

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1456

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 19, 1996

The Senate Community Affairs Committee reports favorably Senate Bill No. 1456 with committee amendments.

As amended by the committee, this bill would provide municipalities with greater flexibility in conducting tax sales and would: expand taxpayers' right to notice of delinquent interest rates, clarify the calculation of amounts required to redeem tax sale certificates, and clarify other ambiguous sections of law concerning municipal liens.

Specifically, sections 1 through 4 of the bill would amend various sections of the banking and property titles to clarify that municipal liens always have priority over mortgage and condominium liens.

Section 5 of the bill would amend R.S.54:4-65 to require that notice be given to property taxpayers, on or with the tax bill, of the municipality's delinquent interest rate and the end of the year penalty for nonpayment of taxes. Current law does not require that such notice be given.

Sections 6 and 7 would amend R.S.54:4-66 and section 2 of P.L.1994, c.72 (C.54:4-66.1) respectively, to establish that the property owner always has priority over holders of tax liens to pay the taxes owed on a property up to and including the payment date for each quarter when third party tax liens exist against the property. These amendments are intended to clarify that a tax collector is required to accept payment from the property owner, if payment is tendered up to and including the payment date for each quarter, when both the property owner and the holder of a tax sale certificate attempt to pay quarterly taxes due.

Section 8 would amend R.S.54:4-67 to permit a municipality to establish either a single delinquency interest rate or a two-tier rate, as current law permits. This section would require that in any year when the governing body changes the delinquency interest rate or the end of the year penalty, it would be required to provide notice of the new rate and its effective date either with the tax bill or through a separate mailing before the date taxes are next due. The changes would not be effective until the notice is provided to the taxpayer and filed with the Director of the Division of Local Government Services in the

Department of Community Affairs. This filing provision is intended to permit the department to compile data on all municipal interest rates and penalties in order to provide information to the Governor, Legislature and other departments.

This section would also clarify that for the purposes of the requirements for filing a tax appeal, a taxpayer would still be considered delinquent notwithstanding that taxes have been paid by a tax lienholder. This section would also entitle a lienholder to a pro rata share of any penalty amount imposed by the municipality on delinquencies in excess of \$10,000 for that portion of the delinquency paid by a lienholder in the current fiscal year.

Section 9 of this bill would amend R.S.54:5-19 to permit tax lien sales to occur after the 11th day of the eleventh month of the fiscal year of the municipality. Currently, tax lien sales may not be held before April 1 of the fiscal year next following the fiscal year when the taxes became in arrears. This provision would permit municipalities to realize funds from a tax lien sale in the year in which the taxes are due, rather than having to wait until April 1 or October 1 of the following fiscal year. The effect of this provision would be to enable municipalities to improve their tax collection levels to a higher percentage, thereby reducing the reserve for uncollected taxes in the following year's budget to a much lower level, without losing any of their revenues from delinquent interest and other penalties. In many municipalities the reserve for uncollected taxes represents the largest budget item.

Section 10 of the bill would amend R.S.54:5-26 to provide that in lieu of any two of the required four publications of notice of a tax sale, the property owner may be provided notice by mail, the cost of which would be added to the cost of the sale, not to exceed \$25 for each notice.

Section 11 of the bill would amend R.S.54:5-47, a notice provision, to make the notice statement consistent with the requirements of R.S.54:5-86, recently amended by section 41 of P.L.1996, c.62.

Section 12 of the bill would amend section 1 of P.L.1990, c.90 (C.54:5-52.1) to provide a mechanism for the issuance of duplicate tax title certificates in the case of the destruction or loss of a tax title certificate issued by the municipality. The municipality would not be permitted to charge a fee in excess of \$100 for a duplicate certificate. Under current law a tax collector is not permitted to pay out redemption moneys until the tax title certificate is surrendered, so the holder of a lost or destroyed certificate has no remedy.

Section 13 of the bill would amend R.S.54:5-54 to clarify that liens for assessments for benefits for municipal improvements are included as redeemable liens prior to the entry of judgment which cuts off such right. The section also clarifies that the right of redemption includes all lien holders, not just holders of prior liens.

Sections 14 and 15 of the bill would amend R.S.54:5-55 and

R.S.54:5-57 respectively, to remove an obsolete reference to a repealed section of law. Section 15 would also provide a mechanism for the escheat of unclaimed redemption moneys to the State when held by a municipality for five years after notice to the tax lien holder. The municipality would retain 75% of the sum and the State Treasurer would receive 25%.

Section 16 of the bill would amend R.S.54:5-58 to specify the calculation of the amount required to redeem a tax sale certificate based upon when the redemption occurs. When a tax sale certificate is issued within the 10-day period following the date of the tax sale, including the date of sale as the first day, then the amount required to redeem shall include all sums paid, together with interest and lawful expenses, by the certificate holder.

Section 17 of the bill would amend R.S.54:5-60 to clarify that all sums for subsequent taxes, municipal liens and charges, and interest and costs actually paid are included in the amount required for redemption of a tax sale certificate that is not held by a municipality.

Sections 18 through 23 of the bill would amend R.S.54:5-112, R.S.54:5-113, section 4 of P.L.1993, c.325 (R.S.54:5-113.4), section 1 of P.L.1941, c.232 (C.54:5-114.1), and section 1 of P.L.1943, c.149 (C.54:5-114.2) to require that all assignments of tax sale certificates be recorded at the county recording office and notice of the assignment be given to the appropriate municipal tax collector. If an assignment has not been recorded and notice has not been given to the tax collector, then the municipality will be held harmless for the payment of any redemption amounts to the holder of record of the tax sale certificate.

The committee amended sections 1 through 4 of the bill in order to ensure that those sections clearly provide that all municipal liens are prior in interest to mortgage and condominium liens.

The committee amended section 13 of the bill in order to clarify that the holder of a subsequent tax lien would retain priority over the holder of a prior tax lien.

The committee amended section 15 to specify that this new escheat provision would supersede any conflicting provision of the "Uniform Unclaimed Property Act (1981), R.S.46:30B-1 et seq..

The amendments to sections 15, 21, 22 and 23 make technical corrections to the bill by adding section numbers that were omitted from the bill and by correcting a statutory citation.