

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2077

STATE OF NEW JERSEY

DATED: JUNE 21, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2077.

The bill would eliminate 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 is used to calculate the reserve for uncollected taxes under a special rule in subsection c. of N.J.S.40A:4-41. In 1997, subsection c. was added to 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 exceed 1.0% 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. Pursuant to a 2007 amendment to N.J.S.40A:4-41, the 1.0% threshold to use the special rule was reduced to 0.75%. This bill would eliminate the 0.75% threshold 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.

This bill would also permit a municipality operating under the State fiscal year that has introduced, but not adopted, its budget for fiscal year 2011 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:

Enactment of this bill would most likely result in a reduction of an indeterminate amount in municipal appropriations for the reserve for uncollected taxes, and an equivalent reduction in the amount to be raised by property taxation for municipal purposes. This legislation would permit more municipalities to choose a method for calculating the reserve for uncollected taxes that allows them to subtract the amount of any county tax board- and tax court-ordered tax appeal judgments against the municipality from the total property tax levy,

thereby reducing the required amount of the reserve. To the extent that the reserve is reduced, the property levy for municipal purposes can be assumed to have been reduced by the same amount.

Under certain circumstances, municipalities may choose one of three methods to determine the amount of the appropriation for the reserve for uncollected taxes. Their decision is based upon three factors that are specific to each municipality: the previous year's tax collections, the average percentage of tax collections in each of the previous three fiscal years, and the total amount of any property tax appeal judgments ordered against the municipality. Current data on property tax reductions resulting from tax appeal judgments are not readily available.