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P.L. 2007, CHAPTER 344, *approved January 13, 2008*
Assembly, No. 4667

1 AN ACT concerning the calculation of the reserve for uncollected
2 taxes and amending N.J.S.40A:4-41.

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

6
7 1. N.J.S.40A:4-41 is amended to read as follows:

8 40A:4-41. a. For the purpose of determining the amount of the
9 appropriation for "reserve for uncollected taxes" required to be
10 included in each annual budget where less than 100% of current tax
11 collections may be and are anticipated, anticipated cash receipts
12 shall be as set forth in the budget of the current year, and in
13 accordance with the limitations of statute for anticipated revenue
14 from, surplus appropriated, miscellaneous revenues and receipts
15 from delinquent taxes.

16 b. Receipts from the collection of taxes levied or to be levied in
17 the municipality, or in the case of a county for general county
18 purposes and payable in the fiscal year shall be anticipated in an
19 amount which is not in excess of the percentage of taxes levied and
20 payable during the next preceding fiscal year which was received in
21 cash by the last day of the preceding fiscal year.

22 c. (1) For any municipality in which tax appeal judgments have
23 been awarded to property owners from action of the county tax
24 board pursuant to R.S.54:3-21 et seq., or the State tax court
25 pursuant to R.S.54:48-1 et seq. in the preceding fiscal year, the
26 governing body of the municipality may elect to determine the
27 reserve for uncollected taxes by using the average of the
28 percentages of taxes levied which were received in cash by the last
29 day of each of the three preceding fiscal years. Election of this
30 choice shall be made by resolution, approved by a majority vote of
31 the full membership of the governing body prior to the introduction
32 of the annual budget pursuant to N.J.S.40A:4-5.

33 (2) If the amount of tax reductions resulting from tax appeal
34 judgments of the county tax board pursuant to R.S.54:3-21 et seq.,
35 or the State tax court pursuant to R.S.54:48-1 et seq., for the
36 previous fiscal year exceeds **[1%]** 0.75% of the tax levy for that
37 previous fiscal year, the governing body of the municipality may
38 elect to calculate the current year reserve for uncollected taxes by
39 reducing the certified tax levy of the prior year by the amount of the
40 tax levy adjustments resulting from those judgments. Election of
41 this choice shall be made by resolution, approved by a majority vote
42 of the full membership of the governing body prior to the
43 introduction of the annual budget pursuant to N.J.S.40A:4-5.

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

Matter underlined thus is new matter.

1 d. The director may promulgate rules and regulations to permit
2 a three-year average to be used to determine the amount required
3 for the reserve for uncollected taxes for municipalities to which
4 subsection c. of this section is not applicable.

5 (cf: P.L.2000, c.126, s.18)

6
7 2. (New section) Notwithstanding the requirements of
8 paragraph 2 of subsection c. of N.J.S.40A:4-41 (as amended by
9 section 1 of this bill), a municipality operating under the State fiscal
10 year that has introduced, but not adopted, its budget for fiscal year
11 2008 prior to the effective date of P.L. , c. (C.) (pending
12 before the Legislature as this bill) may adopt the resolution
13 permitted by that paragraph prior to the adoption of the budget by
14 the governing body.

15
16 3. This act shall take effect immediately.

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19 STATEMENT

20
21 This bill would lower the threshold for county tax board and
22 State tax court judgments against a municipality, expressed as a
23 percentage of the tax levy for the previous local fiscal year, that are
24 used to calculate the reserve for uncollected taxes under a special
25 rule in subsection c. of N.J.S.40A:4-41. Prior to 1997 amendments
26 to N.J.S.40A:4-41, large tax appeal awards against a municipality in
27 the preceding fiscal year would cause the current fiscal year's
28 reserve for uncollected taxes to be unnecessarily high, thereby
29 increasing the burden on the municipal taxpayers. The 1997
30 amendments permit the reserve for uncollected taxes to be
31 calculated using either a three-year averaging of receipts received
32 on the last day of each of the three preceding fiscal years, or, when
33 the amount of the county tax board and tax court ordered tax
34 reductions for the previous fiscal year exceed 1% of that previous
35 fiscal year's tax levy, through the reduction of the previous year's
36 certified tax levy by the amount of the tax levy adjustments
37 required by the county tax board and tax court orders. This bill
38 would lower the 1% threshold by a quarter percent, to 0.75%, in
39 order to permit this alternative calculation to be used by more
40 municipalities, thereby lessening the tax burden caused by an
41 unnecessarily high reserve for uncollected taxes.

42 This bill would also permit a municipality operating under the
43 State fiscal year that has introduced, but not adopted, its budget for
44 fiscal year 2008 prior to the effective date of the bill to adopt the
45 resolution authorizing the alternative calculation prior to the
46 adoption of the budget by the governing body. Current law requires
47 that this resolution must be approved by the governing body prior to
48 the introduction of the budget.

A4667

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Permits municipal calculation of reserve for uncollected taxes by alternate method when tax appeal judgments are at least 0.75% of tax levy.

ASSEMBLY, No. 4667

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED JANUARY 3, 2008

Sponsored by:

Assemblyman JOHN S. WISNIEWSKI

District 19 (Middlesex)

Assemblyman JOSEPH VAS

District 19 (Middlesex)

Assemblyman UPENDRA J. CHIVUKULA

District 17 (Middlesex and Somerset)

Co-Sponsored by:

Senator Vitale

SYNOPSIS

Permits municipal calculation of reserve for uncollected taxes by alternate method when tax appeal judgments are at least 0.75% of tax levy.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/8/2008)

1 AN ACT concerning the calculation of the reserve for uncollected
2 taxes and amending N.J.S.40A:4-41.

3

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

6

7 1. N.J.S.40A:4-41 is amended to read as follows:

8 40A:4-41. a. For the purpose of determining the amount of the
9 appropriation for "reserve for uncollected taxes" required to be
10 included in each annual budget where less than 100% of current tax
11 collections may be and are anticipated, anticipated cash receipts
12 shall be as set forth in the budget of the current year, and in
13 accordance with the limitations of statute for anticipated revenue
14 from, surplus appropriated, miscellaneous revenues and receipts
15 from delinquent taxes.

16 b. Receipts from the collection of taxes levied or to be levied in
17 the municipality, or in the case of a county for general county
18 purposes and payable in the fiscal year shall be anticipated in an
19 amount which is not in excess of the percentage of taxes levied and
20 payable during the next preceding fiscal year which was received in
21 cash by the last day of the preceding fiscal year.

22 c. (1) For any municipality in which tax appeal judgments have
23 been awarded to property owners from action of the county tax
24 board pursuant to R.S.54:3-21 et seq., or the State tax court
25 pursuant to R.S.54:48-1 et seq. in the preceding fiscal year, the
26 governing body of the municipality may elect to determine the
27 reserve for uncollected taxes by using the average of the
28 percentages of taxes levied which were received in cash by the last
29 day of each of the three preceding fiscal years. Election of this
30 choice shall be made by resolution, approved by a majority vote of
31 the full membership of the governing body prior to the introduction
32 of the annual budget pursuant to N.J.S.40A:4-5.

33 (2) If the amount of tax reductions resulting from tax appeal
34 judgments of the county tax board pursuant to R.S.54:3-21 et seq.,
35 or the State tax court pursuant to R.S.54:48-1 et seq., for the
36 previous fiscal year exceeds **[1%]** 0.75% of the tax levy for that
37 previous fiscal year, the governing body of the municipality may
38 elect to calculate the current year reserve for uncollected taxes by
39 reducing the certified tax levy of the prior year by the amount of the
40 tax levy adjustments resulting from those judgments. Election of
41 this choice shall be made by resolution, approved by a majority vote
42 of the full membership of the governing body prior to the
43 introduction of the annual budget pursuant to N.J.S.40A:4-5.

44 d. The director may promulgate rules and regulations to permit
45 a three-year average to be used to determine the amount required

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 for the reserve for uncollected taxes for municipalities to which
2 subsection c. of this section is not applicable.

3 (cf: P.L.2000, c.126, s.18)

4

5 2. (New section) Notwithstanding the requirements of
6 paragraph 2 of subsection c. of N.J.S.40A:4-41 (as amended by
7 section 1 of this bill), a municipality operating under the State fiscal
8 year that has introduced, but not adopted, its budget for fiscal year
9 2008 prior to the effective date of P.L. , c. (C.) (pending
10 before the Legislature as this bill) may adopt the resolution
11 permitted by that paragraph prior to the adoption of the budget by
12 the governing body.

13

14 3. This act shall take effect immediately.

15

16

17

STATEMENT

18

19 This bill would lower the threshold for county tax board and
20 State tax court judgments against a municipality, expressed as a
21 percentage of the tax levy for the previous local fiscal year, that are
22 used to calculate the reserve for uncollected taxes under a special
23 rule in subsection c. of N.J.S.40A:4-41. Prior to 1997 amendments
24 to N.J.S.40A:4-41, large tax appeal awards against a municipality in
25 the preceding fiscal year would cause the current fiscal year's
26 reserve for uncollected taxes to be unnecessarily high, thereby
27 increasing the burden on the municipal taxpayers. The 1997
28 amendments permit the reserve for uncollected taxes to be
29 calculated using either a three-year averaging of receipts received
30 on the last day of each of the three preceding fiscal years, or, when
31 the amount of the county tax board and tax court ordered tax
32 reductions for the previous fiscal year exceed 1% of that previous
33 fiscal year's tax levy, through the reduction of the previous year's
34 certified tax levy by the amount of the tax levy adjustments
35 required by the county tax board and tax court orders. This bill
36 would lower the 1% threshold by a quarter percent, to 0.75%, in
37 order to permit this alternative calculation to be used by more
38 municipalities, thereby lessening the tax burden caused by an
39 unnecessarily high reserve for uncollected taxes.

40 This bill would also permit a municipality operating under the
41 State fiscal year that has introduced, but not adopted, its budget for
42 fiscal year 2008 prior to the effective date of the bill to adopt the
43 resolution authorizing the alternative calculation prior to the
44 adoption of the budget by the governing body. Current law requires
45 that this resolution must be approved by the governing body prior to
46 the introduction of the budget.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4667

STATE OF NEW JERSEY

DATED: JANUARY 3, 2008

The Assembly Appropriations Committee reports favorably on Assembly Bill No. 4667.

This bill lowers the threshold for county tax board and State tax court judgments against a municipality, expressed as a percentage of the tax levy for the previous local fiscal year, that are used to calculate the reserve for uncollected taxes under a special rule in subsection c. of N.J.S.40A:4-41.

Prior to 1997 amendments to N.J.S.40A:4-41, large tax appeal awards against a municipality in the preceding fiscal year would cause the current fiscal year's reserve for uncollected taxes to be unnecessarily high, thereby increasing the burden on the municipal taxpayers. The 1997 amendments permit the reserve for uncollected taxes to be calculated using either (1) a three-year averaging of receipts received on the last day of each of the three preceding fiscal years, or, (2) when the amount of the county tax board and tax court ordered tax reductions for the previous fiscal year exceed 1% of that previous fiscal year's tax levy, through the reduction of the previous year's certified tax levy by the amount of the tax levy adjustments required by the county tax board and tax court orders. This bill lowers the 1% threshold to 0.75%, to permit this alternative calculation to be used by more municipalities and lessen the tax burden otherwise caused by an unnecessarily high reserve for uncollected taxes.

This bill also permits a municipality operating under the State fiscal year that has introduced, but not adopted, its budget for fiscal year 2008 prior to the effective date of the bill to adopt the resolution authorizing the alternative calculation prior to the adoption of the budget by the governing body. Current law requires that this resolution must be approved by the governing body prior to the *introduction* of the budget.

FISCAL IMPACT:

This bill was not certified as requiring a fiscal note: it has no impact on State revenues or expenditures.

SENATE, No. 3017

STATE OF NEW JERSEY 212th LEGISLATURE

INTRODUCED DECEMBER 10, 2007

Sponsored by:
Senator JOSEPH F. VITALE
District 19 (Middlesex)

SYNOPSIS

Permits municipal calculation of reserve for uncollected taxes by alternate method when tax appeal judgments are at least 0.75% of tax levy.

CURRENT VERSION OF TEXT

As introduced.



S3017 VITALE

2

1 AN ACT concerning the calculation of the reserve for uncollected
2 taxes and amending N.J.S.40A:4-41.

3

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

6

7 1. N.J.S.40A:4-41 is amended to read as follows:

8 40A:4-41. a. For the purpose of determining the amount of the
9 appropriation for "reserve for uncollected taxes" required to be
10 included in each annual budget where less than 100% of current tax
11 collections may be and are anticipated, anticipated cash receipts
12 shall be as set forth in the budget of the current year, and in
13 accordance with the limitations of statute for anticipated revenue
14 from, surplus appropriated, miscellaneous revenues and receipts
15 from delinquent taxes.

16 b. Receipts from the collection of taxes levied or to be levied in
17 the municipality, or in the case of a county for general county
18 purposes and payable in the fiscal year shall be anticipated in an
19 amount which is not in excess of the percentage of taxes levied and
20 payable during the next preceding fiscal year which was received in
21 cash by the last day of the preceding fiscal year.

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23 been awarded to property owners from action of the county tax
24 board pursuant to R.S.54:3-21 et seq., or the State tax court
25 pursuant to R.S.54:48-1 et seq. in the preceding fiscal year, the
26 governing body of the municipality may elect to determine the
27 reserve for uncollected taxes by using the average of the
28 percentages of taxes levied which were received in cash by the last
29 day of each of the three preceding fiscal years. Election of this
30 choice shall be made by resolution, approved by a majority vote of
31 the full membership of the governing body prior to the introduction
32 of the annual budget pursuant to N.J.S.40A:4-5.

33 (2) If the amount of tax reductions resulting from tax appeal
34 judgments of the county tax board pursuant to R.S.54:3-21 et seq.,
35 or the State tax court pursuant to R.S.54:48-1 et seq., for the
36 previous fiscal year exceeds **[1%]** 0.75% of the tax levy for that
37 previous fiscal year, the governing body of the municipality may
38 elect to calculate the current year reserve for uncollected taxes by
39 reducing the certified tax levy of the prior year by the amount of the
40 tax levy adjustments resulting from those judgments. Election of
41 this choice shall be made by resolution, approved by a majority vote
42 of the full membership of the governing body prior to the
43 introduction of the annual budget pursuant to N.J.S.40A:4-5.

44 d. The director may promulgate rules and regulations to permit
45 a three-year average to be used to determine the amount required

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.

S3017 VITALE

3

1 for the reserve for uncollected taxes for municipalities to which
2 subsection c. of this section is not applicable.

3 (cf: P.L.2000, c.126, s.18)

4

5 2. This act shall take effect immediately.

6

7

8

STATEMENT

9

10 This bill would lower the threshold for county tax board and
11 State tax court judgments against a municipality, expressed as a
12 percentage of the tax levy for the previous local fiscal year, that are
13 used to calculate the reserve for uncollected taxes under a special
14 rule in subsection c. of N.J.S.40A:4-41. Prior to 1997 amendments
15 to N.J.S.40A:4-41, large tax appeal awards against a municipality in
16 the preceding fiscal year would cause the current fiscal year's
17 reserve for uncollected taxes to be unnecessarily high, thereby
18 increasing the burden on the municipal taxpayers. The 1997
19 amendments permit the reserve for uncollected taxes to be
20 calculated using either a three-year averaging of receipts received
21 on the last day of each of the three preceding fiscal years, or, when
22 the amount of the county tax board and tax court ordered tax
23 reductions for the previous fiscal year exceed 1% of that previous
24 fiscal year's tax levy, through the reduction of the previous year's
25 certified tax levy by the amount of the tax levy adjustments
26 required by the county tax board and tax court orders. This bill
27 would lower the 1% threshold by a quarter percent, to 0.75%, in
28 order to permit this alternative calculation to be used by more
29 municipalities, thereby lessening the tax burden caused by an
30 unnecessarily high reserve for uncollected taxes.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3017

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 3, 2008

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3017 with committee amendments.

This bill, as amended, would lower the threshold for county tax board and State tax court judgments against a municipality, expressed as a percentage of the tax levy for the previous local fiscal year, that are used to calculate the reserve for uncollected taxes under a special rule in subsection c. of N.J.S.40A:4-41. Prior to 1997 amendments to N.J.S.40A:4-41, large tax appeal awards against a municipality in the preceding fiscal year would cause the current fiscal year's reserve for uncollected taxes to be unnecessarily high, thereby increasing the burden on the municipal taxpayers. The 1997 amendments permit the reserve for uncollected taxes to be calculated using either a three-year averaging of receipts received on the last day of each of the three preceding fiscal years, or, when the amount of the county tax board and tax court ordered tax reductions for the previous fiscal year exceeds 1% of that previous fiscal year's tax levy, through the reduction of the previous year's certified tax levy by the amount of the tax levy adjustments required by the county tax board and tax court orders. This bill would lower the 1% threshold by a quarter percent, to 0.75%, in order to permit this alternative calculation to be used by more municipalities, thereby lessening the tax burden caused by an unnecessarily high reserve for uncollected taxes.

As amended, the bill also permits a municipality operating under the State fiscal year that has introduced, but not adopted, its budget for fiscal year 2008 prior to the effective date of the bill to adopt a resolution allowing the use of the alternative method of calculating the reserve for uncollected taxes.

COMMITTEE AMENDMENTS:

The committee amendments permit a municipality operating under the State fiscal year that has introduced, but not adopted, its budget for fiscal year 2008 prior to the effective date of the bill to adopt a resolution allowing the use of the alternative calculation. A majority of the full membership of the governing body of the municipality would be required to approve the resolution. Current law requires

municipalities to elect to use the alternative calculation prior to the introduction of its annual budget pursuant to N.J.S.40A:4-5.

FISCAL IMPACT:

This bill is not certified for a fiscal note.