

54: 4- 3.6d

LEGISLATIVE HISTORY CHECKLIST

NJSA: 54:4-3.6d

(Educational institutions -- allow some leasing of their property without loss of tax exempt status)

LAWS OF: 1983

CHAPTER: 204

Bill No: S484

Sponsor(s): Dumont

Date Introduced: Pre-filed

Committee: Assembly: Revenue, Finance and Appropriations

Senate: Revenue, Finance and Appropriations

Amended during passage: /// No

Date of Passage: Assembly: April 11, 1983

Senate: May 6, 1982

Date of Approval: June 6, 1983

Following statements are attached if available:

Sponsor statement: Yes //

Committee statement: Assembly /// No

Senate Yes //

Fiscal Note: /// No

Veto Message: /// No

Message on Signing: Yes -/// ~~no~~

Following were printed:

Reports: /// No

Hearings: /// No

## SENATE, No. 484

**STATE OF NEW JERSEY**

PRE-FILED FOR INTRODUCTION IN THE 1982 SESSION

By Senator DUMONT

AN ACT relating to the tax exempt status of educational institutions in certain cases and supplementing article 2 of chapter 4 of Title 54 of the Revised Statutes.

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

1 1. The provisions of section R. S. 54:4-3.6 shall not be construed  
2 to disallow a college, school, academy, or seminary which is ac-  
3 corded exemption from taxation as a nonprofit organization under  
4 the section from leasing a building or a portion thereof, or a portion  
5 of its property which is regularly utilized for tax exempt purposes,  
6 to an organization or business during seasonal periods when such  
7 building or property is not being utilized by the college, school,  
8 academy or seminary in furtherance of tax exempt purposes, pro-  
9 vided that:

10 a. The income derived from the lessee of such building or prop-  
11 erty is expended in furtherance of the organization's exempt  
12 purpose or purposes;

13 b. The income received from the lease transaction is not pri-  
14 marily a profit seeking transaction, but remains a "de minimis"  
15 operation not materially affecting the overall pursuit of the tax  
16 exempt organization's principal purpose; and

17 c. No lease under the provisions of this section shall be of a  
18 duration for a period of more than 4 consecutive months.

1 2. This act shall take effect immediately.

## STATEMENT

This bill permits tax exempt educational institutions to lease portions of their properties to organizations or businesses during those portions of the year that the institutions are not in session without losing their tax exempt status, provided that the lease income received is expended in furtherance of the institutions' exempt purpose or purposes.

SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

STATEMENT TO  
SENATE, No. 484

STATE OF NEW JERSEY

DATED: MARCH 15, 1982

Senate Bill No. 484 would allow a tax exempt educational institution to lease a portion of its facility to organizations or businesses when the facility is not being used by the institution, but in doing so, the leased facility would retain tax exempt status.

The bill delimits that permission by providing that:

- The income be expended in furtherance of the institution's exempt purposes;
- The income from the lease is not primarily a profit seeking transaction;
- A lease cannot run for a period of more than 4 consecutive months.

CURRENT LAW

R. S. 54:4-3.6 referred to in this bill was amended in 1977 by adding a provision that states “. . . if any portion of such buildings (used for colleges, schools, academies or seminaries) 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; . . .”.

The intent of that amendment, according to the committee statement, was to permit these institutions to rent part of their facilities to relatively permanent establishments, such as banks or fast food operations. This bill, by its provisions, would permit usages of a more limited and transient type.

FISCAL IMPACT

If an educational institution leased a facility as outlined in this bill, an assessor could not assess that facility as taxable property. To that extent, municipalities would not be adding ratables to their tax base.

OFFICE OF THE GOVERNOR

RELEASE: IMMEDIATE

CONTACT: PAUL WOLCOTT

THURSDAY, JUNE 9, 1983

Governor Thomas H. Kean has signed the following bills:

A-3230, sponsored by Assemblyman Joseph A. Palia, R-Monmouth, which allows the cost of educational equipment and salaries for certain clerical and diagnostic staff to be funded under the State Facilities Education Act. That act provides money to the Departments of Human Services and Corrections to establish educational programs for pupils who are eligible for day training using State facilities. This bill corrects an oversight which omitted vital clerical and diagnostic positions from funding eligibility.

AJR-29, sponsored by Assemblyman Walter J. Kavanaugh, R-Somerset, which designates State Police Troop B Headquarters building in Totowa as the "Trooper Philip Lamonaco State Police Headquarters Building."

S-484, sponsored by State Senator Wayne Dumont, Jr., R-Warren, which permits tax exempt institutions to lease portions of their properties during times of the year that they are not in session without losing their tax exempt status.

S-3026, sponsored by State Senator Frank E. Rodgers, D-Hudson, which permits a county or municipality to pay the entire cost of health insurance premiums for retirees who are at least 62 years old, have 15 years or more of service and retire based upon a medical illness or disability.

# # #