

FISCAL NOTE TO  
SENATE COMMITTEE SUBSTITUTE FOR  
SENATE, Nos. 367 and 1389  
**STATE OF NEW JERSEY**

DATED: OCTOBER 18, 1996

The Senate Committee Substitute for Senate Bill Nos. 367 and 1389 is legislation that would implement a proposed Constitutional amendment which would increase the annual property tax deduction for certain veterans and their surviving spouses from \$50.00 to \$100.00 per year.

The Division of Taxation in the Department of the Treasury (Treasury) has advised the Office of Legislative Services (OLS) that the additional cost to the State of reimbursing municipalities for the amount of this property tax deduction will be a continuing one. Treasury has also advised the OLS that it estimates the additional cost to the State to be approximately \$18.5 million in FY 1997 and in FY 1998. Treasury bases its determination on data indicating that the State reimbursed municipalities approximately \$18.5 million for 1995.

The OLS does not concur with Treasury's conclusions. The OLS has determined, from Division of Taxation data, that between 1991 and 1995, there has been an average annual decline of 1.5% in the number of veterans receiving the \$50 annual property tax deduction. Assuming that such a trend would continue from year to year, it can be estimated that in 1997, approximately 357,788 veterans would receive the deduction; in 1998, approximately 352,421 veterans would receive the deduction; and in 1999, approximately 347,135 veterans would receive the deduction. Multiplying those estimates by \$100 (the proposed amount of the deduction set forth in the bill), would indicate that in 1997, the State's cost would be approximately \$35,778,800; 1998, the State's cost would be approximately \$35,242,100; and in 1999, the State's cost would be \$34,713,500. OLS therefore estimates the annual additional State cost to be \$17,889,400 in 1997; \$17,621,050 in 1998; and \$17,356,750 in 1999.

The OLS notes, however, that P.L.1991, c.390 added several military missions to the definition of "(a)ctive service in time of war" contained in N.J.S.A.54:4-8.10, thus increasing the universe of eligible veterans under the statutes. Those military missions include "Operation Desert Shield/Desert Storm," the Panama peacekeeping mission, the Grenada peacekeeping mission and the Lebanon peacekeeping mission. The addition of these veterans could conceivably offset the demonstrated historical decline in the number of veterans receiving the annual \$50 property tax deduction, by slowing the rate of decline or actually increasing the number of

recipients of the property tax deduction over a period of time. The OLS is not able to estimate the number of such veterans who might in the future attain eligibility to receive the property tax deduction, as we have been advised by the Department of Military and Veterans' Affairs that no statistics are maintained of the exact number of veterans of "Operation Desert Shield/Desert Storm," the Panama peacekeeping mission, the Grenada peacekeeping mission and the Lebanon peacekeeping mission.

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