

SENATE, No. 1506

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 19, 1996

By Senators LYNCH and DiFRANCESCO

1 AN ACT concerning property tax rebates to tenants and amending  
2 P.L.1976, c.63.

3

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

6

7 1. Section 2 of P.L.1976, c.63 (C.54:4-6.3) is amended to read as  
8 follows:

9 2. As used in this act unless the context clearly indicates a different  
10 meaning:

11 a. "Qualified real rental property" means any building or structure  
12 or complex of buildings or structures in which four or more housing  
13 units are rented or leased or offered for rental or lease for residential  
14 purposes except hotels, motels or other guesthouses serving transient  
15 or seasonal guests[, residents of] ; buildings or structures which are  
16 subject to an abatement agreement under which reduced or no  
17 property taxes are paid on the improvements pursuant to statute,  
18 notwithstanding that payments in lieu of taxes are paid in accordance  
19 with the agreement; buildings or structures located in municipalities in  
20 which a rent control ordinance is in effect for the base year and the  
21 current tax year restricting the property owner from passing through  
22 local property tax increases to tenants; units in a residential  
23 cooperative or condominium, wherever situated, mutual housing  
24 corporation or continuing care retirement community [who are entitled  
25 to a homestead rebate pursuant to section 1 of P.L.1976, c.72  
26 (C.54:4-3.80), and owner-occupied structures of three units or less];  
27 or group residences for which the rent includes social or personal  
28 services and requires tenant participation in rehabilitative, medical, or  
29 related programs.

30 b. "Property tax reduction" means the difference between the  
31 amount of property tax paid [or payable in any year on any qualified  
32 real rental property, exclusive of improvements not included in the  
33 assessment on the real property for the base year, and the amount of  
34 property tax paid] in the base year [, but such calculations for the

**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 property tax reduction shall exclude reductions resulting from  
2 judgments entered by county boards of taxation, the tax court, or by  
3 courts of competent jurisdiction. "Property tax reduction" shall also  
4 include any rebate or refund of school property taxes which may be  
5 provided pursuant to P.L.1976, c.113. "Property tax reduction" shall  
6 not include any amount in excess of that which is identified herein.  
7 Any such amount shall be retained by the property owner] and, if  
8 lower than property taxes paid in the base year, the taxes paid in the  
9 current year.

10 If the current year property tax calculation reflects an assessment  
11 reduction from a base year assessment, there is no property tax  
12 reduction for that year and no rebate shall be due or payable for that  
13 property for the current tax year.

14 In the event a revaluation or reassessment is implemented in the  
15 current tax year, the property tax reduction shall be the difference  
16 between the amount of property tax paid in the current tax year,  
17 exclusive of improvements not included in the assessment on the real  
18 property for the base year, and the amount of property tax paid in the  
19 base year. The year in which a revaluation or reassessment is  
20 implemented shall become the base year in any subsequent tax year.

21 c. "Base year" means[, for qualified real rental property rented or  
22 leased or offered for rent or lease on or after the effective date of this  
23 act, the tax year prior to any year in which the property tax on that  
24 property is decreased from the 1990 tax year or decreased from any  
25 tax year since the 1990 tax year, whichever tax year results in the  
26 largest property tax decrease] : (1) calendar year 1995 or any calendar  
27 year after 1995 in which property taxes for qualified real rental  
28 property exceed the property taxes imposed for 1995; (2) the first  
29 year after 1995 that qualified real rental property is offered for rent or  
30 lease; (3) the first year after 1995 in which any portion of the qualified  
31 real rental property is entitled to assessment under the "Farmland  
32 Assessment Act of 1964," P.L.1964, c.48 (C.54:4-23.1 et seq.), and  
33 such assessment reduces the taxes below the base year level; (4) the  
34 first full calendar year after 1995 in which qualified real rental property  
35 is no longer subject to a tax exemption or tax abatement program; (5)  
36 a tax year subsequent to 1995 for which the property tax calculation  
37 reflects an assessment reduction from the prior base year assessment;  
38 or (6) a tax year subsequent to 1995 in which the property taxes paid  
39 in the base year and the property taxes paid in the current year do not  
40 reflect consistent budgetary and tax item components because sewer,  
41 solid waste or similar services provided through a taxing entity budget  
42 and reflected in the tax rate are changed to a separately billed user fee.

43 d. "Assessment reduction" means a reduction in assessment  
44 resulting from agreements entered into with municipal taxing  
45 authorities, abatements, exemptions, changes in assessments imposed  
46 administratively by a municipal tax assessor or county board of

1 taxation, and judgments entered by a county board of taxation, the tax  
2 court, or by a court of competent jurisdiction.

3 e. "Property taxes paid in the base year" means the assessed value  
4 of the property in the base year multiplied by the base year tax rate.

5 f. "Property taxes paid in the current year" means the assessed  
6 value of the property in the base year multiplied by the current year tax  
7 rate.

8 (cf: P.L.1991, c.65, s.1)

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10 2. Section 4 of P.L.1976, c. 63 (C.54:4-6.5) is amended to read as  
11 follows:

12 4. At the time when municipal property tax bills are prepared  
13 pursuant to R.S.54:4-64 [for the tax year 1977, and each year  
14 thereafter,]the municipal tax collector shall compute the amount of  
15 property tax reduction for the year for each property owner of  
16 qualified real rental property and shall provide a notice to inform the  
17 property owner receiving a property tax reduction of the amount  
18 thereof and of [his] the owner's obligations under this act. The tax  
19 collector shall consider all tax appeal judgments entered or tax appeal  
20 stipulations filed with a county tax board or court of competent  
21 jurisdiction at the time the notice of tax reduction is calculated. The  
22 tax collector shall, within 10 working days, provide a revised notice of  
23 tax reduction if notified by the owner of real property or the owner's  
24 agent or otherwise made aware, by the later of the sixtieth day  
25 following the mailing of the notice or the last deadline date for the  
26 property owner to distribute the rebate to the tenants, of the entry of  
27 a tax appeal judgment or filing of a stipulation with a county tax board  
28 or court of competent jurisdiction. A copy shall be provided to the  
29 rent leveling board, or similar agency charged with regulating rents or,  
30 where no such board exists, retained by the tax collector.

31 (cf: P.L.1977, c.81, s.3)

32  
33 3. Section 5 of P.L.1976, c.63 (C.54:4-6.6) is amended to read as  
34 follows:

35 5. The property tax rebate for each tenant shall be computed by the  
36 property owner [in the following manner:

37 The property tax reduction on the qualified real rental property for  
38 the year shall be divided by the total annual rent for all dwelling units,  
39 occupied or unoccupied, on such property for the said year to  
40 determine the property tax rebate or credit as a fixed percentage of  
41 rent for every tenant. The annual rent of each residential unit shall be  
42 multiplied by such fixed percentage to determine the annual amount of  
43 property tax rebate or credit for each such unit. However, a  
44 municipality instead may provide by ordinance that the property tax  
45 reduction for residential rental property shall be divided by the total  
46 rentable square feet contained within all mobile home spaces or

1 residential rental units on such property to determine the annual  
2 property tax rebate or credit per square foot for every residential unit  
3 in the entire property. The square footage of each unit shall be  
4 multiplied by such property tax rebate or credit per square foot to  
5 determine the annual amount of property tax rebate or credit for each  
6 residential unit. However where one or more residential rental units,  
7 spaces or equivalent are occupied by the property owner or his  
8 employees, the tax credit or rebate for the residential rental units on  
9 such property shall be computed by first reducing the property tax  
10 reduction by the proportion that the number of units occupied by the  
11 property owner or his employees bears to the total number of  
12 residential units on the property] by reducing the total property tax  
13 reduction by the proportion that nonresidential rents and the rental  
14 value of the owner's or the owner's employee's personal occupancy  
15 bears to total rental value, and then by dividing the remaining property  
16 tax reduction among all residential tenants in proportion to the rent  
17 each is required to pay.

18 (cf: P.L.1977, c.81, s.4)

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20 4. Section 6 of P.L.1976, c.63 (C.54:4-6.7) is amended to read as  
21 follows:

22 6. The property tax rebate or credit for each dwelling unit shall be  
23 paid to the tenant in residence of such unit [at the time each rent  
24 payment is made] monthly during the calendar year, except that the  
25 first rebate shall be cumulative to the month following receipt of the  
26 notice of property tax reduction pursuant to section 4 of P.L.1976,  
27 c.63 (C.54:4-6.5), and the last shall be made by December 31;  
28 provided however, that if notices are received after November 1 of the  
29 tax year, the landlord may extend the time for completing rebates to  
30 the next following June 30. Such property tax reduction shall, at the  
31 option of the owner, either be credited as a rent reduction or paid  
32 directly to the tenant.

33 The amount of each monthly property tax rebate or credit shall be  
34 equal to one twelfth of the annual amount of the rebate or credit  
35 [multiplied by the percentage of annual rent payable at such time];  
36 provided, however, that the amount of the rebate or credit due the  
37 tenant at the time the rent is paid shall be rounded off such that any  
38 amount less than \$0.50 shall be reduced to the next lower dollar and  
39 any amount \$0.50 or higher shall be increased to the next higher  
40 dollar. Rebates shall be paid to a tenant only for the number of  
41 months the tenant has been in residence. A rebate need not be  
42 provided to a tenant who is in arrears until the arrearage is satisfied,  
43 at which time the full accrued rebate of that tenant shall be paid or  
44 credited.

45 An owner may cease the payment or crediting of a rebate  
46 immediately upon the receipt of a revised notice of property tax

1 reduction pursuant to section 4 of P.L.1976, c.63 (C.54:4-6.5);  
2 provided however, that no amount of rebate previously paid or  
3 credited may be recovered by the owner.

4 In the case of a lease terminated pursuant to P.L.1971, c.318  
5 (C.46:8-9.1), any property tax rebate or credit due and owing prior to  
6 that termination of the lease shall be paid to the executor or  
7 administrator of the estate of the tenant or the surviving spouse of the  
8 tenant terminating the lease.

9 (cf: P.L.1985, c.317, s.3)

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11 5. Section 9 of P.L.1976, c.63 (C.54:4-6.10) is amended to read as  
12 follows:

13 9. The Director of the Division of Local Government Services shall  
14 by regulation prescribe the procedures for computing property tax  
15 reductions and rebates [in 1977 and thereafter], and the necessary  
16 forms to be used for the notices required by this act and any additional  
17 information [he] the director deems advisable to be provided in such  
18 notices, and such other rules or regulations as [he] the director deems  
19 necessary or advisable for the efficient administration and  
20 implementation of the purposes and provisions of this act.

21 (cf: P.L.1976, c.63, s.9)

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23 6. Section 11 of P.L.1976, c.63 (C.54:4-6.12) is amended to read  
24 as follows:

25 11. Any landlord who fails to provide property tax rebates to [his]  
26 tenants in accordance with the provisions of this act, or who  
27 knowingly and willfully fails to provide or post any notice,  
28 certification, information or statement required by this act shall be  
29 liable for a penalty of not more than \$100.00 for each offense. Such  
30 penalty shall be collected and enforced by summary proceedings  
31 pursuant to "the penalty enforcement law" (N.J.S.2A:58-1 et seq.).  
32 The Superior Court and the municipal court of the municipality in  
33 which the qualified real rental property is located shall have  
34 jurisdiction over such proceedings. Process shall be in the nature of a  
35 summons or warrant, and shall be issued upon the complaint of the  
36 local enforcement agency[, or any other person] or of a residential  
37 tenant of the qualified real rental property. Any money received as a  
38 result of such proceedings shall be paid over to the governing body of  
39 the municipality in which the qualified real rental property is located  
40 [and may be used by the governing body for any lawful municipal  
41 purpose].

42 (cf: P.L.1991, c.91, s.503)

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44 7. This act shall take effect the June 1 next following enactment.

## STATEMENT

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3 This bill makes changes to the "Tenants' Property Tax Rebate Act."  
4 The "Tenants' Property Tax Rebate Act" requires that landlords rebate  
5 reductions in property taxes to their tenants. This bill distinguishes  
6 between those tax reductions due to decreases in the general property  
7 tax rate, owing perhaps to increased State aid or governmental  
8 efficiency, and are intended to be passed on to tenants, and those tax  
9 reductions due to a revaluation, reassessment or tax appeal, which are  
10 specific to the property and should be retained by the landlord as an  
11 incentive to the filing of meritorious challenges to assessed valuations.  
12 This bill also clarifies revisions to the act by excluding some properties  
13 from coverage, excluding some tenants whose rents do not clearly  
14 include property taxes from coverage, and changing the basis of the  
15 calculation of the property tax reduction and the rebate due to each  
16 tenant.

17 The rebates paid to tenants are based on the amount of property tax  
18 reduction. The property tax reduction is the difference between the  
19 taxes paid in a base year and the amount of taxes paid in the current  
20 year. The bill amends the calculation of property tax reduction so that  
21 the amount of taxes paid in the base year are adjusted to reflect  
22 assessment reductions from agreements entered into with municipal  
23 taxing authorities, abatements, revaluations, reassessments, changes  
24 in assessments imposed administratively by a tax assessor or county  
25 board of taxation, and judgments entered by a county board of  
26 taxation, a tax court or a court of competent jurisdiction, including the  
27 carryover effect of such judgments for a tax year subsequent to the  
28 year of the judgment (such as a freeze act year), so that those  
29 reductions will not be reflected in the rebates to tenants.

30 The bill also redefines the base year tax level from which the  
31 reduction is calculated, beginning with 1995 instead of 1990, and  
32 updates that base year for several special situations affecting the  
33 property tax assessments, including any year in which an assessment  
34 reduction occurs and any year in which the base year and current year  
35 budget and tax components are inconsistent because a tax funded  
36 service has been shifted to a separately stated user fee. The bill  
37 provides that no rebate is due in a year in which an assessment  
38 reduction occurs or the base and current year budgets become  
39 inconsistent.

40 This bill revises the act by:

41 · Excluding from coverage condominium and cooperative units that  
42 are rented by their owners; replacing a complex exemption with a  
43 blanket exception for all structures with fewer than five rental units,  
44 and excluding certain group homes and rental property subject to an  
45 abatement agreement from coverage.

1       · Clarifying that property subject to rent control, which precludes  
2 property owners from passing property tax increases through to their  
3 tenants, is also not be subject to the rebate act.

4       · Clarifying who may protest a landlord's failure to pay a rebate.

5       · Simplifying the calculation of the rebate and its payment to  
6 tenants.

7       · Providing for an amended property tax reduction calculation if the  
8 tax collector is advised of an assessment reduction.

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13 Excludes certain properties from Tenant Property Tax Rebate Act;  
14 redefines property tax reduction.