

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Second Reprint]

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

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 5, 1997

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1947 ACS (2R) with amendments.

Assembly Bill No. 1947 ACS (2R), as amended, makes changes to the "Tenants' Property Tax Rebate Act," P.L.1976, c.63 (C.54:4-6.2 et seq.), 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," property which is subject to the act, to mean buildings containing four or more housing units, with some exceptions. Owner occupancy would 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 (other than units occupied by tenants who are protected under the "Tenant Protection Act of 1992," P.L.1991, c.509 (C.2A:18-61.40 et al.), as a result of a condominium conversion), 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 such as 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 which should 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 and should be retained by the landlord as an incentive to the filing of meritorious challenges to assessed valuations.

The bill also changes the calculation of the property tax reduction

and the rebate due to each tenant. The rebate would be "triggered" 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 requires an adjustment to 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 redefines "base year" as 1998 and establishes several circumstances that would cause the base year to float, including an assessment reduction or an inconsistency in the tax years being compared because a tax funded service has been shifted to a separately billed user fee. No rebate would be due in a year in which an "assessment reduction" occurs; "assessment reduction" is defined as a decrease in the amount of assessed value of qualified real rental 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 rebate would be paid 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 would thereafter change to the year of the revaluation or reassessment. 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 exercise best efforts to locate an eligible tenant who has moved from the rental premises.

The bill provides that rebates may be paid or credited in monthly installments. A tenant of qualified real rental property may institute a complaint upon a landlord's failure to pay a rebate.

The bill would take effect June 1 next following enactment.

As amended and reported, this bill is identical to Senate Bill No. 1506 SCS (Lynch/DiFrancesco) as amended and reported by this committee on June 5, 1997.

COMMITTEE AMENDMENTS

The committee amended the bill to change the base year to 1998 from 1996.

FISCAL IMPACT

This bill has not been certified as requiring a fiscal note since it will not have an impact on State revenues or expenditures.