

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4706

STATE OF NEW JERSEY

DATED: JUNE 26, 2024

The Assembly Budget Committee reports favorably Assembly Bill No. 4706.

This bill amends and supplements the statutes concerning the homestead property tax benefit program, the homestead property tax reimbursement program, and the Stay NJ property tax credit program in order to implement the recommendations of the Stay NJ Task Force. The statutes controlling the homestead property tax benefit program also provide statutory authority for the Affordable New Jersey Communities for Homeowners and Renters (ANCHOR) Property Tax Relief Program established by the Fiscal Year 2023 Appropriations Act. The proposed changes to these statutes are intended to align the various administrative and eligibility requirements methods for these programs in order to provide for the efficient implementation of property tax benefits.

Age and Residency Requirements. Current law establishes a different statutory residency date for qualification under each property tax relief program. In order to provide consistency in these dates, the bill amends current law to require an eligible claimant to be a resident of New Jersey as of December 31 of the year for which a benefit is sought. The bill also requires senior citizens participating in each program to be age 65 as of December 31 of the benefit year.

Application Process and Timeline. Current law establishes different application timelines for each property tax relief program. The bill amends current law to provide that the period during which an eligible claimant may submit the combined property tax relief application will run from February 1 through October 31 of each year. The bill also requires the Director of the Division of Taxation in the Department of the Treasury to promulgate a single combined application, to be used for all three programs, by no later than February 1, 2026. To the extent practicable, the bill requires this single combined application to resemble the application currently used for the homestead property tax reimbursement program.

Benefit Calculation. The bill alters the method for determining the amount of an eligible claimant's Stay NJ property tax credit. Current law entitles an eligible claimant to the greater of the Stay NJ property

tax credit or the combined amount of the ANCHOR property tax rebate and the homestead property tax reimbursement. The maximum Stay NJ property tax credit is 50 percent of an eligible claimant's property tax bill, not to exceed a maximum amount of \$6,500 in tax year 2026, with annual adjustments based on the annual increase in the average residential property tax bill.

Under the bill, if the sum total of an eligible claimant's homestead property tax reimbursement and ANCHOR property tax rebate exceeds the lesser of 50 percent of their property tax bill or the maximum benefit amount, then the eligible claimant will not receive an additional Stay NJ credit. If the combined amount of the homestead property tax benefit and ANCHOR property tax rebate is less than the Stay NJ benefit amount, then the eligible claimant will receive a Stay NJ property tax credit equal to 50 percent of their property tax bill, not to exceed the maximum benefit amount, less the sum total of their homestead property tax reimbursement and ANCHOR property tax benefit.

Benefit Distribution. Under current law, eligible claimants receive benefit payments under each of the property tax relief programs at different times. The bill requires the sequential distribution of property tax benefits in accordance with a statutory schedule, with the homestead property tax reimbursement provided beginning in July, ANCHOR property tax rebates provided beginning in September, and the Stay NJ property tax credit provided beginning in November.

Additionally, current law requires a Stay NJ benefit to be provided as a credit against an eligible claimant's property tax bill. The bill allows benefits distributed through each of property tax relief program to be provided through check, direct deposit, or as a property tax credit. The bill allows municipalities and the Division of Taxation in the Department of the Treasury to share unredacted property tax information for the purpose of calculating and distributing property tax credits.

Calculation of Income. Under current law there are different methods of calculating income to determine eligibility for the homestead property tax reimbursement and the Stay NJ property tax credit. For the homestead property tax reimbursement, income is determined based on an eligible claimant's total income, including income that is excluded in gross income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. For the Stay NJ property tax credit, income is determined based on an eligible claimant's gross income, which does not include income that is excluded from gross income under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq.

The bill establishes a uniform definition of income for purposes of determining eligibility for the homestead property tax reimbursement

and the Stay NJ property tax credit. Under the new definition, an eligible claimant's income will be determined using gross income plus income from the following sources that are excluded from income under current law: (1) all payments received under the federal Social Security Act; (2) pension and annuity income; (3) interest income; (4) other retirement income; and (5) distributions from a Roth Individual Retirement Account. Since Social Security payments are excluded from gross income and not reported on annual gross income tax returns, the bill requires eligible claimants to report those amounts when they apply for property tax benefits.

Budgetary Surplus Target. Current law establishes the maintenance of a budgetary surplus of 12 percent of total expenditures from the General Fund and Property Tax Relief Fund in a given State fiscal year as one of the prerequisites for funding and implementing the Stay NJ property tax credit program. Total expenditures from the General Fund and Property Tax Relief Fund are usually not quantifiable until publication of the Annual Comprehensive Financial Report for each fiscal year. In order to establish an identifiable and measurable amount for determining whether the budgetary surplus target is satisfied for each fiscal year, the bill requires the maintenance of a budgetary surplus of 12 percent of total appropriations from the General Fund and Property Tax Relief Fund. Total appropriations from the General Fund and Property Tax Relief Fund are calculated and published in the annual Appropriations Act.

Gross Income Tax Deduction for Property Taxes. Current law allows taxpayers to deduct up to \$15,000 from gross income for property taxes paid in a tax year. According to guidance published by the Division of Taxation, taxpayers are not required to deduct property tax relief payments from the amount of property taxes deducted from gross income. In order to prevent taxpayers from deducting from their gross income property taxes they did not pay due to the receipt of a property tax credit, the bill amends current law to clarify that amounts deducted from gross income will be limited to the property taxes paid by the taxpayer, as opposed to the amounts billed.

Program Administration. The bill requires the Director of the Division of Taxation, in consultation with other State and local officials, to develop a process for the payment of benefits provided through the homestead property tax reimbursement program and the Stay NJ program as property tax credits.

The bill also requires the Stay NJ Task Force to continue to meet monthly to assist the Director of the Division of Taxation in developing this process and collecting information from local officials regarding how to effectively implement property tax credits in future years for those programs. Under current law, the task force would

otherwise be required to disband 30 days after the enactment of this bill.

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.