

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 1674

# STATE OF NEW JERSEY

DATED: DECEMBER 16, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1674 of 1996.

Senate Bill No. 1674 would correct a problem created by P.L. 1995, c.259 before the changes in that law take effect in the 1997 tax year. P.L.1995, c.259 changed the administration of the veterans' and the senior citizens' and disabled property tax deduction programs so that the State took over part of the cost of administering the programs. Since enactment of P.L.1995, c.259, it has become evident that the changes made by that law to the administration of the programs will cause problems at the local level in processing the claims for the deductions.

To correct these problems but maintain the intent of P.L.1995, c.259 to ease certain State mandates imposed on local units by the veterans' and senior citizens' and disabled property tax deduction programs, the bill requires taxing districts to be reimbursed by the State for 102% of the amount of the deductions they grant, instead of 100%, which is the amount they are now reimbursed. The additional two percent will compensate taxing districts for the costs of administering the programs.

Finally, the bill makes full State funding of both programs and their administrative costs a permanent State obligation. Currently, full State funding of the deductions is dependent upon the inclusion of funding provisions in the annual appropriations act. Neither the Constitution nor the statutes make any provision for reimbursement of deductions granted under the veterans' property tax deduction program. The Constitution and the statutes differ over the amount of reimbursement for the senior citizens' and disabled deductions; the Constitution requires taxing districts to be reimbursed for one-half of the tax loss resulting from the deduction and section 5 of P.L.1981, c.85 (C.54:4-8.53a) requires reimbursement for the full amount. Enactment of this bill will permanently obligate the State to fully fund the deductions and administrative costs associated with these programs.

As reported, this bill is identical to Assembly Bill No. 2536 of 1996 (DeSopo/Allen).

**FISCAL IMPACT**

Based on the State cost for reimbursing local units for these programs in calendar year 1997, this bill will require an additional reimbursement to local units of \$1.1 million for 1997 for administrative expenses. In general, the cost to the State for these program reimbursements has been steadily declining for the past several years.