

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1506**

STATE OF NEW JERSEY

DATED: MARCH 20, 1997

The Senate Community Affairs Committee reports without recommendation a Senate Committee Substitute for Senate Bill No. 1506.

The committee substitute would effectuate numerous changes to the "Tenants' Property Tax Rebate Act," P.L.1976, c.63 (C.54:4-6.2 et seq.), which requires landlords to rebate reductions in property taxes to their residential tenants. The substitute would redefine the property subject to the act, identify the reductions to be rebated, change the calculation of the property tax reduction to be rebated, and clarify landlord and tenant procedures for making and receiving rebates.

The substitute would redefine "qualified real rental property," property which is subject to the act, to mean buildings containing four or more housing units, with some exceptions. Owner occupancy would no longer be a determining factor in qualification of rental property. In addition to the property currently exempted from the act (such as motels, hotels, cooperatives and continuing care facilities), the substitute would exempt condominium units rented out by their owners (other than units occupied by tenants who are protected under the "Tenant Protection Act of 1992," P.L.1991, c.509 (C.2A:18-61.40 et al.), as a result of a condominium conversion), certain structures subject to an abatement agreement with a municipality, property subject to a rent control ordinance that does not automatically allow a rent increase if property taxes increase, and certain group residences such as residential health care facilities for which the rent includes medical, nursing or personal care services for the residents.

The substitute would distinguish between those tax reductions which should be rebated to tenants because they result from decreases in the general property tax rate, owing perhaps to increased State aid, governmental efficiency or a revaluation or a reassessment, and those tax reductions that are specific to the property and should be retained by the landlord as an incentive to the filing of meritorious challenges to assessed valuations, such as those reductions resulting from successful tax appeals or other assessment reductions.

The substitute would also change the calculation of the property

tax reduction and the rebate due to each tenant. The substitute provides that a rebate would be "triggered" if there is a difference between the taxes paid or payable in a base year and the taxes paid or payable in the current year. The substitute would require an adjustment to the amount of taxes paid in the base year to reflect assessment reductions from agreements entered into with municipal taxing authorities, abatements, changes in assessments imposed administratively by a tax assessor or county board of taxation, and judgments entered by a county board of taxation, a tax court or a court of competent jurisdiction, including the carryover effect of such judgments for a tax year subsequent to the year of the judgment (such as a "freeze act" year), so that those reductions will not be reflected in the rebates to tenants.

The substitute also would redefine "base year" as 1996 and would establish several circumstances that would cause the base year to float, including an assessment reduction or an inconsistency in the tax years being compared because a tax funded service has been shifted to a separately billed user fee. The substitute provides that no rebate would be due in a year in which an "assessment reduction" occurs. The substitute defines "assessment reduction" as a decrease in the amount of assessed value of qualified real rental property resulting from an agreement with a municipal taxing authority, an abatement, an exemption, a change in assessment imposed administratively by a municipal tax assessor or county board of taxation, or a judgment entered by a county board of taxation, the tax court, or by a court of competent jurisdiction. The term does not include a reduction in assessed value that is the result of a revaluation or reassessment.

The substitute would provide that a rebate must be paid to a tenant upon a reduction in property taxes resulting from a revaluation or reassessment, but only for the year of the revaluation or reassessment; the base year would thereafter change to the year of the revaluation or reassessment. The substitute would require a tax collector to recalculate a property tax reduction and provide a revised notice of tax reduction to a property owner if the collector is advised of an assessment change from a judgment entered or tax appeal stipulation filed with a county tax board or a court of competent jurisdiction after the initial property tax reduction notice had been mailed. The substitute also would clarify that a landlord is required to allocate the rebate among the tenants that occupied the premises during the calendar year in which the property tax reduction occurred, and must exercise best efforts to locate an eligible tenant who has moved from the rental premises.

The substitute would provide that rebates may be paid or credited in monthly installments and would generally be due to be paid in full to a tenant by December 31 of the year in which a property tax reduction is realized. The substitute would authorize a tenant of qualified real rental property to institute a complaint upon a landlord's failure to pay a rebate.

The substitute would take effect June 1 next following enactment, and would have prospective effect only. Therefore, the earliest date that property tax reduction notices would be calculated in accordance with the substitute, if it is enacted, would be those notices to be mailed in June of 1997 concerning property tax reductions in the 1997 tax year from the base year of 1996.

This substitute is identical to the second reprint of the Assembly Committee Substitute for Assembly, No. 1947 which was also reported by the committee without recommendation on March 20, 1997.