

17: 12B-11

LEGISLATIVE HISTORY CHECKLIST
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(Municipal liens)

NJSA: 17:12B-11

LAWS OF: 1997 CHAPTER: 190

BILL NO: S2196

SPONSOR(S): Connors

DATE INTRODUCED: June 5, 1997

COMMITTEE: ASSEMBLY: ---

SENATE: ---

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: June 16, 1997

SENATE: June 5, 1997

DATE OF APPROVAL: August 5, 1997

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No

SENATE: No

FISCAL NOTE: Yes

VETO MESSAGE: ~~Yes~~ No

MESSAGE ON SIGNING: ~~No~~ YES

FOLLOWING WERE PRINTED:
REPORTS: No

HEARINGS: No

See newspaper clippings--
"Whitman signs tax bill...", 8-6-97, Atlantic City Press.

KBP:pp

17:12B-11

P.L. 1997, CHAPTER 190, *approved August 5, 1997*
Senate, No. 2196

1 AN ACT concerning property tax liens and amending various sections
2 of statutory law.

3

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

6

7 1. Section 11 of P.L.1963, c.144 (C.17:12B-11) is amended to
8 read as follows:

9 11. A mortgage upon real property or a mortgage upon a lease of
10 the fee of real property shall be deemed a first lien as follows:

11 (a) A mortgage upon real property shall be deemed a first lien
12 notwithstanding the existence of (i) a prior mortgage or mortgages
13 held by the association, [or liens of taxes or assessments which are not
14 delinquent,] (ii) a lien of a condominium association for up to six
15 months of customary condominium assessments pursuant to section 21
16 of P.L.1969, c.257 (C.46:8B-21), or (iii) building restrictions or other
17 restrictive covenants or conditions, leases or tenancies whereby rents
18 or profits are reserved to the owner, joint driveways, sewer rights,
19 rights in walls, rights-of-way or other easements, or encroachments
20 which do not materially affect the security for the mortgage loan.
21 Nothing herein shall alter or affect the status or priority of municipal
22 liens under R.S.54:5-1 et seq.

23 (b) A mortgage upon a lease of the fee of real property shall be
24 deemed a first lien [notwithstanding the existence of liens of taxes or
25 assessments which are not delinquent,] not subject to any prior lien,
26 except for municipal liens, notwithstanding the existence of building
27 restrictions or other restrictive covenants or conditions, joint
28 driveways, sewer rights, rights in walls, rights-of-way or other
29 easements, or encroachments which do not materially affect the
30 security for the mortgage loan. Nothing herein shall alter or affect the
31 status or priority of municipal liens under R.S.54:5-1 et seq.

32 (c) A mortgage upon an apartment which is part of a horizontal
33 property regime, established under the "Horizontal Property Act,"
34 P.L.1963, c.168 (C.46:8A-1 et seq.) or upon a unit which is part of a

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

Matter underlined thus is new matter.

1 condominium established pursuant to the "Condominium Act,"
2 P.L.1969, c.257 (C.46:8B-1 et seq.) shall be deemed a first lien
3 notwithstanding the existence of other proportionate undivided
4 interests in the "general common elements" or "common elements" of
5 such horizontal property regime or condominium, as the case may be,
6 as the same are defined in the "Horizontal Property Act," and the
7 "Condominium Act," respectively, and notwithstanding the
8 indivisibility of such common elements or the existence of a prior
9 mortgage or mortgages held by the association upon such apartment
10 or unit or the existence of a prior mortgage or mortgages on other
11 apartments or units within the particular horizontal property regime or
12 condominium, as the case may be, regardless of whether such prior
13 mortgages are held by the association or any other mortgagee [and
14 notwithstanding liens of taxes or assessments which are not
15 delinquent,] and notwithstanding the existence of building restrictions
16 or other restrictive covenants or conditions, leases or tenancies
17 whereby rents or profits are reserved to the owner, or other easements
18 or encroachments which do not materially affect the security for the
19 mortgage loan. Nothing herein shall alter or affect the status or
20 priority of municipal liens under R.S.54:5-1 et seq.

21 (d) Every mortgage shall be certified to be a first lien by an attorney
22 at law of the state in which the real property is located, or certified or
23 guaranteed to be a first lien by a corporation authorized to guarantee
24 titles to real property in such state.

25 (cf: P.L.1995, c.354, s.3)

26

27 2. Section 21 of P.L.1969, c.257 (C.46:8B-21) is amended to read
28 as follows:

29 21. a. The association shall have a lien on each unit for any unpaid
30 assessment duly made by the association for a share of common
31 expenses or otherwise, including any other moneys duly owed the
32 association, upon proper notice to the appropriate unit owner,
33 together with interest thereon and, if authorized by the master deed or
34 bylaws, late fees, fines and reasonable attorney's fees; provided
35 however that an association shall not record a lien in which the unpaid
36 assessment consists solely of late fees. Such lien shall be effective
37 from and after the time of recording in the public records of the county
38 in which the unit is located of a claim of lien stating the description of
39 the unit, the name of the record owner, the amount due and the date
40 when due. Such claim of lien shall include only sums which are due
41 and payable when the claim of lien is recorded and shall be signed and
42 verified by an officer or agent of the association. Upon full payment
43 of all sums secured by the lien, the party making payment shall be
44 entitled to a recordable satisfaction of lien. Except as set forth in
45 subsection b. of this section, all such liens shall be subordinate to any
46 lien for past due and unpaid property taxes, the lien of any mortgage

1 to which the unit is subject and to any other lien recorded prior to the
2 time of recording of the claim of lien.

3 b. A lien recorded pursuant to subsection a. of this section shall
4 have a limited priority over prior recorded mortgages and other liens,
5 [other than liens for unpaid property taxes] , except for municipal liens
6 or liens for federal taxes, to the extent provided in this subsection.
7 This priority shall be limited as follows:

8 (1) To a lien which is the result of customary condominium
9 assessments as defined herein, the amount of which shall not exceed
10 the aggregate customary condominium assessment against the unit
11 owner for the six-month period prior to the recording of the lien.

12 (2) With respect to a particular mortgage, to a lien recorded prior
13 to: (a) the receipt by the association of a summons and complaint in
14 an action to foreclose a mortgage on that unit; or (b) the filing with
15 the proper county recording office of a lis pendens giving notice of an
16 action to foreclose a mortgage on that unit.

17 (3) In the case of more than one association lien being filed, either
18 because an association files more than one lien or multiple associations
19 have filed liens, the total amount of the liens granted priority shall not
20 be greater than the assessment for the six-month period specified in
21 paragraph 1 of this subsection. Priority among multiple filings shall be
22 determined by their date of recording with the earlier recorded liens
23 having first use of the priority given herein.

24 (4) The priority granted to a lien pursuant to this subsection shall
25 expire on the first day of the 60th month following the date of
26 recording of an association's lien.

27 (5) A lien of an association shall not be granted priority over a
28 prior recorded mortgage or mortgages under this subsection if a prior
29 recorded lien of the association for unpaid assessments has obtained
30 priority over the same recorded mortgage or mortgages as provided
31 in this subsection, for a period of 60 months from the date of
32 recording of the lien granted priority.

33 (6) When recording a lien which may be granted priority pursuant
34 to this act, an association shall notify, in writing, any holder of a first
35 mortgage lien on the property of the filing of the association lien. An
36 association which exercises a good faith effort but is unable to
37 ascertain the identity of a holder of a prior recorded mortgage on the
38 property will be deemed to be in substantial compliance with this
39 paragraph.

40 For the purpose of this section, a "customary condominium
41 assessment" shall mean an assessment for periodic payments, due the
42 association for regular and usual operating and common area expenses
43 pursuant to the association's annual budget and shall not include
44 amounts for reserves for contingencies, nor shall it include any late
45 charges, penalties, interest or any fees or costs for the collection or
46 enforcement of the assessment or any lien arising from the assessment.

1 The periodic payments due must be due monthly, or no less frequently
2 than quarter-yearly, as may be acceptable to the Federal National
3 Mortgage Association so as not to disqualify an otherwise superior
4 mortgage on the condominium from purchase by the Federal National
5 Mortgage Association as a first mortgage.

6 c. Upon any voluntary conveyance of a unit, the grantor and
7 grantee of such unit shall be jointly and severally liable for all unpaid
8 assessments pertaining to such unit duly made by the association or
9 accrued up to the date of such conveyance without prejudice to the
10 right of the grantee to recover from the grantor any amounts paid by
11 the grantee, but the grantee shall be exclusively liable for those
12 accruing while he is the unit owner.

13 d. Any unit owner or any purchaser of a unit prior to completion
14 of a voluntary sale may require from the association a certificate
15 showing the amount of unpaid assessments pertaining to such unit and
16 the association shall provide such certificate within 10 days after
17 request therefor. The holder of a mortgage or other lien on any unit
18 may request a similar certificate with respect to such unit. Any person
19 other than the unit owner at the time of issuance of any such certificate
20 who relies upon such certificate shall be entitled to rely thereon and his
21 liability shall be limited to the amounts set forth in such certificate.

22 e. If a mortgagee of a first mortgage of record or other purchaser
23 of a unit obtains title to such unit as a result of foreclosure of the first
24 mortgage, such acquirer of title, his successors and assigns shall not
25 be liable for the share of common expenses or other assessments by
26 the association pertaining to such unit or chargeable to the former unit
27 owner which became due prior to acquisition of title as a result of the
28 foreclosure. Any remaining unpaid share of common expenses and
29 other assessments, except assessments derived from late fees or fines,
30 shall be deemed to be common expenses collectible from all of the
31 remaining unit owners including such acquirer, his successors and
32 assigns.

33 f. Liens for unpaid assessments may be foreclosed by suit brought
34 in the name of the association in the same manner as a foreclosure of
35 a mortgage on real property. The association shall have the power,
36 unless prohibited by the master deed or bylaws to bid on the unit at
37 foreclosure sale, and to acquire, hold, lease, mortgage and convey the
38 same. Suit to recover a money judgment for unpaid assessments may
39 be maintained without waiving the lien securing the same. Nothing
40 herein shall alter the status or priority of municipal liens under
41 R.S.54:5-1 et seq.

42 (cf: P.L.1996, c.79, s.5)

43

44 3. R.S.54:5-47 is amended to read as follows:

45 54:5-47. The certificate shall be substantially in the following form:

1 "I, , collector of taxes of
 2 (name of municipality), hereby certify
 3 that on, 19..... , I sold to
 4 for dollars, the
 5 lands in the municipality described as on
 6 the tax duplicate of the municipality, and assessed thereon to
 7 as owner (followed by amplified description if
 8 desired). The amount of sale was made up of the following items
 9 (followed by the items, including interest and costs). The sale is
 10 subject to redemption on repayment of the amount of the sale,
 11 together with interest thereon at the rate of per cent per
 12 annum from the date of sale, and the costs incurred by the purchaser.
 13 The sale is subject only to municipal liens accruing after
 14 (insert date of last item of taxes or assessment
 15 for which sale is made). [The right to redeem will expire in six months
 16 after the service of notice to redeem, except that the right to redeem
 17 shall extend for six months from the date of sale when the municipality
 18 is the purchaser and extend for two years from the date of sale for all
 19 other purchasers.]

20 "Witness my hand and seal this day of
 21, 19 (Followed by acknowledgment)."

22 (cf: P.L.1991, c.75, s.47)

23
 24 4. R.S.54:5-54 is amended to read as follows:

25 54:5-54. Except as hereinafter provided, the owner, his heirs,
 26 holder of [a prior] any prior outstanding tax lien certificate,
 27 mortgagee, or occupant of land sold for municipal taxes, assessment
 28 for benefits pursuant to R.S.54:5-7 or other municipal charges, may
 29 redeem it at any time until the right to redeem has been cut off in the
 30 manner in this chapter set forth, by paying to the collector, or to the
 31 collector of delinquent taxes on lands of the municipality where the
 32 land is situate, for the use of the purchaser, his heirs or assigns, the
 33 amount required for redemption as hereinafter set forth.

34 (cf: P.L.1994, c.32, s.8)

35
 36 5. R.S.54:5-55 is amended to read as follows:

37 54:5-55. The collecting officer on receiving payment in full shall[,
 38 except as provided in section 54:5-56 of this title,] execute and deliver
 39 to the person redeeming a certificate of redemption which may be
 40 recorded with the register of deeds, or if there is no register, with the
 41 county clerk. The county clerk or register, as the case may be, shall,
 42 on request, note on the record of the original certificate of sale a
 43 reference to the record of the certificate of redemption, and shall be
 44 entitled therefor to the same fees as provided respectively for the
 45 cancellation of mortgages and for the record of discharges thereof, or,
 46 at the option of the person redeeming, the collecting officer shall

1 procure and deliver to the owner the certificate of sale receipted for
2 cancellation by indorsement in the same manner required by law to
3 satisfy or cancel a mortgage, whereupon the record of the certificate
4 of sale shall be canceled by the county clerk or register, as the case
5 may be, in the same manner and for the same fees as in the case of
6 mortgages.

7 (cf: R.S.54:5-55)

8

9 6. R.S.54:5-57 is amended to read as follows:

10 54:5-57. The collecting officer shall at once, on receipt of the
11 redemption money, mail notice thereof to the purchaser, if his address
12 can be ascertained, and shall pay all redemption moneys to him or his
13 assigns on his surrender of the certificate of sale and compliance with
14 the provisions of [sections] section 54:5-55 [and 54:5-56] of this title.

15 (cf: R.S.54:5-57)

16

17 7. R.S.54:5-112 is amended to read as follows:

18 54:5-112. When a municipality has or shall have acquired title to
19 real estate by reason of its having been struck off and sold to the
20 municipality at a sale for delinquent taxes or assessments, the
21 governing body thereof may, by resolution adopted by a majority
22 thereof by roll call, sell such real estate at private sale to such person
23 and for such sums, not less than the amount of municipal liens charged
24 against the same, except as provided in subsection a. of section 38 of
25 P.L.1996, c.62 (C.55:19-57), as shall seem to be to the best interest
26 of the municipality. Upon the adoption of the resolution and the
27 payment of the consideration as stated therein, the officers of the
28 governing body authorized by resolution shall make, execute,
29 acknowledge and deliver a deed without covenants to the purchaser,
30 which deed shall vest in the purchaser all of the right, title and interest
31 of the municipality in the real estate therein described. The deed need
32 not contain any recitals, except a statement of the actual consideration.
33 Such sales shall not include real estate, title to which has been
34 perfected by the municipality. Any and all further or additional
35 assignments of the tax sale certificates shall be promptly recorded in
36 the office of the county clerk or register of deeds, as the case may be,
37 of the county wherein the real property is situate, and a photocopy of
38 the recorded assignment shall be served upon the local tax collector by
39 certified mail, return receipt requested. When assignments have not
40 been recorded and served upon the tax collector, the tax collector and
41 the municipality shall be held harmless for the payment of any
42 redemption amounts to the holder of the tax sale certificate as appears
43 on the records of the tax collector.

44 (cf: P.L.1996, c.62, s.43)

1 8. R.S.54:5-113 is amended to read as follows:

2 54:5-113. When a municipality has or shall have acquired title to
3 real estate by reason of its having been struck off and sold to the
4 municipality at a sale for delinquent taxes and assessments, the
5 governing body thereof may by resolution authorize a private sale of
6 the certificate of tax sale therefor, together with subsequent liens
7 thereon, for not less than the amount of liens charged against such real
8 estate, except as provided in section 2 of P.L.1993, c.113
9 (C.54:5-113.1) and subsection a. of section 38 of P.L.1996, c.62
10 (C.55:19-57). The sale shall be made by assignment executed by such
11 officers as may be designated in the resolution. When the total amount
12 of the municipal liens shall, at the time of the proposed sale or
13 assignment, exceed the assessed value of the real estate as of the date
14 of the last sale thereof for unpaid taxes and assessments, the
15 certificates, together with subsequent liens thereon, may be sold and
16 assigned for a sum not less than such assessed value. Any and all
17 further or additional assignments of the tax sale certificates shall be
18 promptly recorded in the office of the county clerk or register of
19 deeds, as the case may be, of the county wherein the real property is
20 situate, and a photocopy of the recorded assignment shall be served
21 upon the local tax collector by certified mail, return receipt requested.
22 When assignments have not been recorded and served upon the tax
23 collector, the tax collector and the municipality shall be held harmless
24 for the payment of any redemption amounts to the holder of the tax
25 sale certificate as appears on the records of the tax collector.
26 (cf: P.L.1996, c.62, s.44)

27

28 9. Section 4 of P.L.1993, c.325 (C.54:5-113.4) is amended to read
29 as follows:

30 4. Notwithstanding the provisions of any other law, rule or
31 regulation to the contrary, a municipality may assign, pledge or
32 transfer to the New Jersey Economic Development Authority tax sale
33 certificates held by the municipality for property located within its
34 boundaries, together with subsequent liens thereon, as collateral for
35 any bonds or notes issued by the authority by or on behalf of the
36 municipality on the same terms and conditions as set forth in section
37 2 of P.L.1993, c.113 (C.54:5-113.1) for any purposes permitted by
38 law. For the purposes of this section "municipality" shall include
39 municipalities acting jointly pursuant to section 2 of P.L.1993, c.113
40 (C.54:5-113.1). Any and all further or additional assignments of the
41 tax sale certificates shall be promptly recorded in the office of the
42 county clerk or register of deeds, as the case may be, of the county
43 wherein the real property is situate, and a photocopy of the recorded
44 assignment shall be served upon the local tax collector by certified
45 mail, return receipt requested. When assignments have not been
46 recorded and served upon the tax collector, the tax collector and the

1 municipality shall be held harmless for the payment of any redemption
2 amounts to the holder of the tax sale certificate as appears on the
3 records of the tax collector.

4 (cf: P.L.1993, c.325, s.4)

5

6 10. Section 1 of P.L.1941, c.232 (C.54:5-114.1) is amended to
7 read as follows:

8 1. In addition to any method now provided by law the governing
9 body of any municipality may sell any certificate of tax sale held by
10 such municipality by one of the following methods, but such sale shall
11 not affect or impair any municipal lien subsequent to the certificate of
12 tax sale:

13 (a) At public sale to the highest bidder. Such public sale shall be
14 held after public notice of the time and place of sale, stating the
15 description of the several lots and parcels of land covered by the
16 certificate of sale and the name of the owner of the land as contained
17 in the collector's list, together with the total amount required for
18 redemption including all subsequent municipal liens with interest and
19 costs, and stating in substance that the respective certificates of sale,
20 not including any municipal lien subsequent thereto, will be sold to the
21 highest bidder at said public sale, subject to confirmation by the
22 governing body at its next regular meeting after the sale. Copies of
23 the notice shall be set up in five of the most public places in the
24 municipality and a copy of the notice shall be published in a newspaper
25 circulating in the municipality once in each of two calendar weeks
26 preceding the calendar week containing the day appointed for the sale.
27 When the owner's name appears in the list and his post-office address
28 is known, the collector shall mail to him at that address, postage
29 prepaid, a copy of the notice, but failure to mail the notice shall not
30 invalidate any proceeding hereunder. Such public sale may be
31 adjourned once for a period not exceeding one week without
32 readvertising; or

33 (b) The governing body may from time to time determine by
34 resolution the certificates of tax sale held by such municipality which
35 such municipality will agree to sell for an amount lower than the
36 amount due on each such certificate of tax sale. After such
37 determination the municipality shall give public notice set up in five
38 of the most public places in such municipality, stating the description
39 of the several lots and parcels of land covered by such certificate of
40 sale and the name of the owner of the land as contained in the
41 collector's list, together with the total amount required for redemption
42 including all subsequent municipal liens with interest and costs, and
43 stating in substance that the municipality will receive bids for any such
44 certificate of sale, not including any municipal liens subsequent
45 thereto, even though such bid be less than the amount due on such
46 certificate of tax sale. Upon the receipt of any bid for any such

1 certificate of sale, not including any municipal liens subsequent
2 thereof, which the governing body may be inclined to accept, the
3 governing body shall give public notice setting forth the amount of the
4 bid for the certificate of sale, not including any municipal liens
5 subsequent thereto, the description of the several lots and parcels of
6 land covered by such certificate of sale, the name of the owner of the
7 land as contained in the collector's list, and also the total amount
8 which would otherwise be required for redemption, and stating in
9 substance that the governing body will accept or reject such bid at a
10 regular meeting of the governing body and setting forth the place,
11 time and date of such regular meeting. A copy of this last-mentioned
12 public notice shall be set up in five of the most public places in the
13 municipality and a copy of the same shall be published in a newspaper
14 circulating in the municipality at least once in the week preceding the
15 date set for the regular meeting of the governing body at which
16 meeting such bid will be passed upon. When the owner's name
17 appears in the list and his post-office address is known, the collector
18 shall mail to him at that address, postage prepaid, a copy of this
19 last-mentioned notice, but failure to mail the notice shall not
20 invalidate any proceeding hereunder. At the regular meeting of the
21 governing body, as contained in said notice, the governing body may
22 accept or reject any such bid as contained in such notice or may at
23 such meeting accept or reject any higher bid which may then be made
24 for said certificate of sale, not including any municipal liens subsequent
25 thereto, by any person.

26 Any and all assignments of a tax sale certificate purchased pursuant
27 to this section shall be promptly recorded in the office of the county
28 clerk or register of deeds, as the case may be, of the county wherein
29 the real property is situate, and a photocopy of the recorded
30 assignment shall be served upon the local tax collector by certified
31 mail, return receipt requested. When assignments have not been
32 recorded and served upon the tax collector, the tax collector and the
33 municipality shall be held harmless for the payment of any redemption
34 amounts to the holder of the tax sale certificate as appears on the
35 records of the tax collector.

36 (cf: P.L.1941, c.232, s.1)

37

38 11. Section 1 of P.L.1943, c.149 (C.54:5-114.2) is amended to
39 read as follows:

40 1. The governing body of any municipality may sell any certificate
41 of tax sale including all subsequent municipal liens held by such
42 municipality by one of the following methods:

43 (a) At public sale to the highest bidder. Such sale shall be held after
44 public notice of the time and place stating the description of the
45 several lots and parcels of land covered by the certificate of sale, and
46 the name of the owner of the land as contained in the collector's list,

1 together with the total amount required for redemption including
2 interest and costs to the date of sale and the amount of subsequent
3 liens with interest, and stating in substance that the respective
4 certificates of sale, including subsequent municipal liens will be sold
5 to the highest bidder at said public sale subject to confirmation by the
6 governing body at its next regular meeting after the sale. Copies of
7 the notice shall be set up in five of the most public places in the
8 municipality, and a copy of the notice shall be published in a
9 newspaper circulating in the municipality once in each of two calendar
10 weeks preceding the calendar week containing the day appointed for
11 the sale. When the owner's name appears on the list and his
12 post-office address is known, the collector shall mail to him at that
13 address, postage prepaid, a copy of the notice, but failure to mail the
14 notice shall not invalidate any proceedings hereunder. Such public sale
15 may be adjourned once for a period not exceeding one month without
16 readvertising; or

17 (b) The governing body may from time to time determine by
18 resolution the certificates of tax sale including all subsequent liens held
19 by such municipality which such municipality deems advisable to sell
20 for an amount lower than the total amount due, together with interest
21 and costs on the certificate of sale. After such determination the
22 municipality shall give public notice set up in five of the most public
23 places in such municipality, stating the description of the several lots
24 and parcels of land covered by such certificate of sale and subsequent
25 municipal liens and the name of the owner of the land as contained in
26 the collector's list, together with the total amount required for
27 redemption including all subsequent municipal liens with interest and
28 costs and stating in substance that the municipality will receive bids for
29 any such certificate of tax sale and subsequent municipal liens, even
30 though such bid be less than the total amount due on such certificate
31 of tax sale including all subsequent liens plus interests and costs.
32 Upon the receipt of any bid which the governing body may be inclined
33 to accept, the governing body shall give public notice setting forth the
34 amount of the bid for the certificate of tax sale including subsequent
35 municipal liens together with interest and costs, the description of the
36 several lots and parcels of land covered by such certificate of sale and
37 subsequent municipal liens, the name of the owner of the land as
38 contained in the collector's list and also the total amount which would
39 otherwise be required for redemption to the date of proposed sale and
40 stating in substance that the governing body will accept or reject such
41 bid at a regular meeting of the governing body and setting forth the
42 place, time and date of such regular meeting. A copy of this
43 last-mentioned public notice shall be published in a newspaper
44 circulating in the municipality at least once in the week preceding the
45 date set for the regular meeting of the governing body at which
46 meeting such bid will be passed on. When the owner's name appears

1 in the list and his post-office address is known, the collector shall mail
2 to him at that address, postage prepaid, a copy of this last-mentioned
3 notice, but failure to mail the notice, shall not invalidate any
4 proceeding hereunder. At the regular meeting of the governing body,
5 as contained in said notice, the governing body may accept or reject
6 any such bid as contained in such notice or may at such meeting
7 accept or reject any higher bid which may then be made by any person
8 for said certificate of sale, including subsequent municipal liens.

9 Any and all assignments of a tax sale certificate purchased pursuant
10 to this section shall be promptly recorded in the office of the county
11 clerk or register of deeds, as the case may be, of the county wherein
12 the real property is situate, and a photocopy of the recorded
13 assignment shall be served upon the local tax collector by certified
14 mail, return receipt requested. When assignments have not been
15 recorded and served upon the tax collector, the tax collector and the
16 municipality shall be held harmless for the payment of any redemption
17 amounts to the holder of the tax sale certificate as appears on the
18 records of the tax collector.

19 (cf: P.L.1943, c.149, s.1)

20

21 12. Section 3 of P.L.1943, s.149 (C.54:5-114.4) is amended to
22 read as follows:

23 3. Any and all purchasers of the tax sale certificates and subsequent
24 municipal liens purchased, as hereinabove described, must foreclose at
25 their own expense, the right of redemption, and record the final
26 judgment in the county wherein the land is situate within two years
27 from the date of the confirmation of the sale by the governing body.
28 Any and all further or additional assignments of the tax sale certificates
29 shall be promptly recorded in the office of the county clerk or register
30 of deeds, as the case may be, of the county wherein the real property
31 is situate, and a photocopy of the recorded assignment shall be served
32 upon the local tax collector by certified mail, return receipt requested.
33 When assignments have not been recorded and served upon the tax
34 collector, the tax collector and the municipality shall be held harmless
35 for the payment of any redemption amounts to the holder of the tax
36 sale certificate as appears on the records of the tax collector.

37 (cf: P.L.1953, c.51, s.97)

38

39 13. This act shall take effect immediately.

40

41

42 STATEMENT

43

44 This bill is substantially similar to Senate Bill No. 1456 (2R) which
45 was conditionally vetoed by the Governor on May 15, 1997. This bill
46 conforms to the Governor's conditional veto recommendations except

1 for the addition of a clarifying sentence in subsection a. of section 11
2 of P.L.1963, c.144 (C.17:12B-11) to preserve the priority of municipal
3 liens, and the omission of various amendatory sections which were
4 substantially enacted in P.L.1997, c.99. Sections 1 and 2 of this bill
5 clarify that municipal liens have priority over mortgage liens and
6 condominium liens. Section 3 of the bill makes a technical change to
7 a section of law concerning the form of tax sale certificates by
8 removing references to when the right to redeem expires. Section 4
9 specifies that a lien for assessments for benefits pursuant to R.S.54:5-7
10 may be redeemed in the same manner as tax liens. Sections 5 and 6
11 remove a reference to a repealed statute from R.S.54:5-55 and
12 R.S.54:5-57 respectively. Sections 7 through 12 require that unless
13 an assignment of a tax sale certificate is recorded, the municipality will
14 be held harmless for the payment of redemption amounts to a person
15 recorded as the holder of the certificate on the records of the tax
16 collector.

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21 Clarifies priority of municipal liens and clarifies tax lien redemption
22 law.

LEGISLATIVE FISCAL ESTIMATE TO
SENATE, No. 2196
STATE OF NEW JERSEY

DATED: JULY 3, 1997

Senate Bill No. 2196 of 1997 clarifies the priority of municipal liens and clarifies tax lien redemption law. This bill is substantially similar to Senate Bill No. 1456 (2R), which was conditionally vetoed by the Governor on May 15, 1997, except that this bill does not include those sections of law amended by P.L.1997, c.99 generally concerning early tax sales. This bill conforms to the Governor's conditional veto recommendations except for the addition of a clarifying sentence in subsection a. of section 11 of P.L.1963, c.144 (C.17:12B-11) to preserve the priority of municipal liens, and the omission of various amendatory sections which were substantially enacted in P.L.1997, c.99. Sections 1 and 2 of this bill clarify that municipal liens have priority over mortgage liens and condominium liens. Section 3 of the bill makes a technical change to a section of law concerning the form of tax sale certificates by removing obsolete references to when the right to redeem expires. Section 4 specifies that a lien for assessments for benefits pursuant to R.S.54:5-7 may be redeemed in the same manner as tax liens. Sections 5 and 6 remove a reference to a repealed statute from R.S.54:5-55 and R.S.54:5-57 respectively. Sections 7 through 12 require that unless an assignment of a tax sale certificate is recorded, the municipality will be held harmless for the payment of redemption amounts to a person recorded as the holder of the certificate on the records of the tax collector.

The Office of Legislative Services (OLS) states that there are no State or municipal costs associated with this bill. The extent to which municipal revenues may be enhanced due to the technical and clarifying provisions of this bill which may facilitate the marketability of tax sale certificates and other municipal liens cannot be estimated due to the lack of specific relevant municipal data. Sections 7 through 12 of the bill are projected to save municipalities various unspecified amounts in legal fees and mistakenly paid redemption amounts.

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.

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OFFICE OF THE GOVERNOR NEWS RELEASE

CN - 004

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RELEASE: TUESDAY

Aug. 5, 1997

GOV. WHITMAN MEETS WITH MAYORS, SIGNS BILL TO PROVIDE TOWNS WITH ADDED PROPERTY TAX RELIEF

Gov. Whitman today congratulated several mayors for controlling local property taxes during a forum in Hanover and she signed legislation that will increase the power of municipalities to further control property tax rates. The legislation facilitates the sale of municipal tax liens and enables municipalities to more quickly collect on the value of assessment lien certificates.

"During my administration, property tax increases have been held to the lowest annual level in 20 years," said Gov. Whitman. "Those rates have been controlled thanks to smart management on the part of local officials and nearly \$30 billion in property tax relief that the state has provided to municipalities."

"The legislation that I am signing today facilitates the sale of tax liens and the collection of assessment lien certificates -- providing municipalities with more capital up front that they can use to help control property taxes," said Gov. Whitman. "This bill, when taken together with legislation that I signed in May, will allow municipalities to collect 100 percent of their tax levy and eliminate idle pots of money used to anticipate uncollected taxes."

The legislation signed by the Governor today expands upon legislation that she signed in May which authorizes the sale of municipal tax levies and municipal tax liens in the same year that taxes are due. Taken together, these two laws will enable municipalities to improve their tax collection rates to 100 percent, eliminating the need for the establishment of a reserve for uncollected taxes and allowing municipalities to collect capital in the year that tax delinquencies occur.

Gov. Whitman met with mayors from Morris, Somerset, Sussex and Warren Counties who have either reduced or held the line on their municipal property tax rates from 1993 through 1996. A list of mayors invited to participate in the forum is attached along with information on their municipal property tax rates. The Governor and mayors discussed ways in which the state can better assist them in managing their budgets and keeping property taxes down. The Governor discussed with the mayors the success of the state's Local Budget Review Teams, which have helped local governments identify more than \$100 million in savings, and encouraged the mayors to apply for a team review.

Throughout her administration, Gov. Whitman has remained committed to lowering the overall tax burden on New Jersey citizens. She has cut taxes 14 times, including a 30 percent reduction in the personal income tax for most New Jerseyans. The administration has also enacted a number of business tax cuts to spur economic growth and job creation. During Gov. Whitman's term, these policies have helped create more than 185,000 net new jobs.

Gov. Whitman has also provided municipalities with a stable level of state aid, added budget savings and a variety of tools and programs to help local officials control property taxes paid by local residents. Over the past four years, as a result of these efforts, combined with smart fiscal management by local officials, New Jersey municipalities experienced the smallest annual increase in property tax levies in 20 years.

The Governor signed **S-2196**, sponsored by Senator Leonard Connors (R-Atlantic/Burlington/Ocean), which includes two main provisions:

- The law clarifies prioritization of municipal tax liens -- giving them priority over mortgage and condominium liens. This prioritization makes tax liens much more attractive to prospective purchasers and will encourage greater sales of this type of lien.
- The law also revises redemption laws for assessment lien certificates, which are issued by municipalities to developers for infrastructure development that accompanies property development. The law will make practices for redemption of assessment lien certificates consistent with practices for redemption of tax lien certificates. Assessment lien certificates will be afforded the same priority as tax lien certificates in bankruptcy court -- allowing municipalities to more quickly redeem assessment lien certificates.

Attached is a summary of Whitman administration initiatives that are providing local officials with the tools they need to control property taxes.

The Whitman Administration
**Budget Savings and Tools Provided to Municipalities to Help Them Keep
Property Taxes Under Control:**

- Signed legislation that reforms the binding arbitration process, providing local government with the tools to control spiraling employment contract costs.
- Signed legislation implementing a state mandate/state pay amendment to the constitution to put an end to the imposition of unfunded mandates on municipalities.
- Streamlined municipal aid programs -- held direct aid unchanged at \$1.5 billion, and held municipal aid steady overall.
- Absorbed the cost of the county court takeover, saving municipalities in excess of \$250 million in property taxes.
- Enacted a property tax deduction for state income taxes -- generating \$100 million in direct property tax relief to New Jersey citizens this year alone.
- Improved management of the State Health Benefit Plan resulting in \$97.2 million in savings for municipalities -- which could be directly applied to property tax relief.
- Provided Local Government Budget Review teams through the Department of Treasury to help local officials identify potential cost savings and efficiencies on the local level. The program has performed more than 36 local budget reviews for school districts and municipalities, identifying nearly \$100 million in savings and efficiencies.
- Provided municipalities with the "Local Official's and Taxpayer's Guide to Performance Reviews," a manual which provides the framework for public officials and taxpayers to begin internal examinations of their communities to reduce the reliance on property taxes
- Advocated the sharing of services between municipalities wherever possible to improve efficiency while maintaining the same high level of service.
- Supported legislation allowing municipalities the flexibility to manage infrastructure costs through innovative public/private partnerships.
- Increased direct aid to school districts by \$398 million -- helping municipalities control costs.
- Enacted legislation to provide \$3.7 billion in aid to municipalities -- direct property tax relief -- over the next five years by restructuring utility taxes.

INVITED MAYORS and MUNICIPAL PROPERTY TAX FACTS

HANOVER FORUM, AUGUST 5, 1997

Municipality, County Mayor	1996 municipal tax rate (1993 municipal rate)
Allamuchy Township, Warren Mayor Francis (Frank) Gavin	0.155 (0.189)
Mt. Arlington, Morris Mayor Delores Rivinius	0.603 (0.642)
Bernards Township, Somerset Mayor Gailanne Barth	0.372 (0.387)
Boonton Town, Morris Mayor Edward Bolcar, Jr.	0.604 (1.191)
Boonton Township, Morris Mayor Douglas Cabana	0.746 (0.773)
Byram Township, Sussex Mayor Richard Bowe	0.727 (1.004)
Chester Township, Morris Mayor Kenneth Caro	0.422 (0.428)
Florham Park Borough, Morris Mayor Barbara Doyle	0.374 (0.406)
Frankford Township, Sussex Mayor James Ayers	0.185 (0.184)
Fredon Township, Sussex Mayor Robert Cowan	0.326 (0.400)
Hampton Township, Sussex Mayor Philip Yetter (Dep. Mayor Dan Coranoto attending.)	0.315 (0.366)
Hardyston Township, Sussex Mayor Kenneth Worflar	0.646 (1.191)
Kinnelon Borough, Morris Mayor Glenn Sisco	0.445 (0.446)
Madison Borough, Morris Mayor Gary Ruckelshaus	0.895 (0.896)
Mountain Lakes Borough, Morris Mayor Brian John Pendleton	0.349 (0.824)
Pequannock Township, Morris Mayor Henry Samek	0.403 (0.633)
Vernon Township, Sussex Mayor Ralph Carnesecchi	0.477 (0.717)
Warren Township, Somerset Mayor Kenneth Brenn	0.208 (0.378)
Wharton Borough, Morris Mayor Harry Shupe	0.467 (1.160)

Also attending:

Barbara Hill, 3rd VP of the League of Municipalities

Timothy McDonough, president of New Jersey Conference of Mayors