

ASSEMBLY, No. 2033

STATE OF NEW JERSEY

INTRODUCED MAY 20, 1996

By Assemblyman JONES

1 ANACT authorizing the public sale of a municipal property tax levy to
2 the highest bidder, amending R.S.54:4-67 and supplementing
3 chapter 5 of Title 54 of the Revised Statutes.

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5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

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8 1. R.S.54:4-67 is amended to read as follows:
9 54:4-67. The governing body of each municipality may by
10 resolution fix the rate of discount to be allowed for the payment of
11 taxes or assessments previous to the date on which they would become
12 delinquent. The rate so fixed shall not exceed 6% per annum, shall be
13 allowed only in case of payment on or before the thirtieth day previous
14 to the date on which the taxes or assessments would become
15 delinquent. The governing body may also fix the rate of interest to be
16 charged for the nonpayment of taxes or assessments on or before the
17 date when they would become delinquent, and may provide that no
18 interest shall be charged if payment of any installment is made within
19 the tenth calendar day following the date upon which the same became
20 payable. The rate so fixed shall not exceed 8% per annum on the first
21 \$1,500.00 of the delinquency and 18% per annum on any amount in
22 excess of \$1,500.00, to be calculated from the date the tax was
23 payable until the date that actual payment to the lienholder will be next
24 authorized.

25 In municipalities that have sold their entire annual property tax levy
26 pursuant to section 3 of P.L. , c. (C.) (now pending before
27 the Legislature as this bill), the rate of interest to be charged for the
28 nonpayment of taxes or assessments shall be fixed at 18% per annum,
29 to be calculated from the date the tax was payable until the date of
30 actual payment.

31 "Delinquency" means the sum of all taxes and municipal charges
32 due on a given parcel of property covering any number of quarters or
33 years. The property shall remain delinquent, as defined herein, until
34 such time as all unpaid taxes, including subsequent taxes and liens,

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 together with interest thereon shall have been fully paid and satisfied.
2 The delinquency shall remain notwithstanding the issuance of a
3 certificate of sale pursuant to R.S.54:5-32 and R.S.54:5-46. The
4 governing body may also fix a penalty to be charged to a taxpayer with
5 a delinquency in excess of \$10,000 who fails to pay that delinquency
6 prior to the end of the fiscal year. If such taxes are fully paid and
7 satisfied by the holder of an outstanding tax sale certificate, the holder
8 shall be entitled to receive the amount of the penalty as part of the
9 amount required to redeem such certificate of sale. The penalty so
10 fixed shall not exceed 6% of the amount of the delinquency.

11 (cf: P.L.1994, c.32, s.4)

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13 2. (New section) Notwithstanding the payment of any property
14 taxes, assessments or municipal charges by the purchaser of the tax
15 levy pursuant to section 3 of P.L. , c. (C.) (now pending
16 before the Legislature as this bill), the accounts of the properties shall
17 be deemed delinquent for purposes of the creation, assignment, sale,
18 redemption and foreclosure of tax lien certificates.

19 The purchaser of a property tax levy pursuant to section 3 of
20 P.L. , c. (C.) (now pending before the Legislature as this
21 bill) and the municipality shall comply with the notice and redemption
22 provisions relating to the creation of tax certificates as hereinafter
23 provided, except the purchaser shall not be required to purchase, nor
24 will the municipality be required to sell, the tax lien certificates by
25 public sale, if the right to purchase the certificates has been assigned
26 or sold in advance to the levy purchaser in connection with the sale of
27 the property tax levy.

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29 3. (New section) a. Notwithstanding the provisions of any other
30 law, rule or regulation to the contrary, a municipality may, by
31 resolution of the governing body, agree to sell its annual property tax
32 levy, including the advance assignment or sale of the municipality's
33 right to collect delinquent property taxes and the assignment or sale of
34 any subsequently created property tax lien certificates relating to the
35 delinquent properties, to a third party, at a public sale to the highest
36 responsible bidder, subject to the terms and conditions of law and the
37 bid specifications and the approval of the Local Finance Board. The
38 sale shall be held after a copy of the public notice of sale stating the
39 manner of submitting and method of receiving the bids and the time
40 and place of sale has been published in a legal newspaper circulating
41 within the municipality at least 14 days in advance of the date fixed for
42 receiving bids.

43 b. The sale of a tax levy shall not become effective until approved
44 by the Local Finance Board.

45 c. The Director of the Division of Local Government Services in
46 the Department of Community Affairs, in accordance with the

1 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
2 seq.), shall adopt such rules and regulations as are necessary to
3 accomplish the purposes of this section.

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5 4. (New section) The sale of the property tax levy shall be subject
6 to the following minimum terms and conditions:

7 a. The right of the municipality to set a minimum price, including
8 reserving the right to reject any and all bids if, in the discretion of the
9 municipality, it determines that the bid sale price is inadequate.

10 b. The municipality shall require the purchaser to have a rating in
11 one of the four highest rating categories of a nationally recognized
12 statistical rating agency or shall require the purchaser to secure its
13 payment obligation with either a letter of credit or by a bond from a
14 surety company, the sufficiency of which is acceptable to and
15 approved by the municipality.

16 c. The purchaser shall pay for the tax levy in quarterly installments.
17 These installments shall be due no earlier than 10 days, and no later
18 than 30 days after the quarterly tax due date, upon the presentation of
19 a certification from the tax collector stating; (1) the amount of
20 property taxes that are delinquent for the quarter and (2) a list of the
21 amount of the delinquent property taxes for each property, which
22 property shall be identified by block, lot and street address, including
23 the name and mailing address of the owner and any mortgagee. At the
24 time of the quarterly payment the purchaser shall receive as a credit
25 against the payment due, an amount equal to the quarterly taxes paid
26 to the tax collector on or before the tenth day following the quarterly
27 due date.

28 d. Upon payment in full of the quarterly delinquent property taxes,
29 the purchaser shall have the same rights and obligations as the
30 municipality to collect delinquent property taxes, including all fees,
31 interest and costs, and to foreclose the subsequently created liens, all
32 as provided for and limited by law.

33 e. The purchaser shall have the right to purchase subsequent
34 property tax delinquencies relating to the properties upon payment of
35 the full amount of principal and interest due. That right shall expire at
36 a subsequent sale by the municipality of its tax levy or on the date the
37 municipality sells the delinquencies at a tax sale, whichever occurs
38 earlier.

39 f. The purchaser shall be required to purchase, at the time of
40 assignment of the property tax lien certificates, any other delinquent
41 municipal charges relating to the delinquent properties, including
42 water and sewer charges. The purchaser shall pay the full amount of
43 the principal and interest due for those charges as of the date of the
44 assignment.

45 g. At the closing of the levy sale, the purchaser shall have the right,
46 but not the obligation, to acquire by assignment all tax lien certificates

1 held by the municipality, excluding, however, those certificates relating
2 to known or suspected sites of environmental contamination. This
3 right of the purchaser may be exercised only if the purchaser's bid is
4 equal to or greater than 98% of the combined dollar value of the tax
5 levy and the full redemptive value of the municipal tax lien certificates
6 so assigned.

7 h. The collection of taxes and the preparation of redemption
8 statements and discharges of tax lien certificates shall remain the right
9 and obligation of the municipal tax collector.

10 i. The purchaser shall provide quarterly account status reports and
11 such other financial data and reports as are requested by the
12 municipality.

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14 5. This act shall take effect immediately.

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STATEMENT

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19 This bill is intended to authorize a municipality to sell its annual tax
20 levy to the highest responsible bidder. The sale of the annual tax levy
21 would enable a municipality to improve upon its historical tax
22 collection rate and in some cases, potentially guarantee a rate at or
23 above 100% of the tax levy. Such a sale would eliminate or virtually
24 eliminate the need for a municipality to maintain a reserve for
25 uncollected taxes. The risk of non collection of property taxes would
26 be assumed by a successful bidder, who would be guaranteed a
27 delinquent interest rate of 18% per annum. The sale of the annual
28 property tax levy would be subject to the approval of the Local
29 Finance Board.

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Permits public sale of municipal property tax levy to highest bidder.