

FISCAL NOTE TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE CONCURRENT RESOLUTION No. 25

STATE OF NEW JERSEY

DATED: November 15, 1996

The Senate Committee Substitute for Senate Concurrent Resolution No. 25 of 1996 proposes a constitutional amendment increasing the annual veterans' property tax deduction from \$50 to \$100 beginning in 1998.

The Department of the Treasury (Treasury) has advised the Office of Legislative Services (OLS) that the additional cost to the State to reimburse municipalities for the property tax deduction allowed veterans and their surviving spouses will be a continuing one, as the State reimburses the municipalities for these deductions from the Property Tax Relief Fund. Treasury also advises the OLS that any additional administrative costs will be absorbed in the current operating budget. Treasury notes that, while precise figures are not available, it is estimated that the additional cost to the Property Tax Relief Fund would be approximately \$19 million annually. (Their estimate assumes that the proposed constitutional amendment would be presented to the voters in 1997 and be effective for FY 1998.)

The OLS does not concur with Treasury's conclusions. The OLS has determined, from Division of Taxation data, that between 1991 and 1995, there has been an average annual decline of 1.5% in the number of veterans receiving the \$50 annual property tax deduction. Assuming that such a trend would continue from year to year, it can be estimated that in 1997, approximately 357,788 veterans would receive the deduction; in 1998, approximately 352,421 veterans would receive the deduction; and in 1999, approximately 347,135 veterans would receive the deduction. Multiplying those estimates by \$100 (the proposed amount of the deduction set forth in the bill), would indicate that in 1997, the State's cost would be approximately \$35,778,800; in 1998, the State's cost would be approximately \$35,242,100; and in 1999, the State's cost would be \$34,713,500. OLS therefore estimates the annual additional State cost to be \$17,889,400 in 1997; \$17,621,050 in 1998; and \$17,356,750 in 1999.

The OLS notes, however, that P.L.1991, c.390 added several military missions to the definition of "(a)ctive service in time of war" contained in N.J.S.A. 54:4-8.10, thus increasing the universe of eligible veterans under the statutes. Those military missions include "Operation Desert Shield/Desert Storm," the Panama peacekeeping mission, the Grenada peacekeeping mission and the Lebanon peacekeeping mission. The addition of these veterans could conceivably offset the demonstrated historical decline in the number of veterans receiving the annual \$50 property tax deduction, by

slowing the rate of decline or actually increasing the number of recipients of the property tax deduction over a period of time. The OLS is not able to estimate the number of such veterans who might in the future attain eligibility to receive the property tax deduction, as we have been advised by the Department of Military and Veterans' Affairs that no statistics are maintained of the exact number of veterans of "Operation Desert Shield/Desert Storm," the Panama peacekeeping mission, the Grenada peacekeeping mission and the Lebanon peacekeeping mission.

This fiscal note has been prepared pursuant to P.L.1980, c.67.