

54:4-64

LEGISLATIVE HISTORY CHECKLIST
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(Property tax collection)

A: 54:4-64

LAWS OF: 1994 CHAPTER: 32

BILL NO: A936

SPONSOR(S): Arnone and others

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Local Government
SENATE: Community Affairs

AMENDED DURING PASSAGE: Yes Amendments during passage
First reprint enacted denoted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: February 17, 1994
SENATE: March 31, 1994

DATE OF APPROVAL: May 12, 1994

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes
SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

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[FIRST REPRINT]
ASSEMBLY, No. 936

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1994 SESSION

By Assemblymen ARNONE, Garcia and Pascrell

1 AN ACT concerning municipal tax collections and liens and
2 amending and repealing various parts of the statutory law.

3
4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. R.S.54:4-64 is amended to read as follows:

7 54:4-64. a. [As soon as the tax duplicate is delivered to the
8 collector of the taxing district, as provided in R.S.54:4-55, he
9 shall at once begin the work of preparing, completing, mailing or
10 otherwise delivering tax bills to the individuals assessed, and shall
11 complete that work on or before June 14. He shall also, at least
12 two months before the first installment of taxes for the year falls
13 due, or in municipalities operating on the State fiscal year, on or
14 before October 1 of the pre-tax year, prepare and mail, or
15 otherwise deliver to the individuals assessed, a tax bill for such
16 following first and second installments, computed as provided in
17 R.S.54:4-66.] As soon as the tax duplicate is delivered to the
18 collector of the taxing district, as provided in R.S.54:4-55, he
19 shall at once begin the work of preparing, completing, mailing or
20 otherwise delivering tax bills to the individuals assessed, and shall
21 complete that work on or before June 14. He shall also, at least
22 two months before the first installment of taxes for the calendar
23 year falls due, prepare and mail, or otherwise deliver to the
24 individuals assessed, a tax bill for such following first and second
25 installments, computed as provided in R.S.54:4-66. When any
26 individual assessed has authorized the collector to mail or
27 otherwise deliver his tax bill to a mortgagee or any other agent,
28 the collector shall, at the same time, mail or otherwise deliver a
29 duplicate tax bill to the individual assessed and shall print across
30 the face of such duplicate tax bill the following inscription: "This
31 is not a bill -- for advice only." [The validity of any tax or
32 assessment, or the time at which it shall be payable, shall not be
33 affected by the failure of a taxpayer to receive a tax bill, but
34 every taxpayer is put on notice to ascertain from the proper
35 official of the taxing district the amount which may be due for
36 taxes or assessments against him or his property.] The validity of
37 any tax or assessment, or the time at which it shall be payable,
38 shall not be affected by the failure of a taxpayer to receive a tax
39 bill, but every taxpayer is put on notice to ascertain from the
40 proper official of the taxing district the amount which may be
41 due for taxes or assessments against him or his property.

42 b. As provided in subsection a. of this section, a mortgagor as

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:
Assembly ALG committee amendments adopted January 24, 1994.

1 the individual assessed for property taxes or other municipal
2 charges with respect to the property securing a mortgage loan,
3 may authorize the tax collector to mail or otherwise deliver his
4 tax bill to a mortgagee or servicing organization. This tax
5 authorization form shall be assignable in the event the mortgagee
6 or servicing organization sells, assigns or transfers the servicing
7 of the mortgage loan to another mortgagee or servicing
8 organization.

9 c. The tax collector of the taxing district shall, upon receipt
10 of a written request from a mortgagee or servicing organization
11 on a form approved by the commissioner, mail or otherwise
12 deliver a mortgagor's tax bill to a property tax processing
13 organization. The commissioner shall provide by regulation for a
14 procedure by which the tax collector of a taxing district may
15 request the Director of the Division of Local Government
16 Services in the Department of Community Affairs to review the
17 appropriateness of the request to mail or otherwise deliver a
18 mortgagor's tax bill to a property tax processing organization.

19 d. If a mortgagee, servicing organization, or property tax
20 processing organization requests a duplicate copy of a tax bill,
21 the tax collector of a taxing district shall issue a duplicate copy
22 and may charge a maximum of \$5 for the first duplicate copy and
23 a maximum of \$25 for each subsequent duplicate copy of the
24 same tax bill in the same [tax] fiscal year, the actual charge
25 being set by municipal ordinance. The commissioner shall
26 promulgate regulations to effectuate the provisions of this
27 subsection d. which regulations shall include a procedure by which
28 a mortgagee, servicing organization, or property tax processing
29 organization may appeal and be reimbursed for the amount it has
30 paid for a duplicate copy of a tax bill, or any part thereof.

31 e. As used in subsections a., b., c., and d. of this section,
32 "mortgagee," "mortgagor," "mortgage loan," "servicing
33 organization" and "property tax processing organization" shall
34 have the same meaning as the terms have pursuant to section 1 of
35 P.L.1990, c.69 (C.17:16F-15).

36 (cf: P.L.1991, c.410, s.1)

37 2. R.S.54:4-65 is amended to read as follows:

38 54:4-65. [In addition to the requirements set forth hereunder,
39 the] a. The Director of the Division of Local Government
40 Services in the Department of Community Affairs shall approve
41 the form and content of property tax bills.

42 b. Each tax bill shall have printed thereon a brief tabulation
43 showing the distribution of the amount raised by taxation in the
44 taxing district, in such form as to disclose the rate per \$100.00 of
45 assessed valuation or the number of cents in each dollar paid by
46 the taxpayer which is to be used for the payment of State school
47 taxes, other State taxes, county taxes, local school expenditures
48 and other local expenditures. The last named item may be
49 further subdivided so as to show the amount for each of the
50 several departments of the municipal government. In lieu of
51 printing such information on the tax bill, any municipality may
52 furnish the tabulation required hereunder and any other pertinent
53 information in a statement accompanying the mailing or delivery
54 of the tax bill.

1 c. The appropriate tax bill or form mailed with the tax bill
2 shall also contain a statement reporting amounts of State aid and
3 assistance received by the municipality, school districts, special
4 districts and county governments used to offset local tax levies.
5 The director shall provide each tax collector with a certification
6 of the amounts of said State aid and assistance for inclusion in
7 the tax bill.

8 d. The tax bill or form mailed with the tax bill shall include
9 thereon the date upon which each installment is due.

10 (cf: P.L.1991, c.410, s.3)

11 3. R.S.54:4-66 is amended to read as follows:

12 54:4-66. Taxes shall be payable and shall be delinquent as
13 hereinafter stated:

14 a. Taxes shall be payable the first installment as hereinafter
15 provided on February first, the second installment on May first,
16 the third installment on August first and the fourth installment
17 on November first, after which dates if unpaid, they shall become
18 delinquent and remain delinquent until such time as all unpaid
19 taxes, including taxes and other liens subsequently due and
20 unpaid, together with interest have been fully paid and satisfied;

21 b. From and after the respective dates hereinbefore provided
22 for taxes to become delinquent, the taxpayer or property assessed
23 shall be subject to the penalties hereinafter prescribed;

24 c. In municipalities with a January 1 through December 31
25 fiscal year, the dates hereinbefore provided for payment of the
26 first and second installments of taxes being before the true
27 amount of the tax will have been determined, the amount to be
28 payable as each of the first two installments shall be one-quarter
29 of the total tax finally levied against the same property or
30 taxpayer for the preceding year or, if directed to do so for the
31 tax year by resolution of the municipal governing body, one-half
32 of the tax levied for the second half of the preceding tax year, as
33 appropriate; and the amount to be payable for the third and
34 fourth installments shall be the full tax as levied for the current
35 year, less the amount charged as the first and second
36 installments; the amount thus found to be payable as the last two
37 installments shall be divided equally for and as each installment.
38 An appropriate adjustment by way of discount shall be made, if it
39 shall appear that the total of the first and second installments
40 exceeded one-half of the total tax as levied for the year;

41 d. In municipalities that operate on the State fiscal year, there
42 shall be two annual tax bills delivered and the amounts payable
43 shall be as follows:

44 (1) In the tax year in which the fiscal year is changed, a tax
45 bill shall be delivered on or before June 14 of the tax year for the
46 third and fourth installments. The amount to be payable for the
47 two installments shall be the full tax levied against the same
48 property or taxpayer for municipal purposes in the preceding tax
49 year, less the amount charged as the first and second installments
50 for municipal purposes for the current calendar year; plus the full
51 tax as levied for the current tax year for county, school and other
52 purposes, excepting municipal purposes, less the amount charged
53 as the first and second installments for county, school and other
54 purposes, excepting municipal purposes; the amount found to be

1 payable shall be divided equally for each installment.

2 (2) Thereafter, in each tax year a tax bill shall be delivered on
3 or before [October] December 1 of the pre-tax year for the first
4 and second installments of the tax year and on or before June 14
5 for the third and fourth installments. The amount to be payable
6 for the first two installments shall be the full tax levied for
7 municipal purposes against the property or taxpayer for the
8 current municipal fiscal year less the amount charged for
9 municipal purposes as the third and fourth installments in the
10 preceding tax year, plus one half of the total tax levied against
11 the property or taxpayer for county, school and other purposes,
12 excepting municipal purposes, in the preceding tax year. If,
13 pursuant to an appropriate certification of taxes payable, the
14 total amount to be payable for the first two installments is less
15 than the total obligation for county, school or other purposes for
16 the first and second installments of the tax year, the municipality
17 shall proportionately adjust tax billings in order to meet the
18 obligation. The amount so derived shall be divided equally for
19 each installment. The amount payable for the third and fourth
20 installments shall be the full tax levied against the same property
21 or taxpayer for municipal purposes in the preceding municipal
22 fiscal year, less the amount charged as the first and second
23 installments for municipal purposes for the current calendar year;
24 plus the full tax as levied for the current tax year for county,
25 school and other purposes, excepting municipal purposes, less the
26 amount charged as the first and second installments for county,
27 school and other purposes, excepting municipal purposes. The
28 amount so derived shall be divided equally for each installment.
29 An appropriate adjustment by way of discount shall be made if it
30 appears that the total of that portion of the first two
31 installments which is taxes for county, school or other purposes,
32 excepting municipal purposes, exceeded one-half of the total tax
33 for those purposes as levied for the tax year;

34 e. Taxes may be received and credited as payments at any
35 time, even prior to the dates hereinbefore fixed for payment.

36 (cf: P.L.1991, c.410, s.4)

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

38 54:4-67. The governing body of each municipality may by
39 resolution fix the rate of discount to be allowed for the payment
40 of taxes or assessments previous to the date on which they would
41 become delinquent. The rate so fixed shall not exceed 6% per
42 annum, shall be allowed only in case of payment on or before the
43 thirtieth day previous to the date on which the taxes or
44 assessments would become delinquent. The governing body may
45 also fix the rate of interest to be charged for the nonpayment of
46 taxes or assessments on or before the date when they would
47 become delinquent, and may provide that no interest shall be
48 charged if payment of any installment is made within the tenth
49 calendar day following the date upon which the same became
50 payable. The rate so fixed shall not exceed 8% per annum on the
51 first \$1,500.00 of the delinquency and 18% per annum on any
52 amount in excess of \$1,500.00, to be calculated from the date the
53 tax was payable until the date ¹[of] ¹that ¹actual payment ¹to the
54 lienholder will be next authorized¹.

1 "Delinquency" means the sum of all taxes and municipal
2 charges due on a given parcel of property covering any number of
3 quarters or years. The property shall remain delinquent, as
4 defined herein, until such time as all unpaid taxes, including
5 subsequent taxes and liens, together with interest thereon shall
6 have been fully paid and satisfied. The delinquency shall remain
7 notwithstanding the issuance of a certificate of sale pursuant to
8 R.S.54:5-32 and R.S.54:5-46. The governing body may also fix a
9 penalty to be charged to a taxpayer with a delinquency in excess
10 of \$10,000 who fails to pay that delinquency prior to the end of
11 the [calendar] fiscal year. If such taxes are fully paid and
12 satisfied by the holder of an outstanding tax sale certificate, the
13 holder shall be entitled to receive the amount of the penalty as
14 part of the amount required to redeem such certificate of sale.
15 The penalty so fixed shall not exceed 6% of the amount of the
16 delinquency.

17 (cf: P.L.1991, c.75, s.39)

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

19 54:5-6. Taxes on lands shall be a continuous lien on the land on
20 which they are assessed [on and after the first day of the fiscal
21 year of the municipality for which the taxes are assessed,] and all
22 subsequent taxes, interest, penalties and costs of collection which
23 thereafter fall due or accrue shall be added to and [become] be a
24 part of such initial lien.

25 (cf: P.L.1991, c.75, s.42)

26 6. R.S.54:5-11 is amended to read as follows:

27 54:5-11. The governing body of each municipality shall from
28 time to time by resolution, designate [a bonded] an official of the
29 municipality to make examinations of its records as to unpaid
30 municipal liens and to certify the result thereof. The official so
31 designated, and each new incumbent of the office, shall
32 thereafter be vested with the power to make official certificates
33 of searches for municipal liens until a new official has been
34 designated for the purpose, and no other official than the one so
35 designated shall make any such official certificate. No personal
36 liability shall attach or be chargeable to the official so
37 designated.

38 (cf: R.S.54:5-11)

39 7. R.S.54:5-29 is amended to read as follows:

40 54:5-29. At any time before sale the collector shall receive
41 payment of the amount due on any property, with the interest and
42 costs incurred up to the time of payment. When a taxpayer
43 whose property is included in a tax sale shall, prior to the sale,
44 pay the full amount advertised in the sale, plus any interest on
45 any other delinquencies, the tax collector shall then post the
46 receipts, first to the interest, followed by the oldest
47 delinquencies, costs and penalties which action shall then be
48 cause for said property to be removed from the sale.

49 (cf: R.S.54:5-29)

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

51 54:5-54. Except as hereinafter provided, the owner, his heirs,
52 holder of ¹[an] a prior¹ outstanding tax lien certificate,
53 mortgagee, or occupant [or other person have an interest in] of
54 land sold for municipal [liens] taxes ¹or other municipal charges¹.

1 may redeem it at any time [within 6 months from the date of the
2 sale when the municipality has purchased the property at the tax
3 sale, or within 2 years from the date of sale when the purchaser
4 is other than the municipality, or at any time thereafter] until
5 the right to redeem has been cut off in the manner in this chapter
6 set forth, by paying to the collector, or to the collector of
7 delinquent taxes on lands of the municipality where the land is
8 situate, for the use of the purchaser, his heirs or assigns, the
9 amount required for redemption as hereinafter set forth.

10 (cf: P.L.1974, c.91, s.2)

11 9. R.S.54:5-61 is amended to read as follows:

12 54:5-61. The holder of the tax title, upon compliance with the
13 provisions of [section] R.S.54:5-62 [of this title], shall be entitled
14 for his expenses, to such sums as he may have actually paid out
15 for recording fees, fees for services of notices necessarily and
16 actually served, and fees and expenses in ascertaining the persons
17 interested in the premises sold, but such fees and expenses shall
18 not exceed in all the sum of twelve dollars, besides the fees
19 actually paid for recording the certificate and fees actually paid
20 for necessary advertising in a newspaper under this chapter. Such
21 fees and expenses shall be separate, apart from and in addition to
22 those fees permitted under section 7 of P.L.1965, c.187
23 (C.54:5-97.1) and R.S.54:5-98. Upon redemption in accordance
24 with R.S.54:5-58, R.S.54:5-59 and R.S.54:5-60 the holder of the
25 tax title shall be entitled to collect from the owner or other
26 persons having a right of redemption pursuant to R.S.54:5-54,
27 additional sums in accordance with the following schedule: When
28 the [taxes, interest and costs] tax title certificate amount shall
29 exceed the sum of two hundred dollars, the holder, upon
30 redemption of the tax title shall be entitled to collect from the
31 owner or other person having an interest in the lands an
32 additional sum equal to two per cent of the amount so paid for
33 the tax title certificate.

34 When the [taxes, interest and costs] tax title certificate
35 amount shall exceed the sum of \$5,000, such additional sum shall
36 be equal to 4% of such amount paid; and when [that sum] the tax
37 title certificate amount exceeds \$10,000, such additional sum
38 shall be equal to 6% of such amount paid. This section shall also
39 apply to all existing tax title certificates held by municipalities
40 on the effective date of [this act] P.L.1991, c.75.

41 (cf: P.L.1991, c.75, s.48)

42 10. R.S.54:5-77 is amended to read as follows;

43 54:5-77. a. [The holder of the tax title may at any time within
44 20 years after the purchase, give notice in writing to all persons
45 interested in the land of their right to redeem. Except as
46 hereinafter provided in subsection b. of this section, the
47 following notice requirements and periods of redemption shall
48 govern the foreclosure by municipal and private holders of tax
49 titles; for property purchased by the municipality, if notice is
50 served within 10 days of the tax sale, it shall state that the right
51 to redeem will be barred 6 months after the date of the sale; for
52 property purchased by other than a municipality, if the notice is
53 served within 18 months of the sale, it shall state that the right
54 to redeem will be barred 2 years after the date of the sale. If

1 notice is served beyond said periods, it shall state that the right
2 to redeem shall be barred 6 months from the service of the
3 notice. The notice shall be served personally on the persons
4 interested who reside in the municipality, and on others it may be
5 served personally, or by mailing to their post-office address, if it
6 can be ascertained, or by posting on the premises sold, if their
7 post-office address cannot be ascertained. In all cases where it
8 is not served personally a copy shall be published once in a
9 newspaper in which ordinances of the municipality may be
10 published. In the event it shall appear by the last tax duplicate of
11 said municipality that there is no assessment for a building
12 against said lands, in lieu of posting the notice on said premises,
13 the holder of the tax sale certificate may cause copies of the
14 notice to be posted in the office of the tax collector of said
15 municipality and in three other conspicuous places within the
16 taxing district in which the land is located.] (Deleted by
17 amendment, P.L. _____, c. ____)

18 b. Any municipality which holds the tax title may at any time
19 file an action with the Superior Court in the county wherein said
20 municipality is situate, demanding that the right of redemption
21 on such land be barred. Such action shall be heard in a summary
22 manner, and the court shall grant a judgment barring the right of
23 redemption if it finds that the land or any improvement thereon
24 is hazardous to the public health, safety and welfare, or unfit for
25 human habitation; any judgment rendered pursuant to such
26 summary proceeding shall be subject to the appropriate
27 provisions of R.S.54:5-54, except that in the case of an unknown
28 owner or unknown claimant, the equity of redemption shall be
29 barred pursuant to the provisions contained in R.S.54:5-90.
30 Notice and service of process shall be made pursuant to the
31 Rules Governing the Courts of the State of New Jersey. It shall
32 be an absolute defense to the action that the owner, mortgagee,
33 or other person having an interest therein has abated, removed,
34 or corrected the condition or conditions which cause the
35 improvement to be hazardous to the public health, safety and
36 welfare, or unfit for human habitation, or has deposited with the
37 court (1) the amount of money required, as determined by the
38 court, to abate, remove or correct the condition or conditions, or
39 (2) a performance bond in double the amount thereof. Thereupon,
40 the owner, mortgagee, or other person having an interest in said
41 land, shall proceed to abate, remove or correct said condition or
42 conditions within such time as the court shall deem reasonable
43 under the circumstances. Moneys deposited with the court may,
44 in the court's discretion, be used to abate, remove or correct the
45 condition or conditions involved, or may be paid to the depositor
46 or such other persons, as the court determines, who have abated,
47 removed or corrected such condition or conditions. The amount
48 of any performance guarantee deposited with the court may be
49 proportionately reduced by the court as portions of the work are
50 completed.

51 (cf. P.L.1974, c.91, s.3)

52 11. R.S.54:5-87 is amended to read as follows:

53 54:5-87. The Superior Court, in an action to foreclose the
54 right of redemption, may give full and complete relief under this

1 chapter, in accordance with other statutory authority of the
2 court, to bar the right of redemption and to foreclose all prior or
3 subsequent alienations and descents of the lands and
4 encumbrances thereon, except subsequent municipal liens, and to
5 adjudge an absolute and indefeasible estate of inheritance in fee
6 simple, to be vested in the purchaser. The judgment shall be final
7 upon the defendants, their heirs, devisees and personal
8 representatives, and their or any of their heirs, devisees,
9 executors, administrators, grantees, assigns or successors in
10 right, title or interest and no application shall be entertained to
11 reopen the judgment after 3 months from the date thereof, and
12 then only upon the grounds of lack of jurisdiction or fraud in the
13 conduct of the suit. Such judgment and recording thereof shall
14 not be deemed a sale, transfer, or conveyance of title or interest
15 to the subject property under the provisions of the "Uniform
16 Fraudulent Transfer Act," R.S.25:2-20 et seq.

17 (cf: P.L.1965, c.187, s.6)

18 12. R.S.54:5-91 is amended to read as follows:

19 54:5-91. Any person whose interest in the lands cannot, in the
20 exercise of reasonable diligence, be ascertained from the search
21 of the title of the premises described in the certificate of sale,
22 made of the indexes in the office of the surrogate and county
23 clerk or register of deeds and mortgages in the county in which
24 the lands are situate, and in the office of the Secretary of State,
25 extending back [at least] sixty years next preceding the date of
26 the sale, shall be deemed to be included in the term "unknown
27 owner" or "unknown claimant."

28 (cf: P.L.1953, c.51, s.44)

29 13. Section 7 of P.L.1965, c.187 (C.54:5-97.1) is amended to
30 read as follows:

31 7. No search fee, [and no] counsel fee or other fee related to
32 certified mailings shall be allowed a plaintiff other than a
33 municipality in the foreclosure of a tax lien unless, prior to the
34 filing of the complaint, the plaintiff shall have given 30 days'
35 written notice to the [interested owners and mortgagees] parties
36 entitled to redeem whose interests appear of record at the time
37 of the tax sale, by certified mail with postage prepaid thereon,
38 addressed to the last known address of such [owners and
39 mortgagees] persons, of intention to file such complaint. The
40 notice shall also contain the amount due on such tax lien as of the
41 date of the notice. A copy of such notice shall also be filed with
42 the municipal tax collector's office. Upon the filing and service
43 of such notice, a plaintiff shall be entitled to such fees and
44 expenses.

45 (cf: P.L.1965, c.187, s.7)

46 14. R.S.54:5-104 is amended to read as follows:

47 54:5-104. When in a judgment in an action to foreclose the
48 right of redemption, the lands are described in a manner other
49 than that contained in the certificate of tax sale, the judgment
50 shall bar the defendant's right of redemption in and to all the
51 lands described in the judgment, and that property only. Such
52 judgment and recording thereof shall not be deemed a sale,
53 transfer, or conveyance of title or interest to the subject
54 property under the provisions of the "Uniform Fraudulent
55 Transfer Act," R.S.25:2-20 et seq.

56 (cf: P.L.1953, c.51, s.57)

1 15. Section 4 of P.L.1948, c.96 (C.54:5-104.32) is amended to
2 read as follows:

3 4. Any municipality may proceed, In Rem, pursuant to the
4 provisions of this act, similarly to bar rights of redemption, after
5 said certificate has been recorded in the office of the county
6 recording officer. Neither the foreclosure nor the recording of
7 any such judgment or certificate shall be construed to be a sale,
8 transfer or conveyance of title or interest to the subject property
9 under the provisions of the "Uniform Fraudulent Transfer Act,"
10 R.S.25:2-20 et seq.

11 (cf: P.L.1948, c.96, s.4)

12 16. Section 37 of P.L.1948, c.96 (C.54:5-104.65) is amended to
13 read as follows:

14 37. Upon the recording of a certified copy of such judgment in
15 the office of the county recording officer, the plaintiff shall be
16 seized of an estate in fee simple, in the lands described therein,
17 absolute and free and clear of all liens and encumbrances, in
18 accordance with the terms of said judgment. Neither the
19 foreclosure nor the recording of any such judgment or certificate
20 shall be construed to be a sale, transfer or conveyance of title or
21 interest to the subject property under the provisions of the
22 "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq.

23 (cf: P.L.1953, c.51, s.89)

24 17. R.S.54:5-78 and R.S.54:5-80 are repealed in their entirety.

25 18. This act shall take effect immediately.

26
27
28
29
30 Updates laws relating to municipal property tax liens and
31 collection procedures.

ASSEMBLY, No. 936

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1994 SESSION

By Assemblyman ARNONE

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29 duplicate tax bill to the individual assessed and shall print across
30 the face of such duplicate tax bill the following inscription: "This
31 is not a bill -- for advice only." [The validity of any tax or
32 assessment, or the time at which it shall be payable, shall not be
33 affected by the failure of a taxpayer to receive a tax bill, but
34 every taxpayer is put on notice to ascertain from the proper
35 official of the taxing district the amount which may be due for
36 taxes or assessments against him or his property.] The validity of
37 any tax or assessment, or the time at which it shall be payable,
38 shall not be affected by the failure of a taxpayer to receive a tax
39 bill, but every taxpayer is put on notice to ascertain from the
40 proper official of the taxing district the amount which may be
41 due for taxes or assessments against him or his property.

42 b. As provided in subsection a. of this section, a mortgagee as

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

Matter underlined thus is new matter.

1 the individual assessed for property taxes or other municipal
2 charges with respect to the property securing a mortgage loan,
3 may authorize the tax collector to mail or otherwise deliver his
4 tax bill to a mortgagee or servicing organization. This tax
5 authorization form shall be assignable in the event the mortgagee
6 or servicing organization sells, assigns or transfers the servicing
7 of the mortgage loan to another mortgagee or servicing
8 organization.

9 c. The tax collector of the taxing district shall, upon receipt
10 of a written request from a mortgagee or servicing organization
11 on a form approved by the commissioner, mail or otherwise
12 deliver a mortgagor's tax bill to a property tax processing
13 organization. The commissioner shall provide by regulation for a
14 procedure by which the tax collector of a taxing district may
15 request the Director of the Division of Local Government
16 Services in the Department of Community Affairs to review the
17 appropriateness of the request to mail or otherwise deliver a
18 mortgagor's tax bill to a property tax processing organization.

19 d. If a mortgagee, servicing organization, or property tax
20 processing organization requests a duplicate copy of a tax bill,
21 the tax collector of a taxing district shall issue a duplicate copy
22 and may charge a maximum of \$5 for the first duplicate copy and
23 a maximum of \$25 for each subsequent duplicate copy of the
24 same tax bill in the same [tax] fiscal year, the actual charge
25 being set by municipal ordinance. The commissioner shall
26 promulgate regulations to effectuate the provisions of this
27 subsection d. which regulations shall include a procedure by which
28 a mortgagee, servicing organization, or property tax processing
29 organization may appeal and be reimbursed for the amount it has
30 paid for a duplicate copy of a tax bill, or any part thereof.

31 e. As used in subsections a., b., c., and d. of this section,
32 "mortgagee," "mortgagor," "mortgage loan," "servicing
33 organization" and "property tax processing organization" shall
34 have the same meaning as the terms have pursuant to section 1 of
35 P.L.1990, c.69 (C.17:16F-15).

36 (cf: P.L.1991, c.410, s.1)

37 2. R.S.54:4-65 is amended to read as follows:

38 54:4-65. [In addition to the requirements set forth hereunder,
39 the] a. The Director of the Division of Local Government
40 Services in the Department of Community Affairs shall approve
41 the form and content of property tax bills.

42 b. Each tax bill shall have printed thereon a brief tabulation
43 showing the distribution of the amount raised by taxation in the
44 taxing district, in such form as to disclose the rate per \$100.00 of
45 assessed valuation or the number of cents in each dollar paid by
46 the taxpayer which is to be used for the payment of State school
47 taxes, other State taxes, county taxes, local school expenditures
48 and other local expenditures. The last named item may be
49 further subdivided so as to show the amount for each of the
50 several departments of the municipal government. In lieu of
51 printing such information on the tax bill, any municipality may
52 furnish the tabulation required hereunder and any other pertinent
53 information in a statement accompanying the mailing or delivery
54 of the tax bill.

1 **c. The appropriate tax bill or form mailed with the tax bill**
2 shall also contain a statement reporting amounts of State aid and
3 assistance received by the municipality, school districts, special
4 districts and county governments used to offset local tax levies.
5 The director shall provide each tax collector with a certification
6 of the amounts of said State aid and assistance for inclusion in
7 the tax bill.

8 **d. The tax bill or form mailed with the tax bill shall include**
9 **thereon the date upon which each installment is due.**

10 (cf: P.L.1991, c.410, s.3)

11 3. R.S.54:4-66 is amended to read as follows:

12 54:4-66. Taxes shall be payable and shall be delinquent as
13 hereinafter stated:

14 a. Taxes shall be payable the first installment as hereinafter
15 provided on February first, the second installment on May first,
16 the third installment on August first and the fourth installment
17 on November first, after which dates if unpaid, they shall become
18 delinquent **and remain delinquent until such time as all unpaid**
19 **taxes, including taxes and other liens subsequently due and**
20 **unpaid, together with interest have been fully paid and satisfied;**

21 b. From and after the respective dates hereinbefore provided
22 for taxes to become delinquent, the taxpayer or property assessed
23 shall be subject to the penalties hereinafter prescribed;

24 c. In municipalities with a January 1 through December 31
25 fiscal year, the dates hereinbefore provided for payment of the
26 first and second installments of taxes being before the true
27 amount of the tax will have been determined, the amount to be
28 payable as each of the first two installments shall be one-quarter
29 of the total tax finally levied against the same property or
30 taxpayer for the preceding year or, if directed to do so for the
31 tax year by resolution of the municipal governing body, one-half
32 of the tax levied for the second half of the preceding tax year, as
33 appropriate; and the amount to be payable for the third and
34 fourth installments shall be the full tax as levied for the current
35 year, less the amount charged as the first and second
36 installments; the amount thus found to be payable as the last two
37 installments shall be divided equally for and as each installment.
38 An appropriate adjustment by way of discount shall be made, if it
39 shall appear that the total of the first and second installments
40 exceeded one-half of the total tax as levied for the year;

41 d. In municipalities that operate on the State fiscal year, there
42 shall be two annual tax bills delivered and the amounts payable
43 shall be as follows:

44 (1) In the tax year in which the fiscal year is changed, a tax
45 bill shall be delivered on or before June 14 of the tax year for the
46 third and fourth installments. The amount to be payable for the
47 two installments shall be the full tax levied against the same
48 property or taxpayer for municipal purposes in the preceding tax
49 year, less the amount charged as the first and second installments
50 for municipal purposes for the current calendar year; plus the full
51 tax as levied for the current tax year for county, school and other
52 purposes, excepting municipal purposes, less the amount charged
53 as the first and second installments for county, school and other
54 purposes, excepting municipal purposes; the amount found to be

1 payable shall be divided equally for each installment.

2 (2) Thereafter, in each tax year a tax bill shall be delivered on
3 or before October 1 of the pre-tax year for the first and second
4 installments of the tax year and on or before June 14 for the
5 third and fourth installments. The amount to be payable for the
6 first two installments shall be the full tax levied for municipal
7 purposes against the property or taxpayer for the current
8 municipal fiscal year less the amount charged for municipal
9 purposes as the third and fourth installments in the preceding tax
10 year, plus one half of the total tax levied against the property or
11 taxpayer for county, school and other purposes, excepting
12 municipal purposes, in the preceding tax year. If, pursuant to an
13 appropriate certification of taxes payable, the total amount to be
14 payable for the first two installments is less than the total
15 obligation for county, school or other purposes for the first and
16 second installments of the tax year, the municipality shall
17 proportionately adjust tax billings in order to meet the
18 obligation. The amount so derived shall be divided equally for
19 each installment. The amount payable for the third and fourth
20 installments shall be the full tax levied against the same property
21 or taxpayer for municipal purposes in the preceding municipal
22 fiscal year, less the amount charged as the first and second
23 installments for municipal purposes for the current calendar year;
24 plus the full tax as levied for the current tax year for county,
25 school and other purposes, excepting municipal purposes, less the
26 amount charged as the first and second installments for county,
27 school and other purposes, excepting municipal purposes. The
28 amount so derived shall be divided equally for each installment.
29 An appropriate adjustment by way of discount shall be made if it
30 appears that the total of that portion of the first two
31 installments which is taxes for county, school or other purposes,
32 excepting municipal purposes, exceeded one-half of the total tax
33 for those purposes as levied for the tax year;

34 e. Taxes may be received and credited as payments at any
35 time, even prior to the dates hereinbefore fixed for payment.

36 (cf: P.L.1991, c.410, s.4)

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

38 54:4-67. The governing body of each municipality may by
39 resolution fix the rate of discount to be allowed for the payment
40 of taxes or assessments previous to the date on which they would
41 become delinquent. The rate so fixed shall not exceed 6% per
42 annum, shall be allowed only in case of payment on or before the
43 thirtieth day previous to the date on which the taxes or
44 assessments would become delinquent. The governing body may
45 also fix the rate of interest to be charged for the nonpayment of
46 taxes or assessments on or before the date when they would
47 become delinquent, and may provide that no interest shall be
48 charged if payment of any installment is made within the tenth
49 calendar day following the date upon which the same became
50 payable. The rate so fixed shall not exceed 8% per annum on the
51 first \$1,500.00 of the delinquency and 18% per annum on any
52 amount in excess of \$1,500.00, to be calculated from the date the
53 tax was payable until the date of actual payment.

54 "Delinquency" means the sum of all taxes and municipal

1 charges due on a given parcel of property covering any number of
2 quarters or years. The property shall remain delinquent, as
3 defined herein, until such time as all unpaid taxes, including
4 subsequent taxes and liens, together with interest thereon shall
5 have been fully paid and satisfied. The delinquency shall remain
6 notwithstanding the issuance of a certificate of sale pursuant to
7 R.S.54:5-32 and R.S.54:5-46. The governing body may also fix a
8 penalty to be charged to a taxpayer with a delinquency in excess
9 of \$10,000 who fails to pay that delinquency prior to the end of
10 the [calendar] fiscal year. If such taxes are fully paid and
11 satisfied by the holder of an outstanding tax sale certificate, the
12 holder shall be entitled to receive the amount of the penalty as
13 part of the amount required to redeem such certificate of sale.
14 The penalty so fixed shall not exceed 6% of the amount of the
15 delinquency.

16 (cf: P.L.1991, c.75, s.39)

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

18 54:5-6. Taxes on lands shall be a continuous lien on the land on
19 which they are assessed [on and after the first day of the fiscal
20 year of the municipality for which the taxes are assessed.] and all
21 subsequent taxes, interest, penalties and costs of collection which
22 thereafter fall due or accrue shall be added to and [become] be a
23 part of such initial lien.

24 (cf: P.L.1991, c.75, s.42)

25 6. R.S.54:5-11 is amended to read as follows:

26 54:5-11. The governing body of each municipality shall from
27 time to time by resolution, designate [a bonded] an official of the
28 municipality to make examinations of its records as to unpaid
29 municipal liens and to certify the result thereof. The official so
30 designated, and each new incumbent of the office, shall
31 thereafter be vested with the power to make official certificates
32 of searches for municipal liens until a new official has been
33 designated for the purpose, and no other official than the one so
34 designated shall make any such official certificate. No personal
35 liability shall attach or be chargeable to the official so
36 designated.

37 (cf: R.S.54:5-11)

38 7. R.S.54:5-29 is amended to read as follows:

39 54:5-29. At any time before sale the collector shall receive
40 payment of the amount due on any property, with the interest and
41 costs incurred up to the time of payment. When a taxpayer
42 whose property is included in a tax sale shall, prior to the sale,
43 pay the full amount advertised in the sale, plus any interest on
44 any other delinquencies, the tax collector shall then post the
45 receipts, first to the interest, followed by the oldest
46 delinquencies, costs and penalties which action shall then be
47 cause for said property to be removed from the sale.

48 (cf: R.S.54:5-29)

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

50 54:5-54. Except as hereinafter provided, the owner, his heirs,
51 holder of an outstanding tax lien certificate, mortgagee, or
52 occupant [or other person have an interest in] of land sold for
53 municipal [liens] taxes, may redeem it at any time [within
54 6 months from the date of the sale when the municipality has

1 purchased the property at the tax sale, or within 2 years from the
2 date of sale when the purchaser is other than the municipality, or
3 at any time thereafter] until the right to redeem has been cut off
4 in the manner in this chapter set forth, by paying to the
5 collector, or to the collector of delinquent taxes on lands of the
6 municipality where the land is situate, for the use of the
7 purchaser, his heirs or assigns, the amount required for
8 redemption as hereinafter set forth.

9 (cf: P.L.1974, c.91, s.2)

10 9. R.S.54:5-61 is amended to read as follows:

11 54:5-61. The holder of the tax title, upon compliance with the
12 provisions of [section] R.S.54:5-62 [of this title], shall be entitled
13 for his expenses, to such sums as he may have actually paid out
14 for recording fees, fees for services of notices necessarily and
15 actually served, and fees and expenses in ascertaining the persons
16 interested in the premises sold, but such fees and expenses shall
17 not exceed in all the sum of twelve dollars, besides the fees
18 actually paid for recording the certificate and fees actually paid
19 for necessary advertising in a newspaper under this chapter. Such
20 fees and expenses shall be separate, apart from and in addition to
21 those fees permitted under section 7 of P.L.1965, c.187
22 (C.54:5-97.1) and R.S.54:5-98. Upon redemption in accordance
23 with R.S.54:5-58, R.S.54:5-59 and R.S.54:5-60 the holder of the
24 tax title shall be entitled to collect from the owner or other
25 persons having a right of redemption pursuant to R.S.54:5-54,
26 additional sums in accordance with the following schedule: When
27 the [taxes, interest and costs] tax title certificate amount shall
28 exceed the sum of two hundred dollars, the holder, upon
29 redemption of the tax title shall be entitled to collect from the
30 owner or other person having an interest in the lands an
31 additional sum equal to two per cent of the amount so paid for
32 the tax title certificate.

33 When the [taxes, interest and costs] tax title certificate
34 amount shall exceed the sum of \$5,000, such additional sum shall
35 be equal to 4% of such amount paid; and when [that sum] the tax
36 title certificate amount exceeds \$10,000, such additional sum
37 shall be equal to 6% of such amount paid. This section shall also
38 apply to all existing tax title certificates held by municipalities
39 on the effective date of [this act] P.L.1991, c.75.

40 (cf: P.L.1991, c.75, s.48)

41 10. R.S.54:5-77 is amended to read as follows;

42 54:5-77. a. [The holder of the tax title may at any time within
43 20 years after the purchase, give notice in writing to all persons
44 interested in the land of their right to redeem. Except as
45 hereinafter provided in subsection b. of this section, the
46 following notice requirements and periods of redemption shall
47 govern the foreclosure by municipal and private holders of tax
48 titles: for property purchased by the municipality, if notice is
49 served within 10 days of the tax sale, it shall state that the right
50 to redeem will be barred 6 months after the date of the sale; for
51 property purchased by other than a municipality, if the notice is
52 served within 18 months of the sale, it shall state that the right
53 to redeem will be barred 2 years after the date of the sale. If
54 notice is served beyond said periods, it shall state that the right

1 to redeem shall be barred 6 months from the service of the
2 notice. The notice shall be served personally on the persons
3 interested who reside in the municipality, and on others it may be
4 served personally, or by mailing to their post-office address, if it
5 can be ascertained, or by posting on the premises sold, if their
6 post-office address cannot be ascertained. In all cases where it
7 is not served personally a copy shall be published once in a
8 newspaper in which ordinances of the municipality may be
9 published. In the event it shall appear by the last tax duplicate of
10 said municipality that there is no assessment for a building
11 against said lands, in lieu of posting the notice on said premises,
12 the holder of the tax sale certificate may cause copies of the
13 notice to be posted in the office of the tax collector of said
14 municipality and in three other conspicuous places within the
15 taxing district in which the land is located.] (Deleted by
16 amendment, P.L. , c.)

17 b. Any municipality which holds the tax title may at any time
18 file an action with the Superior Court in the county wherein said
19 municipality is situate, demanding that the right of redemption
20 on such land be barred. Such action shall be heard in a summary
21 manner, and the court shall grant a judgment barring the right of
22 redemption if it finds that the land or any improvement thereon
23 is hazardous to the public health, safety and welfare, or unfit for
24 human habitation; any judgment rendered pursuant to such
25 summary proceeding shall be subject to the appropriate
26 provisions of R.S.54:5-54, except that in the case of an unknown
27 owner or unknown claimant, the equity of redemption shall be
28 barred pursuant to the provisions contained in R.S.54:5-90.
29 Notice and service of process shall be made pursuant to the
30 Rules Governing the Courts of the State of New Jersey. It shall
31 be an absolute defense to the action that the owner, mortgagee,
32 or other person having an interest therein has abated, removed,
33 or corrected the condition or conditions which cause the
34 improvement to be hazardous to the public health, safety and
35 welfare, or unfit for human habitation, or has deposited with the
36 court (1) the amount of money required, as determined by the
37 court, to abate, remove or correct the condition or conditions, or
38 (2) a performance bond in double the amount thereof. Thereupon,
39 the owner, mortgagee, or other person having an interest in said
40 land, shall proceed to abate, remove or correct said condition or
41 conditions within such time as the court shall deem reasonable
42 under the circumstances. Moneys deposited with the court may,
43 in the court's discretion, be used to abate, remove or correct the
44 condition or conditions involved, or may be paid to the depositor
45 or such other persons, as the court determines, who have abated,
46 removed or corrected such condition or conditions. The amount
47 of any performance guarantee deposited with the court may be
48 proportionately reduced by the court as portions of the work are
49 completed.

50 (cf: P.L.1974, c.91, s.3)

51 11. R.S.54:5-87 is amended to read as follows:

52 54:5-87. The Superior Court, in an action to foreclose the
53 right of redemption, may give full and complete relief under this
54 chapter, in accordance with other statutory authority of the

1 court, to bar the right of redemption and to foreclose all prior or
2 subsequent alienations and descents of the lands and
3 encumbrances thereon, except subsequent municipal liens, and to
4 adjudge an absolute and indefeasible estate of inheritance in fee
5 simple, to be vested in the purchaser. The judgment shall be final
6 upon the defendants, their heirs, devisees and personal
7 representatives, and their or any of their heirs, devisees,
8 executors, administrators, grantees, assigns or successors in
9 right, title or interest and no application shall be entertained to
10 reopen the judgment after 3 months from the date thereof, and
11 then only upon the grounds of lack of jurisdiction or fraud in the
12 conduct of the suit. Such judgment and recording thereof shall
13 not be deemed a sale, transfer, or conveyance of title or interest
14 to the subject property under the provisions of the "Uniform
15 Fraudulent Transfer Act," R.S.25:2-20 et seq.
16 (cf: P.L.1965, c.187, s.6)

17 12. R.S.54:5-91 is amended to read as follows:

18 54:5-91. Any person whose interest in the lands cannot, in the
19 exercise of reasonable diligence, be ascertained from the search
20 of the title of the premises described in the certificate of sale,
21 made of the indexes in the office of the surrogate and county
22 clerk or register of deeds and mortgages in the county in which
23 the lands are situate, and in the office of the Secretary of State,
24 extending back [at least] sixty years next preceding the date of
25 the sale, shall be deemed to be included in the term "unknown
26 owner" or "unknown claimant."
27 (cf: P.L.1953, c.51, s.44)

28 13. Section 7 of P.L.1965, c.187 (C.54:5-97.1) is amended to
29 read as follows:

30 7. No search fee, [and no] counsel fee or other fee related to
31 certified mailings shall be allowed a plaintiff other than a
32 municipality in the foreclosure of a tax lien unless, prior to the
33 filing of the complaint, the plaintiff shall have given 30 days'
34 written notice to the [interested owners and mortgagees] parties
35 entitled to redeem whose interests appear of record at the time
36 of the tax sale, by certified mail with postage prepaid thereon,
37 addressed to the last known address of such [owners and
38 mortgagees] persons, of intention to file such complaint. The
39 notice shall also contain the amount due on such tax lien as of the
40 date of the notice. A copy of such notice shall also be filed with
41 the municipal tax collector's office. Upon the filing and service
42 of such notice, a plaintiff shall be entitled to such fees and
43 expenses.

44 (cf: P.L.1965, c.187, s.7)

45 14. R.S.54:5-104 is amended to read as follows:

46 54:5-104. When in a judgment in an action to foreclose the
47 right of redemption, the lands are described in a manner other
48 than that contained in the certificate of tax sale, the judgment
49 shall bar the defendant's right of redemption in and to all the
50 lands described in the judgment, and that property only. Such
51 judgment and recording thereof shall not be deemed a sale,
52 transfer, or conveyance of title or interest to the subject
53 property under the provisions of the "Uniform Fraudulent
54 Transfer Act," R.S.25:2-20 et seq.
55 (cf: P.L.1953, c.51, s.57)

1 15. Section 4 of P.L.1948, c.96 (C.54:5-104.32) is amended to
2 read as follows:

3 4. Any municipality may proceed, In Rem, pursuant to the
4 provisions of this act, similarly to bar rights of redemption, after
5 said certificate has been recorded in the office of the county
6 recording officer. Neither the foreclosure nor the recording of
7 any such judgment or certificate shall be construed to be a sale,
8 transfer or conveyance of title or interest to the subject property
9 under the provisions of the "Uniform Fraudulent Transfer Act,"
10 R.S.25:2-20 et seq.

11 (cf: P.L.1948, c.96, s.4)

12 16. Section 37 of P.L.1948, c.96 (C.54:5-104.65) is amended to
13 read as follows:

14 37. Upon the recording of a certified copy of such judgment in
15 the office of the county recording officer, the plaintiff shall be
16 seized of an estate in fee simple, in the lands described therein,
17 absolute and free and clear of all liens and encumbrances, in
18 accordance with the terms of said judgment. Neither the
19 foreclosure nor the recording of any such judgment or certificate
20 shall be construed to be a sale, transfer or conveyance of title or
21 interest to the subject property under the provisions of the
22 "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq.

23 (cf: P.L.1953, c.51, s.89)

24 17. R.S.54:5-78 and R.S.54:5-80 are repealed in their entirety.

25 18. This act shall take effect immediately.

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SPONSOR'S STATEMENT

30 This bill includes a combination of technical and substantive
31 amendments to various sections of municipal tax collection and
32 lien laws. Several of the amendments are in response to various
33 federal and State court actions concerning New Jersey's current
34 municipal tax sale procedures.

35 The bill amends R.S.54:4-64 to change the date by which the
36 tax collector in municipalities operating on the State fiscal year
37 must mail tax bills. Currently, the law requires that bills be
38 mailed by October 1 of the pretax year. The bill would extend
39 that deadline to "at least two months before the first installment
40 of taxes for the calendar year falls due." Since the first
41 installment currently falls due on February 1, this language would
42 require that bills be mailed by December 1 of the pretax year.

43 The bill amends R.S.54:4-65 to require that a tax bill, or form
44 mailed with the tax bill, shall state the dates upon which each tax
45 installment is due. The bill amends R.S.54:4-66, R.S.54:4-67 and
46 R.S.54:5-29 to clarify when a property is considered delinquent in
47 property taxes, how long the property remains in delinquency and
48 the order in which receipts are applied to a tax delinquency.
49 Under the bill a property would remain delinquent until all unpaid
50 taxes, including subsequent taxes and liens, including interest on
51 those taxes and liens, are brought current. The issuance of a tax
52 sales certificate by a municipality would not extinguish the
53 delinquent status of the property.

54 The bill amends R.S.54:5-6 to establish that taxes on lands

1 shall be a continuous lien and all subsequent taxes, liens, interest,
2 penalties and costs which thereafter accrue are a part of the
3 continuous lien. Under current law taxes become a lien on the
4 property on January 1 of the year for which they are assessed.
5 The federal bankruptcy courts have indicated that under current
6 New Jersey law post-petition taxes do not become liens on the
7 property.

8 R.S.54:5-11 is amended to remove the requirement that the
9 official municipal tax lien searcher have a separate bond apart
10 from the municipality's general error and omissions liability
11 insurance policy. Since these lien searchers are now employed by
12 the municipality and are no longer paid directly from search fees,
13 the bill makes clear that the lien official has no personal liability
14 for the conduct of his duties.

15 R.S.54:5-29 is amended to direct the tax collector to post
16 receipts from a taxpayer received prior to a scheduled tax sale,
17 representing the full amount advertised in the sale plus any
18 interest for other delinquencies, first to interest on the taxes and
19 liens, followed by the oldest delinquencies to the most recent
20 delinquency, and then to the costs and penalties. This payment
21 by the taxpayer and allocation by the tax collector shall be cause
22 for the property to be removed from the tax sale.

23 R.S.54:5-54 is amended to limit persons who may redeem land
24 sold for municipal taxes to the owner, heirs of the owner,
25 mortgagees, holders of outstanding tax sale certificates, and an
26 occupant of the land. Under current law any person having an
27 interest in the land, which could include such persons as bail
28 bondsmen, can redeem a property implying that such persons
29 must also be given notice of the proceedings. The section is also
30 amended to delete the specific references to time periods in
31 which a property may be redeemed since those limitation are also
32 contained in R.S.54:5-86.

33 R.S.54:5-61 is amended to clarify what fees and costs are
34 permitted to be recovered by the holder of a tax sale certificate
35 upon redemption by the owner or any other person having a right
36 of redemption pursuant to R.S.54:5-54.

37 Subsection a. of R.S.54:5-77 is deleted and R.S.54:5-78 and
38 R.S.54:5-80 are repealed by the bill because of federal and State
39 court decisions holding that those notice and redemption
40 provisions did not provide adequate due process.

41 R.S.54:5-87, R.S.54:5-104 and sections 4 and 37 of P.L.1948,
42 c.96 (C.54:5-104.32 and 54:5-104.65) are amended to exclude a
43 judgment in an action to foreclose and a judgment barring rights
44 of redemption from being considered a sale, transfer, or
45 conveyance of title or interest under the provisions of the
46 "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq. These
47 amendments are intended to prevent the bankruptcy courts from
48 using the "uniform fraudulent conveyance law" to conclude that
49 the foreclosure and redemption bar judgments are not final and
50 could therefore be set aside by the bankruptcy trustee.

51 R.S.54:5-91 is amended to clarify that the search for an
52 unknown owner only need be traced back 60 years.

53 Finally, section 7 of P.L.1965, c.187 (C.54:5-97.1) is amended

1 to require notice of foreclosure be given to all persons entitled to
2 redeem at least 30 days prior to the filing of the foreclosure
3 action by a plaintiff, other than a municipality, as a prerequisite
4 for the plaintiff's collection of search fees, counsel fees and
5 certified mail fees.

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10 Updates laws relating to municipal property tax liens and
11 collection procedures.

ASSEMBLY LOCAL GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 936

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 24, 1994

The Assembly Local Government Committee favorably reports Assembly Bill No. 936 with committee amendments.

Assembly Bill No. 936, as amended, includes a combination of technical and substantive amendments to various sections of municipal tax collection and lien laws. Several of the amendments are in response to various federal and State court actions concerning New Jersey's current municipal tax sale procedures.

The bill amends R.S.54:4-64 to change the date by which the tax collector in municipalities operating on the State fiscal year must mail tax bills. Currently, the law requires that bills be mailed by October 1 of the pretax year. The bill would extend that deadline to "at least two months before the first installment of taxes for the calendar year falls due." Since the first installment currently falls due on February 1, this language would require that bills be mailed by December 1 of the pretax year.

The bill amends R.S.54:4-65 to require that a tax bill, or form mailed with the tax bill, shall state the dates upon which each tax installment is due. The bill amends R.S.54:4-66, R.S.54:4-67 and R.S.54:5-29 to clarify when a property is considered delinquent in property taxes, how long the property remains in delinquency and the order in which receipts are applied to a tax delinquency. Under the bill a property would remain delinquent until all unpaid taxes, including subsequent taxes and liens, including interest on those taxes and liens, are brought current. The issuance of a tax sales certificate by a municipality would not extinguish the delinquent status of the property. The committee amended R.S.54:4-67 to clarify that the interest rate is calculated from the date that the tax was payable until the date that the tax collector will be next authorized to turn over the money to the lienholder. In many municipalities the tax collector does not disburse money to a lienholder until authorized by the governing body at its monthly meeting.

The bill amends R.S.54:5-6 to establish that taxes on lands shall be a continuous lien and all subsequent taxes, liens, interest, penalties and costs which thereafter accrue are a part of the continuous lien. Under current law taxes become a lien on the property on January 1 of the year for which they are assessed. The federal bankruptcy courts have indicated that under current New Jersey law post-petition taxes do not become liens on the property.

R.S.54:5-11 is amended to remove the requirement that the official municipal tax lien searcher have a separate bond apart from the municipality's general error and omissions liability insurance policy. Since these lien searchers are now employed by the municipality and are no longer paid directly from search fees, the bill makes clear that the lien official has no personal liability for the conduct of his duties.

R.S.54:5-29 is amended to direct the tax collector to post receipts from a taxpayer received prior to a scheduled tax sale, representing the full amount advertised in the sale plus any interest for other delinquencies, first to interest on the taxes and liens, followed by the oldest delinquencies to the most recent delinquency, and then to the costs and penalties. This payment by the taxpayer and allocation by the tax collector shall be cause for the property to be removed from the tax sale.

R.S.54:5-54 is amended to limit persons who may redeem land sold for municipal taxes to the owner, heirs of the owner, mortgagees, holders of outstanding tax sale certificates, or occupant of the land. Under current law any person having an interest in the land, which could include such persons as bail bondsmen, can redeem a property implying that such persons must also be given notice of the proceedings. The section is also amended to delete the specific references to time periods in which a property may be redeemed since those limitations are also contained in R.S.54:5-86. The committee amended R.S.54:5-54 to clarify that only the holder of a prior outstanding tax lien certificate has the right to redeem as against subsequent holders of outstanding tax lien certificates. The committee also amended this section to clarify that it applies to land sold for "other municipal charges" in addition to only applying to land sold for tax liens.

R.S.54:5-61 is amended to clarify what fees and costs are permitted to be recovered by the holder of a tax sale certificate upon redemption by the owner or any other person having a right of redemption pursuant to R.S.54:5-54.

Subsection a. of R.S.54:5-77 is deleted and R.S.54:5-78 and R.S.54:5-80 are repealed by the bill because of federal and State court decisions holding that those notice and redemption provisions did not provide adequate due process.

R.S.54:5-87, R.S.54:5-104 and sections 4 and 37 of P.L.1948, c.96 (C.54:5-104.32 and 54:5-104.65) are amended to exclude a judgment in an action to foreclose and a judgment barring rights of redemption from being considered a sale, transfer, or conveyance of title or interest under the provisions of the "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq. These amendments are intended to prevent the bankruptcy courts from using the "uniform fraudulent conveyance law" to conclude that the foreclosure and redemption bar judgments are not final and could therefore be set aside by the bankruptcy trustee.

R.S.54:5-91 is amended to clarify that the search for an unknown owner only need be traced back 60 years.

Finally, section 7 of P.L.1965, c.187 (C.54:5-97.1) is amended to require notice of foreclosure be given to all persons entitled to redeem at least 30 days prior to the filing of the foreclosure action by a plaintiff, other than a municipality, as a prerequisite for the plaintiff's collection of search fees, counsel fees and certified mail fees.

Assembly Bill No. 936 was pre-filed for introduction in the 1994-1995 legislative session. As reported, the bill includes the changes required by technical review which has been performed.

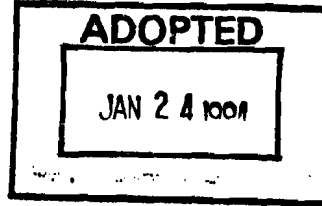
ASSEMBLY ALG COMMITTEE

AMENDMENTS

to

ASSEMBLY, No. 936

(Sponsored by Assemblyman ARNONE)



REPLACE SECTION 4 TO READ:

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

54:4-67. The governing body of each municipality may by resolution fix the rate of discount to be allowed for the payment of taxes or assessments previous to the date on which they would become delinquent. The rate so fixed shall not exceed 6% per annum, shall be allowed only in case of payment on or before the thirtieth day previous to the date on which the taxes or assessments would become delinquent. The governing body may also fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable. The rate so fixed shall not exceed 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, to be calculated from the date the tax was payable until the date ¹[of] that ¹actual payment ¹to the lienholder will be authorized¹.

"Delinquency" means the sum of all taxes and municipal charges due on a given parcel of property covering any number of quarters or years. The property shall remain delinquent, as defined herein, until such time as all unpaid taxes, including subsequent taxes and liens, together with interest thereon shall have been fully paid and satisfied. The delinquency shall remain notwithstanding the issuance of a certificate of sale pursuant to R.S.54:5-32 and R.S.54:5-46. The governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the [calendar] fiscal year. If such taxes are fully paid and satisfied by the holder of an outstanding tax sale certificate, the holder shall be entitled to receive the amount of the penalty as part of the amount required to redeem such certificate of sale. The penalty so fixed shall not exceed 6% of the amount of the delinquency.

(cf: P.L.1991, c.75, s.39)

REPLACE SECTION 8 TO READ:

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

54:5-54. Except as hereinafter provided, the owner, his heirs, holder of ¹[an] a prior¹ outstanding tax lien certificate, mortgagee, or occupant [or other person have an interest in] of land sold for municipal [liens] taxes ¹or other municipal charges¹, may redeem it at any time [within 6 months from the date of the sale when the municipality has purchased the property at the tax sale, or within 2 years from the date of sale when the purchaser is other than the municipality, or at any time thereafter] until the right to redeem has been cut off in the manner in this chapter set forth, by paying to the collector, or to the collector of delinquent taxes on lands of the municipality where the land is situate, for the use of the purchaser, his heirs or assigns, the amount required for redemption as hereinafter set forth.

(cf: P.L.1974, c.91, s.2)

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 936

STATE OF NEW JERSEY

DATED: MARCH 21, 1994

The Senate Community Affairs Committee reports favorably Assembly Bill No. 936(1R).

This bill includes a combination of technical and substantive amendments to various sections of municipal tax collection and lien laws. Several of the amendments are in response to various federal and State court decisions concerning New Jersey's current municipal tax sale procedures.

The bill amends R.S.54:4-64 to change the date by which the tax collector in municipalities operating on the State fiscal year must mail tax bills. Current law requires that bills be mailed by October 1 of the pretax year. The bill would extend that deadline to "at least two months before the first installment of taxes for the calendar year falls due." Since the first installment currently falls due on February 1, this language would require that bills be mailed by December 1 of the pretax year.

The bill amends R.S.54:4-65 to require that a tax bill, or form mailed with the tax bill, shall state the dates upon which each tax installment is due. The bill amends R.S.54:4-66, R.S.54:4-67 and R.S.54:5-29 to clarify when a property is considered delinquent in property taxes, how long the property remains in delinquency and the order in which receipts are applied to a tax delinquency. Under the bill, a property would remain delinquent until all unpaid taxes, including subsequent taxes and liens, including interest on those taxes and liens, are brought current. The issuance of a tax sale certificate by a municipality would not extinguish the delinquent status of the property. The bill amends R.S.54:4-67 to clarify that the interest rate is calculated from the date that the tax was payable until the date that the tax collector will be next authorized to turn over the money to the lienholder. In many municipalities the tax collector does not disburse money to a lienholder until authorized by the governing body at its monthly meeting.

The bill amends R.S.54:5-6 to establish that taxes on lands shall be a continuous lien and all subsequent taxes, liens, interest, penalties and costs which thereafter accrue are a part of the continuous lien. Under current law taxes become a lien on the property on January 1 of the year for which they are assessed. The federal bankruptcy courts have indicated that under current New Jersey law post-petition taxes do not become liens on the property.

The bill amends R.S.54:5-11 to remove the requirement that the official municipal tax lien searcher have a separate bond apart from the municipality's general error and omissions liability insurance policy. Because lien searchers are municipal employees who are no longer paid directly from search fees, the bill states that no personal liability shall attach or be chargeable to the lien official.

The bill amends R.S.54:5-29 to direct the tax collector to post receipts from a taxpayer received prior to a scheduled tax sale, representing the full amount advertised in the sale plus any interest for other delinquencies, first to interest on the taxes and liens, followed by the oldest delinquencies to the most recent delinquency, and then to the costs and penalties. This payment by the taxpayer and allocation by the tax collector would cause the property to be removed from the tax sale.

The bill amends R.S.54:5-54 to limit persons who may redeem land sold for municipal taxes or other municipal charges to the owner, heirs of the owner, a mortgagee, a holder of a prior outstanding tax sale certificate, or an occupant of the land. Under current law any person having an interest in the land, which could include such persons as bail bondsmen, can redeem a property implying that such persons must also be given notice of the proceedings. The bill also deletes specific references to time periods within which a property may be redeemed since those limitations are also contained in R.S.54:5-86.

The bill amends R.S.54:5-61 to clarify the fees and costs that are recoverable by the holder of a tax sale certificate upon redemption by the owner or other person having a right of redemption pursuant to R.S.54:5-54.

The bill deletes subsection a. of R.S.54:5-77 and repeals R.S.54:5-78 and R.S.54:5-80 because federal and State court decisions have held that the notice and redemption provisions contained therein did not provide adequate due process.

The bill amends R.S.54:5-87, R.S.54:5-104 and sections 4 and 37 of P.L.1948, c.96 (C.54:5-104.32 and 54:5-104.65) to exclude a judgment in an action to foreclose and a judgment barring rights of redemption from being considered a sale, transfer, or conveyance of title or interest under the provisions of the "Uniform Fraudulent Transfer Act," R.S.25:2-20 et seq. These amendments are intended to prevent the bankruptcy courts from using the "uniform fraudulent conveyance law" to conclude that the foreclosure and redemption bar judgments are not final and could therefore be set aside by the bankruptcy trustee.

The bill amends R.S.54:5-91 to clarify that the search for an unknown owner only need be traced back 60 years.

Finally, the bill amends section 7 of P.L.1965, c.187 (C.54:5-97.1) to require a plaintiff other than a municipality to provide written notice of foreclosure to all persons entitled to redeem at least 30 days prior to the filing of the foreclosure action as a prerequisite for the plaintiff's collection of search fees, counsel fees and certified mail fees.

This bill is identical to the Senate Committee Substitute for Senate Bills No. 529 and 599, which was favorably reported by the Senate Community Affairs Committee this date.