

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

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

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 16, 1996

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1947 (ACS), with committee amendments.

Assembly Bill No. 1947 ACS, as amended, makes changes to the "Tenants' Property Tax Rebate Act," which requires landlords to rebate reductions in property taxes to their residential tenants. The bill redefines the property subject to the act, identifies the reductions to be rebated, changes the calculation of the property tax reduction to be rebated, and clarifies landlord and tenant procedures for making and receiving rebates.

The bill redefines qualified real rental property which is subject to the act to mean buildings containing four or more housing units, with some exceptions. Owner occupancy will no longer be a determining factor in qualification of rental property. In addition to the property currently exempted from the act (such as motels, hotels, cooperatives and continuing care facilities), the bill exempts condominium units rented out by their owners, certain structures subject to an abatement agreement with a municipality, property subject to a rent control ordinance that does not automatically allow a rent increase if property taxes increase, and certain group residences which comprise residential health care facilities for which the rent includes medical, nursing or personal care services for the residents.

The bill distinguishes between those tax reductions to be rebated to tenants because they result from decreases in the general property tax rate, and those tax reductions that are specific to the property.

The bill changes the calculation of the property tax reduction and the rebate due to each tenant. A rebate is due if there is a difference between the taxes paid or payable in a base year and the taxes paid or payable in the current year. The bill adjusts the amount of taxes paid in the base year 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 tax level base year to 1996 instead of 1990, and provides that the base year will be updated if several special situations affecting the property tax assessments occur, including an assessment reduction or an inconsistency in the tax years being compared 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. The bill defines “assessment reduction” as a decrease in the assessed value of a subject property resulting from an agreement with a municipal taxing authority, an abatement, an exemption, a 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 a reduction in assessed value that is the result of a revaluation or reassessment.

The bill 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 bill provides for an amended property tax reduction if the tax collector is advised of an assessment change from a judgment entered or tax appeal stipulation filed with a county tax board or a court. The bill 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 best effort to locate an eligible tenant who has moved.

The bill 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 31 of the year in which a property tax reduction is realized. The bill specifies that any tenant of qualified real rental property may bring a complaint upon the landlord's failure to pay a rebate.

The bill takes effect June 1 next following enactment, and has prospective effect only. The earliest date that property tax reduction notices would be calculated in accordance with the bill, if it is enacted, would be those notices to be mailed in June of 1997 concerning property tax reductions in the 1997 tax year from the base year of 1996.

FISCAL IMPACT:

This bill has no impact on State revenue or expenditures.

COMMITTEE AMENDMENTS:

The amendments clarify that property is exempt from the act if subject to a rent control ordinance that does not provide for an

automatic increase in permitted rent upon an increase in property taxes.