LEGISLATIVE FISCAL ESTIMATE
[Second Reprint]

SENATE CONCURRENT RESOLUTION No. 110
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JUNE 4, 2019

SUMMARY

Synopsis: Proposes constitutional amendment to extend veterans’ property tax deduction to continuing care retirement communities.

Type of Impact: Increase in State expenditures from the Property Tax Relief Fund.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

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<tr>
<th>Fiscal Impact</th>
<th>Year 1</th>
<th>Year 2</th>
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<tbody>
<tr>
<td>State Cost</td>
<td>$350,000 - $550,000</td>
<td>$350,000 - $550,000</td>
<td>$350,000 - $550,000</td>
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- The Office of Legislative Services (OLS) estimates that the enactment of this constitutional amendment would result in an annual increase in State expenditures ranging from approximately $350,000 to $550,000, payable from the Property Tax Relief Fund.

- Using information acquired from the Department of Community Affairs and U.S. Census Bureau, and assuming that every newly eligible veteran receives a $250 deduction, the OLS estimates that the constitutional amendment could result in an annual increase in State expenditures of approximately $424,000.

- However, due to information constraints, the OLS is unable to determine: (1) the number of newly eligible beneficiaries who would receive a deduction of less than $250, and (2) the number of surviving spouses of eligible veterans residing in continuing care retirement communities who would receive the deduction. Accounting for these factors, the OLS estimates that the annual increase in State expenditures resulting from this constitutional amendment could range from approximately $350,000 to $550,000.

- Under current law, a person who was honorably discharged after serving in any branch of the Armed Forces of the United States during a time of war or other emergency, and the surviving spouse of any such veteran, is entitled to receive an annual $250 property tax deduction. The State is required to reimburse each municipality in an amount equal to 102
percent of the total deductions provided to its residents. The State reimbursement for the maximum property tax deduction of $250 would, therefore, equal $255.

BILL DESCRIPTION

This concurrent resolution proposes to amend the State Constitution to extend the eligibility for the veterans’ property tax deduction to include continuing care retirement communities in which an eligible veteran resides. Currently, a person who was honorably discharged after serving in any branch of the Armed Forces of the United States during a time of war or other emergency, and the surviving spouse of any such veteran, is entitled to receive an annual $250 property tax deduction.

Under this constitutional amendment, a person who otherwise qualifies for the deduction, but resides in a continuing care retirement community, would be entitled to receive the veterans’ property tax deduction. Specifically, the deduction would be provided to the continuing care retirement community, which would credit or pay the amount of the deduction to each beneficiary residing in the facility within 30 days of receiving the property tax bill in which the deduction appears. In addition, the surviving spouse of an eligible veteran would be entitled to receive the veterans’ property tax deduction if he or she resides in a continuing care retirement community. However, the constitutional amendment provides that only those persons who received the veteran’s property tax deduction immediately before residing in the continuing care retirement community would be entitled to receive the deduction. Additionally, a property tax deduction would not be provided for any continuing care retirement community that is exempt from property taxation.

The property tax deduction received by each continuing care retirement community would be equal to: (1) the number of beneficiaries residing in the facility, multiplied by (2) the amount of the deduction provided for each beneficiary, which may not exceed $250. The amount of the deduction provided for each beneficiary residing in the facility would be based on the share of the taxes assessed against the real property of the continuing care retirement community that is attributable to the unit in which the person resides.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the enactment of this constitutional amendment would result in an annual increase in State expenditures ranging from approximately $350,000 to $550,000, payable from the Property Tax Relief Fund. This constitutional amendment is expected to increase State expenditures by increasing the number of persons who would receive the veterans’ property tax deduction. Specifically, this cost increase would be attributable to the amount of veterans’ property tax deductions provided to continuing care retirement communities on behalf of the beneficiaries residing in the those facilities made newly eligible through the provision of this constitutional amendment (hereinafter “newly eligible beneficiaries”).
Under current law, a person who was honorably discharged after serving in any branch of the Armed Forces of the United States during a time of war or other emergency, and the surviving spouse of any such veteran, is entitled to receive an annual $250 property tax deduction. A municipality applies the property tax deduction to each beneficiary’s tax bill, and the State is required to reimburse the municipality in an amount equal to 102 percent of the total amount of the deductions provided in that municipality. The State reimbursement for the maximum property tax deduction of $250 would, therefore, equal $255.

The constitutional amendment provides that a continuing care retirement community is entitled to receive a veterans’ property tax deduction on behalf of each of its residents who qualify for the deduction. However, only those persons who received the veterans’ property tax deduction immediately before residing in the continuing care retirement community would be entitled to receive the deduction. Additionally, a property tax deduction would not be provided for any continuing care retirement community that is exempt from property taxation.

The increased State expenditures associated with this constitutional amendment would be approximately equal to: (1) the number of newly eligible beneficiaries residing in continuing care retirement communities; multiplied by (2) the State reimbursement, which may not exceed $255, for each property tax deduction. Although the State does not record the number of veterans that reside in continuing care retirement communities, the OLS estimates this total by multiplying the total occupants of all continuing care retirement communities in the State by the percentage of persons over the age of 65 years who are veterans.

According to information provided by the Department of Community Affairs, the total occupancy of all continuing care retirement communities located in New Jersey is currently 9,835 persons. In addition, the American Community Survey (Five-Year Estimate, 2012-2016) published by the U.S. Census Bureau, indicates that a total of 1,312,291 people over the age of 65 years currently reside in the State, with 212,818 of those residents being veterans. As a result, approximately 16.9 percent of State residents over the age of 65 years are veterans.

Assuming that 16.9 percent of the 9,835 people who reside in continuing care retirement communities are veterans, the OLS estimates that approximately 1,662 veterans currently reside in these facilities. Also assuming that each of these veterans: (1) received the property tax deduction immediately prior to residing in the continuing care retirement community; (2) served in the Armed Forces of the United States during a time of war or other emergency; and (3) will be credited or paid the full $250 property tax deduction; the estimated increase in State expenditures associated with this constitutional amendment would be approximately $424,000 per year. This estimate is calculated by multiplying the estimated number of newly eligible beneficiaries (i.e., 1,662 veterans) by the maximum State reimbursement of $255 for each deduction.

However, the OLS notes that the amount of the deduction received by each newly eligible beneficiary would be based on the share of the taxes assessed against the real property of the continuing care retirement community that is attributable to the unit in which the person resides. As a result, if the share of the total property taxes attributable to a beneficiary’s housing unit does not exceed $250, the amount of the deduction provided for that person will be less than $250. In addition, the constitutional amendment also entitles the surviving spouse of eligible veterans to receive the veterans’ property tax deduction if he or she resides in a continuing care retirement community. Due to information constraints, the OLS is unable to determine the extent to which these factors would reduce the amount of each property tax deduction and increase the number of newly eligible beneficiaries.
In order to account for these factors, the OLS therefore estimates that the enactment of this constitutional amendment could result in an annual increase in State expenditures ranging from approximately $350,000 to $550,000, payable from the Property Tax Relief Fund. However, this estimate should be viewed as a broad approximation, not a precise determination, of the anticipated cost.

Section: Local Government
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Associate Research Analyst
Approved: Frank W. Haines III
Legislative Budget and Finance Officer

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.).