

54:4-3.72 et. seq.

LEGISLATIVE HISTORY CHECKLIST

NJSA 54:4-3.72 through 54:4-3.78

Laws of 1975 Chapter 104

Bill No. S 618

Sponsor(s) Merlino & others

Date Introduced January 21, 1974

Committee: Assembly Taxation

Senate Revenue, Finance and Appropriations

Amended during passage Yes

Amendments during passage denoted by asterisks

Date of passage: Assembly Feb. 10, 1975

Senate Sept. 30, 1974

Date of approval May 29, 1975

Following statements are attached if available:

Sponsor statement Yes

Committee Statement: Assembly ~~Yes~~ Senate ~~Yes~~

Yes

Fiscal Note ~~Yes~~ No

Veto message ~~Yes~~ No

Message on signing Yes

Following were printed:

Reports Yes No

Hearings ~~Yes~~ No

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SENATE, No. 618

STATE OF NEW JERSEY

INTRODUCED JANUARY 21, 1974

By Senators MERLINO, MUSTO, HORN, FAY, TUMULTY,
HIRKALA, DAVENPORT and DUNN

Referred to Committee on Revenue, Finance and Appropriations

AN ACT to provide for exemption from taxation in certain cases,
and supplementing 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 Legislature finds:

2 a. Efforts are being made by many of our municipalities as well
3 as by the State and Federal Government to encourage owners,
4 particularly, of residential properties to rehabilitate their prop-
5 erties and thereby curb the extension of blight into once-flourishing
6 residential neighborhoods.

7 b. As a result of the incursion of blight into such neighborhoods,
8 many of our municipalities have and are presently engaged in
9 extensive urban renewal and urban redevelopment projects involv-
10 ing vast expenditures of public funds.

11 c. The deterioration of neighborhoods into blighted areas making
12 such renewal and redevelopment projects necessary is the result
13 in a large measure of the unwillingness of the owners and investors
14 of residential properties to properly maintain and improve their
15 properties out of fear of the resulting increase in property taxes.

16 d. By exempting for a limited period certain home improvements
17 from taxation much of this unwillingness and fear would not only
18 be dissipated but such owners and investors would be encouraged
19 to rehabilitate and improve their properties and, incidentally, their
20 respective neighborhoods and municipalities.

21 *e. *The provisions of Article VIII, Section III, of the State*
22 *Constitution, providing for limited tax abatements in areas subject*
23 *to blight, can be best utilized at the least economic cost preventively*
24 *in areas threatened by physical and social deterioration and blight*
25 *by their application to the improvement, modernization, rehabilita-*

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

26 *tion and renewal of individual residential properties in such areas.**

1 2. As used in this act:

2 a. "Assessor" means the assessor, board of assessors or any
3 other official or body of a taxing district charged with the duty of
4 assessing real property for the purpose of general taxation.

5 b. "Completion" means substantially ready for the use for which
6 it was intended.

7 c. "Dwelling" means any building used, to be used or held for
8 use, in whole or part, as the home or residence of one or more
9 families, including accessory buildings located on the same
10 premises, together with the land upon which such building or
11 buildings are erected and which may be necessary for the fair
12 enjoyment thereof.

13 d. "Home improvement" means the improvement of a dwelling
14 which neither changes its size nor its permitted use, except that
15 a garage may be enlarged to the extent necessary to accommodate
16 a modern automobile, and shall include the modernization,
17 rehabilitation, renovation, alteration or repair of a dwelling.

18 e. "Qualified municipality" means any municipality ***[**within
19 which the median housing value is less than the median housing
20 value of the State, as determined by the most recent U.S. Census.]*
21 **in which residential neighborhoods have been declared by the*
22 *county planning board or the Commissioner of the Department of*
23 *Community Affairs to be endangered by blight, pursuant to section*
24 *3 of this act.**

1 *3. *The county planning board may determine that a municipi-*
2 *pality's residential neighborhoods are endangered by blight. It*
3 *may make such a determination on its own initiative or in response*
4 *to a petition by the governing body of the municipality. In the*
5 *event of the failure of the county planning board to respond*
6 *favorably to such a petition within 30 days of its receipt, the*
7 *petitioning municipal governing body may request the Commis-*
8 *sioner of the Department of Community Affairs to make such*
9 *determination instead.*

10 *In determining that a municipality's residential neighborhoods*
11 *are endangered by blight, the following may be considered: exis-*
12 *tence of areas within the municipality that have previously been*
13 *declared blighted; deterioration in housing maintenance; age of*
14 *housing stock; and arrearage in real property taxes due on resi-*
15 *dential properties.**

1 ***[3.]*** *4.* *In determining the value of real property for the pur-*
2 *poses of taxation, qualified municipalities may regard the first*

3 \$4,000.00 in assessor's full and true value of home improvements for
 4 each dwelling unit primarily and directly affected by a home im-
 5 provement in any single or multiple-dwelling property more than 20
 6 years old, as not increasing the value of such property for a period
 7 of 5 years, notwithstanding that the value of the dwelling to which
 8 such improvements are made is increased thereby, provided, how-
 9 ever, that during said period, the assessment on such dwelling shall
 10 in no case, except that of damage through action of the elements
 11 sufficient to warrant a reduction, be less than the assessment thereon
 12 existing immediately prior to such home improvements.

1 ***[4.]*** *5.* Such amounts may be deducted from the amount deter-
 2 mined by the assessor on October 1 of any year following the date of
 3 the completion of the improvement to be the true taxable value of
 4 the improvement, and may continue to be so treated for each of the 5
 5 tax years subsequent to the original determination by the assessor.

1 ***[5.]*** *6.* Additional improvements, completed during a period
 2 in which the improved property is subject to previously granted
 3 exemption privileges in an amount less than the maximum deduc-
 4 tions permissible hereunder shall be qualified for additional deduc-
 5 tion privileges, under the terms and conditions herein specified; pro-
 6 vided, however, that in no tax year shall the total deduction for
 7 any single property exceed the maximum amount specified in
 8 section ***[3]*** *4* hereinabove.

1 ***[6.]*** *7.* No exemption authorized pursuant to the provisions of
 2 this act, shall be granted or allowed except upon written application
 3 therefor filed with and approved by the assessor of the taxing
 4 district wherein the home improvement is made. Every such
 5 application shall be on a form prescribed by the Director of the
 6 Division of Taxation, Department of the Treasury, and provided
 7 for the use of claimants by the governing body of the municipality
 8 constituting the taxing district, and shall be filed with the assessor
 9 within 30 days, including Saturdays and Sundays, following the
 10 completion of the improvement. Every application for exemption
 11 of one or more improvements which qualify as improvements,
 12 within a municipality adopting the provisions of this act, as defined
 13 by this act, and which is filed within the time specified, shall be
 14 approved and allowed by the assessor. The granting of any such
 15 exemption shall be recorded and made a permanent part of the
 16 official tax records of the taxing district which record shall contain
 17 a notice of the termination date of the exemption and the conse-
 18 quences of transfer of title.

1 ***[7.]*** *8.* This act shall take effect immediately.

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5 application shall be on a form prescribed by the Director of the
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18 quences of transfer of title.

1 7. This act shall take effect immediately.

STATEMENT

This bill would provide for an assessment delay of 5 years on home improvements valued at less than \$4,000.00, and conducted on dwellings more than 20 years old.

Tax abatement bills have been unsuccessfully introduced in the past, but it is believed that this bill has several improvements over those previously introduced, and further, that the time has come for such action.

Many homeowners are unwilling to improve their property because they fear higher tax assessments. It is hoped that through enactment of legislation such as that proposed, this fear of additional assessment will be reduced, and thus promote improvements of blighted areas as well as prevent the growth of new slums. Programs such as this, when well advertised, have proved effective in such places as New York City and St. Paul, Minnesota.

Some fear that such a law will erode the tax base because a waiting period of 5 years is required before taxes can be increased on a property as a result of certain improvements made to it. Clearly, however, this is better than the acquisition of a property which has been abandoned because the owner has feared an increased assessment on any improvement.

This bill has several strong points. The \$4,000.00 limit placed on home improvements was a compromise figure to avoid abuse yet to allow enough room for substantial improvements. This feature was recommended by the Rutgers Bureau of Government Research.

The 20-year-old stipulation again is an attempt to show that the program would not be abused, that the abatement would help rehabilitate the older homes, those most in need of repair. These are most often the properties that would have to be demolished if they are left unrenovated. The 20-year feature is found in the Minnesota law.

The bill contains a local option clause.

The proposed measure can be an important aid in solving the problem of urban decay through stimulus of neighborhood conservation and rehabilitation.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO
SENATE, No. 618

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1974

It is the purpose of this bill to provide a deferred assessment of 5 years on home improvements valued at \$4,000.00 or less and conducted on dwellings 20 years old or older. The bill permits, rather than require municipalities to grant such a deferral, and restricts the deferral to qualified municipalities as defined in the bill.

The bill has no fiscal impact with regard to State revenue or expenditure. The effect on individual municipalities would be minimal. The fiscal note on the bill indicates a Statewide cost to municipalities affected by the bill of an approximate \$2.9 million. This estimate assumes that all property improvements are now assessed and to the extent that they are not now assessed the impact is reduced. Further the deferred assessment is not mandated, giving the affected municipalities the option to grant or not grant such deferral.

The annual loss estimated in the fiscal note does not take into account the compounding effect of such a provision. Assuming the \$2.9 million annual loss, the second year loss would be twice that in the first and increase each of the first 5 years. The total Statewide annual loss unadjusted for inflation or increased/decreased tax rates would be \$14.5 million in the fifth year and annually. This loss is not in the form of reduced income from property taxes, but rather deferred future income. The assumption is that property owners will be encouraged to perform home improvements not now performed if additional property taxes are not imposed by virtue of the improvement.

The bill as amended vests the authority to determine whether a municipality's residential neighborhoods are "endangered by blight" in the county planning board on its own initiative or in response to a petition by the governing body of a municipality. Further should the county planning board fail to respond favorably to a municipality's petition within 30 days, a municipality is given the right to request such determination from the Commissioner of the Department of Community Affairs.

The bill contains suggested criteria to be used by the county planning board or the Commissioner of the Department of Community Affairs in making the determination that a municipality's residential neighborhoods are "endangered by blight."

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FROM THE OFFICE OF THE GOVERNOR

MAY 29, 1975

DICK CAMPBELL

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

Governor Brendan Byrne signed into law Thursday a bill designed to encourage the rehabilitation of decaying urban neighborhoods.

The measure, S 618, sponsored by Senator Joseph P. Merlino, D-Mercer, would provide a property tax incentive for homeowners to improve their properties.

The bill provides for a five-year delay in increased assessments on home improvements made to dwellings 20 years old or older. The exemption would apply only up to \$4,000 worth of improvements.

The assessment delay would be effective for homes in residential neighborhoods which have been declared by the county planning board or the State Commissioner of Community Affairs to be endangered by blight.

Assembly Speaker S. Howard Woodson, D-Mercer, who sponsored the bill in the Assembly, said the measure is intended to encourage home improvement in urban areas.

"This is a great step forward in bringing back communities which are faced with creeping blight," said Woodson, at a public ceremony in the Governor's office. "This is a major piece of legislation to help restore our old cities."

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