

ASSEMBLY HOUSING COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 1947**

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1996

The Assembly Housing Committee reports favorably Assembly Bill No. 1947 by committee substitute.

The committee substitute makes changes to the "Tenants' Property Tax Rebate Act," which requires landlords to rebate reductions in property taxes to their tenants.

The substitute redefines qualified real rental property which is subject to the act to mean buildings containing four or more housing units, with some exceptions. Whether a building is occupied by its owner will no longer be a determining factor in whether or not it is qualified real rental property. In addition to property which is currently exempted from the act such as motels, hotels, cooperatives and continuing care facilities, the substitute exempts condominium units that are rented by their owners, certain structures which are subject to an abatement agreement with a municipality, property subject to a rent control ordinance which precludes property owners from passing property tax increases through to their tenants, and certain other group residences which comprise residential health care facilities for which the rent includes medical, nursing or personal care services for the residents.

The substitute distinguishes between those tax reductions which should be rebated to tenants because they result from decreases in the general property tax rate, owing perhaps to increased State aid or governmental efficiency, or a revaluation or reassessment, and those tax reductions which are specific to the property and should be retained by the landlord as an incentive to the filing of meritorious challenges to assessed valuations, such as those reductions resulting from tax appeals or other assessment reductions. The substitute also changes the basis of the calculation of the property tax reduction and the rebate due to each tenant.

In order for a rebate to be due to a tenant, there must be a property tax reduction, which is the difference between the taxes paid or payable in a base year and the amount of taxes paid or payable in the current year. The bill amends the calculation of property tax reduction so that the amount of taxes paid in the base year is adjusted to reflect assessment reductions from agreements entered into with municipal

taxing authorities, abatements, changes in assessments imposed administratively by a tax assessor or county board of taxation, and judgments entered by a county board of taxation, a tax court or a court of competent jurisdiction, including the carryover effect of such judgments for a tax year subsequent to the year of the judgment (such as a freeze act year), so that those reductions will not be reflected in the rebates to tenants.

The bill also redefines the base year tax level from which the reduction is calculated, beginning with 1996 instead of 1990, and updates that base year for several special situations affecting the property tax assessments, including any year in which an assessment reduction occurs and any year in which the base year and current year budget and tax components are inconsistent because a tax funded service has been shifted to a separately stated user fee. The bill provides that no rebate is due in a year in which an assessment reduction occurs. Assessment reduction is defined in the bill to mean a decrease in the amount of assessed value of qualified real rental property resulting from an agreement entered into with a municipal taxing authority, an abatement, exemption, change in assessment imposed administratively by a municipal tax assessor or county board of taxation, or a judgment entered by a county board of taxation, the tax court, or by a court of competent jurisdiction. The term does not include assessment reductions which are the result of a revaluation or reassessment.

The substitute provides that a rebate will be due to a tenant upon a reduction in property taxes resulting from a revaluation or reassessment, but only for the year of the revaluation or reassessment; the base year will thereafter change to the year of the revaluation or reassessment. The substitute also provides for an amended property tax reduction calculation if the tax collector is advised of an assessment change resulting from a judgment entered or tax appeal stipulations filed with a county tax board or court of competent jurisdiction. The substitute clarifies that a landlord is required to allocate the rebate among the tenants that occupied the premises during the calendar year in which the property tax reduction occurred, and must use his best efforts to locate an eligible tenant who has moved from the rental premises.

The substitute provides that the rebates may be paid or credited in monthly installments and are generally due to be paid in full to a tenant by December 31st of the year in which a property tax reduction is realized. The substitute specifies that any tenant of qualified real rental property may bring a complaint upon the landlord's failure to pay a rebate.

The substitute is to take effect June 1 next following enactment, and would have prospective effect only. This means the earliest date that property tax reduction notices would be calculated in accordance

with the substitute, should it be enacted into law, would be those notices to be mailed in June of 1997 and which concern property tax reductions in the 1997 tax year from the base year of 1996.