

# SENATE, No. 582

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## STATE OF NEW JERSEY 218th LEGISLATURE

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PRE-FILED FOR INTRODUCTION IN THE 2018 SESSION

**Sponsored by:**

**Senator NICHOLAS J. SACCO**

**District 32 (Bergen and Hudson)**

**SYNOPSIS**

Maintains property tax exemption for certain nonprofit hospitals and their nursing homes; requires these hospitals to pay community service contributions to host municipalities; establishes Nonprofit Hospital Community Service Contribution Study Commission.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1   **AN ACT** concerning the property tax status of certain nonprofit  
2       hospitals and their nursing homes, supplementing chapter 48 of  
3       Title 40 and chapter 4 of Title 54 of the Revised Statutes, and  
4       amending R.S.54:4-3.6.

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

8  
9       1. (New section) a. The owner of property used as an acute  
10      care hospital, which property is exempt from taxation pursuant to  
11      R.S.54:4-3.6 and section 3 of P.L.      , c.      (C.      ) (pending  
12      before the Legislature as this bill), shall, except as otherwise  
13      provided under this section, annually be assessed a community  
14      service contribution to the municipality in which the licensed beds  
15      of the exempt acute care hospital are located and, in the case of a  
16      satellite emergency care facility, to the municipality in which such  
17      facility is located, which contributions shall be remitted to the  
18      municipalities to which the community service contributions are  
19      assessed.

20      b. The annual community service contribution required  
21      pursuant to subsection a. of this section shall be equal to \$2.50 a  
22      day for each licensed bed at the exempt acute care hospital property  
23      in the prior tax year, except that in the case of a satellite emergency  
24      care facility the contribution shall be equal to \$250 a day in the  
25      prior tax year for each such facility; provided, however, that the  
26      amount shall be reduced by the amount of any payments remitted to  
27      the municipality in which the licensed beds of the exempt acute care  
28      hospital or in which the satellite emergency care facility, as the case  
29      may be, are located pursuant to a voluntary agreement operative in  
30      the prior tax year between the owner and the municipality to  
31      compensate for public safety services provided that benefit the  
32      occupants and premises of the exempt acute care hospital property.  
33      For tax year 2017 and each tax year thereafter, the per day amount  
34      used to calculate an annual community service contribution for an  
35      acute care hospital and a satellite emergency care facility shall  
36      increase by two percent over the prior tax year. The Commissioner  
37      of Health shall promulgate annually the per day amount to apply for  
38      each tax year. The annual community service contribution shall be  
39      payable in equal quarterly installments. The first installment shall  
40      be payable on February 1, the second installment on May 1, the  
41      third installment on August 1, and the fourth installment on  
42      November 1.

43      c. The obligation to remit a community service contribution  
44      pursuant to subsection a. of this subsection is legal, valid, and

**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 binding. If an annual community service contribution installment is  
2 not paid as and when due pursuant to subsection b. of this section,  
3 the unpaid balance shall constitute a municipal lien on the acute  
4 care hospital property after 30 days, and shall be enforced and  
5 collected in the same manner as unpaid property taxes.

6 d. A municipality that receives a community service  
7 contribution pursuant to subsection a. of this section, or a payment  
8 under a voluntary agreement that reduces the amount of such  
9 contribution pursuant to subsection b. of this section, shall forthwith  
10 upon receipt remit five percent of the contribution or voluntary  
11 payment, as the case may be, to the county in which the  
12 municipality is located.

13 e. The proceeds from a community service contribution, and  
14 any interest accrued on any unpaid balance thereof, collected  
15 pursuant to this section, shall be used solely to fund police or fire  
16 protection; first aid, emergency, rescue, or ambulance services; any  
17 other public safety purpose; or to reduce the property tax levy.

18 f. An owner required to remit a community service  
19 contribution pursuant to subsection a. of this section may, by  
20 February 1, apply to the New Jersey Health Care Facilities  
21 Financing Authority in the Department of Health for the issuance of  
22 a certificate exempting the owner from that requirement for the  
23 current tax year for exempt property used as an acute care hospital,  
24 including a satellite emergency care facility, in a municipality, if  
25 that acute care hospital or satellite emergency care facility, as the  
26 case may be, is in financial distress or at risk of being in financial  
27 distress. At the same time such an application is made, the  
28 applicant owner shall provide notice to the chief financial officer of  
29 the municipality in which the acute care hospital or satellite  
30 emergency care facility that is the subject of the application is  
31 located.

32 An application pursuant to this subsection shall include the  
33 audited financial results for the acute care hospital or satellite  
34 emergency care facility from the prior tax year or other relevant  
35 financial records and proof that notice of the application was  
36 provided to the chief financial officer of the municipality in which  
37 the acute care hospital or satellite emergency care facility that is the  
38 subject of the application is located. If audited financial results  
39 from the prior tax year are not available by February 1, a  
40 certification of the chief financial officer of the acute care hospital  
41 or satellite emergency care facility shall be submitted by that date,  
42 and audited financial results shall be submitted within 15 days of  
43 such results being completed.

44 The authority shall issue a determination on an application  
45 submitted pursuant to this subsection by April 1, or within 60 days  
46 of receipt of the audited financial results if such results are  
47 submitted after February 1. In making such determination, the  
48 authority may consider factors including, but not limited to,

1 whether the acute care hospital or satellite emergency care facility  
2 had a negative operating margin in the prior tax year based on the  
3 audited financial results from that tax year, whether the owner is not  
4 in full compliance with the financial terms of any bond covenants  
5 related to the acute care hospital or satellite emergency care facility,  
6 the overall financial health of the hospital system if the acute care  
7 hospital or satellite emergency care facility is part of a hospital  
8 system responsible for the debts and liabilities of the acute care  
9 hospital or satellite emergency care facility, or whether the acute  
10 care hospital or satellite emergency care facility is a safety net  
11 hospital or facility.

12 If the authority determines that an acute care hospital or satellite  
13 emergency care facility that is the subject of an application  
14 submitted pursuant to this subsection is in financial distress or at  
15 risk of being in financial distress, the authority shall grant the  
16 application and issue a certificate exempting the owner from the  
17 community service contribution otherwise required for the acute  
18 care hospital or satellite emergency care facility to the municipal  
19 tax collector of the municipality otherwise owed the contribution.  
20 A certificate issued pursuant to this paragraph shall be valid for the  
21 current tax year.

22 If the authority denies an application, any community service  
23 contribution owing shall bear interest from the original payment  
24 date pursuant to subsection b. of this section.

25 g. The Commissioner of Health, in consultation with the New  
26 Jersey Health Care Facilities Financing Authority in the Department  
27 of Health and the Director of the Division of Local Government  
28 Services in the Department of Community Affairs, shall, by January  
29 1, 2017, adopt regulations necessary to effectuate the provisions of  
30 this section pursuant to the "Administrative Procedure Act,"  
31 P.L.1968, c.410 (C.52:14B-1 et seq.), which shall include specific  
32 guidelines for what constitutes being in financial distress or at risk  
33 of being in financial distress for purposes of qualifying for an  
34 exemption certificate pursuant to subsection f. of this section.

35 h. As used in this section:

36 "Acute care hospital" means a hospital, other than a hospital the  
37 property of which is exempt from taxation pursuant to R.S.54:4-3.3,  
38 which maintains and operates organized facilities and services as  
39 approved and licensed by the Department of Health for the  
40 diagnosis, treatment, or care of persons suffering from acute illness,  
41 injury, or deformity and in which all diagnosis, treatment, and care  
42 are administered by or performed under the direction of persons  
43 licensed to practice medicine or osteopathy in the State of New  
44 Jersey; and includes all land and buildings that are used in the  
45 delivery of health care services by such hospital and its medical  
46 providers; for the management, maintenance, administration, and  
47 security of such hospital and its medical providers; as a satellite

1 emergency care facility of such hospital; or as a nonprofit nursing  
2 home owned by such hospital or its subsidiary.

3 “Licensed bed” means one of the total number of acute care beds  
4 and nursing home beds, if any, for which an acute care hospital is  
5 approved for patient care by the Commissioner of Health.

6 “Medical provider” means an individual or entity which, acting  
7 within the scope of a licensure or certification, provides health care  
8 services, and includes, but is not limited to, a physician, physician  
9 assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
10 respiratory care practitioner, medical or laboratory technician,  
11 ambulance or emergency medical worker, orthotist or prosthetist,  
12 radiological or other diagnostic service facility, bioanalytical  
13 laboratory, health care facility, and further includes administrative  
14 support staff of the individual or entity.

15 “Owner” means an association or corporation organized as a  
16 nonprofit pursuant to Title 15 of the Revised Statutes or Title 15A  
17 of the New Jersey Statutes exclusively for hospital purposes that  
18 owns an acute care hospital.

19 “Satellite emergency care facility” means a facility, which is  
20 owned and operated by an acute care hospital, and which provides  
21 emergency care and treatment for patients.

22

23 2. (New section) a. There is established, in but not of the  
24 Department of Health, a commission to be known as the Nonprofit  
25 Hospital Community Service Contribution Study Commission. The  
26 commission shall consist of nine members as follows: the  
27 Commissioner of Health, ex officio; two members of the Senate to  
28 be appointed by the President of the Senate, who shall not both be  
29 of the same political party; two members of the Assembly to be  
30 appointed by the Speaker of the Assembly, who shall not both be of  
31 the same political party; two members, appointed by the Governor,  
32 who are mayors of municipalities receiving community service  
33 contributions pursuant to section 1 of P.L. , c. (C. )  
34 (pending before the Legislature as this bill); and two members,  
35 appointed by the Governor, who are chief executive officers of  
36 nonprofit hospitals assessed community service contributions  
37 pursuant to section 1 of P.L. ,  
38 c. (C. ) (pending before the Legislature as this bill). Each  
39 member may designate a representative to attend meetings of the  
40 commission, and each designee may lawfully vote and otherwise act  
41 on behalf of the member who designated that individual to serve as  
42 a designee. The members shall serve for terms of three years,  
43 commencing on the date of appointment, and may be reappointed.  
44 Vacancies in the membership of the commission shall be filled in  
45 the same manner as the original appointments.

46 b. The members shall be appointed within 60 days following  
47 the effective date of P.L. , c. (C. ) (pending before the  
48 Legislature as this bill). The commission shall organize as soon as

1 practicable after the appointment of its members and shall select a  
2 chair and a treasurer from among its members, and a secretary who  
3 need not be a member of the commission. The presence of five  
4 members of the commission shall constitute a quorum. The  
5 commission may conduct business without a quorum, but may only  
6 vote on the issuance of the report required to be submitted to the  
7 Governor and the Legislature pursuant to subsection e. of this  
8 section, and on any recommendations, when a quorum is present.

9 c. All commission members shall serve without compensation,  
10 but shall be eligible for reimbursement of necessary and reasonable  
11 expenses incurred in the performance of their official duties within  
12 the limits of funds appropriated or otherwise made available to the  
13 commission for its purposes.

14 d. The commission may meet and hold public hearings at the  
15 place or places it designates during the sessions or recesses of the  
16 Legislature.

17 e. The commission shall study the implementation of P.L. ,  
18 c. (C. ) (pending before the Legislature as this bill) and shall  
19 issue a report to the Governor and the Legislature, pursuant to  
20 section 2 of P.L.1991, c.164 (C.52:14-19.1), every three years from  
21 the effective date of P.L. , c. (C. ) (pending before the  
22 Legislature as this bill); provided, however, that the initial report  
23 shall be issued within one year following the effective date. The  
24 report shall include an analysis of the financial impact of P.L. ,  
25 c. (C. ) (pending before the Legislature as this bill) on both  
26 nonprofit hospitals assessed community service contributions  
27 thereunder and the municipalities receiving such contributions, the  
28 adequacy of the amount of the community service contributions,  
29 and an analysis of the administration and equity of these  
30 contributions. The report shall include any recommendations that  
31 the commission determines would improve the administration,  
32 equity, or any other aspect of the nonprofit hospital community  
33 service contribution system established by P.L. , c. (C. )  
34 (pending before the Legislature as this bill), and shall include an  
35 assessment of the adequacy of the amount of the community service  
36 contributions.

37  
38 3. (New section) a. Property, including land and buildings,  
39 used as an acute care hospital, which is owned by an association or  
40 corporation organized as a nonprofit association or corporation  
41 pursuant to Title 15 of the Revised Statutes or Title 15A of the New  
42 Jersey Statutes exclusively for hospital purposes, shall be exempt  
43 from taxation, provided that, except in the case of a lease to or use  
44 by a profit-making medical provider for medical purposes, if any  
45 portion of the property is leased to a profit-making organization or  
46 otherwise used for purposes which are not themselves exempt from  
47 taxation, that portion shall be subject to taxation and the remaining  
48 portion only shall be exempt from taxation. If any portion of an

1 acute care hospital is leased to or otherwise used by a profit-making  
2 medical provider for medical purposes, that portion shall be exempt  
3 from taxation.

4 b. The owner of property used as an acute care hospital exempt  
5 from taxation pursuant to subsection a. of this section shall be  
6 assessed a community service contribution pursuant to section 1 of  
7 P.L. , c. (C. ) (pending before the Legislature as this bill).

8 c. As used in this section:

9 “Acute care hospital” means a hospital which maintains and  
10 operates organized facilities and services as approved and licensed  
11 by the Department of Health for the diagnosis, treatment, or care of  
12 persons suffering from acute illness, injury, or deformity and in  
13 which all diagnosis, treatment, and care are administered by or  
14 performed under the direction of persons licensed to practice  
15 medicine or osteopathy in the State of New Jersey; and includes all  
16 land and buildings that are used in the delivery of health care  
17 services by such hospital and its medical providers; for the  
18 management, maintenance, administration, and security of such  
19 hospital and its medical providers; as a satellite emergency care  
20 facility of such hospital; or as a nonprofit nursing home owned by  
21 such hospital or its subsidiary.

22 “Medical provider” means an individual or entity which, acting  
23 within the scope of a licensure or certification, provides health care  
24 services, and includes, but is not limited to, a physician, physician  
25 assistant, psychologist, pharmacist, dentist, nurse, paramedic,  
26 respiratory care practitioner, medical or laboratory technician,  
27 ambulance or emergency medical worker, orthotist or prosthetist,  
28 radiological or other diagnostic service facility, bioanalytical  
29 laboratory, health care facility, and further includes administrative  
30 support staff of the individual or entity.

31 “Satellite emergency care facility” means a facility, which is  
32 owned and operated by an acute care hospital, and which provides  
33 emergency care and treatment for patients.

34

35 4. (New section) For tax years 2014 and 2015, property that  
36 would have been exempt from taxation pursuant to R.S.54:4-3.6 and  
37 section 3 of P.L. , c. (C. ) (pending before the Legislature  
38 as this bill), had P.L. , c. (C. ) (pending before the  
39 Legislature as this bill) been effective in those tax years, shall not  
40 be assessed as omitted property pursuant to P.L.1947, c.413  
41 (C.54:4-63.12 et seq.). This section shall apply to the omitted  
42 assessment of such property that is the subject of litigation that is  
43 pending or that may be subject to appeal before the county board of  
44 taxation, the tax court, or any other court on or after the effective  
45 date of P.L. , c. (C. ) (pending before the Legislature as  
46 this bill).

47

48 5. R.S.54:4-3.6 is amended to read as follows:

1        54:4-3.6. The following property shall be exempt from taxation  
2 under this chapter: all buildings actually used for colleges, schools,  
3 academies or seminaries, provided that if any portion of such  
4 buildings are leased to profit-making organizations or otherwise  
5 used for purposes which are not themselves exempt from taxation,  
6 said portion shall be subject to taxation and the remaining portion  
7 only shall be exempt; all buildings actually used for historical  
8 societies, associations or exhibitions, when owned by the State,  
9 county or any political subdivision thereof or when located on land  
10 owned by an educational institution which derives its primary  
11 support from State revenue; all buildings actually and exclusively  
12 used for public libraries, asylum or schools for adults and children  
13 with intellectual disabilities; all buildings used exclusively by any  
14 association or corporation formed for the purpose and actually  
15 engaged in the work of preventing cruelty to animals; all buildings  
16 actually and exclusively used and owned by volunteer first-aid  
17 squads, which squads are or shall be incorporated as associations  
18 not for pecuniary profit; all buildings actually used in the work of  
19 associations and corporations organized exclusively for the moral  
20 and mental improvement of men, women and children, provided  
21 that if any portion of a building used for that purpose is leased to  
22 profit-making organizations or is otherwise used for purposes which  
23 are not themselves exempt from taxation, that portion shall be  
24 subject to taxation and the remaining portion only shall be exempt;  
25 all buildings actually used in the work of associations and  
26 corporations organized exclusively for religious purposes, including  
27 religious worship, or charitable purposes, provided that if any  
28 portion of a building used for that purpose is leased to a profit-  
29 making organization or is otherwise used for purposes which are not  
30 themselves exempt from taxation, that portion shall be subject to  
31 taxation and the remaining portion shall be exempt from taxation,  
32 and provided further that if any portion of a building is used for a  
33 different exempt use by an exempt entity, that portion shall also be  
34 exempt from taxation; all buildings actually used in the work of  
35 associations and corporations organized exclusively for hospital  
36 purposes, provided that , except in the case of an acute care hospital  
37 as provided in section 3 of P.L. \_\_\_\_\_, c. (C. \_\_\_\_\_) (pending before  
38 the Legislature as this bill), if any portion of a building used for  
39 hospital purposes is leased to profit-making organizations or  
40 otherwise used for purposes which are not themselves exempt from  
41 taxation, that portion shall be subject to taxation and the remaining  
42 portion only shall be exempt; all buildings owned or held by an  
43 association or corporation created for the purpose of holding the  
44 title to such buildings as are actually and exclusively used in the  
45 work of two or more associations or corporations organized  
46 exclusively for the moral and mental improvement of men, women  
47 and children; all buildings owned by a corporation created under or  
48 otherwise subject to the provisions of Title 15 of the Revised



1 Statutes or Title 15A of the New Jersey Statutes and actually and  
2 exclusively used in the work of one or more associations or  
3 corporations organized exclusively for charitable or religious  
4 purposes, which associations or corporations may or may not pay  
5 rent for the use of the premises or the portions of the premises used  
6 by them; the buildings, not exceeding two, actually occupied as a  
7 parsonage by the officiating clergymen of any religious corporation  
8 of this State, together with the accessory buildings located on the  
9 same premises; the land whereon any of the buildings hereinbefore  
10 mentioned are erected, and which may be necessary for the fair  
11 enjoyment thereof, and which is devoted to the purposes above  
12 mentioned and to no other purpose and does not exceed five acres in  
13 extent; the furniture and personal property in said buildings if used  
14 in and devoted to the purposes above mentioned; all property owned  
15 and used by any nonprofit corporation in connection with its  
16 curriculum, work, care, treatment and study of men, women, or  
17 children with intellectual disabilities shall also be exempt from  
18 taxation, provided that such corporation conducts and maintains  
19 research or professional training facilities for the care and training  
20 of men, women, or children with intellectual disabilities; provided,  
21 in case of all the foregoing except for an acute care hospital , the  
22 buildings, or the lands on which they stand, or the associations,  
23 corporations or institutions using and occupying them as aforesaid,  
24 are not conducted for profit, except that the exemption of the  
25 buildings and lands used for charitable, benevolent or religious  
26 purposes shall extend to cases where the charitable, benevolent or  
27 religious work therein carried on is supported partly by fees and  
28 charges received from or on behalf of beneficiaries using or  
29 occupying the buildings; provided the building is wholly controlled  
30 by and the entire income therefrom is used for said charitable,  
31 benevolent or religious purposes; and any tract of land purchased  
32 pursuant to subsection (n) of section 21 of P.L.1971,  
33 c.199 (C.40A:12-21), and located within a municipality, actually  
34 used for the cultivation and sale of fresh fruits and vegetables and  
35 owned by a duly incorporated nonprofit organization or association  
36 which includes among its principal purposes the cultivation and sale  
37 of fresh fruits and vegetables, other than a political, partisan,  
38 sectarian, denominational or religious organization or association.  
39 The foregoing exemption shall apply only where the association,  
40 corporation or institution claiming the exemption owns the property  
41 in question and is incorporated or organized under the laws of this  
42 State and authorized to carry out the purposes on account of which  
43 the exemption is claimed or where an educational institution, as  
44 provided herein, has leased said property to a historical society or  
45 association or to a corporation organized for such purposes and  
46 created under or otherwise subject to the provisions of Title 15 of  
47 the Revised Statutes or Title 15A of the New Jersey Statutes.

48 As used in this section **["hospital"]**:

“Hospital purposes” includes acute care hospitals, health care facilities for the elderly, such as nursing homes; residential health care facilities; assisted living residences; facilities with a Class C license pursuant to P.L.1979, c.496 (C.55:13B-1 et al.), the “Rooming and Boarding House Act of 1979”; similar facilities that provide medical, nursing or personal care services to their residents; and that portion of the central administrative or service facility of a continuing care retirement community that is reasonably allocable as a health care facility for the elderly.

(cf: P.L.2011, c.171, s.4)

6. This act shall take effect on January 1, 2016, except that section 4 of the bill shall apply to tax years 2014 and 2015 only.

This bill maintains the property tax exempt status of a nonprofit hospital with for-profit medical providers on site as long as the hospital remains organized as a nonprofit institution under State law, and requires these nonprofit hospitals to pay an annual community service contribution to their host municipalities. The clarified property tax exemption under the bill extends to the portions of hospital property used for medical purposes, and the community service contributions are required to be used to offset the costs of public safety services, such as police and fire safety services, or to reduce the property tax levy. Any voluntary payments made by a nonprofit hospital for the same purpose of offsetting public safety costs will count towards the obligation to provide a community service contribution.

Nonprofit nursing homes owned by a nonprofit hospital would be subject to the same property tax exempt status as the hospital under the bill, and the number of nursing home beds of such a nursing home would be factored into the amount of a community service contribution owed by the hospital.

The bill requires municipalities to provide five percent of a nonprofit hospital community service contribution, or voluntary payment that counts against such contribution, to the county in which the municipality is located to offset public safety services expenses borne by the county which benefit the hospital.

The bill also permits a nonprofit hospital to apply to the New Jersey Health Care Facilities Financing Authority for an exemption from a community service contribution if the hospital or its satellite emergency care facility is in financial distress or at risk of being in financial distress. Notice of such an application is required to be

1 provided to the municipality in which the hospital or satellite  
2 emergency care facility that is the subject of the application is  
3 located.

4 Hospitals owned by the State or any political subdivision thereof  
5 are not subject to the community service contribution required by  
6 the bill.

7 The bill also establishes a permanent commission, known as the  
8 Nonprofit Hospital Community Service Contribution Study  
9 Commission, to study and issue a report, every three years, on the  
10 community service contribution system created by the bill. The  
11 initial report is due within one year of the effective date. The report  
12 may include any recommendations on how to improve the  
13 administration, fairness, or any other aspect of this system, but is  
14 required to include an assessment of the adequacy of the amount of  
15 the community service contributions.

16 Lastly, the bill prohibits the assessment of a nonprofit hospital as  
17 an omitted property for tax years 2014 and 2015.