

FISCAL NOTE TO
[First Reprint]
ASSEMBLY, No. 2244

STATE OF NEW JERSEY

DATED: OCTOBER 31, 1996

Assembly Bill No. 2244 (1R) of 1996 would establish the State Municipal Property Tax Lien Fund in the Department of Commerce to purchase or take assignment of municipal tax liens. Municipalities would be able to convert their municipally held tax sale certificates into cash by either borrowing from the fund using the certificates as security, or selling the certificates to the fund outright individually or in bulk. The Economic Development Authority would be authorized to administer the fund, and be empowered to service liens, manage properties, foreclose liens, and own property for the benefit of the fund. The authority would also be authorized to contract with private vendors to service the liens and manage those properties.

Monies in the fund are to be used for only three purposes: to purchase property tax liens held by a municipality, either individually or in bulk pursuant to P.L.1993, c.325 (C.54:5-113.4), to make subsequent tax payments to a municipality secured by property tax liens held by the fund, and to secure debt for redevelopment projects or economic development projects located in a municipality participating in the fund.

The bill also requires municipalities to attach to any tax sale certificate sold, assigned or transferred to the fund, a moratorium statement indicating whether or not the property owner qualifies for a senior citizen, disabled or surviving spouse property tax deduction pursuant to P.L.1963, c.172 (C.54:4-8.40 et seq.). This amendment to the bill directs the fund not to foreclose on any property for which the moratorium statement indicates that the property is owned by a senior citizen, disabled or surviving spouse, until after the title to the property is conveyed to another owner.

The Office of Legislative Services (OLS) has been advised by the Department of Commerce and Economic Development that no appropriation of State funds will be required to implement this program, as the program will be self-funded. The department states that the Economic Development Authority will securitize a bond issue through the assignment of municipal tax liens, and the collection of tax liens will pay all program expenses. The department notes, however, that it cannot provide an estimate of the cost of the program because the cost is dependent upon municipal participation, the extent of which is unknown at this time. The department also advises the OLS that existing staff will be utilized to initiate the program.

The OLS concurs with the information provided by the Department of Commerce and Economic Development. This bill requires no additional State funds because the department can absorb the additional responsibilities imposed under the bill using its current staff, and because it is authorized to pay or reimburse the Economic Development Authority for all services rendered by the authority under the terms of this bill out of moneys held in the fund.

The OLS also notes that, since this bill merely permits municipalities to convert their municipally-held tax sale certificates into cash by selling them to the fund, and since this bill would represent the first time that all municipal governments would have the authority to make such sales of certificates, no data are available on a Statewide basis from which to assess the financial impact on municipal governments of this bill. However, the OLS notes that the Department of Community Affairs, in its Fifty-Fourth Annual Report of the Statements of Financial Condition of Counties and Municipalities reports that in 1991 (the most recent year for which data have been compiled) municipal governments in New Jersey held \$213.2 million of tax title liens as a municipal asset. This \$213.2 million represents the upper limit on moneys the fund could be asked to expend in converting municipally held tax sale certificates into cash.

The OLS also notes that the bill was amended in committee to effectively prevent the foreclosure of property owned by senior citizens, the disabled or their surviving spouses, until after the title to the property is conveyed to another owner. This amendment will have an effect on the number of tax liens which can be sold to the Economic Development Authority by municipalities, but the OLS is not able to determine the extent of that effect, as this is a new program, and it is not possible to determine the number of such liens that may exist in the future.

This fiscal note has been prepared pursuant to P.L.1980, c.67.