

ASSEMBLY, No. 2982

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED FEBRUARY 8, 2018

Sponsored by:

Assemblyman ANTHONY M. BUCCO

District 25 (Morris and Somerset)

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District 23 (Hunterdon, Somerset and Warren)

SYNOPSIS

Allows certain municipalities to establish lower property tax rate on improvements than land and eliminates urban enterprise zone program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/6/2018)

1 AN ACT concerning property tax rates and the urban enterprise zone
2 program, supplementing Title 54 of the Revised Statutes, and
3 repealing parts of the statutory law.

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

7
8 1. The Legislature finds and declares that:

9 a. The people of this State have approved an amendment to the
10 New Jersey Constitution directing the Legislature to allow certain
11 municipalities to establish a system of property taxation in which
12 taxable improvements are taxed at a lower rate than taxable land;

13 b. Land-based property tax systems have been employed by
14 municipalities in several other states in order to discourage land
15 speculation, while encouraging the redevelopment of vacant land in
16 urban areas;

17 c. While a land-based property tax system should not be
18 perceived as the sole answer to reviving decayed urban areas in
19 New Jersey, it should be an available tool for the municipalities of
20 this State;

21 d. The urban enterprise zone program has failed to revitalize
22 the economy of urban areas and the program should expire,
23 however municipalities in which enterprise zones were designated
24 may benefit from a land-based property tax system, and should be
25 offered an early opportunity to adopt a land-based property tax
26 system; and

27 e. It is necessary and in the public interest for the Legislature
28 to terminate the urban enterprise zone program, and allow certain
29 municipalities, including current and former urban enterprise zone
30 municipalities, to establish a land-based property tax system, in
31 which taxable improvements are taxed at a lower rate than taxable
32 land.

33

34 2. a. As used in this section:

35 “Director” means the Director of the Division of Taxation in the
36 Department of the Treasury.

37 “Land-based property tax system” means a property tax system,
38 as permitted by this section, under which taxable improvements are
39 taxed at a lower rate than taxable land.

40 “Municipality in need of infrastructure investment” means a
41 municipality in which an urban enterprise zone was designated
42 pursuant to the "New Jersey Urban Enterprise Zones Act,"
43 P.L.1983, c.303 (C.52:27H-60 et seq.), regardless of whether that
44 designation has expired.

45 b. Upon enactment of P.L. c. (C.) (pending before the
46 Legislature as this bill), a municipality in need of infrastructure
47 investment may adopt an ordinance providing for a land-based
48 property tax system, without applying to the director pursuant to

1 subsection c. of this section.

2 c. (1) Beginning on the operative date of this subsection, a
3 municipality, other than a municipality in need of infrastructure
4 investment, may apply to the director for approval to adopt an
5 ordinance to implement a land-based property tax system.

6 (2) The director shall adopt rules and regulations to guide the
7 application process and establish appropriate standards for
8 approval. Such standards shall prohibit approval of a municipality
9 if its developable lands are used substantially for the preservation of
10 open space, farmland, or environmentally sensitive land. The
11 director shall establish, manage and maintain a system for the
12 review and approval of applications submitted pursuant to this
13 subsection.

14 d. A land-based property tax system shall provide for the
15 taxation of taxable improvements at a lower rate than the tax rate
16 established for taxable land.

17 (1) An ordinance adopted to create a land-based property tax
18 system shall establish the difference between the rate on taxable
19 land and the lower rate on taxable improvements, and may phase in
20 the adjusted tax rates such that the difference between the rates
21 grows gradually over a period of years.

22 (2) A municipality that employs a land-based property tax
23 system may return to a single-rate property tax system if the
24 municipal governing body adopts an ordinance directing this return.
25 This ordinance may phase in the adjusted tax rates such that the
26 difference between the rates narrows gradually over a period of
27 years.

28 e. The director shall provide guidance to municipalities both in
29 the implementation of a land-based property tax system and in the
30 transition to and from the system.

31

32 3. a. The Director of the Division of Taxation in the Department
33 of the Treasury shall submit a report to the Governor and the
34 Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-
35 19.1), no later than the first day of the third month next following
36 enactment of this act, setting forth a plan to terminate all aspects of
37 the urban enterprise zone program created pursuant to the "New
38 Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60
39 et seq.). The plan submitted by the director shall require that each
40 aspect of the urban enterprise zone program, within each urban
41 enterprise zone, shall terminate on the earliest date possible.

42 b. The director, in consultation with the Commissioner of
43 Community Affairs, shall, in accordance with the "Administrative
44 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), adopt and
45 promulgate such rules and regulations as may be necessary for the
46 implementation of this section.

47

48 4. The following sections of law are repealed:

1 Sections 1 through 29 of P.L.1983, c.303 (C.52:27H-60 through
2 C.52:27H-88);

3 Section 3 of P.L.1985, c.142 (C.52:27H-80.1);

4 Section 2 of P.L.1985, c.391 (C.52:27H-69.1);

5 Section 9 of P.L.1988, c. 93 (C.52:27H-80.2);

6 Section 11 of P.L.1993, c.367 (C.52:27H-65.1);

7 Section 3 of P.L.1995, c.382 (C.52:27H-66.1);

8 Sections 3 through 6, 11 and 12 of P.L.2001, c.347 (C.52:27H-
9 66.2 through C.52:27H-66.7);

10 Section 1 of P.L.2003, c.6 (C.52:27H-66.6a); and

11 Section 23 of P.L.2004, c.65 (C.52:27H-87.1).

12
13 5. All laws and provisions of laws that are inconsistent with the
14 provisions of this act are superseded to the extent of the
15 inconsistency.

16
17 6. This act shall take effect immediately, however subsection c.
18 of section 2 shall remain inoperative until the first day of the
19 twenty-fifth month next following enactment.

20 21 22 STATEMENT

23
24 This bill has been introduced to implement an amendment to the
25 New Jersey Constitution directing the Legislature to allow certain
26 municipalities to establish a “land-based property tax system,” in
27 which a lower property tax rate is set for improvements than for
28 land. An improvement refers to a building or other man-made
29 condition. Historically, New Jersey municipalities have been
30 required to apply a single value-based tax rate to both land and
31 improvements. Land-based property tax systems have been
32 employed by municipalities in several other states in order to
33 discourage land speculation, while encouraging the redevelopment
34 of vacant land in urban areas.

35 The bill also repeals the “New Jersey Urban Enterprise Zones
36 Act,” P.L.1983, c.303 (C.52:27H-60 et seq.). However, because
37 municipalities benefitting from the urban enterprise zone (“UEZ”)
38 program should be offered an alternative mechanism to incentivize
39 development, the bill allows current and former UEZ municipalities
40 to adopt an ordinance providing for a land-based property tax
41 system upon the bill’s enactment, without any application process.

42 The bill allows municipalities, other than current and former
43 UEZ municipalities, to apply to the Director of the Division of
44 Taxation in the Department of the Treasury (“director”) for
45 approval to adopt an ordinance to implement a land-based property
46 tax system. The bill requires the director to adopt rules and
47 regulations to establish appropriate standards for approval. These
48 standards must prohibit approval of a municipality if its

1 developable and re-developable lands are used substantially for the
2 preservation of open space, farmland, or environmentally sensitive
3 land.

4 The bill permits the adjusted tax rates of a land-based property
5 tax system to be phased in such that the difference between the rates
6 grows only gradually each year. The bill also directs that a
7 municipality employing a land-based property tax system may
8 return to a single-rate property tax system if the governing body
9 adopts an ordinance directing this return. This ordinance may also
10 phase in these adjusted tax rates such that the difference between
11 the rates narrows only gradually in any given year.

12 In order to effectuate the termination of the UEZ program, the
13 bill requires the director to submit a report to the Governor and the
14 Legislature, no later than the first day of the third month next
15 following enactment of this bill, setting forth a plan to terminate
16 each aspect of the program, in each benefitting municipality, on the
17 earliest date possible. The director, in consultation with the
18 Commissioner of Community Affairs, shall adopt such rules and
19 regulations for the implementation of this bill. Further, all laws and
20 provisions of laws that are inconsistent with the provisions of this
21 act are superseded to the extent of the inconsistency.