

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1091**

with Senate committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 28, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1091 SCS with amendments.

As amended, Senate Bill No. 1091 SCS:

- * Enables a municipality to reduce its reserve for uncollected taxes by selling its property tax levy, thereby reducing the amount required to be raised by taxation.

- * Contains the operative language permitting a municipality to sell its property tax levy at public sale through sealed bids or public auction to the highest responsible bidder. Notice of the sale is required to be advertised at least 14 days prior to the date of the public sale or auction.

- * Provides the mechanism for a municipality to reduce its reserve for uncollected taxes when it sells its tax levy before adoption of its budget.

- * Provides the mechanism for a municipality to reduce its reserve for uncollected taxes when it sells its tax levy in the final month of the fiscal year.

- * Requires the financial officer or registered municipal accountant of the municipality to provide the governing body with a fiscal analysis of the proposed sale, showing the financial impact in the current and two subsequent fiscal years.

- * Requires the Department of Community Affairs to review the fiscal impact of each proposed contract to sell a property tax levy.

- * Requires a successful bidder to post bond or an irrevocable letter of credit in certain amounts.

- * Requires a municipality to provide notice to taxpayers prior to or with the next tax bill if the interest rate for delinquencies is changed.

- * Permits tax lien sales and tax levy sales to occur in the last month of the fiscal year of a municipality. Currently, tax lien sales may not be held prior to April 1 of the fiscal year next following the fiscal year when the taxes became in arrears.

- * Changes the time for which a property owner is to be given

priority to pay property taxes from "prior to the delinquency date" to "up to and including the payment date" for each quarter's taxes. Under current law a property owner has no priority over a tax lien holder to pay the property taxes.

- * Clarifies the amount required to redeem a tax sale certificate.

- * Requires the Department of Community Affairs to provide biennially a written report to the Governor and Legislature on the municipalities that choose to sell their total property tax levy.

The amendments adopted by this committee include all the provisions in Assembly Bill No. 2033 (ACS)(AS) (1R) (Jones/Bagger) with the changes described below.

COMMITTEE AMENDMENTS

The committee amended the bill, with the approval of the sponsor, to include all the provisions of Assembly Bill No. 2033 (ACS) (AS) (1R) except for the following changes:

- * Retain the two-tiered delinquency interest rate provided in current law and delete from the bill the option provided to municipalities of a single interest rate of up to 18%.

- * Require the Division of Local Government Services in the Department of Community Affairs to review the fiscal impact of a proposed sale of the total property tax levy and prohibit a municipality from executing a contract for the sale without the approval of the contract by the division following its review of the fiscal impact.

- * Require the fiscal analysis, that is provided to the local governing body, of the impact of the total property tax levy sale to cover the current municipal budget and the budgets for two subsequent years.

- * Require the Department of Community Affairs to submit biennially a report to the Governor and the Legislature on the utilization of this bill by municipalities.

- * Clarify that if a municipality decides to sell its total property levy, the sale must be conducted through a public sale with sealed bids or through public auction.

- * Clarify that tax lien sales may occur no earlier than the last month of the fiscal year of the municipality, since the bill gives municipalities the ability to sell tax liens for properties that have unpaid taxes as of the 11th day of the eleventh month of the fiscal year.

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. The bill will have an impact on the budget of those municipalities that choose to follow its provisions.