# 54:4-8.67

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2009 **CHAPTER:** 129

**NJSA:** 54:4-8.67 (Revises criteria for eligibility to receive senior and disabled homestead property tax reimbursement)

**BILL NO:** S661

**SPONSOR(S)** Madden and others

**DATE INTRODUCED:** January 8, 2008

**COMMITTEE:** **ASSEMBLY:** ---

**SENATE:** Community and Urban Affairs
Budget and Appropriations

**AMENDED DURING PASSAGE:** Yes

**DATE OF PASSAGE:** **ASSEMBLY:** June 25, 2009

**SENATE:** June 25, 2009

**DATE OF APPROVAL:** October 1, 2009

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

**FINAL TEXT OF BILL** (First Reprint Senate Committee Substitute enacted)

**S661**

| | | | |
|---|---|---|---|
| **SPONSOR'S STATEMENT S661:** (Begins on page 3 of original bill) | | Yes | |
| **SPONSOR'S STATEMENT S841:** (Begins on page 5 of original bill) | | Yes | |
| **SPONSOR'S STATEMENT S963:** (Begins on page 5 of original bill) | | Yes | |
| **COMMITTEE STATEMENT:** | **ASSEMBLY:** | No | |
| | **SENATE:** | Yes | Comm. 6-5-08<br>Budget 6-22-09 |

(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)

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|---|---|---|
| **FLOOR AMENDMENT STATEMENT:** | No | |
| **LEGISLATIVE FISCAL ESTIMATE:** | Yes | 11-13-08<br>7-8-09 |

**A2195**

| | | |
|---|---|---|
| **SPONSOR'S STATEMENT:** (Begins on page 5 of original bill) | | Yes |
| **COMMITTEE STATEMENT:** | **ASSEMBLY:** | Yes |
| | **SENATE:** | No |

(continued)

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| **FLOOR AMENDMENT STATEMENT:** | No |
| **LEGISLATIVE FISCAL NOTE:** | Yes |
| **VETO MESSAGE:** | No |
| **GOVERNOR'S PRESS RELEASE ON SIGNING:** | No |

**FOLLOWING WERE PRINTED:**
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| **REPORTS:** | No |
| **HEARINGS:** | No |
| **NEWSPAPER ARTICLES:** | No |

LAW/RWH 11-4-09

P.L. 2009, CHAPTER 129, ***approved October 1, 2009***

Senate Committee Substitute ***(First Reprint)*** for

Senate, Nos. 661, 841 and 963

**AN ACT** concerning eligibility for a homestead property tax reimbursement and amending P.L.1997, c.348.

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

1. Section 1 of P.L.1997, c.348 (C.54:4-8.67) is amended to read as follows:

1. As used in this act:

"Base year" means, in the case of a person who is an eligible claimant on or before December 31, 1997, the tax year 1997; and in the case of a person who first becomes an eligible claimant after December 31, 1997, the tax year in which the person first becomes an eligible claimant. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year shall be the first full tax year during which the person resides in the new homestead. [1]Provided however, a base year for an eligible claimant after such a move shall not apply to tax years commencing prior to January 1, 2009.[1]

"Commissioner" means the Commissioner of Health and Senior Services.

"Director" means the Director of the Division of Taxation.

"Condominium" means the form of real property ownership provided for under the "Condominium Act," P.L.1969, c.257 (C.46:8B-1 et seq.).

"Cooperative" means a housing corporation or association which entitles the holder of a share or membership interest thereof to possess and occupy for dwelling purposes a house, apartment or other unit of housing owned or leased by the corporation or association, or to lease or purchase a unit of housing constructed or to be constructed by the corporation or association.

"Disabled person" means an individual receiving monetary payments pursuant to Title II of the federal Social Security Act (42 U.S.C. s.401 et seq.) on December 31,1998, or on December 31 in all or any part of the year for which a homestead property tax reimbursement under this act is claimed.

"Dwelling house" means any residential property assessed as real property which consists of not more than four units, of which not more than one may be used for commercial purposes, but shall not

**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:**
**[1] Senate SBA committee amendments adopted June 22, 2009.**

include a unit in a condominium, cooperative, horizontal property regime or mutual housing corporation.

"Eligible claimant" means a person who:

is 65 or more years of age, or who is a disabled person;

is an owner of a homestead, or the lessee of a site in a mobile home park on which site the applicant owns a manufactured or mobile home;

has an annual income of less than $17,918 in tax year 1998, less than $18,151 in tax year 1999, or less than $37,174 in tax year 2000, if single, or, if married, whose annual income combined with that of the spouse is less than $21,970 in tax year 1998, less than $22,256 in tax year 1999, or less than $45,582 in tax year 2000, which income eligibility limits for single and married persons shall be subject to adjustments in [1]**[**subsequent**]**[1] tax years [1]2001 through 2006[1] pursuant to section 9 of P.L.1997, c.348 (C.54:4-8.68);

[1]has an annual income of $60,000 or less in tax year 2007, $70,000 or less in tax year 2008, or $80,000 or less in tax year 2009, if single or married, which income eligibility limits shall be subject to adjustments in subsequent tax years pursuant to section 9 of P.L.1997, c.348 (C.54:4-8.68);[1]

as a renter or homeowner, has made a long-term contribution to the fabric, social structure and finances of one or more communities in this State, as demonstrated through the payment of property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years at least three of which as owner of the homestead for which a homestead property tax reimbursement is sought prior to the date that an initial application for a homestead property tax reimbursement is filed. A person who has been an eligible claimant for a previous tax year shall qualify as an eligible claimant beginning the second full tax year following a move to another homestead in New Jersey, despite not meeting the three-year minimum residency and ownership requirement required for initial claimants under this paragraph; provided that the person satisfies the income eligibility limits for the tax year. [1]Provided however, eligibility beginning in a second full tax year after such a move shall not apply to tax years commencing prior to January 1, 2010.[1]

"Homestead" means:

a dwelling house and the land on which that dwelling house is located which constitutes the place of the eligible claimant's domicile and is owned and used by the eligible claimant as the eligible claimant's principal residence;

a site in a mobile home park equipped for the installation of manufactured or mobile homes, where these sites are under common ownership and control for the purpose of leasing each site to the owner of a manufactured or mobile home for the installation thereof and such site is used by the eligible claimant as the eligible claimant's principal residence;

a dwelling house situated on land owned by a person other than the eligible claimant which constitutes the place of the eligible claimant's domicile and is owned and used by the eligible claimant as the eligible claimant's principal residence;

a condominium unit or a unit in a horizontal property regime or a continuing care retirement community which constitutes the place of the eligible claimant's domicile and is owned and used by the eligible claimant as the eligible claimant's principal residence.

In addition to the generally accepted meaning of "owned" or "ownership," a homestead shall be deemed to be owned by a person if that person is a tenant for life or a tenant under a lease for 99 years or more, is entitled to and actually takes possession of the homestead under an executory contract for the sale thereof or under an agreement with a lending institution which holds title as security for a loan, or is a resident of a continuing care retirement community pursuant to a contract for continuing care for the life of that person which requires the resident to bear, separately from any other charges, the proportionate share of property taxes attributable to the unit that the resident occupies;

a unit in a cooperative or mutual housing corporation which constitutes the place of domicile of a residential shareholder or lessee therein, or of a lessee or shareholder who is not a residential shareholder therein, which is used by the eligible claimant as the eligible claimant's principal residence.

"Homestead property tax reimbursement" means payment of the difference between the amount of property tax or site fee constituting property tax due and paid in any year on any homestead, exclusive of improvements not included in the assessment on the real property for the base year, and the amount of property tax or site fee constituting property tax due and paid in the base year, when the amount paid in the base year is the lower amount; but such calculations shall be reduced by any current year property tax reductions or reductions in site fees constituting property taxes resulting from judgments entered by county boards of taxation or the State Tax Court.

"Horizontal property regime" means the form of real property ownership provided for under the "Horizontal Property Act," P.L.1963, c.168 (C.46:8A-1 et seq.).

"Manufactured home" or "mobile home" means a unit of housing which:

(1) Consists of one or more transportable sections which are substantially constructed off site and, if more than one section, are joined together on site;

(2) Is built on a permanent chassis;

(3) Is designed to be used, when connected to utilities, as a dwelling on a permanent or nonpermanent foundation; and

(4) Is manufactured in accordance with the standards promulgated for a manufactured home by the Secretary of the United States Department of Housing and Urban Development pursuant to the "National Manufactured Housing Construction and Safety Standards Act of 1974," Pub.L.93-383 (42 U.S.C. s.5401 et seq.) and the standards promulgated for a manufactured or mobile home by the commissioner pursuant to the "State Uniform Construction Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.).

"Mobile home park" means a parcel of land, or two or more parcels of land, containing no fewer than 10 sites equipped for the installation of manufactured or mobile homes, where these sites are under common ownership and control for the purpose of leasing each site to the owner of a manufactured or mobile home for the installation thereof, and where the owner or owners provide services, which are provided by the municipality in which the park is located for property owners outside the park, which services may include but shall not be limited to:

(1) The construction and maintenance of streets;

(2) Lighting of streets and other common areas;

(3) Garbage removal;

(4) Snow removal; and

(5) Provisions for the drainage of surface water from home sites and common areas.

"Mutual housing corporation" means a corporation not-for-profit, incorporated under the laws of this State on a mutual or cooperative basis within the scope of section 607 of the Langham Act (National Defense Housing), Pub.L.849, (42 U.S.C. s.1521 et seq.), as amended, which acquired a National Defense Housing Project pursuant to that act.

"Income" means income as determined pursuant to P.L.1975, c.194 (C:30:4D-20 et seq.).

"Principal residence" means a homestead actually and continually occupied by an eligible claimant as his or her permanent residence, as distinguished from a vacation home, property owned and rented or offered for rent by the claimant, and other secondary real property holdings.

"Property tax" means the general property tax due and paid as set forth in this section, on a homestead, but does not include special assessments and interest and penalties for delinquent taxes. [1]For the sole purpose of qualifying for a benefit under P.L.1997, c.348 (C.54:4-8.67 et seq.), property taxes paid by June 1 of the year following the year for which the benefit is claimed will be deemed to be timely paid.[1]

"Site fee constituting property tax" means 18 percent of the annual site fee paid or payable to the owner of a mobile home park.

"Tax year" means the calendar year in which a homestead is assessed and the property tax is levied thereon and it means the calendar year in which income is received or accrued.
(cf: P.L.2008, c.119, s.1)

2. This act shall take effect immediately.

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Revises criteria for eligibility to receive senior and disabled homestead property tax reimbursement.

(1) The construction and maintenance of streets;
(2) Lighting of streets and other common areas;
(3) Garbage removal;
(4) Snow removal; and
(5) Provisions for the drainage of surface water from home sites and common areas.

"Mutual housing corporation" means a corporation not-for-profit, incorporated under the laws of this State on a mutual or cooperative basis within the scope of section 607 of the Langham Act (National Defense Housing), Pub.L.849, (42 U.S.C. s.1521 et seq.), as amended, which acquired a National Defense Housing Project pursuant to that act.

"Income" means income as determined pursuant to P.L.1975, c.194 (C:30:4D-20 et seq.).

"Principal residence" means a homestead actually and continually occupied by an eligible claimant as his or her permanent residence, as distinguished from a vacation home, property owned and rented or offered for rent by the claimant, and other secondary real property holdings.

"Property tax" means the general property tax due and paid as set forth in this section, on a homestead, but does not include special assessments and interest and penalties for delinquent taxes.

"Site fee constituting property tax" means 18 percent of the annual site fee paid or payable to the owner of a mobile home park.

"Tax year" means the calendar year in which a homestead is assessed and the property tax is levied thereon and it means the calendar year in which income is received or accrued.

(cf: P.L.2001, c.251, s.1)

2. This act shall take effect immediately.

SPONSOR'S STATEMENT

This bill would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements would be based will be the first full tax year during which the person resides in the new homestead.

# SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

## STATEMENT TO

## SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 661, 841 and 963**

# STATE OF NEW JERSEY

DATED: JUNE 5, 2008

The Senate Community and Urban Affairs Committee reports favorably a Senate Committee Substitute for Senate Bill Nos. 661, 841, and 963.

This proposed committee substitute would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This substitute would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements would be based will be the first full tax year during which the person resides in the new homestead.

# FISCAL NOTE

SENATE COMMITTEE SUBSTITUTE FOR

# SENATE, Nos. 661, 841 and 963

# STATE OF NEW JERSEY

# 213th LEGISLATURE

DATED: NOVEMBER 13, 2008

## SUMMARY

**Synopsis:** Revises criteria for eligibility to receive senior and disabled homestead property tax reimbursement.

**Type of Impact:** Revenue loss to the Property Tax Relief Fund.

**Agencies Affected:** Department of the Treasury, Division of Taxation

**Executive Estimate**

| Fiscal Impact | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| **State Cost** | $8.3 million | $8.3 million | $8.3 million |

**Office of Legislative Services Estimate**

| Fiscal Impact | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| **State Cost** | $3.8 million | $4.7 million | $6.0 million |

- The Office of Legislative Services (OLS) **does not concur** with the Executive estimate for this bill. The OLS fiscal estimate is less than the cost calculated by the Division of Taxation because the OLS assumes that fewer homestead property tax reimbursement claimants will be affected by the change proposed in this bill and a lower average rebate amount.

- The OLS estimates that the additional cost to the State of allowing an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full year following a move to another homestead within the State to be approximately $4.0 million - $6.0 million per year over the next three years.

## BILL DESCRIPTION

Senate Committee Substitute for Senate Bill Nos. 661, 841 and 963 of 2008 would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This substitute would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which their reimbursement would be calculated will be the first full tax year during which the person resides in the new homestead.

Established in 1998, the homestead property tax reimbursement program is popularly known as the "Senior Freeze."

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

According to the Division of Taxation in the Department of the Treasury, the implementation of this bill would result in a cost of $8.3 million to the Property Tax Relief Fund. The division estimated the $8.3 million amount by multiplying a derived mobility rate of 4.9 percent from the United States Bureau of the Census by $169 million, the FY 2009 appropriation for the Senior and Disabled Citizens' Property Tax Freeze Program. To determine the mobility rate, the division utilizing Census data compiled as part of the 2006 American Community Survey, divided the total number of people aged 55 and over that either moved to a different residence within the same county, or moved to a different county within New Jersey by the total population of those 55 and over living in New Jersey.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS estimates that the enactment of this legislation will result in additional costs to the Property Tax Relief Fund of $3.8 million in FY 2009, $4.7 million in FY 2010, and $6.0 million in FY 2011. The OLS projection does not concur with the Executive Branch estimate. The OLS fiscal estimate is less than the cost calculated by the Division of Taxation because the OLS assumes that fewer homestead property tax reimbursement claimants will be affected by the change proposed in this bill and a lower average rebate amount.

To calculate the number of property owners affected by this bill, the OLS asked the Division of Taxation to provide annual data on the number of eligible claimants for the homestead property tax reimbursement that become ineligible to participate in the program due to a change in residence. Using the MOD IV tax collection program, the Division of Taxation informed OLS that 1,999 of 168,324 homeowners eligible for the homestead property tax reimbursement had different MOD IV identification numbers in 2006 and 2007, suggesting that the homeowners had changed their primary residence or address within the State. The OLS assumes that the 1,999 homeowners with different MOD IV identification numbers would be the universe of taxpayers affected by this bill. Furthermore, because this program affects low and moderate income property owners (defined as single allocations with incomes below $45,100 and married and civil union couples with incomes below $55,300 for 2007) it is reasonable to expect a relatively small applicant pool since members of this segment of the population have a lower mobility rate.

To forecast the cost to the Property Tax Relief Fund that would result from this bill, the OLS used program data to determine the average annual rate of growth in the amount of the average reimbursement check. This amount, 25 percent, was then used to project the average homestead property tax reimbursement check for FY 2009, FY 2010, and FY 2011. These amounts, ($1,905, $2,391, and $3,000 respectively) were each multiplied by 1,999, the estimated number of eligible claimants that would be affected by this bill to determine the projected costs for each fiscal year.

The OLS notes that the provisions of this bill would reduce the three-year savings to the Property Tax Relief Fund that result when an eligible claimant is temporarily disqualified from participating in the senior and disable property tax reimbursement program for three years following their relocation to another homestead. Instead, there will be one-year saving to the fund because this bill changes the definition of the new base year to be the first full year of the occupancy of the new homestead. Furthermore, the OLS notes the provisions of this bill would cause the base year for the new homestead to be established three years earlier than under current law. Assuming that property taxes will increase from year to year, the earlier base year will increase the amount of future annual reimbursements for those claimants due to the lower amount of taxes paid in the earlier base year.

Finally, the OLS notes that based on the data provided by the Division of Taxation, the Executive estimate would require that either 8,840 eligible claimants lose their program eligibility from year-to-year, or that the average homestead property tax reimbursement check is over $12,000.

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| *Section:* | *Local Government* |
| *Analyst:* | *Scott A. Brodsky*<br>*Assistant Fiscal Analyst* |
| *Approved:* | *David J. Rosen*<br>*Legislative Budget and Finance Officer* |

This fiscal note has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

# STATEMENT TO

# SENATE COMMITTEE SUBSTITUE FOR
# **SENATE, Nos. 661, 841 and 963**

with committee amendments

# STATE OF NEW JERSEY

DATED: JUNE 22, 2009

The Senate Budget and Appropriations Committee reports favorably Senate Bill Nos. 661, 841 and 963 (SCS), with committee amendments.

This bill as amended, revises the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill still requires an eligible claimant to meet the three year ownership requirement for initial eligibility, but allows an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. The bill provides that the earliest claim year for such a claimant is tax year 2010. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements would be based will be the first full tax year during which the person resides in the new homestead. The bill specifies that the earliest base year for such a claimant is tax year 2009.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the enactment of this legislation will not have any fiscal impact in FY 2010. The agency estimates that this legislation will result in additional costs to the Property Tax Relief Fund of $4.5 million in FY 2011 and $5.5 million in FY 2012.

To forecast the costs to the Property Tax Relief Fund that would result from this bill, the OLS used program data to determine the average annual rate of growth in the amount of the average reimbursement check. This amount, 21%, was then used to project the average homestead property tax reimbursement check for FY 2011 and FY 2012. These amounts, ($2,279 and $2,762) were each multiplied by 2,000, the estimated number of eligible claimants that would be affected by this bill based on information provided by the Division of Taxation.

Amendments to the bill negate any potential for a fiscal impact in FY 2010 because they require the new base year to be no earlier than calendar year 2009 and the first claim year for which a person could reestablish eligibility to receive, and file a claim for, a homestead property tax reimbursement would be calendar year 2010. Accordingly, the first payments to claimants that have reestablished their eligibility pursuant to the committee substitute would be made in FY 2011.

COMMITTEE AMENDMENTS:

The committee amendments adjust the base year and claim year determinations so that there is no fiscal impact for FY 2010. Specifically, the earliest base year a claimant, whose eligibility is based on the revised ownership requirements triggered by an in-State move, may use is tax year 2009. The earliest claim year for such a claimant is tax year 2010. The committee amendments also make technical changes to reflect existing statute.

# FISCAL NOTE

[First Reprint]

SENATE COMMITTEE SUBSTITUTE FOR

# SENATE, Nos. 661, 841, and 963

# STATE OF NEW JERSEY

# 213th LEGISLATURE

DATED: JULY 8, 2009

## SUMMARY

**Synopsis:** Revises criteria for eligibility to receive senior and disabled homestead property tax reimbursement.

**Type of Impact:** Revenue loss to the Property Tax Relief Fund

**Agencies Affected:** Department of the Treasury, Division of Taxation

**Executive Estimate**

| **Fiscal Impact** | **Year 1** | **Year 2** | **Year 3** |
|---|---|---|---|
| **State Cost** | No Impact | $8,300,000 | $8,300,000 |

**Office of Legislative Services Estimate**

| **Fiscal Impact** | **Year 1** | **Year 2** | **Year 3** |
|---|---|---|---|
| **State Cost** | No Impact | $480,000 | $1,500,000 |

- The Office of Legislative Services (OLS) **does not concur** with the Executive Estimate for this bill. The OLS fiscal estimate is less than the cost calculated by the Division of Taxation because the OLS assumes that fewer homestead property tax reimbursement claimants will be affected by the change proposed in this bill, and also assumes a lower average rebate amount.

- The OLS estimates the additional cost to the State of allowing an eligible claimant who moves to another homestead within the State to resume eligibility to receive a homestead property tax reimbursement for the second full year following that move to be approximately$480,000 in FY 2011 and $1,500,000 in FY 2012.

## BILL DESCRIPTION

As amended, the Senate Committee Substitute for Senate Bill Nos. 661, 841, and 963 would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date than an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which the reimbursements would be based will be the first full tax year during which the person resides in the new homestead. Amendments to the bill require the new base year to be no earlier than calendar year 2009.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

According to the Division of Taxation in the Department of the Treasury, the implementation of this bill would result in a cost of $8.3 million to the Property Tax Relief Fund. The division estimated the $8.3 million amount by multiplying a derived mobility rate of 4.9 percent from the United States Bureau of the Census by $169 million, the FY 2009 appropriation for the Senior and Disabled Citizens' Property Tax Freeze Program. To determine the mobility rate, the division utilized census data compiled as part of the 2006 American Community Survey, and divided the total number of people aged 55 and over who either moved to a different residence within the same county, or moved to a different county within New Jersey, by the total population of those 55 and over living in New Jersey.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS notes that the enactment of this legislation will not have any fiscal impact in FY 2010. The OLS estimates that this legislation will result in additional costs to the Property Tax Relief Fund of $480,000 in FY 2011 and $1,500,000 in FY 2012.

To calculate the number of property owners affected by this bill, the OLS asked the Division of Taxation to provide annual data on the number of eligible claimants for the homestead property tax reimbursement who become ineligible to participate in the program due to a change in residence. Using the MOD IV tax collection program, the Division of Taxation informed OLS that 1,999 of 168,324 homeowners (approximately 0.012 percent) eligible for the homestead property tax reimbursement had different MOD IV identification numbers in 2006 and 2007, suggesting that the homeowners had changed their primary residence or address within the State. The OLS assumes that the 1,999 homeowners with different MOD IV identification numbers would be the universe of taxpayers affected by this bill. It is reasonable to expect a relatively small applicant pool since members of this segment of the population have a lower mobility rate.

To forecast the cost to the Property Tax Relief Fund that would result from this bill, the OLS multiplied the estimated average new participant check for FY 2010 ($225) by .06 (or 6 percent), the average annual change in total residential property taxes from 2002 to 2008, because the amount of the reimbursement check is based on the difference between a claimant's property taxes in their base year and that claimant's property taxes in the current tax year. This amount ($238.50) was multiplied by 1,999, the estimated number of eligible claimants that would be affected by this bill to determine the projected costs for Fiscal Year 2010 ($238.50 x 1,999 = $476,761). This process was duplicated to determine an estimate for first time qualifiers in FY 2011 ($238.50 x .06 = $252.80) ($252.80 x 1,999 = $505,347). Extrapolation of this data was performed to obtain the second year cost for those that first qualified in FY 2011. Because the bill requires the new base year to be no earlier than calendar year 2009 and the first claim year for which a person could reestablish eligibility to receive, and file a claim for, a homestead property tax reimbursement would be calendar year 2010, the first payments to claimants that have reestablished their eligibility pursuant to the committee substitute would be made in FY 2011.

The OLS notes that the provisions of this bill would reduce the three-year interruption of benefits that results when an eligible claimant is temporarily disqualified from participating in the homestead property tax reimbursement program years following their relocation to another homestead. Instead, there will be a one-year interruption because this bill changes the definition of the new base year to be the first full tax year of the occupancy of the new homestead. Assuming that property taxes will increase from year to year, the earlier base year will increase the amount of future annual reimbursements for those claimants due to their participation in the program two years earlier than otherwise.

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| *Section:* | *Local Government* |
| *Analyst:* | *Scott Brodsky*<br>*Associate Fiscal Analyst* |
| *Approved:* | *David J. Rosen*<br>*Legislative Budget and Finance Officer* |

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

(1) The construction and maintenance of streets;

(2) Lighting of streets and other common areas;

(3) Garbage removal;

(4) Snow removal; and

(5) Provisions for the drainage of surface water from home sites and common areas.

"Mutual housing corporation" means a corporation not-for-profit, incorporated under the laws of this State on a mutual or cooperative basis within the scope of section 607 of the Langham Act (National Defense Housing), Pub.L.849, (42 U.S.C.s.1521 et seq.), as amended, which acquired a National Defense Housing Project pursuant to that act.

"Income" means income as determined pursuant to P.L.1975, c.194 (C:30:4D-20 et seq.).

"Principal residence" means a homestead actually and continually occupied by an eligible claimant as his or her permanent residence, as distinguished from a vacation home, property owned and rented or offered for rent by the claimant, and other secondary real property holdings.

"Property tax" means the general property tax due and paid as set forth in this section, on a homestead, but does not include special assessments and interest and penalties for delinquent taxes.

"Site fee constituting property tax" means 18 percent of the annual site fee paid or payable to the owner of a mobile home park.

"Tax year" means the calendar year in which a homestead is assessed and the property tax is levied thereon and it means the calendar year in which income is received or accrued.

(cf: P.L.2001, c.251, s.1)

2. This act shall take effect immediately.

SPONSOR'S STATEMENT

This bill revises the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement.

Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill lowers the initial requirement that an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, to five consecutive years.

This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which subsequent reimbursements shall be based will be the first full tax year during which the person resides in the new homestead.

(2) Lighting of streets and other common areas;

(3) Garbage removal;

(4) Snow removal; and

(5) Provisions for the drainage of surface water from home sites and common areas.

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This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements shall be based will be the first full tax year during which the person resides in the new homestead.

(1) The construction and maintenance of streets;

(2) Lighting of streets and other common areas;

(3) Garbage removal;

(4) Snow removal; and

(5) Provisions for the drainage of surface water from home sites and common areas.

"Mutual housing corporation" means a corporation not-for-profit, incorporated under the laws of this State on a mutual or cooperative basis within the scope of section 607 of the Langham Act (National Defense Housing), Pub.L.849, (42 U.S.C. s.1521 et seq.), as amended, which acquired a National Defense Housing Project pursuant to that act.

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(cf: P.L.2001, c.251, s.1)

2. This act shall take effect immediately.

## SPONSOR'S STATEMENT

This bill would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements would be based will be the first full tax year during which the person resides in the new homestead.

# ASSEMBLY BUDGET COMMITTEE

# STATEMENT TO

# ASSEMBLY, No. 2195

with committee amendments

# STATE OF NEW JERSEY

DATED: JUNE 22, 2009

The Assembly Budget Committee reports favorably Assembly Bill No. 2195, with committee amendments.

The bill, as amended, revises the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date that an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill still requires an eligible claimant to meet the three year ownership requirement for initial eligibility, but allows an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full tax year following a move to another homestead in New Jersey. The bill provides that the earliest claim year for such a claimant is tax year 2010. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which reimbursements would be based will be the first full tax year during which the person resides in the new homestead. The bill specifies that the earliest base year for such a claimant is tax year 2009.

COMMITTEE AMENDMENTS:

The committee amendments adjust the base year and claim year determinations so that there is no fiscal impact for FY 2010. Specifically, the earliest base year a claimant, whose eligibility is based on the revised ownership requirements triggered by an in-State move, may use is tax year 2009. The earliest claim year for such a claimant is tax year 2010. The committee amendments also make technical changes to reflect existing statute.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that the enactment of this legislation will not have any fiscal impact in FY 2010. The OLS estimates that this legislation will result in additional costs to the Property Tax Relief Fund of $4.5 million in FY 2011 and $5.5 million in FY 2012.

To forecast the costs to the Property Tax Relief Fund that would result from this bill, the OLS used program data to determine the average annual rate of growth in the amount of the average reimbursement check. This amount, 21%, was then used to project the average homestead property tax reimbursement check for FY 2011 and FY 2012. These amounts, ($2,279 and $2,762) were each multiplied by 2,000, the estimated number of eligible claimants that would be affected by this bill based on information provided by the Division of Taxation.

Amendments to the bill negate any potential for a fiscal impact in FY 2010 because they require the new base year to be no earlier than calendar year 2009 and the first claim year for which a person could reestablish eligibility to receive, and file a claim for, a homestead property tax reimbursement would be calendar year 2010. Accordingly, the first payments to claimants that have reestablished their eligibility pursuant to the committee substitute would be made in FY 2011.

# FISCAL NOTE

## [First Reprint]

## ASSEMBLY, No. 2195

## STATE OF NEW JERSEY

## 213th LEGISLATURE

DATED: JULY 8, 2009

### SUMMARY

| | |
|---|---|
| **Synopsis:** | Revises criteria for eligibility to receive senior and disabled homestead property tax reimbursement. |
| **Type of Impact:** | Revenue loss to the Property Tax Relief Fund. |
| **Agencies Affected:** | Department of the Treasury, Division of Taxation |

**Executive Estimate**

| **Fiscal Impact** | **Year 1** | **Year 2** | **Year 3** |
|---|---|---|---|
| **State Cost** | No Impact | $8,300,000 | $8,300,000 |

**Office of Legislative Services Estimate**

| **Fiscal Impact** | **Year 1** | **Year 2** | **Year 3** |
|---|---|---|---|
| **State Cost** | No Impact | $480,000 | $1,500,000 |

- The Office of Legislative Services (OLS) **does not concur** with the Executive Estimate for this bill. The OLS fiscal estimate is less than the cost calculated by the Division of Taxation because the OLS assumes that fewer homestead property tax reimbursement claimants will be affected by the change proposed in this bill, and also assumes a lower average rebate amount.

- The OLS estimates the additional cost to the State of allowing an eligible claimant who moves to another homestead within the State to resume eligibility to receive a homestead property tax reimbursement for the second full year following that move to be approximately$480,000 in FY 2011 and $1,500,000 in FY 2012.

## BILL DESCRIPTION

Assembly Bill No. 2195 (1R) of 2008 would revise the criteria for eligibility to receive a senior and disabled homestead property tax reimbursement. Under current law, an eligible claimant must have paid property taxes directly, or through rent, on any homestead or rental unit used as a principal residence in this State for at least 10 consecutive years, at least three of which as owner of the property for which a homestead property tax reimbursement is sought, prior to the date than an application for a homestead property tax reimbursement is filed. An eligible claimant who moves from one home to another is effectively barred from eligibility to receive a homestead property tax reimbursement until he or she owns the new residence for three years.

This bill would still require an eligible claimant to meet the three year ownership requirement for initial eligibility, but would allow an eligible claimant who moves to another home to resume eligibility to receive a homestead property tax reimbursement for the second full year following a move to another homestead in New Jersey. In the case of an eligible claimant who subsequently moves from the homestead for which the initial eligibility was established, the base year on which the reimbursements would be based will be the first full tax year during which the person resides in the new homestead. Amendments to the bill require the new base year to be no earlier than calendar year 2009.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

According to the Division of Taxation in the Department of the Treasury, the implementation of this bill would result in a cost of $8.3 million to the Property Tax Relief Fund. The division estimated the $8.3 million amount by multiplying a derived mobility rate of 4.9 percent from the United States Bureau of the Census by $169 million, the FY 2009 appropriation for the Senior and Disabled Citizens' Property Tax Freeze Program. To determine the mobility rate, the division utilized census data compiled as part of the 2006 American Community Survey, and divided the total number of people aged 55 and over who either moved to a different residence within the same county, or moved to a different county within New Jersey, by the total population of those 55 and over living in New Jersey.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS notes that the enactment of this legislation will not have any fiscal impact in FY 2010. The OLS estimates that this legislation will result in additional costs to the Property Tax Relief Fund of $480,000 in FY 2011 and $1,500,000 in FY 2012.

To calculate the number of property owners affected by this bill, the OLS asked the Division of Taxation to provide annual data on the number of eligible claimants for the homestead property tax reimbursement who become ineligible to participate in the program due to a change in residence. Using the MOD IV tax collection program, the Division of Taxation informed OLS that 1,999 of 168,324 homeowners (approximately 0.012 percent) eligible for the homestead property tax reimbursement had different MOD IV identification numbers in 2006 and 2007, suggesting that the homeowners had changed their primary residence or address within the State. The OLS assumes that the 1,999 homeowners with different MOD IV identification numbers would be the universe of taxpayers affected by this bill. It is reasonable to expect a relatively small applicant pool since members of this segment of the population have a lower mobility rate.

To forecast the cost to the Property Tax Relief Fund that would result from this bill, the OLS multiplied the estimated average new participant check for FY 2010 ($225) by .06 (or 6 percent), the average annual change in total residential property taxes from 2002 to 2008, because the amount of the reimbursement check is based on the difference between a claimant's property taxes in their base year and that claimant's property taxes in the current tax year. This amount ($238.50) was multiplied by 1,999, the estimated number of eligible claimants that would be affected by this bill to determine the projected costs for Fiscal Year 2010 ($238.50 x 1,999 = $476,761). This process was duplicated to determine an estimate for first time qualifiers in FY 2011 ($238.50 x .06 = $252.80) ($252.80 x 1,999 = $505,347). Extrapolation of this data was performed to obtain the second year cost for those that first qualified in FY 2011. Because the bill requires the new base year to be no earlier than calendar year 2009 and the first claim year for which a person could reestablish eligibility to receive, and file a claim for, a homestead property tax reimbursement would be calendar year 2010, the first payments to claimants that have reestablished their eligibility pursuant to the committee substitute would be made in FY 2011.

The OLS notes that the provisions of this bill would reduce the three-year interruption of benefits that results when an eligible claimant is temporarily disqualified from participating in the homestead property tax reimbursement program following their relocation to another homestead. Instead, there will be a one-year interruption because this bill changes the definition of the new base year to be the first full tax year of the occupancy of the new homestead. Assuming that property taxes will increase from year to year, the earlier base year will increase the amount of future annual reimbursements for those claimants due to their participation in the program two years earlier than otherwise.

*Section:* *Local Government*

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*Associate Fiscal Analyst*

*Approved:* *David J. Rosen*
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).