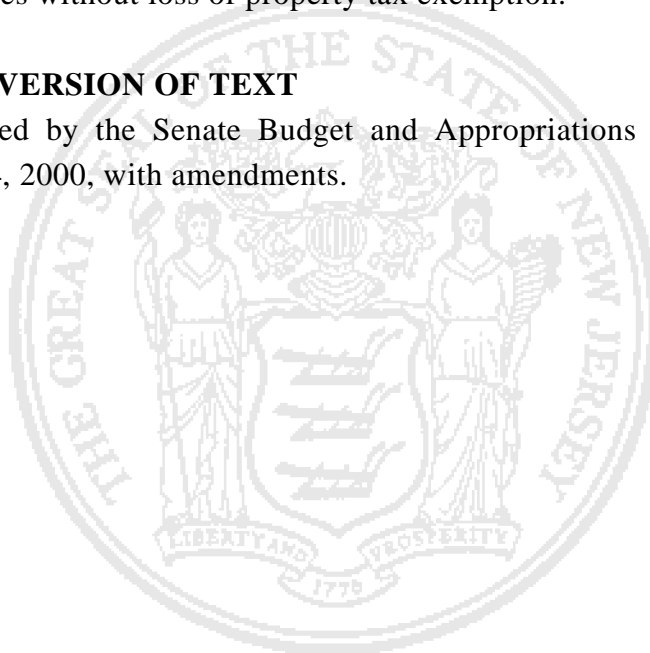
**Senators Allen, Inverso, Bucco, Matheussen, Kosco, Sinagra and Littell**

**SYNOPSIS**

Permits religious or charitable organization to lease property to other tax-exempt entities without loss of property tax exemption.

**CURRENT VERSION OF TEXT**

As reported by the Senate Budget and Appropriations Committee on December 14, 2000, with amendments.



**(Sponsorship Updated As Of: 12/19/2000)**

1 AN ACT concerning exemption from property taxation and amending  
2 R.S.54:4-3.6.

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

6  
7 1. R.S.54:4-3.6 is amended to read as follows:

8 54:4-3.6. The following property shall be exempt from taxation  
9 under this chapter: all buildings actually used for colleges, schools,  
10 academies or seminaries, provided that if any portion of such buildings  
11 are leased to profit-making organizations or otherwise used for  
12 purposes which are not themselves exempt from taxation, said portion  
13 shall be subject to taxation and the remaining portion only shall be  
14 exempt; all buildings actually used for historical societies, associations  
15 or exhibitions, when owned by the State, county or any political  
16 subdivision thereof or when located on land owned by an educational  
17 institution which derives its primary support from State revenue; all  
18 buildings actually and exclusively used for public libraries, <sup>2</sup>[religious  
19 worship or]<sup>2</sup>asylum or schools for feebleminded or idiotic persons and  
20 children; all buildings used exclusively by any association or  
21 corporation formed for the purpose and actually engaged in the work  
22 of preventing cruelty to animals; all buildings actually and exclusively  
23 used and owned by volunteer first-aid squads, which squads are or  
24 shall be incorporated as associations not for pecuniary profit; all  
25 buildings actually used in the work of associations and corporations  
26 organized exclusively for the moral and mental improvement of men,  
27 women and children, provided that if any portion of a building used for  
28 that purpose is leased to profit-making organizations or is otherwise  
29 used for purposes which are not themselves exempt from taxation, that  
30 portion shall be subject to taxation and the remaining portion only  
31 shall be exempt; all buildings actually <sup>1</sup>[and exclusively]<sup>1</sup> used in the  
32 work of associations and corporations organized exclusively for  
33 religious <sup>2</sup>purposes, including religious worship,<sup>2</sup> or charitable  
34 purposes <sup>1</sup>, provided that if any portion of a building used for that  
35 purpose is leased to a profit-making organization or is otherwise used  
36 for purposes which are not themselves exempt from taxation, that  
37 portion shall be subject to taxation and the remaining portion shall be  
38 exempt from taxation, and provided further that if any portion of a  
39 building is used for a different exempt use by an exempt entity, that  
40 portion shall also be exempt from taxation<sup>1</sup>; all buildings actually used  
41 in the work of associations and corporations organized exclusively for

**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> Senate SCU committee amendments adopted October 19, 2000.

<sup>2</sup> Senate SBA committee amendments adopted December 14, 2000.

1 hospital purposes, provided that if any portion of a building used for  
2 hospital purposes is leased to profit-making organizations or otherwise  
3 used for purposes which are not themselves exempt from taxation, that  
4 portion shall be subject to taxation and the remaining portion only  
5 shall be exempt; all buildings owned or held by an association or  
6 corporation created for the purpose of holding the title to such  
7 buildings as are actually and exclusively used in the work of two or  
8 more associations or corporations organized exclusively for the moral  
9 and mental improvement of men, women and children; all buildings  
10 owned by a corporation created under or otherwise subject to the  
11 provisions of Title 15 of the Revised Statutes or Title 15A of the New  
12 Jersey Statutes and actually and exclusively used in the work of one or  
13 more associations or corporations organized exclusively for charitable  
14 or religious purposes, which associations or corporations may or may  
15 not pay rent for the use of the premises or the portions of the premises  
16 used by them; the buildings, not exceeding two, actually occupied as  
17 a parsonage by the officiating clergymen of any religious corporation  
18 of this State, together with the accessory buildings located on the same  
19 premises; the land whereon any of the buildings hereinbefore  
20 mentioned are erected, and which may be necessary for the fair  
21 enjoyment thereof, and which is devoted to the purposes above  
22 mentioned and to no other purpose and does not exceed five acres in  
23 extent; the furniture and personal property in said buildings if used in  
24 and devoted to the purposes above mentioned; all property owned and  
25 used by any nonprofit corporation in connection with its curriculum,  
26 work, care, treatment and study of feeble-minded, mentally retarded,  
27 or idiotic men, women, or children shall also be exempt from taxation,  
28 provided that such corporation conducts and maintains research or  
29 professional training facilities for the care and training of  
30 feeble-minded, mentally retarded, or idiotic men, women, or children;  
31 provided, in case of all the foregoing, the buildings, or the lands on  
32 which they stand, or the associations, corporations or institutions  
33 using and occupying them as aforesaid, are not conducted for profit,  
34 except that the exemption of the buildings and lands used for  
35 charitable, benevolent or religious purposes shall extend to cases  
36 where the charitable, benevolent or religious work therein carried on  
37 is supported partly by fees and charges received from or on behalf of  
38 beneficiaries using or occupying the buildings; provided the building  
39 is wholly controlled by and the entire income therefrom is used for said  
40 charitable, benevolent or religious purposes. The foregoing exemption  
41 shall apply only where the association, corporation or institution  
42 claiming the exemption owns the property in question and is  
43 incorporated or organized under the laws of this State and authorized  
44 to carry out the purposes on account of which the exemption is  
45 claimed or where an educational institution, as provided herein, has  
46 leased said property to a historical society or association or to a

1 corporation organized for such purposes and created under or  
2 otherwise subject to the provisions of Title 15 of the Revised Statutes  
3 or Title 15A of the New Jersey Statutes.

4 As used in this section "hospital purposes" includes health care  
5 facilities for the elderly, such as nursing homes; residential health care  
6 facilities; assisted living residences; facilities with a Class C license  
7 pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and  
8 Boarding House Act of 1979"; similar facilities that provide medical,  
9 nursing or personal care services to their residents; and that portion of  
10 the central administrative or service facility of a continuing care  
11 retirement community that is reasonably allocable as a health care  
12 facility for the elderly.

13 <sup>1</sup>[No nonresidential property owned or used by an otherwise  
14 exempt religious organization shall lose its exemption or be denied an  
15 exemption from taxation under this section solely because it derives a  
16 portion of its income from rents, fees, charges, or donations paid to  
17 the religious organization in connection with the use of any portion of  
18 its nonresidential property by any educational, religious, charitable,  
19 benevolent, social or civic organization as long as the entire income  
20 derived from such use is devoted to the authorized purposes of the  
21 religious organization and the building is wholly controlled by the  
22 religious organization. For the purposes of this section nonresidential  
23 property means any building designed and built for use as a church,  
24 school, organization center, social or civic hall, or which having been  
25 designed and built for residential use, has been altered, converted or  
26 reconstructed for nonresidential use by a religious organization and the  
27 land on which the building is erected and which may be necessary for  
28 the fair enjoyment thereof, and which is devoted to educational,  
29 religious, charitable, benevolent, social or civic purposes, and does not  
30 exceed five acres in extent.

31 (cf: P.L.1962, c.154, s.1)] (cf: P.L.1993, c.166)<sup>1</sup>

32

33 2. This act shall take effect immediately <sup>2</sup>, and section 1 shall be  
34 retroactive to September 30, 1999<sup>2</sup>.



P.L. 2001, CHAPTER 18, *approved January 29, 2001*  
Assembly, No. 3038

1 AN ACT concerning exemption from property taxation and amending  
2 R.S.54:4-3.6.

3

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

6

7 1. R.S.54:4-3.6 is amended to read as follows:

8 54:4-3.6. The following property shall be exempt from taxation  
9 under this chapter: all buildings actually used for colleges, schools,  
10 academies or seminaries, provided that if any portion of such buildings  
11 are leased to profit-making organizations or otherwise used for  
12 purposes which are not themselves exempt from taxation, said portion  
13 shall be subject to taxation and the remaining portion only shall be  
14 exempt; all buildings actually used for historical societies, associations  
15 or exhibitions, when owned by the State, county or any political  
16 subdivision thereof or when located on land owned by an educational  
17 institution which derives its primary support from State revenue; all  
18 buildings actually and exclusively used for public libraries, [religious  
19 worship or] asylum or schools for feebleminded or idiotic persons and  
20 children; all buildings used exclusively by any association or  
21 corporation formed for the purpose and actually engaged in the work  
22 of preventing cruelty to animals; all buildings actually and exclusively  
23 used and owned by volunteer first-aid squads, which squads are or  
24 shall be incorporated as associations not for pecuniary profit; all  
25 buildings actually used in the work of associations and corporations  
26 organized exclusively for the moral and mental improvement of men,  
27 women and children, provided that if any portion of a building used for  
28 that purpose is leased to profit-making organizations or is otherwise  
29 used for purposes which are not themselves exempt from taxation, that  
30 portion shall be subject to taxation and the remaining portion only  
31 shall be exempt; all buildings actually [and exclusively] used in the  
32 work of associations and corporations organized exclusively for  
33 religious purposes, including religious worship, or charitable purposes,  
34 provided that if any portion of a building used for that purpose is  
35 leased to a profit-making organization or is otherwise used for  
36 purposes which are not themselves exempt from taxation, that portion  
37 shall be subject to taxation and the remaining portion shall be exempt  
38 from taxation, and provided further that if any portion of a building is  
39 used for a different exempt use by an exempt entity, that portion shall  
40 also be exempt from taxation; all buildings actually used in the work  
41 of associations and corporations organized exclusively for hospital

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 purposes, provided that if any portion of a building used for hospital  
2 purposes is leased to profit-making organizations or otherwise used  
3 for purposes which are not themselves exempt from taxation, that  
4 portion shall be subject to taxation and the remaining portion only  
5 shall be exempt; all buildings owned or held by an association or  
6 corporation created for the purpose of holding the title to such  
7 buildings as are actually and exclusively used in the work of two or  
8 more associations or corporations organized exclusively for the moral  
9 and mental improvement of men, women and children; all buildings  
10 owned by a corporation created under or otherwise subject to the  
11 provisions of Title 15 of the Revised Statutes or Title 15A of the New  
12 Jersey Statutes and actually and exclusively used in the work of one or  
13 more associations or corporations organized exclusively for charitable  
14 or religious purposes, which associations or corporations may or may  
15 not pay rent for the use of the premises or the portions of the premises  
16 used by them; the buildings, not exceeding two, actually occupied as  
17 a parsonage by the officiating clergymen of any religious corporation  
18 of this State, together with the accessory buildings located on the same  
19 premises; the land whereon any of the buildings hereinbefore  
20 mentioned are erected, and which may be necessary for the fair  
21 enjoyment thereof, and which is devoted to the purposes above  
22 mentioned and to no other purpose and does not exceed five acres in  
23 extent; the furniture and personal property in said buildings if used in  
24 and devoted to the purposes above mentioned; all property owned and  
25 used by any nonprofit corporation in connection with its curriculum,  
26 work, care, treatment and study of feeble-minded, mentally retarded,  
27 or idiotic men, women, or children shall also be exempt from taxation,  
28 provided that such corporation conducts and maintains research or  
29 professional training facilities for the care and training of  
30 feeble-minded, mentally retarded, or idiotic men, women, or children;  
31 provided, in case of all the foregoing, the buildings, or the lands on  
32 which they stand, or the associations, corporations or institutions  
33 using and occupying them as aforesaid, are not conducted for profit,  
34 except that the exemption of the buildings and lands used for  
35 charitable, benevolent or religious purposes shall extend to cases  
36 where the charitable, benevolent or religious work therein carried on  
37 is supported partly by fees and charges received from or on behalf of  
38 beneficiaries using or occupying the buildings; provided the building  
39 is wholly controlled by and the entire income therefrom is used for said  
40 charitable, benevolent or religious purposes. The foregoing exemption  
41 shall apply only where the association, corporation or institution  
42 claiming the exemption owns the property in question and is  
43 incorporated or organized under the laws of this State and authorized  
44 to carry out the purposes on account of which the exemption is  
45 claimed or where an educational institution, as provided herein, has  
46 leased said property to a historical society or association or to a

1 corporation organized for such purposes and created under or  
2 otherwise subject to the provisions of Title 15 of the Revised Statutes  
3 or Title 15A of the New Jersey Statutes.

4 As used in this section "hospital purposes" includes health care  
5 facilities for the elderly, such as nursing homes; residential health care  
6 facilities; assisted living residences; facilities with a Class C license  
7 pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and  
8 Boarding House Act of 1979"; similar facilities that provide medical,  
9 nursing or personal care services to their residents; and that portion of  
10 the central administrative or service facility of a continuing care  
11 retirement community that is reasonably allocable as a health care  
12 facility for the elderly.

13 (cf: P.L.1993, c.166)

14

15 2. This act shall take effect immediately and section 1 shall be  
16 retroactive to September 30, 1999.

17

18

19

#### STATEMENT

20

21 This bill would permit a religious or charitable organization to lease  
22 a portion of a building to another exempt entity for use as a different  
23 exempt use without risking the loss of its property tax exemption as  
24 is the case under current law. This bill is in direct response to Roman  
25 Catholic Archdiocese of Newark v. City of East Orange, 17 N.J.Tax  
26 298 (Tax Court, May 27, 1998), aff'd 18 N.J.Tax 649 (App. Div.,  
27 March 21, 2000) which, at page 316, held that "a religious or  
28 charitable organization which leases its property to an educational  
29 organization loses its tax exemption under N.J.S.A.54:4-3.6." This  
30 case leads to the result that public boards of education, which are  
31 themselves tax exempt entities, are required to pay real property taxes  
32 if they lease property from a religious or charitable organization.

33 Under the bill, so long as the religious or charitable organization  
34 leases property to an otherwise exempt entity for a tax exempt use,  
35 there will be no change to the property's tax exempt status. The bill  
36 would also allow a religious or charitable organization to lease out a  
37 portion of a building to a for-profit organization and retain a partial  
38 tax exemption on the remaining portion of the building.

39 The language of the bill tracks the language of other partial  
40 exemptions that have been enacted by the Legislature. Over the past  
41 20 years, the statute in question has been amended three times to allow  
42 educational institutions, hospitals and institutions for the mental and  
43 moral improvement of men, women and children to lease a portion of  
44 a building to a profit-making organization without losing the  
45 exemption for the remaining portion of the building.

46 The bill would take effect immediately and be retroactive to  
47 September 30, 1999.

1

\_\_\_\_\_

2

3 Permits religious or charitable organization to lease property to other  
4 tax-exempt entities without loss of property tax exemption.

## CHAPTER 18

AN ACT concerning exemption from property taxation and amending R.S.54:4-3.6.

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

1. R.S.54:4-3.6 is amended to read as follows:

Tax exempt property.

54:4-3.6. The following property shall be exempt from taxation under this chapter: all buildings actually used for colleges, schools, academies or seminaries, provided that if any portion of such buildings are leased to profit-making organizations or otherwise used for purposes which are not themselves exempt from taxation, said portion shall be subject to taxation and the remaining portion only shall be exempt; all buildings actually used for historical societies, associations or exhibitions, when owned by the State, county or any political subdivision thereof or when located on land owned by an educational institution which derives its primary support from State revenue; all buildings actually and exclusively used for public libraries, asylum or schools for feebleminded or idiotic persons and children; all buildings used exclusively by any association or corporation formed for the purpose and actually engaged in the work of preventing cruelty to animals; all buildings actually and exclusively used and owned by volunteer first-aid squads, which squads are or shall be incorporated as associations not for pecuniary profit; all buildings actually used in the work of associations and corporations organized exclusively for the moral and mental improvement of men, women and children, provided that if any portion of a building used for that purpose is leased to profit-making organizations or is otherwise used for purposes which are not themselves exempt from taxation, that portion shall be subject to taxation and the remaining portion only shall be exempt; all buildings actually used in the work of associations and corporations organized exclusively for religious purposes, including religious worship, or charitable purposes, provided that if any portion of a building used for that purpose is leased to a profit-making organization or is otherwise used for purposes which are not themselves exempt from taxation, that portion shall be subject to taxation and the remaining portion shall be exempt from taxation, and provided further that if any portion of a building is used for a different exempt use by an exempt entity, that portion shall also be exempt from taxation; all buildings actually used in the work of associations and corporations organized exclusively for hospital purposes, provided that if any portion of a building used for hospital purposes is leased to profit-making organizations or otherwise used for purposes which are not themselves exempt from taxation, that portion shall be subject to taxation and the remaining portion only shall be exempt; all buildings owned or held by an association or corporation created for the purpose of holding the title to such buildings as are actually and exclusively used in the work of two or more associations or corporations organized exclusively for the moral and mental improvement of men, women and children; all buildings owned by a corporation created under or otherwise subject to the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes and actually and exclusively used in the work of one or more associations or corporations organized exclusively for charitable or religious purposes, which associations or corporations may or may not pay rent for the use of the premises or the portions of the premises used by them; the buildings, not exceeding two, actually occupied as a parsonage by the officiating clergymen of any religious corporation of this State, together with the accessory buildings located on the same premises; the land whereon any of the buildings hereinbefore mentioned are erected, and which may be necessary for the fair enjoyment thereof, and which is devoted to the purposes above mentioned and to no other purpose and does not exceed five acres in extent; the furniture and personal property in said buildings if used in and devoted to the purposes above mentioned; all property owned and used by any nonprofit corporation in connection with its curriculum, work, care, treatment and study of feebleminded, mentally retarded, or idiotic men, women, or children shall also be exempt from taxation, provided that such corporation conducts and maintains research or professional training facilities for the care and training of feebleminded, mentally retarded, or idiotic men, women, or children; provided, in case of all the foregoing, the buildings, or the lands on which they stand, or the associations, corporations or institutions using and occupying them as aforesaid, are not conducted for profit, except that the exemption of the buildings and lands used for charitable, benevolent or religious purposes shall extend to cases where the charitable, benevolent or

religious work therein carried on is supported partly by fees and charges received from or on behalf of beneficiaries using or occupying the buildings; provided the building is wholly controlled by and the entire income therefrom is used for said charitable, benevolent or religious purposes. The foregoing exemption shall apply only where the association, corporation or institution claiming the exemption owns the property in question and is incorporated or organized under the laws of this State and authorized to carry out the purposes on account of which the exemption is claimed or where an educational institution, as provided herein, has leased said property to a historical society or association or to a corporation organized for such purposes and created under or otherwise subject to the provisions of Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes.

As used in this section "hospital purposes" includes health care facilities for the elderly, such as nursing homes; residential health care facilities; assisted living residences; facilities with a Class C license pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and Boarding House Act of 1979"; similar facilities that provide medical, nursing or personal care services to their residents; and that portion of the central administrative or service facility of a continuing care retirement community that is reasonably allocable as a health care facility for the elderly.

2. This act shall take effect immediately and section 1 shall be retroactive to September 30, 1999.

Approved January 29, 2001.

PO BOX 004  
TRENTON, NJ 08625

*Office of the Governor*  
**NEWS RELEASE**

CONTACT: Jayne O'Connor  
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**Governor Whitman today signed the following legislation:**

**A-3038**, sponsored by Assembly Members Malone (R-Burlington/Monmouth/Ocean) and Cottrell (R-Burlington/Monmouth/Ocean) and Senators Singer (R-Burlington/Monmouth/Ocean) and DiFrancesco (R-Middlesex/Morris/Somerset/Union), permits religious or charitable organizations to lease property to other tax-exempt entities without losing their property tax exemption.

**A-1849**, sponsored by Assembly Members Merkt (R-Morris) and Augustine (R-Middlesex/Morris/Somerset/Union) and Senators Singer (R-Burlington/Monmouth/Ocean), Bucco (R-Morris) and Martin (R-Essex/Morris/Passaic), permits counties to increase the maximum daily compensation for members of election boards from \$100 to an amount not to exceed \$150.

**S-254**, sponsored by Senators Bennett (R-Monmouth) and Bucco (R-Morris) and Assembly Member Geist (R-Camden/Gloucester), amends the law concerning the reforestation of land owned or maintained by a State entity. Under current law, whenever a State entity plans to deforest an area at least one acre in size, the entity is required to adopt a plan to reforest the area. This bill reduces the size threshold to one-half acre, requiring the State to develop a reforestation plan whenever an entity plans to deforest an area one-half acre in size.

**S-382**, sponsored by Senator Sinagra (R-Middlesex) and Assembly Members Weingarten (R-Essex/Union) and Kelly (R-Bergen/Essex/Passaic) makes a supplemental appropriation of \$50,000 to the Department of Community Affairs for a grant to the National Association for Children with Autism, Inc. in Livingston.

**A-2614**, sponsored by Assembly Members Gregg (R-Sussex/Hunterdon/Morris) and Thompson (R-Middlesex/Monmouth), modifies the eligibility requirements for unemployment insurance and temporary disability insurance benefits.

**A-895**, sponsored by Assembly Members Bateman (R-Morris/Somerset) and Biondi (R-Morris/Somerset) and Senators Singer (R-Burlington/Monmouth/Ocean) and Bark (R-Atlantic/Burlington/Camden), establishes a special license to promote agriculture.

**S-462**, sponsored by Senators Singer (R-Burlington/Monmouth/Ocean) and Kosco (R-Bergen) and Assembly Members Malone (R-Burlington/Monmouth/Ocean) and Cottrell (R-Burlington/Monmouth/Ocean), creates a drunk driver visitation program.

**A-2006**, sponsored by Assembly Member O'Toole (R-Essex/Union) requires a sentence imposed on inmates for assault on corrections and law enforcement employees to run consecutively to other sentences.

**SCS for S-141 and S-1054**, sponsored by Senators Bark (R-Atlantic/Burlington/ Camden), Singer (R-Burlington/Monmouth.Ocean), Matheussen (R-Camden/Gloucester) and Martin (R-Essex/Morris/Passaic) and Assembly Members Bodine (R-Atlantic/Burlington/ Camden) and Chatzidakis (R-Atlantic/Burlington/Camden), increases the number of tuition-free credits that a member of the National Guard may earn in undergraduate study and extends the credits to graduate study.