

# SENATE, No. 2077

## STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 21, 2010

**Sponsored by:**

**Senator JOSEPH F. VITALE**

**District 19 (Middlesex)**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Assemblyman JOHN S. WISNIEWSKI**

**District 19 (Middlesex)**

**SYNOPSIS**

Eliminates minimum threshold for municipal calculation of reserve for uncollected taxes by alternate method when tax appeal judgments reduce the tax levy.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/29/2010)

S2077 VITALE

2

1 AN ACT concerning the calculation for 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., result in tax  
36 reductions for the previous fiscal year **[exceeds 0.75% of the tax**  
37 **levy for that previous fiscal year]**, the governing body of the  
38 municipality may elect to calculate the current year reserve for  
39 uncollected taxes by reducing the certified tax levy of the prior year  
40 by the amount of the tax levy adjustments resulting from those  
41 judgments. Election of this choice shall be made by resolution,  
42 approved by a majority vote of the full membership of the  
43 governing body prior to the introduction of the annual budget  
44 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.2007, c.344, s.1)

6  
7 2. (New section) Notwithstanding the requirements of  
8 paragraph 2 of subsection c. of N.J.S.40A:4-41, a municipality  
9 operating under the State fiscal year that has introduced, but not  
10 adopted, its budget for fiscal year 2011 prior to the effective date of  
11 P.L. , c. (pending before the Legislature as this bill) may adopt  
12 the resolution permitted by that paragraph prior to the adoption of  
13 the budget by the governing body.

14  
15 3. This act shall take effect immediately.

16  
17  
18 STATEMENT

19  
20 This bill would eliminate the threshold for county tax board and  
21 State tax court judgments against a municipality, expressed as a  
22 percentage of the tax levy for the previous local fiscal year, that is  
23 used to calculate the reserve for uncollected taxes under a special  
24 rule in subsection c. of N.J.S.40A:4-41. In 1997, subsection c. was  
25 added to permit the reserve for uncollected taxes to be calculated  
26 using either a three-year averaging of receipts received on the last  
27 day of each of the three preceding fiscal years, or, when the amount  
28 of the county tax board- and tax court-ordered tax reductions for the  
29 previous fiscal year exceed 1.0% of that previous fiscal year's tax  
30 levy, through the reduction of the previous year's certified tax levy  
31 by the amount of the tax levy adjustments required by the county  
32 tax board and tax court orders. Pursuant to a 2007 amendment to  
33 N.J.S.40A:4-41, the 1.0% threshold to use the special rule was  
34 reduced to 0.75%. This bill would eliminate the 0.75% threshold in  
35 order to permit this alternative calculation to be used by more  
36 municipalities, thereby lessening the tax burden caused by an  
37 unnecessarily high reserve for uncollected taxes.

38 This bill would also permit a municipality operating under the  
39 State fiscal year that has introduced, but not adopted, its budget for  
40 fiscal year 2011 prior to the effective date of the bill to adopt the  
41 resolution authorizing the alternative calculation prior to the  
42 adoption of the budget by the governing body. Current law requires  
43 that this resolution must be approved by the governing body prior to  
44 the introduction of the budget.