

54:4-67

LEGISLATIVE HISTORY CHECKLIST

( Property taxes--  
Delinquent--increase  
interest charges)

WJSA 54:4-67; 54:5-32; 54:5-34

LAWS OF 1979

CHAPTER 435

Bill No. A3170

Sponsor(s) Burstein

Date Introduced April 23, 1979

Committee: Assembly Taxation

Senate County and Municipal Government

Amended during passage Yes **XX** Amendments during passage denoted by asterisks

Date of Passage: Assembly June 28, 1979

Senate Dec. 17, 1979

Date of approval February 14, 1980

Following statements are attached if available:

Sponsor statement Yes **XX**

Committee Statement: Assembly Yes **XX**

Senate Yes **XX**

Fiscal Note **XXX** No

Veto message **XXX** No

Message on signing **XXX** No

Following were printed:

Reports **XXX** No

Hearings **XXX** No

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## ASSEMBLY, No. 3170

## STATE OF NEW JERSEY

INTRODUCED APRIL 23, 1979

By Assemblyman BURSTEIN

Referred to Committee on Taxation

AN ACT concerning the collection of taxes and assessments, and amending R. S. 54:4-67\*\*, R. S. 54:5-32 and R. S. 54:5-34\*\*.

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

1 1. R. S. 54:4-67 is amended to read as follows:

2 54:4-67. The governing body of each municipality may by resolu-  
3 tion fix the rate of discount to be allowed for the payment of taxes  
4 or assessments previous to the date on which they would become  
5 delinquent. The rate so fixed shall not exceed 6% per annum, shall  
6 be allowed only in case of payment on or before the thirtieth day  
7 previous to the date on which the taxes or assessments would become  
8 delinquent. The governing body may also fix the rate of interest  
9 to be charged for the nonpayment of taxes or assessments on or  
10 before the date when they would become delinquent, and may  
11 provide that no interest shall be charged if payment of any install-  
12 ment is made within \***[10 days after]**\* the \*tenth calendar day  
13 \*\***[of the month]**\*\* following\* \*\*the\*\* date upon which the same  
14 became payable. The rate so fixed shall not exceed **[8% per annum**  
15 on the first \$1,000.00 of the delinquency, and 12% per annum on any  
16 amount in excess of \$1,000.00] \*8% per annum on the first \$1,500.00  
17 of the delinquency\*\***[; and\* 1 1/2% for each month or fraction**  
18 thereof that the same remains unpaid\*]**]\* \*and 18% per annum\*\***  
19 on any amount in excess of \$1,500.00\*, to be calculated from the  
20 date the tax was payable until the date of actual payment.

1 \*\*2. R. S. 54:5-32 is amended to read as follows:

2 54:5-32. The sale shall be made in fee to such person as will  
3 purchase the property, subject to redemption at the lowest rate  
4 of interest, but in no case in excess of **[12%]** 18% per annum. If  
5 at the sale a person shall offer to purchase subject to redemption

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

6 at a rate of interest less than 1%, he may, in lieu of any rate of  
7 interest to redeem, offer a premium over and above the amount of  
8 taxes, assessments or other charges, as in this chapter specified,  
9 due the municipality, and the property shall be struck off and sold  
10 to the bidder who offers to pay the amount of such taxes, assess-  
11 ments or charges, plus the highest amount of premium.

1 3. R. S. 54:5-34 is amended to read as follows:

2 54:5-34. The officer making sale shall strike off and sell to the  
3 municipality in fee for redemption any parcel of real property  
4 purchased in accordance with a successful bid made pursuant to a  
5 resolution of the governing body or at ~~12%~~ 18% any parcel of  
6 real property for which there shall be no other purchaser, and the  
7 municipality shall have the same remedies and rights as other  
8 purchasers, including the right to bar or foreclose the right of  
9 redemption.\*\*

1 \*\*~~2.~~\*\* \*\*4.\*\* This act shall take effect immediately.

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ASSEMBLY, No. 3170

STATE OF NEW JERSEY

INTRODUCED APRIL 23, 1979

By Assemblyman BURSTEIN

Referred to Committee on Taxation

AN ACT concerning the collection of taxes and assessments, and amending R. S. 54:4-67.

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

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3 tion fix the rate of discount to be allowed for the payment of taxes  
4 or assessments previous to the date on which they would become  
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6 be allowed only in case of payment on or before the thirtieth day  
7 previous to the date on which the taxes or assessments would become  
8 delinquent. The governing body may also fix the rate of interest  
9 to be charged for the nonpayment of taxes or assessments on or  
10 before the date when they would become delinquent, and may  
11 provide that no interest shall be charged if payment of any install-  
12 ment is made within 10 days after the date upon which the same  
13 became payable. The rate so fixed shall not exceed **8%** per annum  
14 on the first \$1,000.00 of the delinquency, and 12% per annum on  
15 any amount in excess of \$1,000.00 **1-1/2%** for each month or  
16 fraction thereof that the same remains unpaid, to be calculated  
17 from the date the tax was payable until the date of actual payment.

1 2. This act shall take effect immediately.

STATEMENT

It is the purpose of this bill to reestablish the maximum interest rate which may be charged by municipalities on delinquent taxes or assessments. The current maximum rates of 8% on the first \$1,000.00 of delinquency and 12% on any amount in excess of \$1,000.00 of delinquency is not a realistic rate in today's money market.

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

An interest rate on delinquent taxes or assessments should be established at a level such that a taxpayer with a substantial liability does not find it financially rewarding to not pay taxes, invest an equivalent sum at yield rates higher than the interest penalty for nonpayment of taxes, to later pay that liability, and experience a net financial gain. However, that interest rate on delinquent taxes and assessments should not be established at such a high rate so as to impose a financial hardship on residential property owner taxpayers.

The interest rate on delinquencies of  $1\frac{1}{2}\%$ , compounded monthly, established in this bill, will serve to meet both of these requirements, and is consistent with interest rate charged on delinquent State taxes under the provisions of the "State Tax Uniform Procedure Law" (R. S. 54:49-3).

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ASSEMBLY TAXATION COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 3170**

with committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 18, 1979

This bill, as introduced, proposed to establish the maximum interest rate which can be charged on nonpayment of property taxes or assessments at  $1\frac{1}{2}\%$ . The current interest rate is 8% on the first \$1,000.00 of delinquency and 12% on any amount over \$1,000.00.

Establishing a single rate of not in excess of  $1\frac{1}{2}\%$  would be consistent with the "State Tax Uniform Procedures Law" (R. S. 54:49-3), would more realistically reflect the cost of money (commercial credit) in today's market and be sufficiently high to provide a disincentive to withhold tax payments due, particularly in the case of large tax liabilities.

The committee concurs with the  $1\frac{1}{2}\%$  rate, but finds it necessary to amend the bill to retain the current 8% rate for smaller delinquencies, establishing that level at \$1,500.00.

The current two-tier interest rate is retained recognizing that delinquencies of low amounts (less than \$1,500.00) generally reflect the property taxes or water and sewer assessments on residential and small commercial property where the delinquency is not indicative of alternative cash flow decisions, but an already existing financial hardship or just plain forgetfulness on the part of the taxpayer.

SENATE COUNTY AND MUNICIPAL  
GOVERNMENT COMMITTEE

STATEMENT TO  
ASSEMBLY, No. 3170

STATE OF NEW JERSEY

DATED: DECEMBER 6, 1979

Assembly Bill No. 3170, as introduced, would have applied a uniform maximum interest rate of  $1\frac{1}{2}\%$  per month to all delinquent property taxes or whatever the amount assessments. The current rate is 8% annually on the first \$1,000.00 of delinquency and 12% annually on any amount over \$1,000.00. The Assembly committee amended the bill to provide an 8% annual rate on the first \$1,500.00, and to provide for a rate of  $1\frac{1}{2}\%$  per month on amounts in excess of \$1,500.00.

The sponsor's argument for a uniform maximum interest rate of  $1\frac{1}{2}\%$  per month was that "establishing a single rate of not in excess of  $1\frac{1}{2}\%$  would be consistent with the "State Tax Uniform Procedures Law" (R. S. 54:49-3), would more realistically reflect the cost of money (commercial credit) in today's market and be sufficiently high to provide a disincentive to withhold tax payments due, particularly in the case of large tax liabilities."

The Assembly committee in restoring the two-tier system stated: "The current two-tier interest rate is retained recognizing that delinquencies of low amounts (less than \$1,500.00) generally reflect the property taxes or water and sewer assessments on residential and small commercial property where the delinquency is not indicative of alternative cash flow decisions, but an already existing financial hardship or just plain forgetfulness on the part of the taxpayer."

The Senate committee amendments proposed by the sponsor and the New Jersey Tax Collectors' Association would:

1. Provide that the maximum interest rate would be 8% per annum on the first \$1,500.00, and 18% per annum on any amount over \$1,500.00. The Tax Collectors' Association would prefer to retain the annually based interest rate for both "tiers" of delinquent tax collections, in order to simplify and facilitate the collection process. Under the original bill, for an \$1,800.00 delinquency, the collector would charge interest on the first \$1,500.00 at an annual rate, and interest on the remaining \$300.00 at a monthly rate. The Association believes this will unnecessarily complicate the process and confuse taxpayers. Moreover,

the Association notes that 1½% interest per month results in a higher charge than does 18% per annum;

2. Clarify that interest is charged from the 10th calendar day following the date taxes become payable. The present language in the bill implies that the "grace period" would be extended to 40 days rather than 10 days; and,

3. Amend R. S. 54:5-32 and 54:5-34 to maintain bidding interest rates in tax sales parallel to those interest rates charged for delinquent taxes.

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FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

FEBRUARY 15, 1980

KATHRYN FORSYTH

Governor Brendan Byrne today signed the following bills:

A-3170 sponsored by Assemblyman Albert Burstein (D-Bergen), which increases the maximum interest rate a municipality may impose on delinquent taxes.

Under prior law, rates for delinquent taxes were eight percent for the first \$1,000 and twelve percent on the excess. This bill permits a maximum rate of eight percent on the first \$1,500 and up to eighteen percent on the excess.

A-3173 sponsored by Assemblyman Eugene Thompson (D-Essex), which provides that only a six year statute of limitations will apply to consumer contracts, notes and other instruments involving a consumer and a bank or finance company.

Under prior law, these contracts and all others agreed to "under seal" were bound by a 16 year statute of limitations. Most consumers, when signing such agreements, were not aware that the letters "L.S." or the words "under seal" bound them to a statute of limitations of that length.

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