

54:4-3.139

LEGISLATIVE HISTORY CHECKLIST
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(Property tax--certain exemptions-allow)

NJSA: 54:4-3.139

LAWS OF: 1989 **CHAPTER:** 207

BILL NO: S1966

SPONSOR(S): Lipman

DATE INTRODUCED: January 25, 1988

COMMITTEE: **ASSEMBLY:** Appropriations; Community Development
& Urban Affairs

SENATE: County and Municipal Government

AMENDED DURING PASSAGE: Yes Assembly committee substitute
for S1966/A2618

DATE OF PASSAGE: **ASSEMBLY:** May 18, 1988

SENATE: March 3, 1988

DATE OF APPROVAL: December 27, 1988

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes 1-23-89 & 10-20-88

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: Yes

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clippings--attached:
"Kean signs law to foster affordable housing," 12-28-89, Trenton Times.

KBP:pp

[SECOND REPRINT]

ASSEMBLY COMMITTEE SUBSTITUTE FOR
SENATE, No. 1966 [1R] and ASSEMBLY, No. 2618

STATE OF NEW JERSEY

ADOPTED OCTOBER 20, 1988

Sponsored by Senator LIPMAN, Assemblymen BRYANT,
KELLY and Mattison

1 AN ACT concerning tax abatements for certain residential
property and supplementing Title 54 of the Revised Statutes.

3

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

1. The Legislature finds and determines that:

7 a. With the enactment of the "New Jersey Urban Enterprise
Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.), the State has
9 endeavored to induce private business concerns to locate or
expand operations in certain urban areas;

11 b. Similar encouragement should be provided for the
construction of new single-family housing units, needed to
13 provide housing convenient to this business activity and to
stimulate neighborhood revitalization;

15 c. The deterioration of once-flourishing residential
neighborhoods is a problem of enormous magnitude for the State
17 of New Jersey, the solution to which has been, and should
continue to be, an overriding public concern of federal, State and
19 local governments;

21 d. The deterioration of those residential neighborhoods is in
large measure the result of the unwillingness of the owners of,
and investors in, residential properties to properly maintain and
23 improve their properties, arising out of fear of the resulting
increase in property taxes;

25 e. In many of those neighborhoods, particularly in urban
centers, the deterioration of housing stock has resulted in vacant
27 lots, abandoned buildings and poorly maintained properties, and
the concomitant negative psychological and financial impact upon
29 owners of, and investors in those residential neighborhoods;

31 f. In addition, the heavy tax burdens in many urban
municipalities inhibit the development of new housing in those

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted January 23, 1989.

² Assembly amendments adopted in accordance with Governor's
recommendations August 14, 1989.

1 municipalities, notwithstanding the fact that those municipalities
2 contain ample vacant land for the construction of new housing
3 and numerous unused or underused buildings which may be
4 converted to housing;

5 g. Further, while the rapidly growing demand for housing has
6 begun to encourage some private investment in urban residential
7 construction, the substantial property tax burdens in many of our
8 urban areas have discouraged many prospective purchasers of
9 newly constructed housing units in those municipalities;

10 h. These prospective purchasers may be further discouraged by
11 the severe intra-municipal assessment discrepancies in certain
12 urban areas, in which older residential properties remain assessed
13 at a fraction of market value while newly constructed residential
14 properties are assessed at full market values and the owners
15 thereof pay substantially higher taxes than the owners of the
16 older properties;

17 i. Property tax abatements for the construction of certain
18 residential structures, and property tax abatements for the
19 conversion of other structures to residential use, will constitute a
20 substantial incentive for owners and investors to improve vacant
21 land and underutilized structures;

22 j. The provision of property tax abatements for new residential
23 structures in certain urban areas will assure the prospective
24 purchasers of those properties that their property tax
25 assessments will be no greater than the assessments of older
26 homes, thus removing the fear of overly high tax burdens;

27 k. In certain urban areas, the encouragement of residential
28 construction and conversion can be expected to make available
29 older, more affordable housing stock, thus encouraging both the
30 provision of affordable housing and general urban redevelopment,
31 while in other urban areas, any new residential construction can
32 be expected to contribute to the growth and neighborhood
33 stability needed in conjunction with incentives for the rebirth of
34 the business community; ²[and]²

35 1. ²Article VIII, Section I, paragraph 6 of the Constitution of
36 this State authorizes the Legislature to enact general laws under
37 which municipalities may adopt ordinances granting exemptions
38 or abatements from taxation for limited periods of time not in
39 excess of five years on buildings and structures in areas declared

1 in need of rehabilitation in accordance with statutory criteria; and
2 m.² It is, therefore, a compelling public purpose to provide
3 qualified municipalities with the means of providing the
4 appropriate abatements.

5 2. As used in this act:

6 a. "Abatement" means an exemption from real property taxes
7 provided for the purposes of encouraging residential construction,
8 conversion, improvement and redevelopment pursuant to this act;

9 b. "Assessor" means the municipal tax assessor appointed
10 pursuant to the provisions of chapter 9 of Title 40A of the New
11 Jersey Statutes;

12 c. "Completed," with respect to a parcel of qualified property,
13 or the "completion" of that property, means substantially ready
14 for the use for which it is intended and its occupancy as a
15 principal residence;

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

19 e. "Cooperative" means a housing corporation or association,
20 wherein the holder of a share or membership interest thereof is
21 entitled to possess and occupy for dwelling purposes a house,
22 apartment, or other unit of housing owned by the corporation or
23 association, or to purchase a unit of housing constructed or
24 erected by the corporation or association;

25 f. "Cost," when used with respect to construction, or to an
26 improvement or conversion alteration, means only the cost or fair
27 market value of labor and materials used in constructing or
28 improving qualified residential property, or in converting another
29 building or structure to qualified residential property, including
30 any architectural, engineering, and contractors fees associated
31 with the construction, improvement or conversion, as the owner
32 of the property shall cause to be certified to the governing body
33 by an independent and qualified architect, following the
34 completion of the project;

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

38 h. "Qualified municipality" means a municipality in which an
39 urban enterprise zone or part of an urban enterprise zone has

1 been designated pursuant to the "New Jersey Urban Enterprise
Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.), and shall
3 include the entire area within the corporate boundaries of that
municipality, whether or not that area is included within an urban
5 enterprise zone;

i. "Qualified residential property" means any building used or
7 to be used or held for use as a home or residence, including
accessory buildings located on the same premises and including
9 condominiums, cooperatives and horizontal property regimes. No
building shall be considered a qualified residential property if the
11 certificate of occupancy for the construction, conversion,
rehabilitation or renovation was issued on or before the date
13 falling ¹[360 days] ²[24] 30² months¹ prior to the effective date
of this act.

15 3. The governing body of a qualified municipality may, by
ordinance, determine that one or more ²areas within the
17 municipality are in need of rehabilitation, and that one or more²
buildings or structures ²in any such area² could be
19 advantageously converted to qualified residential property or that
vacant land ²[situate therein] in any such area² could be
21 advantageously used for the construction of qualified residential
property. Any such determination shall be made in keeping with
23 regulations which shall be promulgated by the Commissioner of
Community Affairs pursuant to the "Administrative Procedure
25 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), which shall take into
consideration the following: existence of blighted areas in the
27 municipality; deterioration of housing stock; age of housing stock;
supply of and demand for housing in the municipality; and
29 arrearage in real property taxes due on residential properties.

4. The governing body of a qualified municipality which has
31 complied with the provisions of section 3 of this act may, by
ordinance, provide for abatements of real property taxes for
33 qualified residential property. The governing body shall include
the following items in its enabling ordinance and shall select
35 among the following options where appropriate:

- a. A property tax abatement term of five ²[, 10 or 15]² years;
- 37 b. The application procedure for an abatement authorized
under this act;
- 39 c. The method of computing payments in lieu of real property

1 taxes pursuant to ¹[in]¹ subsection b. or subsection c. of section 7
of this act; ¹[and]¹

3 d. An approval method for abatement applications by the
assessor or by ordinance on a per applicant basis ¹; and

5 e. A requirement that: (1) to be eligible for an abatement, a
6 dwelling house, condominium unit or unit in a horizontal property
7 regime shall be occupied by the owner thereof, and that a
8 cooperative shall be occupied by residential shareholders therein;
9 or (2) in a case in which paragraph (1) of this subsection is not
10 satisfied, the annual payment in lieu of taxes on the unit or
11 dwelling house shall be increased by 1% above the amount
12 otherwise chargeable under section 7 of this act; and that, in the
13 case of a cooperative, the annual payment in lieu of taxes shall
14 be the amount chargeable under section 7 of this act plus an
15 amount determined by multiplying 1% of the amount chargeable
16 under section 7 of this act times the percentage of units not
17 occupied by residential shareholders.¹

18 In the case of an abatement for the conversion of a building or
19 structure to qualified residential property, the building or
structure so converted may include, but need not be limited to,
21 commercial or industrial buildings or structures, or underutilized
school buildings.

23 5. When an urban redevelopment project, approved pursuant to
section 19 of P.L.1961, c.40 (C.40:55C-58) includes the
25 construction of qualified residential property, and the project is
located in a qualified municipality which has adopted the
27 provisions of this act, the urban renewal corporation or
association carrying out the project may, upon completion of that
29 qualified residential property, make application for tax
abatements under this act on behalf of prospective purchasers of
31 dwelling units whether the units be owner occupied or investor
owned.

33 6. a. No abatement shall be granted pursuant to this act
except upon written application filed with the assessor of the
35 taxing district wherein the improvement or conversion alteration
is made and approved by the assessor or by ordinance, as required
37 by the enabling ordinance. Every application shall be on a form
prescribed by the Director of the Division of Taxation, in the
39 Department of the Treasury, and provided for the use of

1 claimants by the governing body of the municipality constituting
the taxing district, and shall be filed with the assessor within 30
3 days, including Saturdays and Sundays, following the completion
of the improvement or conversion alteration or the effective date
5 of this act, whichever is later. Every application for an
abatement which is filed within the time specified may be
7 approved and allowed by the assessor to the degree that the
application is consistent with the provisions of the enabling
9 ordinance, provided that the property for which the application is
made constitutes qualified residential property pursuant to the
11 provisions of this act. An abatement that is granted shall take
effect upon the issuance of a certificate of occupancy to the
13 owner and it shall be recorded and made a permanent part of the
official tax records of the taxing district, which record shall
15 contain a notice of the termination date of the abatement.

b. The added assessment provisions of section 3 of P.L.1941,
17 c.397 (C.54:4-63.3) and the omitted assessment provisions of
section 9 of P.L.1947, c.413 (C.54:4-63.20) and section 1 of
19 P.L.1968, c.184 (C.54:4-63.33) shall not be applicable to any
property for which the owner-occupant has been granted a tax
21 abatement under this act.

7. a. Each approved abatement shall be evidenced by a
23 financial agreement between the qualified municipality and the
applicant. The agreement shall be prepared by the applicant and
25 shall contain the representations that are required by the
enabling ordinance. The agreement shall provide for the
27 applicant to annually pay to the municipality an amount in lieu of
real property taxes, to be computed according to either
29 subsections b. or c. of this section, as provided for in the enabling
ordinance.

b. Payments in lieu of taxes may be computed ²[according to
the following schedule as the appropriate percentage of the cost
33 of the improvements:

	<u>Year</u>	<u>Percent of Cost</u>
35	1	2.00
	2	2.12
37	3	2.25
	4	2.38
39	5	2.52

	<u>Year</u>	<u>Percent of Cost</u>
1	6	2.68
3	7	2.83
	8	3.00
5	9	3.19
	10	3.38
7	11	3.58
	12	3.80
9	13	4.02
	14	4.26
11	15	4.52]

as two percent of the cost of the improvements or conversion alterations, as appropriate; or²

c. Payments in lieu of taxes may be computed as a portion of the real property taxes otherwise due, according to the following ²[schedules] schedule²:

	² <u>Year</u>	<u>Percent of Taxes Otherwise Due</u>		
		<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
19	1	0	0	0
21	2	20	10	7
	3	40	20	14
23	4	60	30	21
	5	80	40	28
25	6	100	50	35
	7		60	42
27	8		70	49
	9		80	56
29	10		90	63
	11		100	70
31	12			77
	13			84
33	14			91
	15			98
35	16			100]

(1) In the first tax year following completion, no payment in lieu of taxes otherwise due;

(2) In the second tax year following completion, an amount not less than 20% of taxes otherwise due;

1 (3) In the third tax year following completion, an amount not
2 less than 40% of taxes otherwise due;

3 (4) In the fourth tax year following completion, an amount not
4 less than 60% of taxes otherwise due;

5 (5) In the fifth tax year following completion, an amount not
6 less than 80% of taxes otherwise due;

7 (6) In the sixth and all subsequent tax years following
8 completion, 100% of the taxes otherwise due.²

9 d. For the purposes of this section, the amount of "taxes
10 otherwise due" shall be determined by including the appropriate
11 percentage of the assessed valuation of the abated structure,
12 improvement or conversion alteration, as the case may be, on the
13 assessment list of the municipality as taxable property, and
14 levying taxes thereon in the same manner as other taxes are
15 levied pursuant to chapter 4 of Title 54 of the Revised Statutes;
16 provided, however, that no value for a property subject to the
17 provisions of this act shall be included in the calculation of the
18 "net valuation on which county taxes are apportioned" until the
19 sixth, eleventh or sixteenth year, as appropriate.

20 8. In addition to the annual payment required pursuant to
21 section 7 of this act, the enabling ordinance may require, as part
22 of the financial agreement, that the owner pay an annual
23 administration fee to the qualified municipality, which fee shall
24 not exceed one percent of the payment provided for herein.

25 9. The payments required pursuant to sections 7 and 8 of this
26 act shall be made in quarterly installments according to the same
27 schedule as real property taxes are due and payable. Failure to
28 make these payments shall result in the termination of the
29 abatement. In addition to the remedy set forth herein, the
30 requirements imposed pursuant to section 7 of this act shall be
31 enforced in the same manner as is provided for real property
32 taxes pursuant to Title 54 of the Revised Statutes.

33 10. In addition to the payments required in lieu of taxes
34 pursuant to section 7 of this act, the owner of a parcel of
35 qualified property granted an abatement pursuant to this act shall
36 be liable for all real property taxes assessed and levied against
37 the land on which the qualified residential property is situated.

38 11. No abatement shall be granted pursuant to this act with
39 respect to any property for which property taxes are delinquent

1 or remain unpaid, or for which penalties for nonpayment of taxes
are due.

3 12. This act shall take effect immediately, and shall apply to
taxes assessed and levied for each tax year beginning January 1
5 next following enactment.

7

TAXATION
Property Taxes

9

11 Permits municipalities to grant five, 10 or 15 year tax
abatements for certain residential property.

ASSEMBLY, No. 2618
STATE OF NEW JERSEY

INTRODUCED FEBRUARY 22, 1988

By Assemblymen BRYANT and KELLY

1 AN ACT concerning exemption from taxation of newly
constructed single-family dwellings and improvements to
3 single-family dwellings under certain circumstances, amending
and supplementing P.L. 1975, c. 105 (C. 54:4-3.72 et seq.).

5

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

1. The Legislature finds and declares:

9 a. A primary objective of the State's urban policy is to
stimulate private investment in distressed urban areas and
11 thereby to encourage new commercial and business development.

b. With enactment of the "New Jersey Urban Enterprise Zones
13 Act," P.L. 1983, c. 303 (C. 52:27H-60 et seq.), the State has
endeavored to induce private business concerns to locate or
15 expand operations in these urban areas.

c. The "Urban Renewal Corporation and Association Law of
17 1961," P.L. 1961, c. 40 (C. 40:55C-40 et seq.), commonly known
as the "Fox-Lance Law," has successfully encouraged private
19 business activity, including the construction of new condominium
housing units, in these urban areas.

d. Similar encouragement should be provided for the
21 construction of new single-family housing units, needed to
provide housing convenient to such business activity and to
23 stimulate neighborhood revitalization.

e. To stimulate the further investment of private capital in
25 the State's distressed urban areas and to benefit fully from the
investment already being made, it is in the State's interest to
27 extend tax-abatement benefits like those available under the
Fox-Lance Law to the development of single-family housing units
29 in municipalities in which enterprise zones have been designated
pursuant to P.L. 1983, c. 303, and in which there are residential
31 neighborhoods that have been determined to be in need of
rehabilitation within the meaning of P.L. 1975, c. 104 § 3 (C.
33 54:4-3.74).

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 2. Section 2 of P.L. 1975, c. 104 (C. 54:4-3.73) is amended to
read as follows:

3 2. As used in this act:

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

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

9 c. "Dwelling" means any building or part of a building used, to
be used or held for use as a home or residence, including
11 accessory buildings located on the same premises, together with
the land upon which such building or buildings are erected and
13 which may be necessary for the fair enjoyment thereof, but shall
not mean any building or part of a building, defined as a "multiple
15 dwelling" pursuant to the "Hotel and Multiple Dwelling Law,"
P.L. 1967, c. 76 (C. 55:13A-1 et seq.). A dwelling shall include
17 individual residences within a horizontal property regime or a
condominium, but shall not include "general common elements"
19 or "common elements" of such horizontal property regime or
condominium as defined pursuant to the "Horizontal Property
21 Act," P.L. 1963, c. 168 (C. 46:8A-1 et seq.), or the
"Condominium Act," P.L. 1969, c. 257 (C. 46:8B-1 et seq.).

23 d. "Home improvement" means the improvement of a dwelling
which does not change its permitted use, and shall include the
25 modernization, rehabilitation, renovation, alteration or repair of
a dwelling.

27 e. "Qualified municipality" means any municipality in which
residential neighborhoods have been declared by the county
29 planning board or the Commissioner of the Department of
Community Affairs to be in need of rehabilitation, pursuant to
section 3 of this act.

31 f. "Abatement" means that portion of the assessed value of a
property as it existed prior to an improvement which is exempted
33 from taxation pursuant to subsection b. of section 4 (C.
35 54:4-3.75b.).

37 g. "Exemption" means any portion of the assessor's full and
true value of any improvement not regarded as increasing the
taxable value of a property pursuant to subsection a. of section 4
39 (C. 54:4-3.75a.).

41 h. "Single-family dwelling" shall mean any building or part of
a building used as a home or residence for a single household, and

1 occupied or to be occupied by the owner thereof. For purposes of
 2 this act a single-family dwelling shall include detached and
 3 semi-detached structures, including townhouses and rowhouse
 4 construction, but shall not mean any building or part of a building
 5 defined as a "multiple dwelling" pursuant to the "Hotel and
 6 Multiple Dwelling Law," P.L. 1967, c. 76 (C. 55:13A-1 et seq.).

7 i. "Newly constructed" means constructed pursuant to a
 8 construction permit issued on or after the effective date of
 9 P.L....., c.... (C.....) (now pending in the Legislature as this
 10 1988 amendatory and supplementary bill).

11 j. "Constructed" means constructed, reconstructed, erected or
 12 converted, including the creation of a dwelling unit by the
 13 rehabilitation of disused or substandard residential property, or
 14 conversion to residential use of previously non-residential
 15 property through reconstruction, remodeling, repair or
 16 rehabilitation.

17 (cf: P.L. 1981, c. 544, s. 4)

18 3. Section 3 of P.L. 1975, c. 104 (C. 54:4-3.74) is amended to
 19 read as follows:

20 3. The county planning board may determine that a
 21 municipality's residential neighborhoods are in need of
 22 rehabilitation. It may make such a determination on its own
 23 initiative or in response to a petition by the governing body of the
 24 municipality. In the event of the failure of the county planning
 25 board to respond favorably to such a petition within 30 days of its
 26 receipt, the petitioning municipal governing body may request the
 27 Commissioner of the Department of Community Affairs to make
 28 such determination instead.

29 In determining that a municipality's residential neighborhoods
 30 are in need of rehabilitation, the following may be considered:
 31 existence of areas within the municipality that have previously
 32 been declared blighted; deterioration in housing maintenance; age
 33 of housing stock; and arrearage in real property taxes due on
 34 residential properties.

35 When such a determination has been made as to the residential
 36 neighborhoods in any municipality wherein an enterprise zone has
 37 been designated pursuant to the "New Jersey Urban Enterprise
 38 Zones Act," P.L. 1983, c. 303 (C. 52:27H-60 et seq.),
 39 single-family dwellings in that municipality shall be eligible for
 40 tax abatement pursuant to subsection c. of section 4 of P.L. 1974,

41 c. 104 (C. 54:4-3.75)

(cf: P.L. 1977, c. 284, s. 3)

1 4. Section 4 of P.L. 1975, c. 104 (C. 54:4-3.75) is amended to
read as follows:

3 4. a. [In] Except as may be otherwise provided pursuant to
4 subsection c. of this section, in determining the value of real
5 property for the purposes of taxation, qualified municipalities,
6 after passage by the municipal governing body of a general
7 ordinance providing for such exemptions either throughout the
municipality or in designated residential neighborhoods to be
9 specified in such ordinance, may regard the first \$4,000.00 or
\$10,000.00 or \$15,000.00, as may be specified by general
11 ordinance, in assessor's full and true value of home
improvements for each dwelling unit primarily and directly
13 affected by a home improvement in any dwelling more than 20
years old, as not increasing the value of such property for a
15 period of 5 years, notwithstanding that the value of the dwelling
to which such improvements are made is increased thereby,
17 provided, however, that during said period, the assessment on
such dwelling shall in no case, except that of an abatement as
19 provided in subsection b. of this section, or damage through
action of the elements sufficient to warrant a reduction, be less
21 than the assessment thereon existing immediately prior to such
home improvements.

23 b. Any ordinance providing for exemptions may also provide
for the abatement of some portion of the assessed value of
25 property receiving such an exemption as it existed immediately
prior to the improvement. Any abatement for any single property
27 may be granted with respect to that property for a total of up to
5 years, but the annual amount of the abatement granted to any
29 single property shall not exceed 30% of the annual amount of the
exemption granted under the ordinance. The abatement period
31 and the annual percentage of the abatement to be granted shall
be set forth in the adopting ordinance, which may include a
33 schedule providing for a different percentage of abatement, up to
30%, for each or any year of the abatement period.

35 c. In a municipality where an enterprise zone has been
36 designated, the ordinance providing for exemptions under
37 authority of this act may provide for the total exemption from
38 taxation for a period of up to 7 years for any eligible structure or
39 improvement; and in lieu of tax during the period of exemption
40 the ordinance shall provide for the payment of a service charge
41 to the municipality amounting to 2% of the true value upon

1 completion of the structure or improvement, as calculated on the
 2 basis of the municipal tax assessor's initial assessment of the
 3 structure or of the value added by the improvement. The owner
 4 of a dwelling to which an improvement eligible for exemption
 5 under either this subsection or subsection a. of this section, may
 6 apply for exemption under either subsection, but not both.

7 d. An ordinance providing for exemptions pursuant to
 8 subsection c. of this section shall provide that the exemption
 9 shall cease forthwith whenever an exempted structure ceases to
 10 be the principal residence of the owner thereof. The ordinance
 11 shall provide for the periodic verification, not less than once in
 12 every year, of the owner's continued residency, and for the form
 13 and procedure to be followed in revoking or cancelling an
 14 exemption on the grounds of non-residency.

15 (cf: P.L. 1981, c. 544, s. 5)

16 5. Section 5 of P.L. 1975, c. 104 (C. 54:4-3.76) is amended to
 17 read as follows:

18 5. The assessor shall determine, on October 1 of any year
 19 following the date of the completion of the improvement or the
 20 newly constructed single-family dwelling, as the case may be, the
 21 true taxable value of the improvement or structure. The amount
 22 of tax to be paid for the first year following the completion of
 23 [the] an improvement shall be based on the assessed valuation of
 24 the property for the previous year, plus any portion of the
 25 assessed valuation of the improvement not allowed an exemption
 26 pursuant to subsection a. of section 4 (C. 54:4-3.75a.), minus the
 27 amount of the abatement, if any, allowed pursuant to subsection
 28 b. of section 4 (C. 54:4-3.75b.). Subject to the provisions of the
 29 adopting ordinance, the property shall continue to be so treated
 30 for each of the 5 tax years subsequent to the original
 31 determination by the assessor or if exempted pursuant to
 32 subsection c of section 4 of P.L. 1975, c. 104 (C. 54:4-3.75) shall
 33 remain exempt for each of the 7 tax years subsequent to the
 34 determination by the assessor.

35 (cf: P.L. 1981, c. 544, s. 6)

36 6. Section 7 of P.L. 1975, c. 104 (C. 54:4-3.78) is amended to
 37 read as follows:

38 7. a. No exemption, or exemption and abatement, authorized
 39 pursuant to the provisions of this act, shall be granted or allowed
 except upon written application therefor filed with and approved

1 by the assessor of the taxing district wherein the home
2 improvement is made or the newly constructed single-family
3 dwelling is constructed. Every such application shall be on a
4 form prescribed by the Director of the Division of Taxation,
5 Department of the Treasury, and provided for the use of
6 claimants by the governing body of the municipality constituting
7 the taxing district, and shall be filed with the assessor within 30
8 days, including Saturdays and Sundays, following the completion
9 of the improvement or the issuance of a certificate of occupancy
10 for the newly constructed single-family dwelling. Every
11 application for exemption, or exemption and abatement, of one or
12 more improvements which qualify as improvements, or of a newly
13 constructed single-family dwelling eligible for exemption, within
14 a municipality adopting the provisions of this act, as defined by
15 this act, and which is filed within the time specified, shall be
16 approved and allowed by the assessor. The granting of any such
17 exemption, or exemption and abatement, shall be recorded and
18 made a permanent part of the official tax records of the taxing
19 district which record shall contain a notice of the termination
20 date.

21 b. When an urban redevelopment project, approved pursuant to
22 section 19 of P.L. 1961, c. 40 (C. 40:55C-58) includes the
23 construction of residential structures which, when occupied by
24 the owners thereof, would qualify as "single-family dwellings"
25 under the terms of this act, and the project is located in a
26 municipality which has adopted the provisions of this act through
27 ordinance adopted pursuant to section 4 of this act, the urban
28 renewal corporation or association carrying out the project may,
29 upon completion of those residential structures, or any of them,
30 make application for tax exemption under this act and the
31 municipal ordinance pursuant thereto on behalf of prospective
32 purchasers of dwelling units who will occupy them as their
33 principal places of residence. Such prospective exemptions shall
34 be granted subject to subsequent qualification of the
35 owner-occupants, and shall take effect on and from the date of
36 such qualification.

37 (cf: P.L. 1981, c. 544 s. 8)

38 7. This act shall take effect immediately, and shall expire
39 upon the twentieth anniversary of its effective date; but any
40 exemptions or abatements in effect upon that expiration date
41 shall continue for the remainder of the time for which it was
granted, and under the same terms and conditions.

1 *SPONSORS* STATEMENT

3 This bill would authorize municipalities in which urban
 5 enterprise zones have been designated to grant tax exemption, on
 7 the pattern of the exemptions currently available for urban
 redevelopment projects under the "Fox-Lance" law, for home
 improvements and newly constructed single-family dwellings.

9 Similar exemptions, though less in amount, shorter in duration
 and for improvements only and not for new construction, are
 already available, under the act which this bill would amend and
 11 supplement (P.L. 1975, c. 104), in any municipality where
 residential neighborhoods have been declared "in need of
 13 rehabilitation." If, in addition to such a declaration, the
 municipality has also been designated for an enterprise zone, this
 15 bill would permit total exemption of newly constructed
 owner-occupied single-family dwellings, and of the value of home
 17 improvements, for a period of up to 7 years.

 The exemption would be partially offset by a "service charge"
 19 in lieu of taxes amounting to 2% of the initial value of the
 structure or improvement.

21 The granting of these exemptions would be optional for any
 municipality authorized by the legislation to grant them, and
 23 would require the adoption of a local ordinance.

25

HOUSING

27

Taxation

29 Authorizes tax exemption for home improvements and new
 single-family dwellings in certain municipalities.

1125

ASSEMBLY COMMUNITY DEVELOPMENT AND
URBAN AFFAIRS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
SENATE, No. 1966 [1R] and ASSEMBLY, No. 2618

STATE OF NEW JERSEY

DATED: OCTOBER 20, 1988

The Assembly Community Development and Urban Affairs Committee favorably reports an Assembly Committee Substitute for Senate Bill No. 1966 (1R) and Assembly Bill No. 2618.

This committee substitute permits a municipality, in which an urban enterprise zone or part of an urban enterprise zone has been designated, to grant property tax abatements of up to fifteen years for qualified residential property. "Qualified residential property" is defined as any building used or to be used or held for use as a home or residence. No building shall qualify, however, if the certificate of occupancy for the construction, conversion, rehabilitation or renovation was issued on or before the date falling 360 days prior to the effective date of the bill.

The municipal governing body will effectuate the abatements by adopting an ordinance determining that one or more buildings or structures could be advantageously converted to qualified residential property or that vacant land could be advantageously used for the construction of qualified residential property. These determinations are to be made in conformity with regulations to be promulgated by the Commissioner of Community Affairs, which shall take into consideration the existence of blighted areas in the municipality, deterioration and age of the housing stock, supply of and demand for housing in the municipality and real property tax arrearages due on residential property.

The committee substitute permits the municipal governing body to choose an abatement period of five, ten or fifteen years, and provides alternative methods for a gradual phasing in of full property taxation on abated property. The assessor of the taxing district is to implement the program following the guidelines set forth in the ordinance. The implementation mechanism essentially follows the standard procedures for abatements and exemptions allowed under Title 54 of the Revised Statutes. Approved abatements are required to be evidenced by a financial agreement between the qualified municipality and the applicant in which the applicant agrees to make scheduled payments in lieu of real property taxes.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
SENATE, No. 1966 [1R] and ASSEMBLY, No. 2618

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 23, 1989

The Assembly Appropriations Committee reports favorably Senate Bill No. 1966 (1R) and Assembly Bill No. 2618 ACS with committee amendments.

Senate Bill No. 1966 (1R) and Assembly Bill No. 2618 ACS, as amended, permits a municipality, in which an urban enterprise zone or part of an urban enterprise zone has been designated, to grant property tax abatements of up to fifteen years for qualified residential property. "Qualified residential property" is defined as any building used or to be used or held for use as a home or residence. No building shall qualify, however, if the certificate of occupancy for the construction, conversion, rehabilitation or renovation was issued on or before 24 months prior to the effective date of the bill.

The municipal governing body will effectuate the abatements by adopting an ordinance determining that one or more buildings or structures could be advantageously converted to qualified residential property or that vacant land could be advantageously used for the construction of qualified residential property. These determinations are to conform with regulations to be promulgated by the Commissioner of Community Affairs. These regulations shall consider the existence of blighted areas in the municipality, deterioration and age of the housing stock, supply of and demand for housing and real property tax arrearages on residential property.

The substitute permits the municipal governing body to choose an abatement period of five, ten or fifteen years, and provides alternative methods for a gradual phasing in of full property taxation. Approved abatements are required to be evidenced by a financial agreement between the qualified municipality and the applicant in which the applicant agrees to make scheduled payments in lieu of real property taxes.

FISCAL IMPACT

A fiscal note for this bill has not been completed at this time.

COMMITTEE AMENDMENTS:

The amendments extend the qualification timeframe from 360 days prior to the effective date to 24 months prior to the effective date. In addition, the requirement to be eligible for abatement has a proviso stating that if the unit or dwelling is not owner-occupied, then the in-lieu-of tax payment shall be one percent above the amount otherwise due in the financial agreement.

SENATE COUNTY AND MUNICIPAL GOVERNMENT
COMMITTEE

STATEMENT TO

SENATE, No. 1966

with Senate committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 18, 1988

The Senate County and Municipal Government Committee reports favorably and with committee amendments Senate Bill 1966.

Senate Bill 1966, as amended by the Committee, permits municipalities to grant property tax exemptions of up to five years for qualified residential property. Qualified residential property is defined as an existing residential structure which is used as a residence and which contains less than five units or a condominium or cooperative of any size.

The governing body effectuates the exemption by adopting an ordinance determining that an area or areas of the municipality are in need of rehabilitation as provided under Article VIII, Section I, paragraph 6 of the New Jersey Constitution. Additionally, the ordinance must determine that one or more buildings or structures in the area could be advantageously converted to qualified residential property.

The bill limits exemptions to five years and provides for a gradual phasing in of full property taxation on an exempted property. The assessor of the taxing district is to implement the program following the guidelines set forth in the ordinance. The implementation mechanism follows the standard procedures for other such exemptions allowed under Title 54 of the Revised Statutes.

Finally, S-1966 requires the termination of any existing exemption granted under its provisions on October 1st following revaluation.

The Committee amended the bill to clarify the definition of qualified residential property so that in the case of conversions, the four unit limit on residential structures which it includes shall mean not more than four units after conversion. Further, the amendments would remove an inconsistency in the subsequent usage of the term "qualified residential property."

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

August 14, 1989

FIRST REPRINT FOR ASSEMBLY COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 1966 (FIRST REPRINT) AND ASSEMBLY BILL NO. 2618

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I am returning the First Reprint of Assembly Committee Substitute for Senate Bill No. 1966 (First Reprint) and Assembly Bill No. 2618 with my objections, for reconsideration.

This bill establishes a program under which urban enterprise zone municipalities can grant tax abatements to residential property for a period of up to 15 years. It is designed to revitalize residential neighborhoods in these municipalities, just as the Urban Enterprise Zones Act has encouraged private business concerns to locate or expand operations in urban areas. Property tax abatement for the construction of residential structures and for the conversion of other structures to residential use will, as the Legislature has found, constitute a substantial incentive for owners and investors to improve vacant land and underutilized structures and can help to stimulate neighborhood revitalization.

I support the underlying purpose of this bill but must return it to the Legislature for further consideration given mandates contained in the New Jersey Constitution. Under our Constitution, it is not possible to grant 15-year tax abatements to individuals who wish to construct residences on vacant lots or convert underutilized structures into residences. Article VIII, Section I, paragraph 6 of the Constitution permits the Legislature to enact general laws under which municipalities may adopt ordinances granting exemptions or abatements from taxation for buildings and structures in areas declared in need of rehabilitation, but these abatements are constitutionally limited to five years in duration. While the Constitution does permit longer tax abatements for public or limited-profit entities engaged in revitalization of blighted areas, this bill is not limited to these public or limited-profit entities or to blighted areas.

As a result, I suggest modifying this bill to limit the duration of a tax abatement under this legislation to the five-year period permitted by the Constitution.

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

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Therefore, I herewith return the First Reprint for Assembly Committee Substitute for Senate Bill No. 1966 (First Reprint) and Assembly Bill No. 2618 and recommend that it be amended as follows:

- Page 2, Section 1, Line 33: Delete "and"
- Page 2, Section 1, after Line 33: Insert new section as follow:
"1. Article VIII, Section I, paragraph 6 of the Constitution of this State authorizes the Legislature to enact general laws under which municipalities may adopt ordinances granting exemptions or abatements from taxation for limited periods of time not in excess of 5 years on buildings and structures in areas declared in need of rehabilitation in accordance with statutory criteria; and"
- Page 2, Section 1, Line 34: Delete "l"; insert "m"
- Page 4, Section 2, Line 6: Delete "24"; insert "30"
- Page 4, Section 3, Line 9: After "more" insert "areas within the municipality are in need of rehabilitation, and that one or more"; after "structures" insert "in any such area"
- Page 4, Section 3, Line 11: Delete "situate therein"; insert "in any such area"
- Page 4, Section 4, Line 27: Delete ", 10 or 15"
- Page 6, Section 7, Line 22: Delete "according to the"
- Page 6, Section 7, Lines 23-40: Delete in their entirety; insert "as two percent of the cost of the improvements or conversion alterations, as appropriate; or"
- Page 7, Section 7, Line 3: Delete "schedules"; insert "schedule"

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Page 7, Section 7, Lines 4-21:

Delete in their entirety; insert

"(1) In the first tax year following completion, no payment in lieu of taxes otherwise due;

(2) In the second tax year following completion, an amount not less than 20% of taxes otherwise due;

(3) In the third tax year following completion, an amount not less than 40% of taxes otherwise due;

(4) In the fourth tax year following completion, an amount not less than 60% of taxes otherwise due;

(5) In the fifth tax year following completion, an amount not less than 80% of taxes otherwise due;

and

(6) In the sixth and all subsequent tax years following completion, 100% of the taxes otherwise due."

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ Deborah T. Poritz

Chief Counsel