



**COMMITTEE STATEMENT:**

**ASSEMBLY:**

No

**SENATE:**

Yes 10/22/2020  
12/15/2020

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at [www.njleg.state.nj.us](http://www.njleg.state.nj.us))

**FLOOR AMENDMENT STATEMENT:**

No

**LEGISLATIVE FISCAL ESTIMATE:**

Yes 10/30/2020  
12/21/2020

**VETO MESSAGE:**

No

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

No

**FOLLOWING WERE PRINTED:**

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**REPORTS:**

No

**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

No

RH/CL

Title 40.  
Chapter  
48J.(New)  
Community  
Service  
Contribution.  
§§1,2 -  
C.40:48J-1 &  
40:48J-2  
§3 - C.54:4-3.6j  
§4 - T&E & Note  
§7 - Note

P.L. 2021, CHAPTER 17, *approved February 22, 2021*  
Assembly, No. 1135 (*Third Reprint*)

1 AN ACT concerning property tax exemptions, supplementing chapter  
2 48 of Title 40 and chapter 4 of Title 54 of the Revised Statutes,  
3 and amending R.S.54:4-3.6 and R.S.54:3-21.

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

7  
8 1. (New section) a. <sup>1</sup>(1)<sup>1</sup> The owner of property used as a hospital  
9 or a satellite emergency care facility, which is exempt from taxation  
10 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
11 Legislature as this bill), shall annually be assessed a community service  
12 contribution to the municipality in which the licensed beds of the  
13 hospital are located and, in the case of a satellite emergency care facility,  
14 to the municipality in which such facility is located. These contributions  
15 shall be remitted directly to the municipalities in which the contributions  
16 are assessed.

17 <sup>1</sup>(2) If a hospital and municipality have entered into a voluntary  
18 agreement prior to the enactment of P.L. , c. (C. ) (pending  
19 before the Legislature as this bill), the hospital shall be required to pay  
20 the greater of the community service contribution required under  
21 paragraph (1) of subsection b. of this section, or the amount agreed upon  
22 in a voluntary agreement for the duration of the agreement between the  
23 municipality and the hospital.

24 (3) Nothing in this section shall be construed to prohibit a  
25 municipality and a hospital from entering into a voluntary agreement  
26 requiring additional payments by the hospital to the municipality  
27 pursuant to this section.<sup>1</sup>

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>Assembly AAP committee amendments adopted September 17, 2020.

<sup>2</sup>Senate SBA committee amendments adopted October 22, 2020.

<sup>3</sup>Senate SBA committee amendments adopted December 14, 2020.

1        b. (1) For tax year <sup>1</sup>~~2018~~ 2021<sup>1</sup>, the annual community service  
2 contribution required pursuant to this section shall, for a hospital, be  
3 equal to <sup>3</sup>~~[\$2.50]~~ \$3<sup>3</sup> a day for each licensed bed at the hospital in the  
4 prior tax year, and shall, for a satellite emergency care facility, be equal  
5 to <sup>3</sup>~~[\$250]~~ \$300<sup>3</sup> for each day in the prior tax year. For tax year  
6 <sup>1</sup>~~2019~~ 2022<sup>1</sup> and each tax year thereafter, the per day amount used to  
7 calculate an annual community service contribution for a hospital and a  
8 satellite emergency care facility shall increase by two percent over the  
9 prior tax year. The Commissioner of Health shall annually promulgate  
10 the per day amount to apply for each tax year. <sup>1</sup>For the purposes of this  
11 subsection, the number of licensed beds per hospital shall not be less  
12 than the number of such beds in existence on January 1, 2020.<sup>1</sup>

13        (2) An annual community service contribution shall be reduced by  
14 an amount equal to the sum of any payments remitted to the  
15 municipality in which the licensed beds of the hospital or satellite  
16 emergency care facility, as the case may be, is located, pursuant to a  
17 voluntary agreement operative in the prior tax year between the owner  
18 and the municipality to compensate for any municipal <sup>1</sup>~~public safety~~<sup>1</sup>  
19 services benefitting the occupants and premises of the hospital or  
20 satellite emergency care facility<sup>1</sup>.

21        (3) An annual community service contribution shall be payable in  
22 equal quarterly installments. The installments shall be payable on  
23 February 1, May 1, August 1, and November 1.

24        c. The obligation to remit an annual community service  
25 contribution pursuant to this section is legal, valid, and binding. If a  
26 quarterly installment of an annual community service contribution  
27 installment is not paid as and when due pursuant to subsection b. of this  
28 section, the unpaid balance shall constitute a municipal lien on the  
29 hospital or satellite emergency care facility property after 30 days, and  
30 shall be enforced and collected in the same manner as unpaid property  
31 taxes.

32        d. A municipality that receives an annual community service  
33 contribution installment pursuant to this section, or a payment under a  
34 voluntary agreement that reduces the amount of such contribution  
35 pursuant to paragraph (2) of subsection b. of this section, shall forthwith,  
36 upon receipt, remit five percent of the installment or voluntary payment,  
37 as the case may be, to the county in which the municipality is located.

38        e. The Commissioner of Health, in consultation with the New  
39 Jersey Health Care Facilities Financing Authority in the Department of  
40 Health and the Director of the Division of Local Government Services  
41 in the Department of Community Affairs, shall, by <sup>1</sup>~~January 1, 2019~~<sup>1</sup>  
42 the first day of the fourth month next following the enactment of  
43 P.L. , c. (C. ) (pending before the Legislature as this  
44 bill)<sup>1</sup>, adopt regulations necessary to effectuate the provisions of this  
45 section pursuant to the "Administrative Procedure Act," P.L.1968, c.410  
46 (C.52:14B-1 et seq.).

1 f. <sup>1</sup>Notwithstanding any other provision of this section to the  
2 contrary, an owner of property used as a hospital <sup>3</sup>[that would otherwise  
3 be required to remit a community service contribution pursuant to this  
4 section shall be exempt from remitting any such contribution for a tax  
5 year if prior to December 1 of the pre-tax year: (1) the owner certifies  
6 to the Department of Health that the hospital did not balance bill or  
7 collect payment from an individual for inpatient services rendered at the  
8 hospital by its employed physicians during the current calendar year,  
9 and that the hospital's forbearance of payment was lawful and consistent  
10 with an advisory opinion issued to the hospital by the federal  
11 government; and (2)] shall be exempt from remitting an annual  
12 community service contribution for the hospital if the owner certifies to  
13 the Department of Health that, in the prior year, the hospital did not bill  
14 any patient for inpatient or outpatient professional or technical services  
15 rendered at the hospital and <sup>3</sup> the hospital has provided community  
16 benefit over the preceding three years for which the hospital has filed  
17 such forms averaging at least 12 percent of the hospital's total expenses,  
18 as documented on IRS Form 990, Schedule H, part 1, line 7K, column  
19 F. The hospital shall file a copy of the documentation as enumerated in  
20 <sup>3</sup>[items (1) and (2) of] <sup>3</sup> this subsection with the municipal tax assessor  
21 on or before December 1 of the pre-tax year. Upon receipt of a copy of  
22 the documentation, the tax assessor shall notify the hospital, on or before  
23 December 31, that it is exempt from payment of the community service  
24 contribution for the tax year commencing January 1.

25 g. <sup>1</sup> As used in this section:

26 "Hospital" means a general acute care hospital licensed pursuant to  
27 P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and operates  
28 organized facilities and services as approved and licensed by the  
29 Department of Health for the diagnosis, treatment, or care of persons  
30 suffering from acute illness, injury, or deformity and in which all  
31 diagnosis, treatment, and care are administered by or performed under  
32 the direction of persons licensed to practice medicine or osteopathy in  
33 the State, and includes all land and buildings that are used in the delivery  
34 of health care services by such hospital and its medical providers or that  
35 are used for the management, maintenance, administration, support, and  
36 security of such hospital and its medical providers. <sup>3</sup>"Hospital" shall  
37 not include a hospital owned or operated by a federal, State, regional, or  
38 local government entity, directly or as an instrumentality thereof. <sup>3</sup>

39 "Licensed bed" means one of the total number of acute care beds for  
40 which an acute care hospital is approved for patient care by the  
41 Commissioner of Health, excluding skilled nursing, psychiatric, sub-  
42 acute, and newborn beds, and further excluding any acute care beds not  
43 commissioned for use.

44 "Medical provider" means an individual or entity which, acting  
45 within the scope of a licensure or certification, provides health care  
46 services, and includes, but is not limited to, a physician, physician  
47 assistant, psychologist, pharmacist, dentist, nurse, nurse practitioner,

1 social worker, paramedic, respiratory care practitioner, medical or  
2 laboratory technician, ambulance or emergency medical worker,  
3 orthotist or prosthetist, radiological or other diagnostic service facility,  
4 bioanalytical laboratory, health care facility, or other limited licensed  
5 health care professional, and further includes administrative support  
6 staff of the individual or entity.

7 “Owner” means an association or corporation organized as a  
8 nonprofit entity pursuant to Title 15 of the Revised Statutes or Title 15A  
9 of the New Jersey Statutes exclusively for hospital purposes that owns  
10 a hospital.

11 “Satellite emergency care facility” means a facility, which is owned  
12 and operated by a hospital, and which provides emergency care and  
13 treatment for patients.

14 <sup>1</sup>“Voluntary agreement” means any payment in lieu of taxes  
15 agreement or other agreement entered into between the owner of the  
16 property and the municipality for the purpose of compensating the  
17 municipality for any municipal services the municipality provides to the  
18 hospital.<sup>1</sup>

19

20 2. (New section) a. There is established, in but not of the  
21 Department of Health, a commission to be known as the Nonprofit  
22 Hospital Community Service Contribution Study Commission. The  
23 commission shall consist of <sup>3</sup>[nine] <sup>3</sup>ten<sup>3</sup> members as follows: the  
24 Commissioner of Health, ex officio; <sup>3</sup>the Director of the Division of  
25 Local Government Services in the Department of Community Affairs,  
26 ex officio;<sup>3</sup> two members of the Senate to be appointed by the President  
27 of the Senate, who shall not both be of the same political party; two  
28 members of the General Assembly to be appointed by the Speaker of  
29 the General Assembly, who shall not both be of the same political party;  
30 two members, appointed by the Governor, who are mayors of  
31 municipalities entitled to receive annual community service  
32 contributions pursuant to section 1 of P.L. , c. (C. ) (pending  
33 before the Legislature as this bill); and two members, appointed by the  
34 Governor, who are chief executive officers of hospitals assessed annual  
35 community service contributions pursuant to section 1 of P.L. ,  
36 c. (C. ) (pending before the Legislature as this bill). Each member  
37 may designate a representative to attend meetings of the commission,  
38 and each designee may lawfully vote and otherwise act on behalf of the  
39 member who designated that individual to serve as a designee. The  
40 members shall serve for terms of three years, commencing on the date  
41 of appointment, and may be reappointed. Vacancies in the membership  
42 of the commission shall be filled for the unexpired terms in the same  
43 manner as the original appointments.

44 b. The members shall be appointed within 60 days following the  
45 effective date of this section. The commission shall organize as soon as  
46 practicable after the appointment of a majority of its members and shall  
47 select a chair and a treasurer from among its members, and a secretary

1 who need not be a member of the commission. The presence of <sup>3</sup>**[five]**  
2 six<sup>3</sup> members of the commission shall constitute a quorum. The  
3 commission may conduct business without a quorum, but may only vote  
4 on the issuance of the report required to be submitted to the Governor  
5 and the Legislature pursuant to subsection e. of this section, and on any  
6 recommendations, when a quorum is present.

7 c. All commission members shall serve without compensation, but  
8 shall be eligible for reimbursement of necessary and reasonable  
9 expenses incurred in the performance of their official duties within the  
10 limits of funds appropriated or otherwise made available to the  
11 commission for its purposes.

12 d. The commission may meet and hold public hearings at the place  
13 or places it designates during the sessions or recesses of the Legislature.

14 e. The commission shall study the implementation of P.L. ,  
15 c. (C. ) (pending before the Legislature as this bill) and shall issue  
16 a report to the Governor and the Legislature, pursuant to section 2 of  
17 P.L.1991, c.164 (C.52:14-19.1), every three years from the effective  
18 date of this section; provided, however, that the initial report shall be  
19 issued within one year following that effective date. The reports shall  
20 include: (1) an analysis of the financial impact of P.L. , c. (C. )  
21 (pending before the Legislature as this bill) on both hospitals and  
22 satellite emergency care facilities assessed annual community service  
23 contributions thereunder and the municipalities receiving such  
24 contributions; (2) an assessment of the adequacy of the amount of the  
25 annual community service contributions; (3) an analysis of the  
26 administration and equity of these contributions; and (4) any  
27 recommendations that the commission determines would improve the  
28 administration, equity, or any other aspect of the annual community  
29 service contribution system established by P.L. , c. (C. ) (pending  
30 before the Legislature as this bill).

31  
32 3. (New section) a. Property, including land and buildings, used  
33 as a hospital or a satellite emergency care facility, which is owned by  
34 an association or corporation organized as a nonprofit entity pursuant to  
35 Title 15 of the Revised Statutes or Title 15A of the New Jersey Statutes  
36 exclusively for hospital purposes, shall be exempt from taxation, <sup>2</sup>**[and**  
37 the exemption shall extend to any portion of the hospital property that  
38 is leased to or otherwise used by a profit-making medical provider for  
39 medical purposes; provided, however, that any portion of the property  
40 that is leased to any other profit-making organization or otherwise used  
41 for any other purposes which are not themselves exempt from taxation  
42 shall be subject to taxation and the remaining portion only shall be  
43 exempt from taxation] provided that, except as provided in subsection  
44 b. of this section, if any portion of the property is leased to a profit-  
45 making organization or otherwise used for purposes which are not  
46 themselves exempt from taxation, that portion shall be subject to  
47 taxation and the remaining portion only shall be exempt from taxation<sup>2</sup>.

1        b. <sup>2</sup>If any portion of a hospital or a satellite emergency care facility  
 2 is leased to or otherwise used by a profit-making medical provider for  
 3 medical purposes related to the delivery of health care services directly  
 4 to the hospital, that portion shall be exempt from taxation <sup>3</sup>, provided  
 5 that the portion of the hospital or satellite emergency care facility is used  
 6 exclusively for hospital purposes<sup>3</sup>.

7        c.<sup>2</sup> The owner of property exempt from taxation pursuant to  
 8 subsection a. of this section shall be assessed an annual community  
 9 service contribution pursuant to section 1 of P.L. , c. (C. )  
 10 (pending before the Legislature as this bill).

11        <sup>2</sup>**[c.] d.<sup>2</sup>** As used in this section:

12        “Hospital” means a general acute care hospital licensed pursuant to  
 13 P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and operates  
 14 organized facilities and services as approved and licensed by the  
 15 Department of Health for the diagnosis, treatment, or care of persons  
 16 suffering from acute illness, injury, or deformity and in which all  
 17 diagnosis, treatment, and care are administered by or performed under  
 18 the direction of persons licensed to practice medicine or osteopathy in  
 19 the State, and includes all land and buildings that are used in the delivery  
 20 of health care services by such hospital and its medical providers or that  
 21 are used for the management, maintenance, administration, support, and  
 22 security of such hospital and its medical providers. <sup>3</sup>“Hospital” shall  
 23 not include a hospital owned or operated by a federal, State, regional, or  
 24 local government entity, directly or as an instrumentality thereof.<sup>3</sup>

25        “Medical provider” means an individual or entity which, acting  
 26 within the scope of a licensure or certification, provides health care  
 27 services, and includes, but is not limited to, a physician, physician  
 28 assistant, psychologist, pharmacist, dentist, nurse, nurse practitioner,  
 29 social worker, paramedic, respiratory care practitioner, medical or  
 30 laboratory technician, ambulance or emergency medical worker,  
 31 orthotist or prosthetist, radiological or other diagnostic service facility,  
 32 bioanalytical laboratory, health care facility, or other limited licensed  
 33 health care professional, and further includes administrative support  
 34 staff of the individual or entity.

35        “Satellite emergency care facility” means a facility, which is owned  
 36 and operated by a hospital, and which provides emergency care and  
 37 treatment for patients.

38  
 39        4. (New section) For tax years 2014, 2015, 2016, <sup>1</sup>**[and]**<sup>1</sup> 2017,  
 40 <sup>1</sup>2018, 2019, and 2020.<sup>1</sup> property that would have been exempt from  
 41 taxation pursuant to section 3 of P.L. , c. (C. ) (pending before  
 42 the Legislature as this bill), had that section been effective in those  
 43 tax years, shall not be assessed as <sup>1</sup>an<sup>1</sup> omitted <sup>1</sup>**[property]**  
 44 assessment<sup>1</sup> pursuant to P.L.1947, c.413 (C.54:4-63.12 et seq.) <sup>1</sup>or as  
 45 a regular assessment pursuant to R.S.54:4-1<sup>1</sup>. This section shall  
 46 apply to all property owned by an association or corporation  
 47 organized as a nonprofit entity pursuant to Title 15 of the Revised

1 Statutes or Title 15A of the New Jersey Statutes exclusively for  
2 hospital purposes, whether or not assessed as <sup>1</sup>an<sup>1</sup> omitted  
3 <sup>1</sup>**【property】** assessment or a regular assessment<sup>1</sup>, as well as the  
4 omitted assessments <sup>1</sup>or regular assessments<sup>1</sup> of such property that is  
5 the subject of litigation that is pending or that may be subject to  
6 appeal before the county board of taxation, the tax court, or any other  
7 court on or after the date of enactment of P.L. , c. (C. )  
8 (pending before the Legislature as this bill). <sup>1</sup>**【Any】** Nothing in this  
9 section shall be construed to require a municipality to refund any<sup>1</sup>  
10 taxes paid on such property <sup>1</sup>as a result of such omitted assessments  
11 or regular assessments pursuant to any previous settlement of  
12 litigation or other agreement<sup>1</sup> for tax years 2014, 2015, 2016, <sup>1</sup>**【or】**<sup>1</sup>  
13 2017 <sup>1</sup>**【shall be refunded】** , 2018, 2019, and 2020<sup>1</sup>.  
14

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

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

1 exempt entity, that portion shall also be exempt from taxation; all  
2 buildings, other than those exempt from taxation pursuant to section  
3 3 of P.L. , c. (C. ) (pending before the Legislature as this  
4 bill), actually used in the work of associations and corporations  
5 organized exclusively for hospital purposes, provided that if any  
6 portion of a building used for hospital purposes is leased to profit-  
7 making organizations or otherwise used for purposes which are not  
8 themselves exempt from taxation, that portion shall be subject to  
9 taxation and the remaining portion only shall be exempt; all buildings  
10 owned or held by an association or corporation created for the  
11 purpose of holding the title to such buildings as are actually and  
12 exclusively used in the work of two or more associations or  
13 corporations organized exclusively for the moral and mental  
14 improvement of men, women and children; all buildings owned by a  
15 corporation created under or otherwise subject to the provisions of  
16 Title 15 of the Revised Statutes or Title 15A of the New Jersey  
17 Statutes and actually and exclusively used in the work of one or more  
18 associations or corporations organized exclusively for charitable or  
19 religious purposes, which associations or corporations may or may  
20 not pay rent for the use of the premises or the portions of the premises  
21 used by them; the buildings, not exceeding two, actually occupied as  
22 a parsonage by the officiating clergymen of any religious corporation  
23 of this State, together with the accessory buildings located on the  
24 same premises; the land whereon any of the buildings hereinbefore  
25 mentioned are erected, and which may be necessary for the fair  
26 enjoyment thereof, and which is devoted to the purposes above  
27 mentioned and to no other purpose and does not exceed five acres in  
28 extent; the furniture and personal property in said buildings if used  
29 in and devoted to the purposes above mentioned; all property owned  
30 and used by any nonprofit corporation in connection with its  
31 curriculum, work, care, treatment and study of men, women, or  
32 children with intellectual disabilities shall also be exempt from  
33 taxation, provided that such corporation conducts and maintains  
34 research or professional training facilities for the care and training of  
35 men, women, or children with intellectual disabilities; provided, in  
36 case of all the foregoing, the buildings, or the lands on which they  
37 stand, or the associations, corporations or institutions using and  
38 occupying them as aforesaid, are not conducted for profit, except that  
39 the exemption of the buildings and lands used for charitable,  
40 benevolent or religious purposes shall extend to cases where the  
41 charitable, benevolent or religious work therein carried on is  
42 supported partly by fees and charges received from or on behalf of  
43 beneficiaries using or occupying the buildings; provided the building  
44 is wholly controlled by and the entire income therefrom is used for  
45 said charitable, benevolent or religious purposes; and any tract of  
46 land purchased pursuant to subsection (n) of section 21 of P.L.1971,  
47 c.199 (C.40A:12-21), and located within a municipality, actually  
48 used for the cultivation and sale of fresh fruits and vegetables and

1 owned by a duly incorporated nonprofit organization or association  
2 which includes among its principal purposes the cultivation and sale  
3 of fresh fruits and vegetables, other than a political, partisan,  
4 sectarian, denominational or religious organization or association.  
5 The foregoing exemption shall apply only where the association,  
6 corporation or institution claiming the exemption owns the property  
7 in question and is incorporated or organized under the laws of this  
8 State and authorized to carry out the purposes on account of which  
9 the exemption is claimed or where an educational institution, as  
10 provided herein, has leased said property to a historical society or  
11 association or to a corporation organized for such purposes and  
12 created under or otherwise subject to the provisions of Title 15 of the  
13 Revised Statutes or Title 15A of the New Jersey Statutes.

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

23 (cf: P.L.2011, c.171, s.4)

24  
25 <sup>1</sup>[6. R.S.54:3-21 is amended to read as follows:

26 54:3-21. a. (1) Except as provided in subsection b. of this section  
27 a taxpayer feeling aggrieved by the assessed valuation or exempt  
28 status of the taxpayer's property **],** or feeling discriminated against  
29 by the assessed valuation of other **],** or a taxing  
30 district which may feel discriminated against by the assessed  
31 valuation or exempt status of property in the taxing district, or by the  
32 assessed valuation or exempt status of property in another taxing  
33 district in the county, may on or before April 1, or 45 days from the  
34 date the bulk mailing of notification of assessment is completed in  
35 the taxing district, whichever is later, appeal to the county board of  
36 taxation by filing with it a petition of appeal; provided, however, that  
37 any such taxpayer or taxing district may on or before April 1, or 45  
38 days from the date the bulk mailing of notification of assessment is  
39 completed in the taxing district, whichever is later, file a complaint  
40 directly with the Tax Court, if the assessed valuation of the property  
41 subject to the appeal exceeds \$1,000,000. In a taxing district where  
42 a municipal-wide revaluation or municipal-wide reassessment has  
43 been implemented, a taxpayer or a taxing district may appeal before  
44 or on May 1 to the county board of taxation by filing with it a petition  
45 of appeal or, if the assessed valuation of the property subject to the  
46 appeal exceeds \$1,000,000, by filing a complaint directly with the  
47 State Tax Court. Within ten days of the completion of the bulk  
48 mailing of notification of assessment, the assessor of the taxing

1 district shall file with the county board of taxation a certification  
2 setting forth the date on which the bulk mailing was completed. If a  
3 county board of taxation completes the bulk mailing of notification  
4 of assessment, the tax administrator of the county board of taxation  
5 shall within ten days of the completion of the bulk mailing prepare  
6 and keep on file a certification setting forth the date on which the  
7 bulk mailing was completed. A taxpayer shall have 45 days to file  
8 an appeal upon the issuance of a notification of a change in  
9 assessment. An appeal to the Tax Court by one party in a case in  
10 which the Tax Court has jurisdiction shall establish jurisdiction over  
11 the entire matter in the Tax Court. All appeals to the Tax Court  
12 hereunder shall be in accordance with the provisions of the State  
13 Uniform Tax Procedure Law, R.S.54:48-1 et seq.

14 If a petition of appeal or a complaint is filed on April 1 or during  
15 the 19 days next preceding April 1, a taxpayer or a taxing district  
16 shall have 20 days from the date of service of the petition or  
17 complaint to file a cross-petition of appeal with a county board of  
18 taxation or a counterclaim with the Tax Court, as appropriate.

19 (2) With respect to property located in a county participating in  
20 the demonstration program established in section 4 of P.L.2013, c.15  
21 (C.54:1-104) or a property located in a county operating under the  
22 "Property Tax Assessment Reform Act," P.L.2009, c.118 (C.54:1-86  
23 et seq.), and except as provided in subsection b. of this section, a  
24 taxpayer feeling aggrieved by the assessed valuation or exempt status  
25 of the taxpayer's property [ , or feeling discriminated against by the  
26 assessed valuation of other property in the county, ] or a taxing  
27 district which may feel discriminated against by the assessed  
28 valuation or exempt status of property in the taxing district, or by the  
29 assessed valuation or exempt status of property in another taxing  
30 district in the county, may on or before January 15, or 45 days from  
31 the date the bulk mailing of notification of assessment is completed  
32 in the taxing district, whichever date is later, appeal to the county  
33 board of taxation by filing with it a petition of appeal; provided,  
34 however, that any such taxpayer, or taxing district, may on or before  
35 April 1, or 45 days from the date the bulk mailing of notification of  
36 assessment is completed in the taxing district, whichever date is later,  
37 file a complaint directly with the Tax Court, if the assessed valuation  
38 of the property subject to the appeal exceeds \$1,000,000.

39 If a petition of appeal is filed on January 15 or during the 19 days  
40 next preceding January 15, or a complaint is filed with the Tax Court  
41 on April 1 or during the 19 days next preceding April 1, a taxpayer  
42 or a taxing district shall have 20 days from the date of service of the  
43 petition or complaint to file a cross-petition of appeal with a county  
44 board of taxation or a counterclaim with the Tax Court, as  
45 appropriate.

46 Within 10 days of the completion of the bulk mailing of  
47 notification of assessment, the assessor of the taxing district shall file  
48 with the county board of taxation a certification setting forth the date

1 on which the bulk mailing was completed. If a county board of  
2 taxation completes the bulk mailing of notification of assessment, the  
3 tax administrator of the county board of taxation shall within 10 days  
4 of the completion of the bulk mailing prepare and keep on file a  
5 certification setting forth the date on which the bulk mailing was  
6 completed. A taxpayer shall have 45 days to file an appeal upon the  
7 issuance of a notification of a change in assessment. An appeal to  
8 the Tax Court by one party in a case in which the Tax Court has  
9 jurisdiction shall establish jurisdiction over the entire matter in the  
10 Tax Court. All appeals to the Tax Court hereunder shall be in  
11 accordance with the provisions of the State Uniform Tax Procedure  
12 Law, R.S.54:48-1 et seq.

13 b. No taxpayer or taxing district shall be entitled to appeal either  
14 an assessment or an exemption or both that is based on a financial  
15 agreement subject to the provisions of the "Long Term  
16 Tax Exemption Law" under the appeals process set forth in  
17 subsection a. of this section.  
18 (cf: P.L.2017, c.306, s.4)]<sup>1</sup>

19

20 <sup>1</sup>6. R.S.54:3-21 is amended to read as follows:

21 54:3-21. a. (1) Except as provided in subsection b. of this section  
22 a taxpayer feeling aggrieved by the assessed valuation or exempt  
23 status of the taxpayer's property **],** or feeling discriminated against  
24 by the assessed valuation of other property in the county, **]** or a taxing  
25 district which may feel discriminated against by the assessed  
26 valuation or exempt status of property in the taxing district, or by the  
27 assessed valuation or exempt status of property in another taxing  
28 district in the county, may on or before April 1, or 45 days from the  
29 date the bulk mailing of notification of assessment is completed in  
30 the taxing district, whichever is later, appeal to the county board of  
31 taxation by filing with it a petition of appeal; provided, however, that  
32 any such taxpayer or taxing district may on or before April 1, or 45  
33 days from the date the bulk mailing of notification of assessment is  
34 completed in the taxing district, whichever is later, file a complaint  
35 directly with the Tax Court, if the assessed valuation of the property  
36 subject to the appeal exceeds \$1,000,000. In a taxing district where  
37 a municipal-wide revaluation or municipal-wide reassessment has  
38 been implemented, a taxpayer or a taxing district may appeal before  
39 or on May 1 to the county board of taxation by filing with it a petition  
40 of appeal or, if the assessed valuation of the property subject to the  
41 appeal exceeds \$1,000,000, by filing a complaint directly with the  
42 State Tax Court. Within ten days of the completion of the bulk  
43 mailing of notification of assessment, the assessor of the taxing  
44 district shall file with the county board of taxation a certification  
45 setting forth the date on which the bulk mailing was completed. If a  
46 county board of taxation completes the bulk mailing of notification  
47 of assessment, the tax administrator of the county board of taxation  
48 shall within ten days of the completion of the bulk mailing prepare

1 and keep on file a certification setting forth the date on which the  
2 bulk mailing was completed. A taxpayer shall have 45 days to file  
3 an appeal upon the issuance of a notification of a change in  
4 assessment. An appeal to the Tax Court by one party in a case in  
5 which the Tax Court has jurisdiction shall establish jurisdiction over  
6 the entire matter in the Tax Court. All appeals to the Tax Court  
7 hereunder shall be in accordance with the provisions of the State  
8 Uniform Tax Procedure Law, R.S.54:48-1 et seq.

9 If a petition of appeal or a complaint is filed on April 1 or during  
10 the 19 days next preceding April 1, a taxpayer or a taxing district  
11 shall have 20 days from the date of service of the petition or  
12 complaint to file a cross-petition of appeal with a county board of  
13 taxation or a counterclaim with the Tax Court, as appropriate.

14 (2) With respect to property located in a county participating in  
15 the demonstration program established in section 4 of P.L.2013, c.15  
16 (C.54:1-104), a property located in a county operating under the  
17 "Property Tax Assessment Reform Act," P.L.2009, c.118 (C.54:1-86  
18 et seq.), or a property located in a county that has adopted, by  
19 resolution, the provisions of section 1 of P.L.2018, c.94 (C.54:1-  
20 105), and except as provided in subsection b. of this section, a  
21 taxpayer feeling aggrieved by the assessed valuation or exempt status  
22 of the taxpayer's property **],** or feeling discriminated against by the  
23 assessed valuation of other property in the county, **]** or a taxing  
24 district which may feel discriminated against by the assessed  
25 valuation or exempt status of property in the taxing district, or by the  
26 assessed valuation or exempt status of property in another taxing  
27 district in the county, may on or before January 15, or 45 days from  
28 the date the bulk mailing of notification of assessment is completed  
29 in the taxing district, whichever date is later, appeal to the county  
30 board of taxation by filing with it a petition of appeal; provided,  
31 however, that any such taxpayer, or taxing district, may on or before  
32 April 1, or 45 days from the date the bulk mailing of notification of  
33 assessment is completed in the taxing district, whichever date is later,  
34 file a complaint directly with the Tax Court, if the assessed valuation  
35 of the property subject to the appeal exceeds \$1,000,000.

36 If a petition of appeal is filed on January 15 or during the 19 days  
37 next preceding January 15, or a complaint is filed with the Tax Court  
38 on April 1 or during the 19 days next preceding April 1, a taxpayer  
39 or a taxing district shall have 20 days from the date of service of the  
40 petition or complaint to file a cross-petition of appeal with a county  
41 board of taxation or a counterclaim with the Tax Court, as  
42 appropriate.

43 Within 10 days of the completion of the bulk mailing of  
44 notification of assessment, the assessor of the taxing district shall file  
45 with the county board of taxation a certification setting forth the date  
46 on which the bulk mailing was completed. If a county board of  
47 taxation completes the bulk mailing of notification of assessment, the  
48 tax administrator of the county board of taxation shall within 10 days

1 of the completion of the bulk mailing prepare and keep on file a  
2 certification setting forth the date on which the bulk mailing was  
3 completed. A taxpayer shall have 45 days to file an appeal upon the  
4 issuance of a notification of a change in assessment. An appeal to  
5 the Tax Court by one party in a case in which the Tax Court has  
6 jurisdiction shall establish jurisdiction over the entire matter in the  
7 Tax Court. All appeals to the Tax Court hereunder shall be in  
8 accordance with the provisions of the State Uniform Tax Procedure  
9 Law, R.S.54:48-1 et seq.

10 b. No taxpayer or taxing district shall be entitled to appeal either  
11 an assessment or an exemption or both that is based on a financial  
12 agreement subject to the provisions of the "Long Term Tax  
13 Exemption Law" under the appeals process set forth in subsection a.  
14 of this section.<sup>1</sup>

15 (cf: P.L.2018.c. 94, s.5)

16

17 7. This act shall take effect immediately <sup>1</sup>【and shall be  
18 retroactive to January 1, 2018】<sup>1</sup>, except that section 4 of the bill shall  
19 <sup>1</sup>be retroactive and<sup>1</sup> apply to tax years 2014, 2015, 2016, <sup>1</sup>【and】<sup>1</sup>  
20 2017 <sup>1</sup>, 2018, 2019, and 2020<sup>1</sup> only.

21

22

23

24

25 Reinstates prior property tax exemption for nonprofit hospitals  
26 with on-site for-profit medical providers; requires some of these  
27 hospitals to pay community service contributions; establishes  
28 Nonprofit Hospital Community Service Contribution Study  
29 Commission; prohibits certain third-party property tax appeals.

**ASSEMBLY, No. 1135**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Assemblyman ROBERT J. KARABINCHAK**

**District 18 (Middlesex)**

**Assemblywoman VALERIE VAINIERI HUTTLE**

**District 37 (Bergen)**

**Co-Sponsored by:**

**Assemblyman Giblin and Assemblywomen Pinkin and Murphy**

**SYNOPSIS**

Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 7/16/2020)**

A1135 COUGHLIN, KARABINCHAK

2

1 AN ACT concerning property tax exemptions, supplementing  
2 chapter 48 of Title 40 and chapter 4 of Title 54 of the Revised  
3 Statutes, and amending R.S.54:4-3.6 and R.S.54:3-21.  
4

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

8 1. (New section) a. The owner of property used as a hospital  
9 or a satellite emergency care facility, which is exempt from taxation  
10 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
11 Legislature as this bill), shall annually be assessed a community  
12 service contribution to the municipality in which the licensed beds  
13 of the hospital are located and, in the case of a satellite emergency  
14 care facility, to the municipality in which such facility is located.  
15 These contributions shall be remitted directly to the municipalities  
16 in which the contributions are assessed.

17 b. (1) For tax year 2018, the annual community service  
18 contribution required pursuant to this section shall, for a hospital,  
19 be equal to \$2.50 a day for each licensed bed at the hospital in the  
20 prior tax year, and shall, for a satellite emergency care facility, be  
21 equal to \$250 for each day in the prior tax year. For tax year 2019  
22 and each tax year thereafter, the per day amount used to calculate an  
23 annual community service contribution for a hospital and a satellite  
24 emergency care facility shall increase by two percent over the prior  
25 tax year. The Commissioner of Health shall annually promulgate  
26 the per day amount to apply for each tax year.

27 (2) An annual community service contribution shall be reduced  
28 by an amount equal to the sum of any payments remitted to the  
29 municipality in which the licensed beds of the hospital or satellite  
30 emergency care facility, as the case may be, is located, pursuant to a  
31 voluntary agreement operative in the prior tax year between the  
32 owner and the municipality to compensate for any municipal public  
33 safety services benefitting the occupants and premises of the  
34 hospital or satellite emergency care facility

35 (3) An annual community service contribution shall be payable  
36 in equal quarterly installments. The installments shall be payable  
37 on February 1, May 1, August 1, and November 1.

38 c. The obligation to remit an annual community service  
39 contribution pursuant to this section is legal, valid, and binding. If  
40 a quarterly installment of an annual community service contribution  
41 installment is not paid as and when due pursuant to subsection b. of  
42 this section, the unpaid balance shall constitute a municipal lien on  
43 the hospital or satellite emergency care facility property after 30  
44 days, and shall be enforced and collected in the same manner as  
45 unpaid property taxes.

**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 d. A municipality that receives an annual community service  
2 contribution installment pursuant to this section, or a payment under  
3 a voluntary agreement that reduces the amount of such contribution  
4 pursuant to paragraph (2) of subsection b. of this section, shall  
5 forthwith, upon receipt, remit five percent of the installment or  
6 voluntary payment, as the case may be, to the county in which the  
7 municipality is located.

8 e. The Commissioner of Health, in consultation with the New  
9 Jersey Health Care Facilities Financing Authority in the Department  
10 of Health and the Director of the Division of Local Government  
11 Services in the Department of Community Affairs, shall, by January  
12 1, 2019, adopt regulations necessary to effectuate the provisions of  
13 this section pursuant to the "Administrative Procedure Act,"  
14 P.L.1968, c.410 (C.52:14B-1 et seq.).

15 f. As used in this section:

16 "Hospital" means a general acute care hospital licensed pursuant  
17 to P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and  
18 operates organized facilities and services as approved and licensed  
19 by the Department of Health for the diagnosis, treatment, or care of  
20 persons suffering from acute illness, injury, or deformity and in  
21 which all diagnosis, treatment, and care are administered by or  
22 performed under the direction of persons licensed to practice  
23 medicine or osteopathy in the State, and includes all land and  
24 buildings that are used in the delivery of health care services by  
25 such hospital and its medical providers or that are used for the  
26 management, maintenance, administration, support, and security of  
27 such hospital and its medical providers.

28 "Licensed bed" means one of the total number of acute care beds  
29 for which an acute care hospital is approved for patient care by the  
30 Commissioner of Health, excluding skilled nursing, psychiatric,  
31 sub-acute, and newborn beds, and further excluding any acute care  
32 beds not commissioned for use.

33 "Medical provider" means an individual or entity which, acting  
34 within the scope of a licensure or certification, provides health care  
35 services, and includes, but is not limited to, a physician, physician  
36 assistant, psychologist, pharmacist, dentist, nurse, nurse  
37 practitioner, social worker, paramedic, respiratory care practitioner,  
38 medical or laboratory technician, ambulance or emergency medical  
39 worker, orthotist or prosthetist, radiological or other diagnostic  
40 service facility, bioanalytical laboratory, health care facility, or  
41 other limited licensed health care professional, and further includes  
42 administrative support staff of the individual or entity.

43 "Owner" means an association or corporation organized as a  
44 nonprofit entity pursuant to Title 15 of the Revised Statutes or Title  
45 15A of the New Jersey Statutes exclusively for hospital purposes  
46 that owns a hospital.

1 “Satellite emergency care facility” means a facility, which is  
2 owned and operated by a hospital, and which provides emergency  
3 care and treatment for patients.  
4

5 2. (New section) a. There is established, in but not of the  
6 Department of Health, a commission to be known as the Nonprofit  
7 Hospital Community Service Contribution Study Commission. The  
8 commission shall consist of nine members as follows: the  
9 Commissioner of Health, ex officio; two members of the Senate to  
10 be appointed by the President of the Senate, who shall not both be  
11 of the same political party; two members of the General Assembly  
12 to be appointed by the Speaker of the General Assembly, who shall  
13 not both be of the same political party; two members, appointed by  
14 the Governor, who are mayors of municipalities entitled to receive  
15 annual community service contributions pursuant to section 1 of  
16 P.L. , c. (C. ) (pending before the Legislature as this bill);  
17 and two members, appointed by the Governor, who are chief  
18 executive officers of hospitals assessed annual community service  
19 contributions pursuant to section 1 of P.L. , c. (C. )  
20 (pending before the Legislature as this bill). Each member may  
21 designate a representative to attend meetings of the commission,  
22 and each designee may lawfully vote and otherwise act on behalf of  
23 the member who designated that individual to serve as a designee.  
24 The members shall serve for terms of three years, commencing on  
25 the date of appointment, and may be reappointed. Vacancies in the  
26 membership of the commission shall be filled for the unexpired  
27 terms in the same manner as the original appointments.

28 b. The members shall be appointed within 60 days following  
29 the effective date of this section. The commission shall organize as  
30 soon as practicable after the appointment of a majority of its  
31 members and shall select a chair and a treasurer from among its  
32 members, and a secretary who need not be a member of the  
33 commission. The presence of five members of the commission  
34 shall constitute a quorum. The commission may conduct business  
35 without a quorum, but may only vote on the issuance of the report  
36 required to be submitted to the Governor and the Legislature  
37 pursuant to subsection e. of this section, and on any  
38 recommendations, when a quorum is present.

39 c. All commission members shall serve without compensation,  
40 but shall be eligible for reimbursement of necessary and reasonable  
41 expenses incurred in the performance of their official duties within  
42 the limits of funds appropriated or otherwise made available to the  
43 commission for its purposes.

44 d. The commission may meet and hold public hearings at the  
45 place or places it designates during the sessions or recesses of the  
46 Legislature.

47 e. The commission shall study the implementation of P.L. ,  
48 c (C. ) (pending before the Legislature as this bill) and shall

1 issue a report to the Governor and the Legislature, pursuant to  
2 section 2 of P.L.1991, c.164 (C.52:14-19.1), every three years from  
3 the effective date of this section; provided, however, that the initial  
4 report shall be issued within one year following that effective date.  
5 The reports shall include: (1) an analysis of the financial impact of  
6 P.L. , c. (C. ) (pending before the Legislature as this bill) on  
7 both hospitals and satellite emergency care facilities assessed  
8 annual community service contributions thereunder and the  
9 municipalities receiving such contributions; (2) an assessment of  
10 the adequacy of the amount of the annual community service  
11 contributions; (3) an analysis of the administration and equity of  
12 these contributions; and (4) any recommendations that the  
13 commission determines would improve the administration, equity,  
14 or any other aspect of the annual community service contribution  
15 system established by P.L. , c. (C. ) (pending before the  
16 Legislature as this bill).

17

18 3. (New section) a. Property, including land and buildings,  
19 used as a hospital or a satellite emergency care facility, which is  
20 owned by an association or corporation organized as a nonprofit  
21 entity pursuant to Title 15 of the Revised Statutes or Title 15A of  
22 the New Jersey Statutes exclusively for hospital purposes, shall be  
23 exempt from taxation, and the exemption shall extend to any  
24 portion of the hospital property that is leased to or otherwise used  
25 by a profit-making medical provider for medical purposes;  
26 provided, however, that any portion of the property that is leased to  
27 any other profit-making organization or otherwise used for any  
28 other purposes which are not themselves exempt from taxation shall  
29 be subject to taxation and the remaining portion only shall be  
30 exempt from taxation.

31 b. The owner of property exempt from taxation pursuant to  
32 subsection a. of this section shall be assessed an annual community  
33 service contribution pursuant to section 1 of P.L. , c. (C. )  
34 (pending before the Legislature as this bill).

35 c. As used in this section:

36 "Hospital" means a general acute care hospital licensed pursuant  
37 to P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and  
38 operates organized facilities and services as approved and licensed  
39 by the Department of Health for the diagnosis, treatment, or care of  
40 persons suffering from acute illness, injury, or deformity and in  
41 which all diagnosis, treatment, and care are administered by or  
42 performed under the direction of persons licensed to practice  
43 medicine or osteopathy in the State, and includes all land and  
44 buildings that are used in the delivery of health care services by  
45 such hospital and its medical providers or that are used for the  
46 management, maintenance, administration, support, and security of  
47 such hospital and its medical providers.

1       “Medical provider” means an individual or entity which, acting  
2 within the scope of a licensure or certification, provides health care  
3 services, and includes, but is not limited to, a physician, physician  
4 assistant, psychologist, pharmacist, dentist, nurse, nurse  
5 practitioner, social worker, paramedic, respiratory care practitioner,  
6 medical or laboratory technician, ambulance or emergency medical  
7 worker, orthotist or prosthetist, radiological or other diagnostic  
8 service facility, bioanalytical laboratory, health care facility, or  
9 other limited licensed health care professional, and further includes  
10 administrative support staff of the individual or entity.

11       “Satellite emergency care facility” means a facility, which is  
12 owned and operated by a hospital, and which provides emergency  
13 care and treatment for patients.

14  
15       4. (New section) For tax years 2014, 2015, 2016, and 2017,  
16 property that would have been exempt from taxation pursuant to  
17 section 3 of P.L. , c. (C. ) (pending before the Legislature  
18 as this bill), had that section been effective in those tax years, shall  
19 not be assessed as omitted property pursuant to P.L.1947, c.413  
20 (C.54:4-63.12 et seq.). This section shall apply to all property  
21 owned by an association or corporation organized as a nonprofit  
22 entity pursuant to Title 15 of the Revised Statutes or Title 15A of  
23 the New Jersey Statutes exclusively for hospital purposes, whether  
24 or not assessed as omitted property, as well as the omitted  
25 assessments of such property that is the subject of litigation that is  
26 pending or that may be subject to appeal before the county board of  
27 taxation, the tax court, or any other court on or after the date of  
28 enactment of P.L. , c. (C. ) (pending before the Legislature  
29 as this bill). Any taxes paid on such property for tax years 2014,  
30 2015, 2016, or 2017 shall be refunded.

31  
32       5. R.S.54:4-3.6 is amended to read as follows:

33       54:4-3.6. The following property shall be exempt from taxation  
34 under this chapter: all buildings actually used for colleges, schools,  
35 academies or seminaries, provided that if any portion of such  
36 buildings are leased to profit-making organizations or otherwise  
37 used for purposes which are not themselves exempt from taxation,  
38 said portion shall be subject to taxation and the remaining portion  
39 only shall be exempt; all buildings actually used for historical  
40 societies, associations or exhibitions, when owned by the State,  
41 county or any political subdivision thereof or when located on land  
42 owned by an educational institution which derives its primary  
43 support from State revenue; all buildings actually and exclusively  
44 used for public libraries, asylum or schools for adults and children  
45 with intellectual disabilities; all buildings used exclusively by any  
46 association or corporation formed for the purpose and actually  
47 engaged in the work of preventing cruelty to animals; all buildings  
48 actually and exclusively used and owned by volunteer first-aid

1 squads, which squads are or shall be incorporated as associations  
2 not for pecuniary profit; all buildings actually used in the work of  
3 associations and corporations organized exclusively for the moral  
4 and mental improvement of men, women and children, provided  
5 that if any portion of a building used for that purpose is leased to  
6 profit-making organizations or is otherwise used for purposes which  
7 are not themselves exempt from taxation, that portion shall be  
8 subject to taxation and the remaining portion only shall be exempt;  
9 all buildings actually used in the work of associations and  
10 corporations organized exclusively for religious purposes, including  
11 religious worship, or charitable purposes, provided that if any  
12 portion of a building used for that purpose is leased to a profit-  
13 making organization or is otherwise used for purposes which are not  
14 themselves exempt from taxation, that portion shall be subject to  
15 taxation and the remaining portion shall be exempt from taxation,  
16 and provided further that if any portion of a building is used for a  
17 different exempt use by an exempt entity, that portion shall also be  
18 exempt from taxation; all buildings other than those exempt from  
19 taxation pursuant to section 3 of P.L. , c. (C. ) (pending  
20 before the Legislature as this bill), actually used in the work of  
21 associations and corporations organized exclusively for hospital  
22 purposes, provided that if any portion of a building used for hospital  
23 purposes is leased to profit-making organizations or otherwise used  
24 for purposes which are not themselves exempt from taxation, that  
25 portion shall be subject to taxation and the remaining portion only  
26 shall be exempt; all buildings owned or held by an association or  
27 corporation created for the purpose of holding the title to such  
28 buildings as are actually and exclusively used in the work of two or  
29 more associations or corporations organized exclusively for the  
30 moral and mental improvement of men, women and children; all  
31 buildings owned by a corporation created under or otherwise  
32 subject to the provisions of Title 15 of the Revised Statutes or Title  
33 15A of the New Jersey Statutes and actually and exclusively used in  
34 the work of one or more associations or corporations organized  
35 exclusively for charitable or religious purposes, which associations  
36 or corporations may or may not pay rent for the use of the premises  
37 or the portions of the premises used by them; the buildings, not  
38 exceeding two, actually occupied as a parsonage by the officiating  
39 clergymen of any religious corporation of this State, together with  
40 the accessory buildings located on the same premises; the land  
41 whereon any of the buildings hereinbefore mentioned are erected,  
42 and which may be necessary for the fair enjoyment thereof, and  
43 which is devoted to the purposes above mentioned and to no other  
44 purpose and does not exceed five acres in extent; the furniture and  
45 personal property in said buildings if used in and devoted to the  
46 purposes above mentioned; all property owned and used by any  
47 nonprofit corporation in connection with its curriculum, work, care,  
48 treatment and study of men, women, or children with intellectual

1 disabilities shall also be exempt from taxation, provided that such  
2 corporation conducts and maintains research or professional  
3 training facilities for the care and training of men, women, or  
4 children with intellectual disabilities; provided, in case of all the  
5 foregoing, the buildings, or the lands on which they stand, or the  
6 associations, corporations or institutions using and occupying them  
7 as aforesaid, are not conducted for profit, except that the exemption  
8 of the buildings and lands used for charitable, benevolent or  
9 religious purposes shall extend to cases where the charitable,  
10 benevolent or religious work therein carried on is supported partly  
11 by fees and charges received from or on behalf of beneficiaries  
12 using or occupying the buildings; provided the building is wholly  
13 controlled by and the entire income therefrom is used for said  
14 charitable, benevolent or religious purposes; and any tract of land  
15 purchased pursuant to subsection (n) of section 21 of P.L.1971,  
16 c.199 (C.40A:12-21), and located within a municipality, actually  
17 used for the cultivation and sale of fresh fruits and vegetables and  
18 owned by a duly incorporated nonprofit organization or association  
19 which includes among its principal purposes the cultivation and sale  
20 of fresh fruits and vegetables, other than a political, partisan,  
21 sectarian, denominational or religious organization or association.  
22 The foregoing exemption shall apply only where the association,  
23 corporation or institution claiming the exemption owns the property  
24 in question and is incorporated or organized under the laws of this  
25 State and authorized to carry out the purposes on account of which  
26 the exemption is claimed or where an educational institution, as  
27 provided herein, has leased said property to a historical society or  
28 association or to a corporation organized for such purposes and  
29 created under or otherwise subject to the provisions of Title 15 of  
30 the Revised Statutes or Title 15A of the New Jersey Statutes.

31 As used in this section "hospital purposes" includes health care  
32 facilities for the elderly, such as nursing homes; residential health  
33 care facilities; assisted living residences; facilities with a Class C  
34 license pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the  
35 "Rooming and Boarding House Act of 1979"; similar facilities that  
36 provide medical, nursing or personal care services to their residents;  
37 and that portion of the central administrative or service facility of a  
38 continuing care retirement community that is reasonably allocable  
39 as a health care facility for the elderly.  
40 (cf: P.L.2011, c.171, s.4)

41

42 6. R.S.54:3-21 is amended to read as follows:

43 54:3-21. a. (1) Except as provided in subsection b. of this  
44 section a taxpayer feeling aggrieved by the assessed valuation or  
45 exempt status of the taxpayer's property **■**, or feeling discriminated  
46 against by the assessed valuation of other property in the county, **■**  
47 or a taxing district which may feel discriminated against by the  
48 assessed valuation or exempt status of property in the taxing

1 district, or by the assessed valuation or exempt status of property in  
2 another taxing district in the county, may on or before April 1, or 45  
3 days from the date the bulk mailing of notification of assessment is  
4 completed in the taxing district, whichever is later, appeal to the  
5 county board of taxation by filing with it a petition of appeal;  
6 provided, however, that any such taxpayer or taxing district may on  
7 or before April 1, or 45 days from the date the bulk mailing of  
8 notification of assessment is completed in the taxing district,  
9 whichever is later, file a complaint directly with the Tax Court, if  
10 the assessed valuation of the property subject to the appeal exceeds  
11 \$1,000,000. In a taxing district where a municipal-wide revaluation  
12 or municipal-wide reassessment has been implemented, a taxpayer  
13 or a taxing district may appeal before or on May 1 to the county  
14 board of taxation by filing with it a petition of appeal or, if the  
15 assessed valuation of the property subject to the appeal exceeds  
16 \$1,000,000, by filing a complaint directly with the State Tax Court.  
17 Within ten days of the completion of the bulk mailing of  
18 notification of assessment, the assessor of the taxing district shall  
19 file with the county board of taxation a certification setting forth the  
20 date on which the bulk mailing was completed. If a county board of  
21 taxation completes the bulk mailing of notification of assessment,  
22 the tax administrator of the county board of taxation shall within ten  
23 days of the completion of the bulk mailing prepare and keep on file  
24 a certification setting forth the date on which the bulk mailing was  
25 completed. A taxpayer shall have 45 days to file an appeal upon the  
26 issuance of a notification of a change in assessment. An appeal to  
27 the Tax Court by one party in a case in which the Tax Court has  
28 jurisdiction shall establish jurisdiction over the entire matter in the  
29 Tax Court. All appeals to the Tax Court hereunder shall be in  
30 accordance with the provisions of the State Uniform Tax Procedure  
31 Law, R.S.54:48-1 et seq.

32 If a petition of appeal or a complaint is filed on April 1 or during  
33 the 19 days next preceding April 1, a taxpayer or a taxing district  
34 shall have 20 days from the date of service of the petition or  
35 complaint to file a cross-petition of appeal with a county board of  
36 taxation or a counterclaim with the Tax Court, as appropriate.

37 (2) With respect to property located in a county participating in  
38 the demonstration program established in section 4 of P.L.2013,  
39 c.15 (C.54:1-104) or a property located in a county operating under  
40 the "Property Tax Assessment Reform Act," P.L.2009, c.118  
41 (C.54:1-86 et seq.), and except as provided in subsection b. of this  
42 section, a taxpayer feeling aggrieved by the assessed valuation or  
43 exempt status of the taxpayer's property **],** or feeling discriminated  
44 against by the assessed valuation of other property in the county, **]**  
45 or a taxing district which may feel discriminated against by the  
46 assessed valuation or exempt status of property in the taxing  
47 district, or by the assessed valuation or exempt status of property in  
48 another taxing district in the county, may on or before January 15,

1 or 45 days from the date the bulk mailing of notification of  
2 assessment is completed in the taxing district, whichever date is  
3 later, appeal to the county board of taxation by filing with it a  
4 petition of appeal; provided, however, that any such taxpayer, or  
5 taxing district, may on or before April 1, or 45 days from the date  
6 the bulk mailing of notification of assessment is completed in the  
7 taxing district, whichever date is later, file a complaint directly with  
8 the Tax Court, if the assessed valuation of the property subject to  
9 the appeal exceeds \$1,000,000.

10 If a petition of appeal is filed on January 15 or during the 19  
11 days next preceding January 15, or a complaint is filed with the Tax  
12 Court on April 1 or during the 19 days next preceding April 1, a  
13 taxpayer or a taxing district shall have 20 days from the date of  
14 service of the petition or complaint to file a cross-petition of appeal  
15 with a county board of taxation or a counterclaim with the Tax  
16 Court, as appropriate.

17 Within 10 days of the completion of the bulk mailing of  
18 notification of assessment, the assessor of the taxing district shall  
19 file with the county board of taxation a certification setting forth the  
20 date on which the bulk mailing was completed. If a county board of  
21 taxation completes the bulk mailing of notification of assessment,  
22 the tax administrator of the county board of taxation shall within 10  
23 days of the completion of the bulk mailing prepare and keep on file  
24 a certification setting forth the date on which the bulk mailing was  
25 completed. A taxpayer shall have 45 days to file an appeal upon the  
26 issuance of a notification of a change in assessment. An appeal to  
27 the Tax Court by one party in a case in which the Tax Court has  
28 jurisdiction shall establish jurisdiction over the entire matter in the  
29 Tax Court. All appeals to the Tax Court hereunder shall be in  
30 accordance with the provisions of the State Uniform Tax Procedure  
31 Law, R.S.54:48-1 et seq.

32 b. No taxpayer or taxing district shall be entitled to appeal  
33 either an assessment or an exemption or both that is based on a  
34 financial agreement subject to the provisions of the "Long Term  
35 Tax Exemption Law" under the appeals process set forth in  
36 subsection a. of this section.  
37 (cf: P.L.2017, c.306, s.4)

38  
39 7. This act shall take effect immediately and shall be  
40 retroactive to January 1, 2018, except that section 4 of the bill shall  
41 apply to tax years 2014, 2015, 2016, and 2017 only.

42  
43  
44 STATEMENT

45  
46 This bill would reinstate the property tax exempt status of  
47 nonprofit hospitals, including satellite emergency care facilities,  
48 with for-profit medical providers on site. Under the bill, these

1 hospitals would instead be required to pay annual community  
2 service contributions to their host municipalities to offset the costs  
3 of public safety services, such as police and fire protection, which  
4 directly benefit these hospitals and their employees. The bill would  
5 also establish a commission to study this new system and would  
6 also eliminate certain third-party property tax appeals.

7 In a 2015 decision, the Tax Court held that a nonprofit hospital  
8 was not entitled to a property tax exemption because nonprofit and  
9 for-profit medical services were provided throughout the hospital in  
10 a commingled manner. The court deemed this commingling a  
11 violation of R.S.54:4-3.6 because it did not allow the local taxing  
12 authorities to distinguish taxable for-profit uses of the hospital  
13 property from tax-exempt nonprofit uses of the property. Since for-  
14 profit medical services are commonly provided at nonprofit  
15 hospitals, municipalities began challenging the property tax exempt  
16 status held by other nonprofit hospitals throughout the State,  
17 creating uncertainty and raising questions over what level of  
18 support these nonprofit hospitals should provide to their host  
19 communities. This bill would resolve these issues by establishing a  
20 clear and predictable system in which complex, modern nonprofit  
21 hospitals make a reasonable contribution to their host communities,  
22 while providing these hospitals a measure of tax relief to help them  
23 continue to fulfill their nonprofit mission.

24 Under the bill, for tax year 2018, the annual community service  
25 contribution for a hospital would be equal to \$2.50 a day for each  
26 licensed bed at the hospital in the prior tax year, and the  
27 contribution for a satellite emergency care facility would be equal  
28 to \$250 for each day in the prior tax year. For tax year 2019 and  
29 each tax year thereafter, the per day amount used to calculate the  
30 community service contribution for a hospital and a satellite  
31 emergency care facility would increase by two percent over the  
32 prior tax year. An annual community service contribution would be  
33 reduced by the amount of any payments made by a nonprofit  
34 hospital for the same purposes to a host municipality, pursuant to a  
35 voluntary agreement between the hospital and municipality that was  
36 operative in the prior tax year.

37 The bill requires municipalities to provide five percent of an  
38 annual community service contribution, or a voluntary payment that  
39 counts against such contribution, to the county in which the  
40 municipality is located to offset public safety services expenses  
41 borne by the county, which benefit the hospital.

42 The bill also establishes a permanent commission, known as the  
43 Nonprofit Hospital Community Service Contribution Study  
44 Commission, to study and issue a report to the Governor and the  
45 Legislature on the annual community service contribution system  
46 created by the bill. The initial report is due within one year of the  
47 effective date of that provision of the bill, and subsequent reports  
48 are due every three years from that effective date. The reports must

1 include: (1) an analysis of the financial impact of the bill on the  
2 affected hospitals and municipalities; (2) an assessment of the  
3 adequacy of the amount of the annual community service  
4 contributions; (3) an analysis of the administration and equity of  
5 these contributions; and (4) any recommendations that the  
6 commission determines would improve the administration, equity,  
7 or any other aspect of the annual community service contribution  
8 system created by the bill.

9 The bill also prohibits the assessment of a nonprofit hospital as  
10 an omitted property for tax years 2014, 2015, 2016, and 2017.

11 The bill also prohibits property taxpayers from filing property  
12 tax appeals with respect to the property of others. Under current  
13 law, property taxpayers may challenge the assessment or exempt  
14 status of their own property as well as that of any other property in  
15 their county. Eliminating this option would reduce property tax  
16 appeals, which are costly and create uncertainty in local  
17 government finances. The bill would not disturb the ability of local  
18 governments to appeal the assessment or exempt status of any  
19 property in the applicable county.

20 Lastly, the bill clarifies that the process for challenging the  
21 exempt status of property is the same process for challenging the  
22 assessed valuation of property, consistent with existing practice.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **ASSEMBLY, No. 1135**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: SEPTEMBER 17, 2020

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 1135.

As amended by the committee, this bill would reinstate the property tax exempt status of nonprofit hospitals, including satellite emergency care facilities, with for-profit medical providers on site. Under the amended bill, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services which directly benefit these hospitals and their employees. The bill also would establish a commission to study this new system, and also would eliminate certain third-party property tax appeals.

Under the bill, for tax year 2021, the annual community service contribution for a hospital would be equal to \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would be equal to \$250 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. For the purpose of calculating the annual service contribution required to be paid by each hospital under the bill, the bill sets a minimum number of licensed hospital beds in each hospital. This minimum number cannot be less than the number of beds in each hospital on January 1, 2020.

If a hospital and a municipality entered into a voluntary agreement for a payment in lieu of taxes or other financial contribution to the municipality prior to the enactment of the bill, the hospital would pay the greater of the community service contribution or the amount agreed upon in that voluntary agreement for the duration of the agreement between the municipality and the hospital. However, a hospital would be exempt from the requirement to remit a community service contribution for a tax year if, prior to December 1 of the pre-tax year, the owner certifies to the Department of Health that the hospital did not balance bill or collect payment from an individual for inpatient services rendered at the hospital by its employed physicians during the current calendar year, and that the hospital's forbearance of payment was lawful and consistent with an advisory opinion issued to

the hospital by the federal government; and the hospital has provided community benefit over the preceding three years for which the hospital has filed such forms averaging at least 12 percent of the hospital's total expenses, as documented on IRS Form 990, Schedule H.

The bill requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset the cost of county services which benefit the hospital.

The bill also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date. The reports must include: (1) an analysis of the financial impact of the bill on the affected hospitals and municipalities; (2) an assessment of the adequacy of the amount of the annual community service contributions; (3) an analysis of the administration and equity of these contributions; and (4) any recommendations that the commission determines would improve the administration, equity, or any other aspect of the annual community service contribution system created by the bill.

The bill also prohibits the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020. This retroactive provision of the bill is intended to render tax appeals concerning the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020 moot.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The bill would eliminate this option, but not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

The bill also clarifies that the process for challenging the exempt status of a parcel of real property is the same process for challenging the assessed valuation of a parcel of real property, consistent with existing practice.

#### COMMITTEE AMENDMENTS:

The committee made several amendments to the bill, including the following:

in section 1, to define the term “voluntary agreement” as used in that section;

to require that if a hospital and municipality entered into a voluntary agreement prior to the effective date of the bill, the hospital would be required to pay to the municipality the greater of the amount in the voluntary agreement or the community service contribution as calculated pursuant to the bill for the duration of the agreement, and to permit a municipality and a hospital to enter into a voluntary agreement requiring additional payments by the hospital to the municipality;

to clarify that the purpose of the community service contribution is to reimburse counties and municipalities for the cost of public services provided by these levels of government to hospitals, not just public safety services;

to set a minimum number of licensed hospital beds, for the purpose of calculating the annual community service contribution, at the number of beds in each hospital on January 1, 2020;

to require that a hospital would not have to pay a community service contribution to a municipality under the bill for a tax year if, prior to December 1 of the pre-tax year, the hospital certifies to the Department of Health that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefit over the preceding three years averaging at least 12 percent of the hospital’s total expenses, as reflected in IRS Form 990, Schedule H;

to require that regulations to effectuate the provisions of the section are to be promulgated no later than the first day of the fourth month next following enactment of the bill;

in section 4, to require that property that would have been property tax exempt in tax years 2014 through 2020 under section 3 of the bill if that section had been in effect for those tax years, cannot be assessed as an omitted assessment or regular assessment for those tax years; and to clarify that the provisions of section 4 cannot be construed to require a municipality to refund any property taxes paid on property as a result of an omitted assessment or regular assessment pursuant to any previous settlement of litigation or other agreement for those tax years;

in section 6, a technical amendment to reflect the current language of R.S.54:3-21 following the enactment of P.L.2018, c.94; and

in the effective clause, to require that the provisions of section 4 of the bill shall be retroactive and apply to tax years 2014 through 2020 only.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate impact on local finances associated with the annual payment of community service contributions by property tax-exempt nonprofit hospitals and the prohibition of certain third-party property tax appeals. The OLS also estimates the bill could potentially increase State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission.

By exempting certain nonprofit hospital facilities from property taxation, and requiring those facilities to make annual community service contributions to the host counties and municipalities, the bill is expected to increase the miscellaneous revenues of certain local government units throughout the State by roughly \$18.2 million. This figure would be reduced based on existing settlement agreements between hospitals and their host municipalities.

A hospital would be exempt from its community service contribution if it can certify that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital has provided community benefit over the preceding three years averaging at least 12 percent of the hospital's total expenses. Hospitals qualifying for this exemption would reduce the \$18.2 million figure above.

Additionally, the OLS cannot predict whether the collection of community service contributions by counties and municipalities will impact the total revenues of those local government units, given that such impact would depend on the spending decisions of each local government unit and the resulting impact on its property tax levy.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## ASSEMBLY, No. 1135

with committee amendments

# STATE OF NEW JERSEY

DATED: OCTOBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1135 (1R), with committee amendments.

This bill, as amended, reinstates the property tax exempt status of nonprofit hospitals, including satellite emergency care facilities, with for-profit medical providers on site. As provided in the bill, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services which directly benefit these hospitals and their employees. The bill also establishes a commission to study this new system, and also eliminates certain third-party property tax appeals.

Under the bill, for tax year 2021, the annual community service contribution for a hospital would be equal to \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would be equal to \$250 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. For the purpose of calculating the annual service contribution required to be paid by each hospital under the bill, the bill sets a minimum number of licensed hospital beds in each hospital. This minimum number may not be less than the number of beds in each hospital on January 1, 2020.

If a hospital and a municipality entered into a voluntary agreement for a payment in lieu of taxes or other financial contribution to the municipality prior to the enactment of the bill, the hospital would pay the greater of the community service contribution or the amount agreed upon in that voluntary agreement for the duration of the agreement between the municipality and the hospital.

A hospital would be exempt from the requirement to remit a community service contribution for a tax year if, prior to December 1 of the pre-tax year, the owner certifies to the Department of Health that the hospital did not balance bill or collect payment from an individual for inpatient services rendered at the hospital by its

employed physicians during the current calendar year, and that the hospital's forbearance of payment was lawful and consistent with an advisory opinion issued to the hospital by the federal government; and the hospital has provided community benefit over the preceding three years for which the hospital has filed such forms averaging at least 12 percent of the hospital's total expenses, as documented on IRS Form 990, Schedule H.

The bill requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset the cost of county services which benefit the hospital.

The bill also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date. The reports are required to include: (1) an analysis of the financial impact of the bill on the affected hospitals and municipalities; (2) an assessment of the adequacy of the amount of the annual community service contributions; (3) an analysis of the administration and equity of these contributions; and (4) any recommendations that the commission determines would improve the administration, equity, or any other aspect of the annual community service contribution system created by the bill.

The bill also prohibits the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020. A municipality would not be required to refund any taxes paid on such property as a result of such omitted assessments or regular assessments pursuant to any previous settlement of litigation or other agreement for those tax years. This retroactive provision of the bill is intended to render moot tax appeals concerning the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The bill eliminates this option but does not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

The bill also clarifies that the process for challenging the exempt status of a parcel of real property is the same process for challenging the assessed valuation of a parcel of real property, consistent with existing practice.

As amended and reported by the committee, Assembly Bill No. 1135 (2R) is identical to the Senate Committee Substitute for Senate Bill No. 357 and Senate Bill No. 624, which was also reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to add language clarifying that any portion of a hospital or a satellite emergency care facility that is leased to or otherwise used by a profit-making medical provider would only be exempt from property taxation if the lease or use is for medical purposes related to the delivery of health care services directly to the hospital.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill would have an indeterminate annual impact on local finances. Although the community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS estimates that any reduction in the number of property tax appeals filed would lower local government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[Second Reprint]

## ASSEMBLY, No. 1135

with committee amendments

# STATE OF NEW JERSEY

DATED: DECEMBER 15, 2020

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1135 (2R) with committee amendments.

This bill, as amended, would reinstate the property tax exempt status of nonprofit hospitals, including satellite emergency care facilities, with for-profit medical providers on site. As provided in the bill, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services which directly benefit these hospitals and their employees. The bill also would establish a commission to study this new system.

Under the bill, for tax year 2021, the annual community service contribution for a hospital would be equal to \$3 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would be equal to \$300 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. For the purpose of calculating the annual service contribution required to be paid by each hospital under the bill, the bill sets a minimum number of licensed hospital beds in each hospital. This minimum number may not be less than the number of beds in each hospital on January 1, 2020.

If a hospital and a municipality entered into a voluntary agreement for a payment in lieu of taxes or other financial contribution to the municipality prior to the enactment of the bill, the hospital would pay the greater of the community service contribution or the amount agreed upon in that voluntary agreement for the duration of the agreement between the municipality and the hospital.

A hospital would be exempt from the requirement to remit a community service contribution for a tax year if the owner certifies to the Department of Health that, in the prior year, the hospital did not bill any patient for inpatient or outpatient professional or technical services rendered at the hospital and the hospital has provided

community benefit over the preceding three years for which the hospital has filed such forms averaging at least 12 percent of the hospital's total expenses, as documented on IRS Form 990, Schedule H, part 1, line 7K, column F.

The bill requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset the cost of county services which benefit the hospital.

The bill also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date. The reports are required to include: (1) an analysis of the financial impact of the bill on the affected hospitals and municipalities; (2) an assessment of the adequacy of the amount of the annual community service contributions; (3) an analysis of the administration and equity of these contributions; and (4) any recommendations that the commission determines would improve the administration, equity, or any other aspect of the annual community service contribution system created by the bill.

The bill also prohibits the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020. A municipality would not be required to refund any taxes paid on such property as a result of such omitted assessments or regular assessments pursuant to any previous settlement of litigation or other agreement for those tax years. This retroactive provision of the bill is intended to render moot tax appeals concerning the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The bill would eliminate this option, but not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

The bill also clarifies that the process for challenging the exempt status of a parcel of real property is the same process for challenging the assessed valuation of a parcel of real property, consistent with existing practice.

As amended and reported by the committee, Assembly Bill No. 1135 (3R) is identical to the Senate Committee Substitute for Senate

Bill No. 357 and Senate Bill No. 624 (1R), as also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- increase the annual community service contribution per licensed bed rate to \$3 a day for a hospital, and the contribution rate to \$300 a day for a satellite emergency care facility;
- revise the exemption for hospitals meeting certain criteria from the community service contribution requirement;
- add language clarifying that the provisions of the bill do not apply to government owned or operated hospitals;
- add the Director of the Division of Local Government Services in the Department of Community Affairs to the Nonprofit Hospital Community Service Contribution Study Commission; and
- add language providing that any portion of a hospital or a satellite emergency care facility that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital would only be exempt from property taxation if the portion of the hospital or satellite emergency care facility is used exclusively for hospital purposes.

FISCAL IMPACT:

Fiscal information is currently unavailable for this bill.

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 1135

### STATE OF NEW JERSEY 219th LEGISLATURE

DATED: SEPTEMBER 23, 2020

#### SUMMARY

- Synopsis:** Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.
- Type of Impact:** Potential increase in State expenditures; indeterminate impact on local finances.
- Agencies Affected:** Nonprofit Hospital Community Service Contribution Study Commission, certain municipalities and counties.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Tax Year 2021 and Thereafter</u></b>
<b>State Cost</b>	Potential Indeterminate Increase
<b>Local Finances</b>	Indeterminate Impact

- The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate impact on local finances associated with the annual payment of community service contributions by property tax-exempt nonprofit hospitals and the prohibition of certain third-party property tax appeals. The OLS also estimates the bill could potentially increase State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission.
- By exempting certain nonprofit hospital facilities from property taxation, and requiring those facilities to make annual community service contributions to the host counties and municipalities, the bill is expected to increase the miscellaneous revenues of certain local government units throughout the State by roughly \$18.2 million. This figure would be reduced based on existing settlement agreements between hospitals and their host municipalities.
- A hospital would be exempt from its community service contribution if it can certify that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital has provided community benefit over the preceding three years averaging at least 12 percent of the hospital's total

expenses. Hospitals qualifying for this exemption would reduce the \$18.2 million figure above.

- Additionally, the OLS cannot predict whether the collection of community service contributions by counties and municipalities will impact the total revenues of those local government units, given that such impact would depend on the spending decisions of each local government unit and the resulting impact on its property tax levy.

## **BILL DESCRIPTION**

This bill would reinstate the property tax exempt status of nonprofit hospitals and satellite emergency care facilities, including hospital property that is leased to or otherwise used by a profit-making medical provider for medical purposes. Under the bill, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services, which also benefit hospitals and their employees.

Under the bill, for tax year 2021, the annual community service contribution for a hospital would be equal to \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would be equal to \$250 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. The number of licensed beds per hospital would not be less than the number of such beds in existence on January 1, 2020.

If a hospital and municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution required under the bill. Additionally, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital for the same purposes to a host municipality, pursuant to a voluntary agreement between the hospital and municipality that was operative in the prior tax year.

The bill requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset services expenses borne by the county, which benefit the hospital.

The bill also requires that a hospital would not have to pay a community service contribution to a municipality under the bill for a tax year if, prior to December 1 of the pre-tax year, the hospital certifies to the Department of Health that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefit over the preceding three years averaging at least 12 percent of the hospital's total expenses, as reflected in IRS Form 990, Schedule H.

The bill also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date.

The bill also prohibits the assessment of a nonprofit hospital as an omitted property for tax years 2014 through 2020. The bill clarifies that nothing in the bill should be construed to require a municipality to refund any taxes paid on such property as a result of such omitted assessments or regular assessments pursuant to any previous settlement of litigation or other agreement for those tax years.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The bill would not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

Lastly, the bill clarifies that the process for challenging the exempt status of property is the same process for challenging the assessed valuation of property, consistent with existing practice.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

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

The OLS concludes that the bill would have an indeterminate impact on local finances. Although the collection of community service contributions from property tax-exempt nonprofit hospital facilities is expected to increase the miscellaneous revenues of certain municipalities and counties, given the manner in which property tax levies are calculated, the impact of the bill on total revenues is expected to vary depending on the spending decisions of each local government unit that collects the contributions. The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Eliminating this option would reduce property tax appeals, which the OLS estimates would contribute to a reduction in local government expenses.

The bill also could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be in but not of the Department of Health (DOH).

### **Local Fiscal Impact**

By restoring the property tax exemption of certain nonprofit hospital facilities (i.e., acute care hospitals and its onsite for-profit medical providers, satellite emergency care facilities) and requiring those facilities to pay annual community service contributions to their host municipalities and counties, the bill is expected to have an indeterminate impact on county and municipal finances. Specifically, the bill would cause certain local government units to realize increased miscellaneous revenues due to the collection of community service contributions.

When a local government unit anticipates an increase in miscellaneous revenue, such as the collection of community service contributions, the property tax levy may be reduced such that total revenues remain unchanged, absent any increases in total spending or decreases in other revenues. However, the OLS cannot predict the impact of these increased collections on the total revenues of those local government units, given that such impact would depend on the spending decisions of the local government unit and the resulting impact on the property tax levy.

This analysis assumes that all nonprofit hospital facilities subject to the bill are currently exempt from the regular system of ad valorem taxation. Although the Tax Court of New Jersey ruled in 2015 that a specific nonprofit hospital was not entitled to a property tax exemption, the OLS cannot presume that the court's holding will be applied to other nonprofit hospitals or that the valuation method used as part of the settlement of that case will be adopted as the standard

method for assessing nonprofit hospital property. However, in the wake of this decision, many municipalities entered into settlement agreements with nonprofit hospital facilities, through which a portion of those facilities could be assessed for property taxes. Increased miscellaneous revenues resulting from the bill would be reduced based on existing settlement agreements between hospitals and their host municipalities.

The OLS notes that if a hospital and municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution required under the bill. Similarly, following the enactment of the bill, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital for the same purposes to a host municipality, pursuant to a voluntary agreement between the hospital and municipality that was operative in the prior tax year.

Additionally, for tax years 2014 through 2020, property that would have been exempt from taxation pursuant to this bill, had the bill been effective in those tax years, would not be assessed as an omitted assessment pursuant to P.L.1947, c.413 (C.54:4-63.12 et seq.) or as a regular assessment pursuant to R.S.54:4-11. The bill does not require a municipality to refund any taxes paid on such property.

#### *The Composition of Local Revenue*

The total revenues of a county or municipality are comprised of four sources: surplus revenues; delinquent taxes; miscellaneous revenue (e.g., payments in lieu of taxes, State aid, grants, etc.); and property taxes. The property tax is considered a residual tax, wherein the total amount of revenue to be raised through property taxation (i.e., the property tax levy) is calculated by subtracting the local government unit's anticipated surplus revenue, delinquent taxes, and miscellaneous revenue from the total amount necessary to support the local government unit's anticipated annual expenditures. As noted previously, when a local government unit anticipates an increase in miscellaneous revenue, such as the collection of community service contributions, the property tax levy may be reduced such that total revenues remain unchanged, absent any increases in total spending or decreases in other revenues.

#### *The Collection of Community Service Contributions*

In clarifying the property tax-exempt status of nonprofit hospitals, including satellite emergency care facilities and onsite for-profit medical providers, the bill requires those facilities to pay annual community service contributions, from which 95 percent would be remitted to the facility's host municipality and five percent to the facility's host county for county-provided services. Under the bill, nonprofit acute care hospitals would be liable for an annual community service contribution equal to \$2.50 per day for each licensed bed in the facility during the prior tax year. Nonprofit satellite emergency care facilities would instead be required to make annual contributions equal to \$250 per day of operation in the prior tax year.

According to a 2019 OLS Fiscal Estimate, information published by the DOH disclosed that there are 19,990 licensed hospital beds located within acute care hospitals owned by nonprofit organizations, not including those owned by public entities. The information also indicated that no facilities were currently licensed as satellite emergency care facilities (i.e., satellite emergency departments). The information also does not include any nonprofit hospital beds that may have been assembled, temporarily or permanently, in response to COVID-19. Under the bill, the number of licensed hospital beds, for the purpose of calculating the annual community service contribution, would not be less than the number of such beds in existence on January 1, 2020.

By multiplying the total number of licensed hospital beds by the daily rate of \$2.50, the OLS estimates that the payment of community service contributions could generate a total of \$18,240,875, assuming that each licensed hospital bed constitutes an acute care bed. Given the distribution of these contributions amongst municipalities and counties, miscellaneous municipal revenues are expected to increase by approximately \$17,328,831 (i.e., \$18,240,875 X 0.95), whereas miscellaneous county revenues are expected to increase by \$912,044 (i.e., \$18,240,875 X 0.05).

#### *Alternative to the Community Service Contributions*

Under the bill, a hospital would not have to pay a community service contribution to a municipality under the bill for a tax year if, prior to December 1 of the pre-tax year, the hospital certifies to the DOH that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefit over the preceding three years averaging at least 12 percent of the hospital's total expenses, as reflected in IRS Form 990, Schedule H.

The "2020 Economic Impact Report" prepared by the New Jersey Hospital Association compiles data gathered through Acute Care Hospital Cost Reports that 71 acute care hospitals filed in 2018 with the New Jersey Department of Health, along with other publicly available data sources. According to the report, total expenditures in 2018 reached \$24.7 billion, including \$3.2 billion in community benefits. The \$3.2 billion includes free or discounted care provided, charity care for those without insurance, unpaid costs for Medicare and Medicaid beneficiaries, unpaid and uncollectable patient care costs ("bad debt"), and community health improvement services.

At the State level, the \$3.2 billion in community benefits equate to nearly 13 percent of total expenditures. The OLS notes that this is the Statewide contribution rate and each individual hospital's rate will vary. However, if a hospital maintains a three-year average of at least 12 percent for community service contributions, along with certifying that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year, then a hospital would not be required to provide a community service contribution and the \$18.2 million in miscellaneous local revenues projected above would not be fully realized.

The OLS also notes that the bill's provisions concerning a hospital not balance billing or collecting payment from an individual for inpatient services would only apply to a small subset of hospitals in the State. While P.L.2018, c.32, referred to as the "Out-of-network Consumer Protection, Transparency, Cost Containment, and Accountability Act" (C.26:2SS-1 et seq.), addresses many issues concerning balance billing and surprise billing from out-of-network service providers, nearly all hospitals that accept insurance are contractually obligated to charge individuals for inpatient services. Only the small number of hospitals in the State operating solely on donations and contracts, which do not balance bill or charge individuals for inpatient services, would be eligible to satisfy this criteria.

#### *The Impact of Community Service Contributions on Total Revenue*

As noted above, the OLS is unable to predict whether the collection of annual community service contributions would increase the total revenues of any local government unit that receives such payments. Given the manner in which property tax levies are calculated for municipalities and counties, the impact of the bill on total local revenues is expected to vary depending on the spending decisions of each local government unit that receives community service contributions. The collection of community service contributions could serve as a substitute for revenues that

otherwise would have been collected through property taxation, thereby holding total revenues constant.

State Fiscal Impact

The enactment of the bill could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be in but not of the DOH. All commission members would serve without compensation, but would be eligible for reimbursement of necessary and reasonable expenses incurred in the performance of their official duties within the limits of funds appropriated or otherwise made available to the commission for its purposes.

*Section: Local Government*

*Analyst: Benjamin A. Levy  
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III  
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 (C.52:13B-6 et seq.).

# LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

**ASSEMBLY, No. 1135**

**STATE OF NEW JERSEY  
219th LEGISLATURE**

DATED: OCTOBER 30, 2020

## SUMMARY

**Synopsis:** Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.

**Type of Impact:** Potential increase in annual State expenditures; indeterminate impact on annual local government revenue; and potential decrease in annual local government expenditures.

**Agencies Affected:** Department of Health, certain municipalities and counties.

### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Tax Year 2021 and Thereafter</u></b>
<b>Potential Annual State Expenditure Increase</b>	Indeterminate
<b>Annual Local Revenue Impact</b>	Indeterminate
<b>Potential Annual Local Expenditure Decrease</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.
- As the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.
- The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the new Nonprofit Hospital Community Service Contribution Study Commission.

## **BILL DESCRIPTION**

This bill would reinstate the property tax exemption of nonprofit hospitals and satellite emergency care facilities, including hospital property that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital.

These hospitals would instead be required to pay annual community service contributions to their host municipalities. For tax year 2021, the annual contribution for a hospital would equal \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would equal \$250 for each day in the prior tax year. For each tax year thereafter, the per day amounts would increase by two percent. The number of licensed beds per hospital would not be fewer than the number of such beds in existence on January 1, 2020.

If a hospital and a host municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution or the voluntary agreement. Additionally, a hospital's annual community service contribution would be reduced by the amount paid pursuant to a voluntary agreement.

The bill also requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located.

Furthermore, a hospital would not have to pay a community service contribution for a tax year if the hospital certifies to the Department of Health (DOH) that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

The bill prohibits the assessment of a nonprofit hospital as an omitted property for tax years 2014 through 2020, and clarifies that a municipality is not required to refund any taxes previously paid on such property.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others generally.

Lastly, the bill establishes a permanent Nonprofit Hospital Community Service Contribution Study Commission "in but not of" the DOH to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

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

The OLS concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other

revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be “in but not of” the DOH.

### Local Government Revenue Impact

By restoring the property tax exemption of certain nonprofit hospital facilities and requiring those facilities to pay annual community service contributions to their host municipalities and counties, the bill is expected to have an indeterminate net impact on county and municipal revenue collections. Specifically, the bill would cause certain local government units to realize increased revenues due to the collection of community service contributions.

Although the Tax Court of New Jersey ruled in 2015 that a specific nonprofit hospital was not entitled to a property tax exemption, the OLS cannot presume that the court’s holding will be applied to other nonprofit hospitals or that the valuation method used as part of the settlement of that case will be adopted as the standard method for assessing nonprofit hospital property. However, in the wake of this decision, many municipalities entered into settlement agreements with nonprofit hospital facilities, through which a portion of those facilities could be assessed for property taxes.

The OLS notes that if a hospital and municipality have entered into a voluntary agreement prior to the bill’s enactment, the hospital would be required to pay the greater of the community service contribution required under the bill or the voluntary agreement. Similarly, following the enactment of the bill, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital pursuant to a voluntary agreement.

Additionally, for tax years 2014 through 2020, property that would have been exempt from taxation pursuant to this bill, had the bill been effective in those tax years, would not be assessed as an omitted assessment or as a regular assessment. The bill does not require a municipality to refund any taxes paid on such property.

#### *The Collection of Community Service Contributions*

The bill requires nonprofit hospitals facilities to pay annual community service contributions, from which 95 percent would be remitted to the facility’s host municipality and five percent to the facility’s host county. Nonprofit acute care hospitals would be liable for an annual community service contribution equal to \$2.50 per day for each licensed bed in the facility during the prior tax year. Nonprofit satellite emergency care facilities would instead be required to make annual contributions equal to \$250 per day of operation in the prior tax year.

Information published by the DOH disclosed that there are 19,990 licensed hospital beds located within acute care hospitals owned by nonprofit organizations, not including those owned by public entities. The information also indicated that no facilities were currently licensed as satellite emergency care facilities (i.e., satellite emergency departments). The information also does not include any nonprofit hospital beds that may have been assembled, temporarily or permanently, in response to COVID-19. Under the bill, the number of licensed hospital beds, for the purpose of calculating the annual community service contribution, would not be fewer than the number of such beds in existence on January 1, 2020.

By multiplying the total number of licensed hospital beds by the daily rate of \$2.50, the OLS estimates that community service contributions could generate \$18.2 million, assuming that each licensed hospital bed constitutes an acute care bed. Given the distribution of these contributions amongst municipalities and counties, municipal revenues are expected to increase by approximately \$17.3 million, whereas county revenues are expected to increase by \$912,000.

#### *Alternative to the Community Service Contributions*

A hospital would not have to pay community service contributions for a tax year if the hospital certifies to the DOH that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

According to the "2020 Economic Impact Report" prepared by the New Jersey Hospital Association, total expenditures by 71 acute care hospitals in 2018 reached \$24.7 billion, including \$3.2 billion in community benefits. The \$3.2 billion includes free or discounted care provided, charity care for those without insurance, unpaid costs for Medicare and Medicaid beneficiaries, unpaid and uncollectable patient care costs, and community health improvement services.

At the State level, the \$3.2 billion in community benefits equate to nearly 13 percent of total expenditures. The OLS notes that this is the Statewide contribution rate and each individual hospital's rate will vary. However, if a hospital maintains a three-year average of at least 12 percent for community service contributions, along with certifying that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year, then a hospital would not have to provide a community service contribution and the \$18.2 million in local revenues projected above would not be fully realized.

The OLS also notes that the bill's provisions concerning a hospital not balance billing or collecting payment from an individual for inpatient services would only apply to a small subset of hospitals. Also, nearly all hospitals that accept insurance are contractually obligated to charge individuals for inpatient services. Only the small number of hospitals in the State operating solely on donations and contracts, which do not balance bill or charge individuals for inpatient services, would be eligible to satisfy this criterion.

#### State Fiscal Impact

The enactment of the bill could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be "in but not of" the DOH. All commission members would serve without compensation, but would be eligible for reimbursement of necessary and reasonable expenses incurred in the performance of their official duties within the limits of funds appropriated or otherwise made available to the commission for its purposes.

*Section:* Local Government  
*Analyst:* Benjamin A. Levy  
 Assistant Fiscal Analyst  
*Approved:* Frank W. Haines III  
 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 (C.52:13B-6 et seq.).

# LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

## ASSEMBLY, No. 1135

### STATE OF NEW JERSEY 219th LEGISLATURE

DATED: DECEMBER 21, 2020

#### SUMMARY

**Synopsis:** Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.

**Type of Impact:** Potential increase in annual State expenditures; indeterminate impact on annual local government revenue; and potential decrease in annual local government expenditures.

**Agencies Affected:** Department of Health, certain municipalities and counties.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Tax Year 2021 and Thereafter</u></b>
<b>Potential Annual State Expenditure Increase</b>	Indeterminate
<b>Annual Local Revenue Impact</b>	Indeterminate
<b>Potential Annual Local Expenditure Decrease</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$21.9 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.
- As the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.
- The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the new Nonprofit Hospital Community Service Contribution Study Commission.

## **BILL DESCRIPTION**

This bill would reinstate the property tax exemption of nonprofit hospitals and satellite emergency care facilities, including hospital property, used exclusively for hospital purposes, that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital.

These hospitals would instead be required to pay annual community service contributions to their host municipalities. For tax year 2021, the annual contribution for a hospital would equal \$3 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would equal \$300 for each day in the prior tax year. For each tax year thereafter, the per day amounts would increase by two percent. The number of licensed beds per hospital would not be fewer than the number of such beds in existence on January 1, 2020.

If a hospital and a host municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution or the voluntary agreement. Additionally, a hospital's annual community service contribution would be reduced by the amount paid pursuant to a voluntary agreement.

The bill also requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located.

Furthermore, a hospital would not have to pay a community service contribution for a tax year if the hospital certifies to the Department of Health (DOH) that it did not bill any patient for inpatient or outpatient professional or technical services rendered at the hospital during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

The bill prohibits the assessment of a nonprofit hospital as an omitted property for tax years 2014 through 2020, and clarifies that a municipality is not required to refund any taxes previously paid on such property.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others generally.

Lastly, the bill establishes a permanent Nonprofit Hospital Community Service Contribution Study Commission "in but not of" the DOH to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

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

The OLS concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$21.9 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other

revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be “in but not of” the DOH.

#### *Local Government Revenue Impact*

By restoring the property tax exemption of certain nonprofit hospital facilities and requiring those facilities to pay annual community service contributions to their host municipalities and counties, the bill is expected to have an indeterminate net impact on county and municipal revenue collections. Specifically, the bill would cause certain local government units to realize increased revenues due to the collection of community service contributions.

Although the Tax Court of New Jersey ruled in 2015 that a specific nonprofit hospital was not entitled to a property tax exemption, the OLS cannot presume that the court’s holding will be applied to other nonprofit hospitals or that the valuation method used as part of the settlement of that case will be adopted as the standard method for assessing nonprofit hospital property. However, in the wake of this decision, many municipalities entered into settlement agreements with nonprofit hospital facilities, through which a portion of those facilities could be assessed for property taxes.

The OLS notes that if a hospital and municipality have entered into a voluntary agreement prior to the bill’s enactment, the hospital would be required to pay the greater of the community service contribution required under the bill or the voluntary agreement. Similarly, following the enactment of the bill, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital pursuant to a voluntary agreement.

Additionally, for tax years 2014 through 2020, property that would have been exempt from taxation pursuant to this bill, had the bill been effective in those tax years, would not be assessed as an omitted assessment or as a regular assessment. The bill does not require a municipality to refund any taxes paid on such property.

#### *The Collection of Community Service Contributions*

The bill requires nonprofit hospitals facilities to pay annual community service contributions, from which 95 percent would be remitted to the facility’s host municipality and five percent to the facility’s host county. Nonprofit acute care hospitals would be liable for an annual community service contribution equal to \$3 per day for each licensed bed in the facility during the prior tax year. Nonprofit satellite emergency care facilities would instead be required to make annual contributions equal to \$300 per day of operation in the prior tax year.

Information published by the DOH disclosed that there are 19,990 licensed hospital beds located within acute care hospitals owned by nonprofit organizations, not including those owned by public entities. The information also indicated that no facilities were currently licensed as satellite emergency care facilities (i.e., satellite emergency departments). The information also does not include any nonprofit hospital beds that may have been assembled, temporarily or permanently, in response to COVID-19. Under the bill, the number of licensed hospital beds, for the purpose of calculating the annual community service contribution, would not be fewer than the number of such beds in existence on January 1, 2020.

By multiplying the total number of licensed hospital beds by the daily rate of \$3, the OLS estimates that community service contributions could generate \$21.9 million, assuming that each licensed hospital bed constitutes an acute care bed. Given the distribution of these contributions amongst municipalities and counties, municipal revenues are expected to increase by approximately \$20.8 million, whereas county revenues are expected to increase by \$1.1 million.

#### *Alternative to the Community Service Contributions*

A hospital would not have to pay community service contributions for a tax year if the hospital certifies to the DOH that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

According to the "2020 Economic Impact Report" prepared by the New Jersey Hospital Association, total expenditures by 71 acute care hospitals in 2018 reached \$24.7 billion, including \$3.2 billion in community benefits. The \$3.2 billion includes free or discounted care provided, charity care for those without insurance, unpaid costs for Medicare and Medicaid beneficiaries, unpaid and uncollectable patient care costs, and community health improvement services.

At the State level, the \$3.2 billion in community benefits equate to nearly 13 percent of total expenditures. The OLS notes that this is the Statewide contribution rate and each individual hospital's rate will vary. However, if a hospital maintains a three-year average of at least 12 percent for community service contributions, along with certifying that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year, then a hospital would not have to provide a community service contribution and the \$21.9 million in local revenues projected above would not be fully realized.

The OLS also notes that the bill's provisions concerning a hospital not balance billing or collecting payment from an individual for inpatient services would only apply to a small subset of hospitals. Also, nearly all hospitals that accept insurance are contractually obligated to charge individuals for inpatient services. Only the small number of hospitals in the State operating solely on donations and contracts, which do not balance bill or charge individuals for inpatient services, would be eligible to satisfy this criterion.

#### State Fiscal Impact

The enactment of the bill could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be "in but not of" the DOH. All commission members would serve without compensation, but would be eligible for reimbursement of necessary and reasonable expenses incurred in the performance of their official duties within the limits of funds appropriated or otherwise made available to the commission for its purposes.

*Section: Local Government*

*Analyst: Benjamin A. Levy  
Assistant Fiscal Analyst*

*Approved: Thomas Koenig  
Assistant 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 (C.52:13B-6 et seq.).

# SENATE, No. 357

## STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Senator JOSEPH P. CRYAN**

**District 20 (Union)**

**Senator JOSEPH F. VITALE**

**District 19 (Middlesex)**

**Co-Sponsored by:**

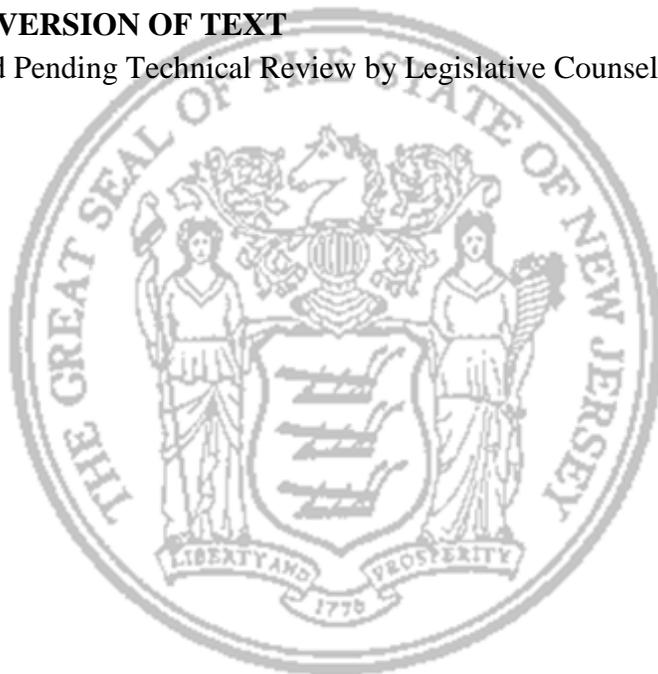
**Senator Pou**

**SYNOPSIS**

Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 9/24/2020)**

1 AN ACT concerning property tax exemptions, supplementing  
2 chapter 48 of Title 40 and chapter 4 of Title 54 of the Revised  
3 Statutes, and amending R.S.54:4-3.6 and R.S.54:3-21.  
4

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

8 1. (New section) a. The owner of property used as a hospital  
9 or a satellite emergency care facility, which is exempt from taxation  
10 pursuant to section 3 of P.L. , c. (C. ) (pending before the  
11 Legislature as this bill), shall annually be assessed a community  
12 service contribution to the municipality in which the licensed beds  
13 of the hospital are located and, in the case of a satellite emergency  
14 care facility, to the municipality in which such facility is located.  
15 These contributions shall be remitted directly to the municipalities  
16 in which the contributions are assessed.

17 b. (1) For tax year 2018, the annual community service  
18 contribution required pursuant to this section shall, for a hospital,  
19 be equal to \$2.50 a day for each licensed bed at the hospital in the  
20 prior tax year, and shall, for a satellite emergency care facility, be  
21 equal to \$250 for each day in the prior tax year. For tax year 2019  
22 and each tax year thereafter, the per day amount used to calculate an  
23 annual community service contribution for a hospital and a satellite  
24 emergency care facility shall increase by two percent over the prior  
25 tax year. The Commissioner of Health shall annually promulgate  
26 the per day amount to apply for each tax year.

27 (2) An annual community service contribution shall be reduced  
28 by an amount equal to the sum of any payments remitted to the  
29 municipality in which the licensed beds of the hospital or satellite  
30 emergency care facility, as the case may be, is located, pursuant to a  
31 voluntary agreement operative in the prior tax year between the  
32 owner and the municipality to compensate for any municipal public  
33 safety services benefitting the occupants and premises of the  
34 hospital or satellite emergency care facility

35 (3) An annual community service contribution shall be payable  
36 in equal quarterly installments. The installments shall be payable  
37 on February 1, May 1, August 1, and November 1.

38 c. The obligation to remit an annual community service  
39 contribution pursuant to this section is legal, valid, and binding. If  
40 a quarterly installment of an annual community service contribution  
41 installment is not paid as and when due pursuant to subsection b. of  
42 this section, the unpaid balance shall constitute a municipal lien on  
43 the hospital or satellite emergency care facility property after 30  
44 days, and shall be enforced and collected in the same manner as  
45 unpaid property taxes.

46 d. A municipality that receives an annual community service  
47 contribution installment pursuant to this section, or a payment under

**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 a voluntary agreement that reduces the amount of such contribution  
2 pursuant to paragraph (2) of subsection b. of this section, shall  
3 forthwith, upon receipt, remit five percent of the installment or  
4 voluntary payment, as the case may be, to the county in which the  
5 municipality is located.

6 e. The Commissioner of Health, in consultation with the New  
7 Jersey Health Care Facilities Financing Authority in the Department  
8 of Health and the Director of the Division of Local Government  
9 Services in the Department of Community Affairs, shall, by January  
10 1, 2019, adopt regulations necessary to effectuate the provisions of  
11 this section pursuant to the "Administrative Procedure Act,"  
12 P.L.1968, c.410 (C.52:14B-1 et seq.).

13 f. As used in this section:

14 "Hospital" means a general acute care hospital licensed pursuant  
15 to P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and  
16 operates organized facilities and services as approved and licensed  
17 by the Department of Health for the diagnosis, treatment, or care of  
18 persons suffering from acute illness, injury, or deformity and in  
19 which all diagnosis, treatment, and care are administered by or  
20 performed under the direction of persons licensed to practice  
21 medicine or osteopathy in the State, and includes all land and  
22 buildings that are used in the delivery of health care services by  
23 such hospital and its medical providers or that are used for the  
24 management, maintenance, administration, support, and security of  
25 such hospital and its medical providers.

26 "Licensed bed" means one of the total number of acute care beds  
27 for which an acute care hospital is approved for patient care by the  
28 Commissioner of Health, excluding skilled nursing, psychiatric,  
29 sub-acute, and newborn beds, and further excluding any acute care  
30 beds not commissioned for use.

31 "Medical provider" means an individual or entity which, acting  
32 within the scope of a licensure or certification, provides health care  
33 services, and includes, but is not limited to, a physician, physician  
34 assistant, psychologist, pharmacist, dentist, nurse, nurse  
35 practitioner, social worker, paramedic, respiratory care practitioner,  
36 medical or laboratory technician, ambulance or emergency medical  
37 worker, orthotist or prosthetist, radiological or other diagnostic  
38 service facility, bioanalytical laboratory, health care facility, or  
39 other limited licensed health care professional, and further includes  
40 administrative support staff of the individual or entity.

41 "Owner" means an association or corporation organized as a  
42 nonprofit entity pursuant to Title 15 of the Revised Statutes or Title  
43 15A of the New Jersey Statutes exclusively for hospital purposes  
44 that owns a hospital.

45 "Satellite emergency care facility" means a facility, which is  
46 owned and operated by a hospital, and which provides emergency  
47 care and treatment for patients.

1        2. (New section) a. There is established, in but not of the  
2 Department of Health, a commission to be known as the Nonprofit  
3 Hospital Community Service Contribution Study Commission. The  
4 commission shall consist of nine members as follows: the  
5 Commissioner of Health, ex officio; two members of the Senate to  
6 be appointed by the President of the Senate, who shall not both be  
7 of the same political party; two members of the General Assembly  
8 to be appointed by the Speaker of the General Assembly, who shall  
9 not both be of the same political party; two members, appointed by  
10 the Governor, who are mayors of municipalities entitled to receive  
11 annual community service contributions pursuant to section 1 of  
12 P.L. , c. (C. ) (pending before the Legislature as this bill);  
13 and two members, appointed by the Governor, who are chief  
14 executive officers of hospitals assessed annual community service  
15 contributions pursuant to section 1 of P.L. , c. (C. )  
16 (pending before the Legislature as this bill). Each member may  
17 designate a representative to attend meetings of the commission,  
18 and each designee may lawfully vote and otherwise act on behalf of  
19 the member who designated that individual to serve as a designee.  
20 The members shall serve for terms of three years, commencing on  
21 the date of appointment, and may be reappointed. Vacancies in the  
22 membership of the commission shall be filled for the unexpired  
23 terms in the same manner as the original appointments.

24        b. The members shall be appointed within 60 days following  
25 the effective date of this section. The commission shall organize as  
26 soon as practicable after the appointment of a majority of its  
27 members and shall select a chair and a treasurer from among its  
28 members, and a secretary who need not be a member of the  
29 commission. The presence of five members of the commission  
30 shall constitute a quorum. The commission may conduct business  
31 without a quorum, but may only vote on the issuance of the report  
32 required to be submitted to the Governor and the Legislature  
33 pursuant to subsection e. of this section, and on any  
34 recommendations, when a quorum is present.

35        c. All commission members shall serve without compensation,  
36 but shall be eligible for reimbursement of necessary and reasonable  
37 expenses incurred in the performance of their official duties within  
38 the limits of funds appropriated or otherwise made available to the  
39 commission for its purposes.

40        d. The commission may meet and hold public hearings at the  
41 place or places it designates during the sessions or recesses of the  
42 Legislature.

43        e. The commission shall study the implementation of  
44 P.L. , c. (C. ) (pending before the Legislature as this bill)  
45 and shall issue a report to the Governor and the Legislature,  
46 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), every three  
47 years from the effective date of this section; provided, however, that  
48 the initial report shall be issued within one year following that

1 effective date. The reports shall include: (1) an analysis of the  
2 financial impact of P.L. , c. (C. ) (pending before the  
3 Legislature as this bill) on both hospitals and satellite emergency  
4 care facilities assessed annual community service contributions  
5 thereunder and the municipalities receiving such contributions; (2)  
6 an assessment of the adequacy of the amount of the annual  
7 community service contributions; (3) an analysis of the  
8 administration and equity of these contributions; and (4) any  
9 recommendations that the commission determines would improve  
10 the administration, equity, or any other aspect of the annual  
11 community service contribution system established by  
12 P.L. , c. (C. ) (pending before the Legislature as this bill).

13

14 3. (New section) a. Property, including land and buildings,  
15 used as a hospital or a satellite emergency care facility, which is  
16 owned by an association or corporation organized as a nonprofit  
17 entity pursuant to Title 15 of the Revised Statutes or Title 15A of  
18 the New Jersey Statutes exclusively for hospital purposes, shall be  
19 exempt from taxation, and the exemption shall extend to any  
20 portion of the hospital property that is leased to or otherwise used  
21 by a profit-making medical provider for medical purposes;  
22 provided, however, that any portion of the property that is leased to  
23 any other profit-making organization or otherwise used for any  
24 other purposes which are not themselves exempt from taxation shall  
25 be subject to taxation and the remaining portion only shall be  
26 exempt from taxation.

27 b. The owner of property exempt from taxation pursuant to  
28 subsection a. of this section shall be assessed an annual community  
29 service contribution pursuant to section 1 of P.L. , c. (C. )  
30 (pending before the Legislature as this bill).

31 c. As used in this section:

32 “Hospital” means a general acute care hospital licensed pursuant  
33 to P.L.1971, c.136 (C.26:2H-1 et seq.), which maintains and  
34 operates organized facilities and services as approved and licensed  
35 by the Department of Health for the diagnosis, treatment, or care of  
36 persons suffering from acute illness, injury, or deformity and in  
37 which all diagnosis, treatment, and care are administered by or  
38 performed under the direction of persons licensed to practice  
39 medicine or osteopathy in the State, and includes all land and  
40 buildings that are used in the delivery of health care services by  
41 such hospital and its medical providers or that are used for the  
42 management, maintenance, administration, support, and security of  
43 such hospital and its medical providers.

44 “Medical provider” means an individual or entity which, acting  
45 within the scope of a licensure or certification, provides health care  
46 services, and includes, but is not limited to, a physician, physician  
47 assistant, psychologist, pharmacist, dentist, nurse, nurse  
48 practitioner, social worker, paramedic, respiratory care practitioner,

1 medical or laboratory technician, ambulance or emergency medical  
2 worker, orthotist or prosthetist, radiological or other diagnostic  
3 service facility, bioanalytical laboratory, health care facility, or  
4 other limited licensed health care professional, and further includes  
5 administrative support staff of the individual or entity.

6 “Satellite emergency care facility” means a facility, which is  
7 owned and operated by a hospital, and which provides emergency  
8 care and treatment for patients.

9  
10 4. (New section) For tax years 2014, 2015, 2016, and 2017,  
11 property that would have been exempt from taxation pursuant to  
12 section 3 of P.L. , c. (C. ) (pending before the Legislature  
13 as this bill), had that section been effective in those tax years, shall  
14 not be assessed as omitted property pursuant to P.L.1947, c.413  
15 (C.54:4-63.12 et seq.). This section shall apply to all property  
16 owned by an association or corporation organized as a nonprofit  
17 entity pursuant to Title 15 of the Revised Statutes or Title 15A of  
18 the New Jersey Statutes exclusively for hospital purposes, whether  
19 or not assessed as omitted property, as well as the omitted  
20 assessments of such property that is the subject of litigation that is  
21 pending or that may be subject to appeal before the county board of  
22 taxation, the tax court, or any other court on or after the date of  
23 enactment of P.L. , c. (C. ) (pending before the Legislature  
24 as this bill). Any taxes paid on such property for tax years 2014,  
25 2015, 2016, or 2017 shall be refunded.

26  
27 5. R.S.54:4-3.6 is amended to read as follows:

28 54:4-3.6. The following property shall be exempt from taxation  
29 under this chapter: all buildings actually used for colleges, schools,  
30 academies or seminaries, provided that if any portion of such  
31 buildings are leased to profit-making organizations or otherwise  
32 used for purposes which are not themselves exempt from taxation,  
33 said portion shall be subject to taxation and the remaining portion  
34 only shall be exempt; all buildings actually used for historical  
35 societies, associations or exhibitions, when owned by the State,  
36 county or any political subdivision thereof or when located on land  
37 owned by an educational institution which derives its primary  
38 support from State revenue; all buildings actually and exclusively  
39 used for public libraries, asylum or schools for adults and children  
40 with intellectual disabilities; all buildings used exclusively by any  
41 association or corporation formed for the purpose and actually  
42 engaged in the work of preventing cruelty to animals; all buildings  
43 actually and exclusively used and owned by volunteer first-aid  
44 squads, which squads are or shall be incorporated as associations  
45 not for pecuniary profit; all buildings actually used in the work of  
46 associations and corporations organized exclusively for the moral  
47 and mental improvement of men, women and children, provided  
48 that if any portion of a building used for that purpose is leased to

1 profit-making organizations or is otherwise used for purposes which  
2 are not themselves exempt from taxation, that portion shall be  
3 subject to taxation and the remaining portion only shall be exempt;  
4 all buildings actually used in the work of associations and  
5 corporations organized exclusively for religious purposes, including  
6 religious worship, or charitable purposes, provided that if any  
7 portion of a building used for that purpose is leased to a profit-  
8 making organization or is otherwise used for purposes which are not  
9 themselves exempt from taxation, that portion shall be subject to  
10 taxation and the remaining portion shall be exempt from taxation,  
11 and provided further that if any portion of a building is used for a  
12 different exempt use by an exempt entity, that portion shall also be  
13 exempt from taxation; all buildings other than those exempt from  
14 taxation pursuant to section 3 of P.L. , c. (C. ) (pending  
15 before the Legislature as this bill), actually used in the work of  
16 associations and corporations organized exclusively for hospital  
17 purposes, provided that if any portion of a building used for hospital  
18 purposes is leased to profit-making organizations or otherwise used  
19 for purposes which are not themselves exempt from taxation, that  
20 portion shall be subject to taxation and the remaining portion only  
21 shall be exempt; all buildings owned or held by an association or  
22 corporation created for the purpose of holding the title to such  
23 buildings as are actually and exclusively used in the work of two or  
24 more associations or corporations organized exclusively for the  
25 moral and mental improvement of men, women and children; all  
26 buildings owned by a corporation created under or otherwise  
27 subject to the provisions of Title 15 of the Revised Statutes or Title  
28 15A of the New Jersey Statutes and actually and exclusively used in  
29 the work of one or more associations or corporations organized  
30 exclusively for charitable or religious purposes, which associations  
31 or corporations may or may not pay rent for the use of the premises  
32 or the portions of the premises used by them; the buildings, not  
33 exceeding two, actually occupied as a parsonage by the officiating  
34 clergymen of any religious corporation of this State, together with  
35 the accessory buildings located on the same premises; the land  
36 whereon any of the buildings hereinbefore mentioned are erected,  
37 and which may be necessary for the fair enjoyment thereof, and  
38 which is devoted to the purposes above mentioned and to no other  
39 purpose and does not exceed five acres in extent; the furniture and  
40 personal property in said buildings if used in and devoted to the  
41 purposes above mentioned; all property owned and used by any  
42 nonprofit corporation in connection with its curriculum, work, care,  
43 treatment and study of men, women, or children with intellectual  
44 disabilities shall also be exempt from taxation, provided that such  
45 corporation conducts and maintains research or professional  
46 training facilities for the care and training of men, women, or  
47 children with intellectual disabilities; provided, in case of all the  
48 foregoing, the buildings, or the lands on which they stand, or the

1 associations, corporations or institutions using and occupying them  
2 as aforesaid, are not conducted for profit, except that the exemption  
3 of the buildings and lands used for charitable, benevolent or  
4 religious purposes shall extend to cases where the charitable,  
5 benevolent or religious work therein carried on is supported partly  
6 by fees and charges received from or on behalf of beneficiaries  
7 using or occupying the buildings; provided the building is wholly  
8 controlled by and the entire income therefrom is used for said  
9 charitable, benevolent or religious purposes; and any tract of land  
10 purchased pursuant to subsection (n) of section 21 of  
11 P.L.1971, c.199 (C.40A:12-21), and located within a municipality,  
12 actually used for the cultivation and sale of fresh fruits and  
13 vegetables and owned by a duly incorporated nonprofit organization  
14 or association which includes among its principal purposes the  
15 cultivation and sale of fresh fruits and vegetables, other than a  
16 political, partisan, sectarian, denominational or religious  
17 organization or association. The foregoing exemption shall apply  
18 only where the association, corporation or institution claiming the  
19 exemption owns the property in question and is incorporated or  
20 organized under the laws of this State and authorized to carry out  
21 the purposes on account of which the exemption is claimed or  
22 where an educational institution, as provided herein, has leased said  
23 property to a historical society or association or to a corporation  
24 organized for such purposes and created under or otherwise subject  
25 to the provisions of Title 15 of the Revised Statutes or Title 15A of  
26 the New Jersey Statutes.

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

36 (cf: P.L.2011, c.171, s.4)

37

38 6. R.S.54:3-21 is amended to read as follows:

39 54:3-21. a. (1) Except as provided in subsection b. of this  
40 section a taxpayer feeling aggrieved by the assessed valuation or  
41 exempt status of the taxpayer's property **],** or feeling discriminated  
42 against by the assessed valuation of other property in the county, **]**  
43 or a taxing district which may feel discriminated against by the  
44 assessed valuation or exempt status of property in the taxing  
45 district, or by the assessed valuation or exempt status of property in  
46 another taxing district in the county, may on or before April 1, or 45  
47 days from the date the bulk mailing of notification of assessment is  
48 completed in the taxing district, whichever is later, appeal to the

1 county board of taxation by filing with it a petition of appeal;  
2 provided, however, that any such taxpayer or taxing district may on  
3 or before April 1, or 45 days from the date the bulk mailing of  
4 notification of assessment is completed in the taxing district,  
5 whichever is later, file a complaint directly with the Tax Court, if  
6 the assessed valuation of the property subject to the appeal exceeds  
7 \$1,000,000. In a taxing district where a municipal-wide revaluation  
8 or municipal-wide reassessment has been implemented, a taxpayer  
9 or a taxing district may appeal before or on May 1 to the county  
10 board of taxation by filing with it a petition of appeal or, if the  
11 assessed valuation of the property subject to the appeal exceeds  
12 \$1,000,000, by filing a complaint directly with the State Tax Court.  
13 Within ten days of the completion of the bulk mailing of  
14 notification of assessment, the assessor of the taxing district shall  
15 file with the county board of taxation a certification setting forth the  
16 date on which the bulk mailing was completed. If a county board of  
17 taxation completes the bulk mailing of notification of assessment,  
18 the tax administrator of the county board of taxation shall within ten  
19 days of the completion of the bulk mailing prepare and keep on file  
20 a certification setting forth the date on which the bulk mailing was  
21 completed. A taxpayer shall have 45 days to file an appeal upon the  
22 issuance of a notification of a change in assessment. An appeal to  
23 the Tax Court by one party in a case in which the Tax Court has  
24 jurisdiction shall establish jurisdiction over the entire matter in the  
25 Tax Court. All appeals to the Tax Court hereunder shall be in  
26 accordance with the provisions of the State Uniform Tax Procedure  
27 Law, R.S.54:48-1 et seq.

28 If a petition of appeal or a complaint is filed on April 1 or during  
29 the 19 days next preceding April 1, a taxpayer or a taxing district  
30 shall have 20 days from the date of service of the petition or  
31 complaint to file a cross-petition of appeal with a county board of  
32 taxation or a counterclaim with the Tax Court, as appropriate.

33 (2) With respect to property located in a county participating in  
34 the demonstration program established in section 4 of  
35 P.L.2013, c.15 (C.54:1-104) or a property located in a county  
36 operating under the "Property Tax Assessment Reform Act,"  
37 P.L.2009, c.118 (C.54:1-86 et seq.), and except as provided in  
38 subsection b. of this section, a taxpayer feeling aggrieved by the  
39 assessed valuation or exempt status of the taxpayer's property **],** or  
40 feeling discriminated against by the assessed valuation of other  
41 property in the county, **]** or a taxing district which may feel  
42 discriminated against by the assessed valuation or exempt status of  
43 property in the taxing district, or by the assessed valuation or  
44 exempt status of property in another taxing district in the county,  
45 may on or before January 15, or 45 days from the date the bulk  
46 mailing of notification of assessment is completed in the taxing  
47 district, whichever date is later, appeal to the county board of  
48 taxation by filing with it a petition of appeal; provided, however,

1 that any such taxpayer, or taxing district, may on or before April 1,  
2 or 45 days from the date the bulk mailing of notification of  
3 assessment is completed in the taxing district, whichever date is  
4 later, file a complaint directly with the Tax Court, if the assessed  
5 valuation of the property subject to the appeal exceeds \$1,000,000.

6 If a petition of appeal is filed on January 15 or during the 19  
7 days next preceding January 15, or a complaint is filed with the Tax  
8 Court on April 1 or during the 19 days next preceding April 1, a  
9 taxpayer or a taxing district shall have 20 days from the date of  
10 service of the petition or complaint to file a cross-petition of appeal  
11 with a county board of taxation or a counterclaim with the Tax  
12 Court, as appropriate.

13 Within 10 days of the completion of the bulk mailing of  
14 notification of assessment, the assessor of the taxing district shall  
15 file with the county board of taxation a certification setting forth the  
16 date on which the bulk mailing was completed. If a county board of  
17 taxation completes the bulk mailing of notification of assessment,  
18 the tax administrator of the county board of taxation shall within 10  
19 days of the completion of the bulk mailing prepare and keep on file  
20 a certification setting forth the date on which the bulk mailing was  
21 completed. A taxpayer shall have 45 days to file an appeal upon the  
22 issuance of a notification of a change in assessment. An appeal to  
23 the Tax Court by one party in a case in which the Tax Court has  
24 jurisdiction shall establish jurisdiction over the entire matter in the  
25 Tax Court. All appeals to the Tax Court hereunder shall be in  
26 accordance with the provisions of the State Uniform Tax Procedure  
27 Law, R.S.54:48-1 et seq.

28 b. No taxpayer or taxing district shall be entitled to appeal  
29 either an assessment or an exemption or both that is based on a  
30 financial agreement subject to the provisions of the "Long Term  
31 Tax Exemption Law" under the appeals process set forth in  
32 subsection a. of this section.

33 (cf: P.L.2017, c.306, s.4)

34

35 7. This act shall take effect immediately and shall be  
36 retroactive to January 1, 2018, except that section 4 of the bill shall  
37 apply to tax years 2014, 2015, 2016, and 2017 only.

38

39

40

#### STATEMENT

41

42 This bill would reinstate the property tax exempt status of  
43 nonprofit hospitals, including satellite emergency care facilities,  
44 with for-profit medical providers on site. Under the bill, these  
45 hospitals would instead be required to pay annual community  
46 service contributions to their host municipalities to offset the costs  
47 of public safety services, such as police and fire protection, which  
48 directly benefit these hospitals and their employees. The bill would

1 also establish a commission to study this new system and would  
2 also eliminate certain third-party property tax appeals.

3 In a 2015 decision, the Tax Court held that a nonprofit hospital  
4 was not entitled to a property tax exemption because nonprofit and  
5 for-profit medical services were provided throughout the hospital in  
6 a commingled manner. The court deemed this commingling a  
7 violation of R.S.54:4-3.6 because it did not allow the local taxing  
8 authorities to distinguish taxable for-profit uses of the hospital  
9 property from tax-exempt nonprofit uses of the property. Since for-  
10 profit medical services are commonly provided at nonprofit  
11 hospitals, municipalities began challenging the property tax exempt  
12 status held by other nonprofit hospitals throughout the State,  
13 creating uncertainty and raising questions over what level of  
14 support these nonprofit hospitals should provide to their host  
15 communities. This bill would resolve these issues by establishing a  
16 clear and predictable system in which complex, modern nonprofit  
17 hospitals make a reasonable contribution to their host communities,  
18 while providing these hospitals a measure of tax relief to help them  
19 continue to fulfill their nonprofit mission.

20 Under the bill, for tax year 2018, the annual community service  
21 contribution for a hospital would be equal to \$2.50 a day for each  
22 licensed bed at the hospital in the prior tax year, and the  
23 contribution for a satellite emergency care facility would be equal  
24 to \$250 for each day in the prior tax year. For tax year 2019 and  
25 each tax year thereafter, the per day amount used to calculate the  
26 community service contribution for a hospital and a satellite  
27 emergency care facility would increase by two percent over the  
28 prior tax year. An annual community service contribution would be  
29 reduced by the amount of any payments made by a nonprofit  
30 hospital for the same purposes to a host municipality, pursuant to a  
31 voluntary agreement between the hospital and municipality that was  
32 operative in the prior tax year.

33 The bill requires municipalities to provide five percent of an  
34 annual community service contribution, or a voluntary payment that  
35 counts against such contribution, to the county in which the  
36 municipality is located to offset public safety services expenses  
37 borne by the county, which benefit the hospital.

38 The bill also establishes a permanent commission, known as the  
39 Nonprofit Hospital Community Service Contribution Study  
40 Commission, to study and issue a report to the Governor and the  
41 Legislature on the annual community service contribution system  
42 created by the bill. The initial report is due within one year of the  
43 effective date of that provision of the bill, and subsequent reports  
44 are due every three years from that effective date. The reports must  
45 include: (1) an analysis of the financial impact of the bill on the  
46 affected hospitals and municipalities; (2) an assessment of the  
47 adequacy of the amount of the annual community service  
48 contributions; (3) an analysis of the administration and equity of

1 these contributions; and (4) any recommendations that the  
2 commission determines would improve the administration, equity,  
3 or any other aspect of the annual community service contribution  
4 system created by the bill.

5 The bill also prohibits the assessment of a nonprofit hospital as  
6 an omitted property for tax years 2014, 2015, 2016, and 2017.

7 The bill also prohibits property taxpayers from filing property  
8 tax appeals with respect to the property of others. Under current  
9 law, property taxpayers may challenge the assessment or exempt  
10 status of their own property as well as that of any other property in  
11 their county. Eliminating this option would reduce property tax  
12 appeals, which are costly and create uncertainty in local  
13 government finances. The bill would not disturb the ability of local  
14 governments to appeal the assessment or exempt status of any  
15 property in the applicable county.

16 Lastly, the bill clarifies that the process for challenging the  
17 exempt status of property is the same process for challenging the  
18 assessed valuation of property, consistent with existing practice.

# SENATE, No. 624

## STATE OF NEW JERSEY 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Senator PAUL A. SARLO**

**District 36 (Bergen and Passaic)**

**Senator TROY SINGLETON**

**District 7 (Burlington)**

**SYNOPSIS**

Restores property tax exemption for nonprofit hospitals with for-profit medical providers on-site; requires these hospitals to pay community service contributions to host municipalities; establishes Nonprofit Hospital Community Service Contribution Study Commission.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



**(Sponsorship Updated As Of: 10/22/2020)**

1 AN ACT concerning the property tax exempt status of nonprofit  
2 hospitals, supplementing chapter 48 of Title 40 and chapter 4 of  
3 Title 54 of the Revised Statutes, and amending R.S.54:4-3.6.  
4

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

7  
8 1. (New section) a. The owner of property used as an acute  
9 care hospital or satellite emergency care facility, which is exempt  
10 from taxation pursuant to section 3 of P.L. , c. (C. )  
11 (pending before the Legislature as this bill), shall, except as may  
12 otherwise be provided under subsection e. of this section, annually  
13 remit to the Department of Health a community service contribution  
14 to be distributed to the municipality in which the licensed beds of  
15 the exempt acute care hospital are located or, in the case of a  
16 satellite emergency care facility, to the municipality in which such  
17 facility is located.

18 b. (1) The annual community service contribution required  
19 pursuant to subsection a. of this section shall be equal to \$2.50 a  
20 day for each licensed bed at the exempt acute care hospital property  
21 in the prior tax year, except that in the case of a satellite emergency  
22 care facility the contribution shall be equal to \$250 a day in the  
23 prior tax year for each such facility.

24 (2) For tax year 2019 and each tax year thereafter, the per day  
25 amount used to calculate an annual community service contribution  
26 for an acute care hospital and a satellite emergency care facility  
27 shall increase by two percent over the prior tax year. The  
28 Commissioner of Health shall annually promulgate the per day  
29 amount to apply for each tax year.

30 (3) An annual community service contribution shall be payable  
31 to the Department of Health in equal quarterly installments. The  
32 first installment shall be payable on February 1, the second  
33 installment on May 1, the third installment on August 1, and the  
34 fourth installment on November 1.

35 (4) Upon receipt of a community service contribution  
36 installment, the Department of Health shall forthwith distribute the  
37 installment to the applicable recipient municipality.

38 (5) Upon receipt of a community service contribution  
39 installment, the municipality shall forthwith remit five percent of  
40 the installment to the county in which the municipality is located.

41 c. The obligation to remit an annual community service  
42 contribution pursuant to this section is legal, valid, and binding. If  
43 a community service contribution installment is not paid as and  
44 when due pursuant to subsection b. of this section, the unpaid  
45 balance shall constitute a municipal lien on the acute care hospital

**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 property after 30 days, and shall be enforced and collected in the  
2 same manner as unpaid property taxes.

3 d. (1) A municipality shall use the proceeds of a community  
4 service contribution installment, and any interest accrued on any  
5 unpaid balance thereof, solely and exclusively to fund police or fire  
6 protection; first aid, emergency, rescue, or ambulance services; or  
7 any other public safety service; or to reduce the property tax levy.

8 (2) A county shall use the proceeds of a portion of a community  
9 service contribution installment solely and exclusively to fund any  
10 public safety service provided by the county.

11 e. (1) An owner required to remit an annual community service  
12 contribution pursuant to this section may, by February 1, apply to  
13 the New Jersey Health Care Facilities Financing Authority in the  
14 Department of Health for the issuance of a certificate exempting the  
15 owner from that requirement for the current tax year for exempt  
16 property used as an acute care hospital, including a satellite  
17 emergency care facility, in a municipality, if that acute care hospital  
18 or satellite emergency care facility, as the case may be, is in  
19 financial distress or at risk of being in financial distress. At the  
20 same time such an application is made, the applicant owner shall  
21 provide notice to the chief financial officer of the municipality in  
22 which the acute care hospital or satellite emergency care facility  
23 that is the subject of the application is located.

24 (2) An application pursuant to this subsection shall include the  
25 audited financial results for the acute care hospital or satellite  
26 emergency care facility from the prior tax year or other relevant  
27 financial records and proof that notice of the application was  
28 provided to the chief financial officer of the municipality in which  
29 the acute care hospital or satellite emergency care facility that is the  
30 subject of the application is located. If audited financial results  
31 from the prior tax year are not available by February 1, a  
32 certification of the chief financial officer of the acute care hospital  
33 or satellite emergency care facility shall be submitted by that date,  
34 and audited financial results shall be submitted within 15 days of  
35 such results being completed.

36 (3) The authority shall issue a determination on an application  
37 submitted pursuant to this subsection by April 1, or within 60 days  
38 of receipt of the audited financial results if such results are  
39 submitted after February 1. In making such determination, the  
40 authority may consider factors including, but not limited to,  
41 whether the acute care hospital or satellite emergency care facility  
42 had a negative operating margin in the prior tax year based on the  
43 audited financial results from that tax year, whether the owner is not  
44 in full compliance with the financial terms of any bond covenants  
45 related to the acute care hospital or satellite emergency care facility,  
46 the overall financial health of the hospital system if the acute care  
47 hospital or satellite emergency care facility is part of a hospital  
48 system responsible for the debts and liabilities of the acute care

1 hospital or satellite emergency care facility, or whether the acute  
2 care hospital or satellite emergency care facility is a safety net  
3 hospital or facility.

4 (4) If the authority determines that an acute care hospital or  
5 satellite emergency care facility that is the subject of an application  
6 submitted pursuant to this subsection is in financial distress or at  
7 risk of being in financial distress, the authority shall grant the  
8 application and issue a certificate exempting the owner from the  
9 annual community service contribution otherwise required for the  
10 acute care hospital or satellite emergency care facility to the  
11 municipal tax collector of the municipality otherwise owed the  
12 contribution. A certificate issued pursuant to this paragraph shall  
13 be valid for the current tax year.

14 (5) If the authority denies an application, any community  
15 service contribution installment owing shall bear interest from the  
16 original payment date pursuant to subsection c. of this section.

17 f. The Commissioner of Health, in consultation with the New  
18 Jersey Health Care Facilities Financing Authority in the Department  
19 of Health and the Director of the Division of Local Government  
20 Services in the Department of Community Affairs, shall, by January  
21 1, 2019, adopt regulations necessary to effectuate the provisions of  
22 this section pursuant to the "Administrative Procedure Act,"  
23 P.L.1968, c.410 (C.52:14B-1 et seq.), which shall include specific  
24 guidelines for what constitutes financial distress or at risk of being  
25 in financial distress for purposes of qualifying for an exemption  
26 certificate pursuant to subsection e. of this section.

27 g. As used in this section:

28 "Acute care hospital" means a hospital, other than a hospital  
29 which is exempt from taxation as public property pursuant to  
30 R.S.54:4-3.3, which maintains and operates organized facilities and  
31 services as approved and licensed by the Department of Health for  
32 the diagnosis, treatment, or care of persons suffering from acute  
33 illness, injury, or deformity and in which all diagnosis, treatment,  
34 and care are administered by or performed under the direction of  
35 persons licensed to practice medicine or osteopathy in the State of  
36 New Jersey, and includes all land and buildings that are used in the  
37 delivery of health care services by such hospital and its medical  
38 providers or that are used for the management, maintenance,  
39 administration, and security of such hospital and its medical  
40 providers.

41 "Licensed bed" means one of the total number of acute care beds  
42 for which an acute care hospital is approved for patient care by the  
43 Commissioner of Health.

44 "Medical provider" means an individual or entity which, acting  
45 within the scope of a licensure or certification, provides health care  
46 services, and includes, but is not limited to, a physician, physician  
47 assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
48 respiratory care practitioner, medical or laboratory technician,

1 ambulance or emergency medical worker, orthotist or prosthetist,  
2 radiological or other diagnostic service facility, bioanalytical  
3 laboratory, health care facility, and further includes administrative  
4 support staff of the individual or entity.

5 “Owner” means an association or corporation organized as a  
6 nonprofit pursuant to Title 15 of the Revised Statutes or Title 15A  
7 of the New Jersey Statutes exclusively for hospital purposes that  
8 owns an acute care hospital.

9 “Satellite emergency care facility” means a facility, which is  
10 owned and operated by an acute care hospital or its nonprofit parent  
11 corporation, and which provides emergency care and treatment for  
12 patients.

13

14 2. (New section) a. There is established, in but not of the  
15 Department of Health, a commission to be known as the Nonprofit  
16 Hospital Community Service Contribution Study Commission. The  
17 commission shall consist of nine members as follows: the  
18 Commissioner of Health, ex officio; two members of the Senate to  
19 be appointed by the President of the Senate, who shall not both be  
20 of the same political party; two members of the General Assembly  
21 to be appointed by the Speaker of the General Assembly, who shall  
22 not both be of the same political party; two members, appointed by  
23 the Governor, who are mayors of municipalities receiving  
24 community service contributions pursuant to section 1 of P.L. ,  
25 c. (C. ) (pending before the Legislature as this bill); and two  
26 members, appointed by the Governor, who are chief executive  
27 officers of nonprofit hospitals assessed community service  
28 contributions pursuant to section 1 of P.L. , c. (C. )  
29 (pending before the Legislature as this bill). Each member may  
30 designate a representative to attend meetings of the commission,  
31 and each designee may lawfully vote and otherwise act on behalf of  
32 the member who designated that individual to serve as a designee.  
33 The members shall serve for terms of three years, commencing on  
34 the date of appointment, and may be reappointed. Vacancies in the  
35 membership of the commission shall be filled for the unexpired  
36 terms in the same manner as the original appointments.

37 b. The members shall be appointed within 60 days following  
38 the effective date of P.L. , c. (C. ) (pending before the  
39 Legislature as this bill). The commission shall organize as soon as  
40 practicable after the appointment of a majority of its members and  
41 shall select a chair and a treasurer from among its members, and a  
42 secretary who need not be a member of the commission. The  
43 presence of five members of the commission shall constitute a  
44 quorum. The commission may conduct business without a quorum,  
45 but may only vote on the issuance of the report required to be  
46 submitted to the Governor and the Legislature pursuant to  
47 subsection e. of this section, and on any recommendations, when a  
48 quorum is present.

1 c. All commission members shall serve without compensation,  
2 but shall be eligible for reimbursement of necessary and reasonable  
3 expenses incurred in the performance of their official duties within  
4 the limits of funds appropriated or otherwise made available to the  
5 commission for its purposes.

6 d. The commission may meet and hold public hearings at the  
7 place or places it designates during the sessions or recesses of the  
8 Legislature.

9 e. The commission shall study the implementation of P.L. ,  
10 c. (C. ) (pending before the Legislature as this bill) and shall  
11 issue a report to the Governor and the Legislature, pursuant to  
12 section 2 of P.L.1991, c.164 (C.52:14-19.1), every three years on or  
13 before the anniversary of the effective date of P.L. , c. (C. )  
14 (pending before the Legislature as this bill); provided, however, that  
15 the initial report shall be issued within one year following the first  
16 organizational meeting of the commission. The report shall include  
17 an analysis of the financial impact of P.L. , c. (C. )  
18 (pending before the Legislature as this bill) on both nonprofit  
19 hospitals assessed community service contributions thereunder and  
20 the municipalities receiving such contributions, the adequacy of the  
21 amount of the community service contributions, and an analysis of  
22 the administration and equity of these contributions. The report  
23 shall include any recommendations that the commission determines  
24 would improve the administration, equity, or any other aspect of the  
25 nonprofit hospital community service contribution system  
26 established by P.L. , c. (C. ) (pending before the Legislature  
27 as this bill), and shall include an assessment of the adequacy of the  
28 amount of the community service contributions.

29  
30 3. (New section) a. Property, including land and buildings,  
31 used as an acute care hospital or satellite emergency care facility,  
32 which is owned by an association or corporation organized as a  
33 nonprofit association or corporation pursuant to Title 15 of the  
34 Revised Statutes or Title 15A of the New Jersey Statutes  
35 exclusively for hospital purposes, shall be exempt from taxation,  
36 provided that, except as provided in subsection b. of this section, if  
37 any portion of the property is leased to a profit-making organization  
38 or otherwise used for purposes which are not themselves exempt  
39 from taxation, that portion shall be subject to taxation and the  
40 remaining portion only shall be exempt from taxation.

41 b. If any portion of an acute care hospital or satellite  
42 emergency care facility is leased to or otherwise used by a profit-  
43 making medical provider for medical purposes related to the  
44 delivery of health care services of the acute care hospital, that  
45 portion shall be exempt from taxation.

46 c. As used in this section:  
47 "Acute care hospital" means a hospital which maintains and  
48 operates organized facilities and services as approved and licensed

1 by the Department of Health for the diagnosis, treatment, or care of  
2 persons suffering from acute illness, injury, or deformity and in  
3 which all diagnosis, treatment, and care are administered by or  
4 performed under the direction of persons licensed to practice  
5 medicine or osteopathy in the State of New Jersey, and includes all  
6 land and buildings that are used in the delivery of health care  
7 services by such hospital and its medical providers or that are used  
8 for the management, maintenance, administration, and security of  
9 such hospital and its medical providers.

10 “Medical provider” means an individual or entity which, acting  
11 within the scope of a licensure or certification, provides health care  
12 services, and includes, but is not limited to, a physician, physician  
13 assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
14 respiratory care practitioner, medical or laboratory technician,  
15 ambulance or emergency medical worker, orthotist or prosthetist,  
16 radiological or other diagnostic service facility, bioanalytical  
17 laboratory, health care facility, and further includes administrative  
18 support staff of the individual or entity.

19 “Satellite emergency care facility” means a facility, which is  
20 owned and operated by an acute care hospital or its nonprofit parent  
21 corporation, and which provides emergency care and treatment for  
22 patients.

23

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

25 54:4-3.6. The following property shall be exempt from taxation  
26 under this chapter: all buildings actually used for colleges, schools,  
27 academies or seminaries, provided that if any portion of such  
28 buildings are leased to profit-making organizations or otherwise  
29 used for purposes which are not themselves exempt from taxation,  
30 said portion shall be subject to taxation and the remaining portion  
31 only shall be exempt; all buildings actually used for historical  
32 societies, associations or exhibitions, when owned by the State,  
33 county or any political subdivision thereof or when located on land  
34 owned by an educational institution which derives its primary  
35 support from State revenue; all buildings actually and exclusively  
36 used for public libraries, asylum or schools for adults and children  
37 with intellectual disabilities; all buildings used exclusively by any  
38 association or corporation formed for the purpose and actually  
39 engaged in the work of preventing cruelty to animals; all buildings  
40 actually and exclusively used and owned by volunteer first-aid  
41 squads, which squads are or shall be incorporated as associations  
42 not for pecuniary profit; all buildings actually used in the work of  
43 associations and corporations organized exclusively for the moral  
44 and mental improvement of men, women and children, provided  
45 that if any portion of a building used for that purpose is leased to  
46 profit-making organizations or is otherwise used for purposes which  
47 are not themselves exempt from taxation, that portion shall be  
48 subject to taxation and the remaining portion only shall be exempt;

1 all buildings actually used in the work of associations and  
2 corporations organized exclusively for religious purposes, including  
3 religious worship, or charitable purposes, provided that if any  
4 portion of a building used for that purpose is leased to a profit-  
5 making organization or is otherwise used for purposes which are not  
6 themselves exempt from taxation, that portion shall be subject to  
7 taxation and the remaining portion shall be exempt from taxation,  
8 and provided further that if any portion of a building is used for a  
9 different exempt use by an exempt entity, that portion shall also be  
10 exempt from taxation; all buildings actually used in the work of  
11 associations and corporations organized exclusively for hospital  
12 purposes, except for an acute care hospital or satellite emergency  
13 care facility, which shall instead be subject to the provisions of  
14 section 3 of P.L. , c. (C. ) (pending before the Legislature  
15 as this bill), provided that if any portion of a building used for  
16 hospital purposes is leased to profit-making organizations or  
17 otherwise used for purposes which are not themselves exempt from  
18 taxation, that portion shall be subject to taxation and the remaining  
19 portion only shall be exempt; all buildings owned or held by an  
20 association or corporation created for the purpose of holding the  
21 title to such buildings as are actually and exclusively used in the  
22 work of two or more associations or corporations organized  
23 exclusively for the moral and mental improvement of men, women  
24 and children; all buildings owned by a corporation created under or  
25 otherwise subject to the provisions of Title 15 of the Revised  
26 Statutes or Title 15A of the New Jersey Statutes and actually and  
27 exclusively used in the work of one or more associations or  
28 corporations organized exclusively for charitable or religious  
29 purposes, which associations or corporations may or may not pay  
30 rent for the use of the premises or the portions of the premises used  
31 by them; the buildings, not exceeding two, actually occupied as a  
32 parsonage by the officiating clergymen of any religious corporation  
33 of this State, together with the accessory buildings located on the  
34 same premises; the land whereon any of the buildings hereinbefore  
35 mentioned are erected, and which may be necessary for the fair  
36 enjoyment thereof, and which is devoted to the purposes above  
37 mentioned and to no other purpose and does not exceed five acres in  
38 extent; the furniture and personal property in said buildings if used  
39 in and devoted to the purposes above mentioned; all property owned  
40 and used by any nonprofit corporation in connection with its  
41 curriculum, work, care, treatment and study of men, women, or  
42 children with intellectual disabilities shall also be exempt from  
43 taxation, provided that such corporation conducts and maintains  
44 research or professional training facilities for the care and training  
45 of men, women, or children with intellectual disabilities; provided,  
46 in case of all the foregoing, the buildings, or the lands on which  
47 they stand, or the associations, corporations or institutions using  
48 and occupying them as aforesaid, are not conducted for profit,

1 except that the exemption of the buildings and lands used for  
2 charitable, benevolent or religious purposes shall extend to cases  
3 where the charitable, benevolent or religious work therein carried  
4 on is supported partly by fees and charges received from or on  
5 behalf of beneficiaries using or occupying the buildings; provided  
6 the building is wholly controlled by and the entire income  
7 therefrom is used for said charitable, benevolent or religious  
8 purposes; and any tract of land purchased pursuant to subsection (n)  
9 of section 21 of P.L.1971, c.199 (C.40A:12-21), and located within  
10 a municipality, actually used for the cultivation and sale of fresh  
11 fruits and vegetables and owned by a duly incorporated nonprofit  
12 organization or association which includes among its principal  
13 purposes the cultivation and sale of fresh fruits and vegetables,  
14 other than a political, partisan, sectarian, denominational or  
15 religious organization or association. The foregoing exemption  
16 shall apply only where the association, corporation or institution  
17 claiming the exemption owns the property in question and is  
18 incorporated or organized under the laws of this State and  
19 authorized to carry out the purposes on account of which the  
20 exemption is claimed or where an educational institution, as  
21 provided herein, has leased said property to a historical society or  
22 association or to a corporation organized for such purposes and  
23 created under or otherwise subject to the provisions of Title 15 of  
24 the Revised Statutes or Title 15A of the New Jersey Statutes.

25 As used in this section **["hospital"]** :

26 “Acute care hospital” means the same as that term is defined in  
27 section 3 of P.L. , c. (C. ) (pending before the Legislature  
28 as this bill).

29 “Hospital purposes” includes, health care facilities for the  
30 elderly, such as nursing homes; residential health care facilities;  
31 assisted living residences; facilities with a Class C license pursuant  
32 to P.L.1979, c.496 (C.55:13B-1 et al.), the "Rooming and Boarding  
33 House Act of 1979"; similar facilities that provide medical, nursing  
34 or personal care services to their residents; and that portion of the  
35 central administrative or service facility of a continuing care  
36 retirement community that is reasonably allocable as a health care  
37 facility for the elderly.

38 “Satellite emergency care facility” means the same as that term  
39 is defined in section 3 of P.L. , c. (C. ) (pending before the  
40 Legislature as this bill).

41 (cf: P.L.2011, c.171, s.4)

42

43 5. This act shall take effect on January 1, 2018, except that the  
44 Commissioner of Health may take any anticipatory administrative  
45 action in advance as shall be necessary for the implementation of  
46 this act.

STATEMENT

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This bill would restore the property tax exempt status of a nonprofit hospital with on-site for-profit medical providers as long as the hospital remains organized as a nonprofit institution under State law, and would require these nonprofit hospitals to pay an annual community service contribution to their host municipalities. The bill would clarify that modern, complex nonprofit hospitals that provide nonprofit and for-profit medical services remain entitled to a property tax exemption for the portions of hospital property used for the delivery of health care services of the hospital. The bill would also make these hospitals responsible for providing some financial support to their host communities to offset the costs of public safety services, such as police and fire safety services, which directly benefit these hospitals and their employees. This bill would establish a clear and predictable system in which nonprofit hospitals make a reasonable contribution to their host communities, while providing these hospitals a measure of tax relief to help them continue to fulfill their nonprofit mission.

In a 2015 decision, the Tax Court held that a nonprofit hospital was not entitled to a property tax exemption because nonprofit and for-profit medical services were provided throughout the hospital in a commingled manner that did not allow taxing authorities to distinguish taxable for-profit uses of the hospital property from tax-exempt nonprofit uses of the property. Since for-profit medical services are commonly provided at nonprofit hospitals, municipalities began challenging the property tax exempt status held by other nonprofit hospitals, creating uncertainty and questions of fairness over the tax obligations of these non-profit hospitals. This bill would eliminate any uncertainty over the property tax status of nonprofit hospitals that use for-profit medical providers to help deliver their services, but still qualify as nonprofit institutions, while ensuring that a readily calculable fair share contribution is made to compensate host communities for the significant sums they expend providing essential services that benefit these hospitals.

The bill requires municipalities to provide five percent of a nonprofit hospital community service contribution to the county in which the municipality is located to offset public safety services expenses borne by the county that benefit the hospital.

The bill also permits a nonprofit hospital to apply to the New Jersey Health Care Facilities Financing Authority for an exemption from a community service contribution if the hospital or its satellite emergency care facility is in financial distress or at risk of being in financial distress. Notice of such an application is required to be provided to the municipality in which the hospital or satellite emergency care facility that is the subject of the application is located.

**S624 SARLO, SINGLETON**

1       Hospitals owned by the State or any political subdivision thereof  
2 are not subject to the community service contribution required by  
3 the bill.

4       Portions of a nonprofit hospital that are leased to or used by a  
5 for-profit medical provider to deliver services independent of those  
6 provided by the hospital would be subject to property taxation in  
7 the same manner as for-profit gift and food shops.

8       The bill also establishes a permanent commission, known as the  
9 Nonprofit Hospital Community Service Contribution Study  
10 Commission, to study and issue a report, every three years, on the  
11 community service contribution system created by the bill. The  
12 initial report is due within one year of the first organizational  
13 meeting of the commission. The report may include any  
14 recommendations on how to improve the administration, fairness, or  
15 any other aspect of this system, but must include an assessment of  
16 the adequacy of the amount of the community service contributions.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE COMMITTEE SUBSTITUTE FOR SENATE, No. 357 and SENATE, No. 624**

# **STATE OF NEW JERSEY**

DATED: OCTOBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 357 and Senate Bill No. 624.

This committee substitute reinstates the property tax exempt status of nonprofit hospitals, including satellite emergency care facilities, with for-profit medical providers on site. As provided in the substitute, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services which directly benefit these hospitals and their employees. The substitute also establishes a commission to study this new system, and also eliminates certain third-party property tax appeals.

Under the committee substitute, for tax year 2021, the annual community service contribution for a hospital would equal \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would equal \$250 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. For the purpose of calculating the annual service contribution required to be paid by each hospital under the committee substitute, the substitute sets a minimum number of licensed hospital beds in each hospital. This minimum number may not be less than the number of beds in each hospital on January 1, 2020.

If a hospital and a municipality entered into a voluntary agreement for a payment in lieu of taxes or other financial contribution to the municipality prior to the enactment of the substitute bill, the hospital would pay the greater of the community service contribution or the amount agreed upon in that voluntary agreement for the duration of the agreement between the municipality and the hospital.

A hospital would be exempt from the requirement to remit a community service contribution for a tax year if, prior to December 1 of the pre-tax year, the owner certifies to the Department of Health that the hospital did not balance bill or collect payment from an individual for inpatient services rendered at the hospital by its

employed physicians during the current calendar year, and that the hospital's forbearance of payment was lawful and consistent with an advisory opinion issued to the hospital by the federal government; and the hospital has provided community benefit over the preceding three years for which the hospital has filed such forms averaging at least 12 percent of the hospital's total expenses, as documented on IRS Form 990, Schedule H.

The committee substitute requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset the cost of county services which benefit the hospital.

The committee substitute also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the substitute. The initial report is due within one year of the effective date of that provision of the substitute bill, and subsequent reports are due every three years from that effective date. The reports are required to include: (1) an analysis of the financial impact of the substitute bill on the affected hospitals and municipalities; (2) an assessment of the adequacy of the amount of the annual community service contributions; (3) an analysis of the administration and equity of these contributions; and (4) any recommendations that the commission determines would improve the administration, equity, or any other aspect of the annual community service contribution system created by the substitute.

The committee substitute prohibits the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020. A municipality would not be required to refund any taxes paid on such property as a result of such omitted assessments or regular assessments pursuant to any previous settlement of litigation or other agreement for those tax years. This retroactive provision of the substitute is intended to render moot tax appeals concerning the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020.

The committee substitute also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The substitute eliminates this option but does not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

The committee substitute also clarifies that the process for challenging the exempt status of a parcel of real property is the same process for challenging the assessed valuation of a parcel of real property, consistent with existing practice.

As reported by the committee, the Senate Committee Substitute for Senate Bill No. 357 and Senate Bill No. 624 is identical to Assembly Bill No. 1135 (2R) as amended and also reported by the committee on this date.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill would have an indeterminate annual impact on local finances. Although the community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS estimates that any reduction in the number of property tax appeals filed would lower local government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 357 and 624**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: DECEMBER 15, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill Nos. 357 and 624 (SCS), with committee amendments.

This bill, as amended, would reinstate the property tax exempt status of nonprofit hospitals, including satellite emergency care facilities, with for-profit medical providers on site. As provided in the bill, these hospitals would instead be required to pay annual community service contributions to their host municipalities to offset the costs of municipal services which directly benefit these hospitals and their employees. The bill also would establish a commission to study this new system.

Under the bill, for tax year 2021, the annual community service contribution for a hospital would be equal to \$3 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would be equal to \$300 for each day in the prior tax year. For tax year 2022 and each tax year thereafter, the per day amount used to calculate the community service contribution for a hospital and a satellite emergency care facility would increase by two percent over the prior tax year. For the purpose of calculating the annual service contribution required to be paid by each hospital under the bill, the bill sets a minimum number of licensed hospital beds in each hospital. This minimum number may not be less than the number of beds in each hospital on January 1, 2020.

If a hospital and a municipality entered into a voluntary agreement for a payment in lieu of taxes or other financial contribution to the municipality prior to the enactment of the bill, the hospital would pay the greater of the community service contribution or the amount agreed upon in that voluntary agreement for the duration of the agreement between the municipality and the hospital.

A hospital would be exempt from the requirement to remit a community service contribution for a tax year if the owner certifies to the Department of Health that, in the prior year, the hospital did not bill any patient for inpatient or outpatient professional or technical

services rendered at the hospital and the hospital has provided community benefit over the preceding three years for which the hospital has filed such forms averaging at least 12 percent of the hospital's total expenses, as documented on IRS Form 990, Schedule H, part 1, line 7K, column F.

The bill requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located to offset the cost of county services which benefit the hospital.

The bill also establishes a permanent commission, known as the Nonprofit Hospital Community Service Contribution Study Commission, to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date. The reports are required to include: (1) an analysis of the financial impact of the bill on the affected hospitals and municipalities; (2) an assessment of the adequacy of the amount of the annual community service contributions; (3) an analysis of the administration and equity of these contributions; and (4) any recommendations that the commission determines would improve the administration, equity, or any other aspect of the annual community service contribution system created by the bill.

The bill also prohibits the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020. A municipality would not be required to refund any taxes paid on such property as a result of such omitted assessments or regular assessments pursuant to any previous settlement of litigation or other agreement for those tax years. This retroactive provision of the bill is intended to render moot tax appeals concerning the assessment of a nonprofit hospital as an omitted assessment or a regular assessment for tax years 2014 through 2020.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others. Under current law, property taxpayers may challenge the assessment or exempt status of their own property as well as that of any other property in their county. The bill would eliminate this option, but not disturb the ability of local governments to appeal the assessment or exempt status of any property in the applicable county.

The bill also clarifies that the process for challenging the exempt status of a parcel of real property is the same process for challenging the assessed valuation of a parcel of real property, consistent with existing practice.

As amended and reported by the committee, the Senate Committee Substitute for Senate Bill No. 357 and Senate Bill No. 624 (1R) is

identical to Assembly Bill No. 1135 (3R), as also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- increase the annual community service contribution per licensed bed rate to \$3 a day for a hospital, and the contribution rate to \$300 a day for a satellite emergency care facility;
- revise the exemption for hospitals meeting certain criteria from the community service contribution requirement;
- add language clarifying that the provisions of the bill do not apply to government owned or operated hospitals;
- add the Director of the Division of Local Government Services in the Department of Community Affairs to the Nonprofit Hospital Community Service Contribution Study Commission; and
- add language providing that any portion of a hospital or a satellite emergency care facility that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital would only be exempt from property taxation if the portion of the hospital or satellite emergency care facility is used exclusively for hospital purposes.

FISCAL IMPACT:

Fiscal information is currently unavailable for this bill.

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE COMMITTEE SUBSTITUTE FOR**  
**SENATE, Nos. 357 and 624**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: OCTOBER 30, 2020

**SUMMARY**

- Synopsis:** Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.
- Type of Impact:** Potential increase in annual State expenditures; indeterminate impact on annual local government revenue; and potential decrease in annual local government expenditures.
- Agencies Affected:** Department of Health, certain municipalities and counties.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Tax Year 2021 and Thereafter</u></b>
<b>Potential Annual State Expenditure Increase</b>	Indeterminate
<b>Annual Local Revenue Impact</b>	Indeterminate
<b>Potential Annual Local Expenditure Decrease</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.
- As the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

- The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the new Nonprofit Hospital Community Service Contribution Study Commission.

## **BILL DESCRIPTION**

This bill would reinstate the property tax exemption of nonprofit hospitals and satellite emergency care facilities, including hospital property that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital.

These hospitals would instead be required to pay annual community service contributions to their host municipalities. For tax year 2021, the annual contribution for a hospital would equal \$2.50 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would equal \$250 for each day in the prior tax year. For each tax year thereafter, the per day amounts would increase by two percent. The number of licensed beds per hospital would not be fewer than the number of such beds in existence on January 1, 2020.

If a hospital and a host municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution or the voluntary agreement. Additionally, a hospital's annual community service contribution would be reduced by the amount paid pursuant to a voluntary agreement.

The bill also requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located.

Furthermore, a hospital would not have to pay a community service contribution for a tax year if the hospital certifies to the Department of Health (DOH) that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

The bill prohibits the assessment of a nonprofit hospital as an omitted property for tax years 2014 through 2020, and clarifies that a municipality is not required to refund any taxes previously paid on such property.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others generally.

Lastly, the bill establishes a permanent Nonprofit Hospital Community Service Contribution Study Commission "in but not of" the DOH to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$18.2 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be “in but not of” the DOH.

**Local Government Revenue Impact**

By restoring the property tax exemption of certain nonprofit hospital facilities and requiring those facilities to pay annual community service contributions to their host municipalities and counties, the bill is expected to have an indeterminate net impact on county and municipal revenue collections. Specifically, the bill would cause certain local government units to realize increased revenues due to the collection of community service contributions.

Although the Tax Court of New Jersey ruled in 2015 that a specific nonprofit hospital was not entitled to a property tax exemption, the OLS cannot presume that the court’s holding will be applied to other nonprofit hospitals or that the valuation method used as part of the settlement of that case will be adopted as the standard method for assessing nonprofit hospital property. However, in the wake of this decision, many municipalities entered into settlement agreements with nonprofit hospital facilities, through which a portion of those facilities could be assessed for property taxes.

The OLS notes that if a hospital and municipality have entered into a voluntary agreement prior to the bill’s enactment, the hospital would be required to pay the greater of the community service contribution required under the bill or the voluntary agreement. Similarly, following the enactment of the bill, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital pursuant to a voluntary agreement.

Additionally, for tax years 2014 through 2020, property that would have been exempt from taxation pursuant to this bill, had the bill been effective in those tax years, would not be assessed as an omitted assessment or as a regular assessment. The bill does not require a municipality to refund any taxes paid on such property.

***The Collection of Community Service Contributions***

The bill requires nonprofit hospitals facilities to pay annual community service contributions, from which 95 percent would be remitted to the facility’s host municipality and five percent to the facility’s host county. Nonprofit acute care hospitals would be liable for an annual community service contribution equal to \$2.50 per day for each licensed bed in the facility during the prior tax year. Nonprofit satellite emergency care facilities would instead be required to make annual contributions equal to \$250 per day of operation in the prior tax year.

Information published by the DOH disclosed that there are 19,990 licensed hospital beds located within acute care hospitals owned by nonprofit organizations, not including those owned by public entities. The information also indicated that no facilities were currently licensed as satellite emergency care facilities (i.e., satellite emergency departments). The information also does not include any nonprofit hospital beds that may have been assembled, temporarily or permanently, in response to COVID-19. Under the bill, the number of licensed hospital beds, for the purpose of calculating the annual community service contribution, would not be fewer than the number of such beds in existence on January 1, 2020.

By multiplying the total number of licensed hospital beds by the daily rate of \$2.50, the OLS estimates that community service contributions could generate \$18.2 million, assuming that each licensed hospital bed constitutes an acute care bed. Given the distribution of these contributions amongst municipalities and counties, municipal revenues are expected to increase by approximately \$17.3 million, whereas county revenues are expected to increase by \$912,000.

#### *Alternative to the Community Service Contributions*

A hospital would not have to pay community service contributions for a tax year if the hospital certifies to the DOH that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

According to the "2020 Economic Impact Report" prepared by the New Jersey Hospital Association, total expenditures by 71 acute care hospitals in 2018 reached \$24.7 billion, including \$3.2 billion in community benefits. The \$3.2 billion includes free or discounted care provided, charity care for those without insurance, unpaid costs for Medicare and Medicaid beneficiaries, unpaid and uncollectable patient care costs, and community health improvement services.

At the State level, the \$3.2 billion in community benefits equate to nearly 13 percent of total expenditures. The OLS notes that this is the Statewide contribution rate and each individual hospital's rate will vary. However, if a hospital maintains a three-year average of at least 12 percent for community service contributions, along with certifying that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year, then a hospital would not have to provide a community service contribution and the \$18.2 million in local revenues projected above would not be fully realized.

The OLS also notes that the bill's provisions concerning a hospital not balance billing or collecting payment from an individual for inpatient services would only apply to a small subset of hospitals. Also, nearly all hospitals that accept insurance are contractually obligated to charge individuals for inpatient services. Only the small number of hospitals in the State operating solely on donations and contracts, which do not balance bill or charge individuals for inpatient services, would be eligible to satisfy this criterion.

#### State Fiscal Impact

The enactment of the bill could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be "in but not of" the DOH. All commission members would serve without compensation, but would be eligible for reimbursement of necessary and reasonable expenses incurred in the performance of their official duties within the limits of funds appropriated or otherwise made available to the commission for its purposes.

FE to SCS for S357

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*Section: Local Government*

*Analyst: Benjamin Levy  
Assistant Fiscal Analyst*

*Approved: Frank W. Haines III  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

**LEGISLATIVE FISCAL ESTIMATE**  
 [First Reprint]  
 SENATE COMMITTEE SUBSTITUTE FOR  
**SENATE, Nos. 357 and 624**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: DECEMBER 21, 2020

**SUMMARY**

- Synopsis:** Reinstates prior property tax exemption for nonprofit hospitals with on-site for-profit medical providers; requires some of these hospitals to pay community service contributions; establishes Nonprofit Hospital Community Service Contribution Study Commission; prohibits certain third-party property tax appeals.
- Type of Impact:** Potential increase in annual State expenditures; indeterminate impact on annual local government revenue; and potential decrease in annual local government expenditures.
- Agencies Affected:** Department of Health, certain municipalities and counties.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Tax Year 2021 and Thereafter</u></b>
<b>Potential Annual State Expenditure Increase</b>	Indeterminate
<b>Annual Local Revenue Impact</b>	Indeterminate
<b>Potential Annual Local Expenditure Decrease</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$21.9 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.
- As the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

- The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the new Nonprofit Hospital Community Service Contribution Study Commission.

## **BILL DESCRIPTION**

This bill would reinstate the property tax exemption of nonprofit hospitals and satellite emergency care facilities, including hospital property, used exclusively for hospital purposes, that is leased to or otherwise used by a profit-making medical provider for medical purposes related to the delivery of health care services directly to the hospital.

These hospitals would instead be required to pay annual community service contributions to their host municipalities. For tax year 2021, the annual contribution for a hospital would equal \$3 a day for each licensed bed at the hospital in the prior tax year, and the contribution for a satellite emergency care facility would equal \$300 for each day in the prior tax year. For each tax year thereafter, the per day amounts would increase by two percent. The number of licensed beds per hospital would not be fewer than the number of such beds in existence on January 1, 2020.

If a hospital and a host municipality have entered into a voluntary agreement prior to the bill's enactment, the hospital would be required to pay the greater of the community service contribution or the voluntary agreement. Additionally, a hospital's annual community service contribution would be reduced by the amount paid pursuant to a voluntary agreement.

The bill also requires municipalities to provide five percent of an annual community service contribution, or a voluntary payment that counts against such contribution, to the county in which the municipality is located.

Furthermore, a hospital would not have to pay a community service contribution for a tax year if the hospital certifies to the Department of Health (DOH) that it did not bill any patient for inpatient or outpatient professional or technical services rendered at the hospital during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

The bill prohibits the assessment of a nonprofit hospital as an omitted property for tax years 2014 through 2020, and clarifies that a municipality is not required to refund any taxes previously paid on such property.

The bill also prohibits property taxpayers from filing property tax appeals with respect to the property of others generally.

Lastly, the bill establishes a permanent Nonprofit Hospital Community Service Contribution Study Commission "in but not of" the DOH to study and issue a report to the Governor and the Legislature on the annual community service contribution system created by the bill. The initial report is due within one year of the effective date of that provision of the bill, and subsequent reports are due every three years from that effective date.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the bill would have an indeterminate annual impact on local government revenue collections. Although the new community service contributions by nonprofit hospitals could raise as much as \$21.9 million in annual municipal and county revenue, any revenue increase would be reduced by the indeterminate loss in property tax revenue as a result of the bill exempting these hospitals from property taxation. This analysis assumes that all other revenue and spending decisions by local governments would not change because of the enactment of this bill.

In addition, as the bill prohibits property taxpayers from filing property tax appeals with respect to the property of others, the OLS holds that any reduction in the number of property tax appeals filed could lower local and county government operating expenditures.

The OLS also estimates the bill could potentially increase annual State expenses due to the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be “in but not of” the DOH.

***Local Government Revenue Impact***

By restoring the property tax exemption of certain nonprofit hospital facilities and requiring those facilities to pay annual community service contributions to their host municipalities and counties, the bill is expected to have an indeterminate net impact on county and municipal revenue collections. Specifically, the bill would cause certain local government units to realize increased revenues due to the collection of community service contributions.

Although the Tax Court of New Jersey ruled in 2015 that a specific nonprofit hospital was not entitled to a property tax exemption, the OLS cannot presume that the court’s holding will be applied to other nonprofit hospitals or that the valuation method used as part of the settlement of that case will be adopted as the standard method for assessing nonprofit hospital property. However, in the wake of this decision, many municipalities entered into settlement agreements with nonprofit hospital facilities, through which a portion of those facilities could be assessed for property taxes.

The OLS notes that if a hospital and municipality have entered into a voluntary agreement prior to the bill’s enactment, the hospital would be required to pay the greater of the community service contribution required under the bill or the voluntary agreement. Similarly, following the enactment of the bill, an annual community service contribution would be reduced by the amount of any payments made by a nonprofit hospital pursuant to a voluntary agreement.

Additionally, for tax years 2014 through 2020, property that would have been exempt from taxation pursuant to this bill, had the bill been effective in those tax years, would not be assessed as an omitted assessment or as a regular assessment. The bill does not require a municipality to refund any taxes paid on such property.

***The Collection of Community Service Contributions***

The bill requires nonprofit hospitals facilities to pay annual community service contributions, from which 95 percent would be remitted to the facility’s host municipality and five percent to the facility’s host county. Nonprofit acute care hospitals would be liable for an annual community service contribution equal to \$3 per day for each licensed bed in the facility during the prior tax year. Nonprofit satellite emergency care facilities would instead be required to make annual contributions equal to \$300 per day of operation in the prior tax year.

Information published by the DOH disclosed that there are 19,990 licensed hospital beds located within acute care hospitals owned by nonprofit organizations, not including those owned by public entities. The information also indicated that no facilities were currently licensed as satellite emergency care facilities (i.e., satellite emergency departments). The information also does not include any nonprofit hospital beds that may have been assembled, temporarily or permanently, in response to COVID-19. Under the bill, the number of licensed hospital beds, for the purpose of calculating the annual community service contribution, would not be fewer than the number of such beds in existence on January 1, 2020.

By multiplying the total number of licensed hospital beds by the daily rate of \$3, the OLS estimates that community service contributions could generate \$21.9 million, assuming that each licensed hospital bed constitutes an acute care bed. Given the distribution of these contributions amongst municipalities and counties, municipal revenues are expected to increase by approximately \$20.8 million, whereas county revenues are expected to increase by \$1.1 million.

#### *Alternative to the Community Service Contributions*

A hospital would not have to pay community service contributions for a tax year if the hospital certifies to the DOH that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year and the hospital provided community benefits over the preceding three years averaging at least 12 percent of the hospital's total expenses.

According to the "2020 Economic Impact Report" prepared by the New Jersey Hospital Association, total expenditures by 71 acute care hospitals in 2018 reached \$24.7 billion, including \$3.2 billion in community benefits. The \$3.2 billion includes free or discounted care provided, charity care for those without insurance, unpaid costs for Medicare and Medicaid beneficiaries, unpaid and uncollectable patient care costs, and community health improvement services.

At the State level, the \$3.2 billion in community benefits equate to nearly 13 percent of total expenditures. The OLS notes that this is the Statewide contribution rate and each individual hospital's rate will vary. However, if a hospital maintains a three-year average of at least 12 percent for community service contributions, along with certifying that it did not balance bill or collect payment from an individual for inpatient services rendered by its employed physicians during the current calendar year, then a hospital would not have to provide a community service contribution and the \$21.9 million in local revenues projected above would not be fully realized.

The OLS also notes that the bill's provisions concerning a hospital not balance billing or collecting payment from an individual for inpatient services would only apply to a small subset of hospitals. Also, nearly all hospitals that accept insurance are contractually obligated to charge individuals for inpatient services. Only the small number of hospitals in the State operating solely on donations and contracts, which do not balance bill or charge individuals for inpatient services, would be eligible to satisfy this criterion.

#### State Fiscal Impact

The enactment of the bill could potentially increase State expenditures associated with the operation of the Nonprofit Hospital Community Service Contribution Study Commission, established to be "in but not of" the DOH. All commission members would serve without compensation, but would be eligible for reimbursement of necessary and reasonable expenses incurred in the performance of their official duties within the limits of funds appropriated or otherwise made available to the commission for its purposes.

*Section: Local Government*

*Analyst: Benjamin A. Levy  
Assistant Fiscal Analyst*

*Approved: Thomas Koenig  
Assistant 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 (C.52:13B-6 et seq.).