

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1441
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JANUARY 10, 2020

SUMMARY

- Synopsis:** Requires Director of Division of Taxation to examine feasibility of centralized property tax information system to verify property taxes paid by homestead property tax reimbursement claimants.
- Type of Impact:** Indeterminate State and municipal fiscal impact.
- Agencies Affected:** Department of the Treasury; municipal governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Finances		Indeterminate Impact	
Municipal Finances		Indeterminate Impact	

- The Office of Legislative Services (OLS) estimates that this bill would result in an indeterminate impact on State and municipal finances. Given the inability to predict the determinations of the Director of Division of Taxation, the potential costs of such determinations, and the outcome of lawmaking and regulatory processes, the OLS cannot quantify the fiscal impact of the bill.
- Under the timeline and conditions set by the bill it is unclear whether and when the director would be required to implement a centralized property tax information system. If the director determines that a centralized system is not feasible, no implementation costs will result, and no cost changes from the reduction of incorrectly determined benefits or reduced municipal administrative costs would result. If the director determines that statutory or regulatory modifications are required to establish the system, implementation would be delayed unless and until those changes are effectuated.
- It is unclear whether the Division of Taxation would incur marginal costs to complete the feasibility study the bill requires as a prelude to implementing a centralized property tax data system, or whether it can fulfill that mandate within its current scope of operations. In addition, the division could not provide any information regarding whether it could create a centralized property tax data system database using its current information technology systems or

regarding the cost of updating or expanding its capabilities to collect and track property tax payment data. The division informally indicated in 2017 that it does not enter property tax payment data into MOD IV, New Jersey's Statewide property tax database. The division also does not compile property tax payment information.

BILL DESCRIPTION

This bill requires the Division of Taxation in the Department of the Treasury to complete a study that examines the feasibility of establishing a centralized property tax data system to assist in verifying the amount paid in property taxes by claimants in the homestead property tax reimbursement program. Under the homestead property tax reimbursement program, eligible claimants receive a property tax refund that is equal to the amount paid in current-year property taxes minus those paid in the claimant's base-year (i.e., the first year of participation in the program, subject to certain exceptions). Specifically, the study required under the bill would examine whether it is feasible for the division to implement and maintain a centralized data system that compiles the amount paid in base-year and current-year property taxes for each eligible claimant seeking reimbursement. The bill requires the division to transmit a written report of the study to the Governor and Legislature within six months of the enactment of the bill.

The bill further provides that if the division determines that (1) the centralized property tax data system is feasible, and (2) no statutory or regulatory changes are required to effectuate the system, the division is required to implement the data system by the first day of the fourth month following the transmission of the written report. If the division concludes that changes to current law or regulations are required prior to the implementation of the system, the bill requires the director to enumerate those changes in the written report.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill would result in an indeterminate impact on State and municipal finances. Given the inability to predict the determinations of the Director of the Division of Taxation, the potential costs of such determinations, and the outcome of lawmaking and regulatory processes, the OLS cannot quantify the fiscal impact of the bill.

It is unclear whether the Division of Taxation would incur marginal costs to complete the feasibility study the bill requires as a prelude to implementing a centralized property tax data system, or whether it can fulfill that mandate within its current scope of operations. If the director determines that a centralized system is not feasible, no implementation costs will result, and no cost reductions from curtailment of improperly claimed benefits would result.

However, if the director determines that a centralized system is feasible, then system development and implementation might proceed. If no statutory or regulatory modifications are required to establish the system, implementation would proceed on the timetable set by the bill. The bill provides that the division is required to (1) transmit its written report to the Governor and

Legislature within six months of the enactment of the bill, and (2) implement the data system, if legally permitted, by the first day of the fourth month following the transmission of the report. Assuming that it takes the maximum authorized time to complete each task, the division would be expected to incur any potential implementation costs during the approximate period between the sixth and tenth months following the enactment of the bill. Otherwise, it has no information upon which to base an estimate of system development, implementation, and operating costs.

The OLS does not have sufficient information to determine the extent to which homestead property tax reimbursement program claims are incorrectly determined, nor does it have information on municipal costs of administration (municipal tax assessors are involved in the process of confirming claimants' property tax payments). Therefore the OLS has no basis for estimating the impact on claims, or municipal costs of claims administration, that would result from a centralized system were one to be implemented.

If instead the director determines that statutory or regulatory modifications are required to establish the system, implementation would be delayed unless and until those changes are effectuated. If statutory and regulatory changes necessary to developing and implementing the system are not approved, then no further action will occur and no cost impacts will result.

The division informally indicated in 2017 that it does not compile data on the amount of annual property tax payments by specific property owners into MOD IV. The MOD IV is the Statewide database used by municipal assessors to provide information concerning each line-item of property (e.g., property value, classification, and abatement or exemption status). The OLS notes that the potential costs associated with establishing the centralized property tax data system may be minimized if its implementation could be effectuated through an expansion of the existing MOD IV database.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).