LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 646

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: SEPTEMBER 23, 2024

SUMMARY

Synopsis: Concerns foreclosure of certain tax liens on real property.

Type of Impact: Four-year State expenditure impact; four-year local revenue and expenditure increases.

Agencies Affected: The Judiciary; Municipalities.

Office of Legislative Services Estimate

Fiscal Impact	Four-Year Period After Enactment
State Cost Impact	Indeterminate
Local Expenditure Increase	Indeterminate
Local Revenue Increase	Indeterminate, expected to exceed expenditures

- The Office of Legislative Services (OLS) concludes that the bill may result in increases in administrative costs for municipalities that elect to utilize the summary in rem tax foreclosure processes allowed under the bill, for a period not to exceed 48 months, but the OLS presumes that a municipality would only elect to utilize the processes if the municipality would experience revenue increases in excess of the administrative costs.

- The OLS finds that the Judiciary may experience cost avoidance in implementing the provisions of the bill, in lieu of the current regime for foreclosing old tax liens.

BILL DESCRIPTION

This bill would establish a summary in rem tax foreclosure proceeding, which may be used for a period not to exceed 48 months, by a municipality to more easily foreclose tax sale certificates that the municipality has held for at least 20 years through summary proceeding for the foreclosure of the right to redeem those certificates.

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A municipality's governing body would have to approve the use of the summary proceeding by resolution. The tax collector of a municipality deciding to use this summary proceeding would identify, from the tax sale certificates held by the municipality, those certificates that are at least 20 years old, and determine the number of certificates for which a summary proceeding would be commenced. Prior to the filing of a summary proceeding, the tax collector would cause a title search of not less than 20 years to be performed on the municipality's behalf to verify the ownership of each parcel of real property subject to a summary proceeding.

The bill would require the tax collector to prepare and publish a Notice of Intent to File a Summary In Rem Tax Foreclosure Action in the official newspaper of the municipality and in at least one newspaper of general circulation published in the State, each week for three consecutive weeks, notifying the public of the municipality's intention to file a summary in rem tax foreclosure action. The notice would contain the number of the tax sale certificate and the property address for each of the tax sale certificates the municipality seeks to foreclose.

The bill also requires individual notice to the owner of each parcel of real property listed in the notice of intent. The bill requires that within seven days after the first publication of the notice of intent, the tax collector send, via certified mail, return receipt requested, and regular mail, a copy of the published notice of intent to the last known property owner of record for each parcel of real property listed in the notice of intent at the owner's address in the latest municipal tax duplicate, as well as any other person having an ownership or lien interest recorded in the office of the Superior Court Clerk, the office of the county clerk, or the office of county register of deeds and mortgages. The tax collector is also required to send a copy of the notice of intent to the Office of the Attorney General, within seven days and via electronic mail.

Upon the expiration of the 45-day period to submit a written objection to the foreclosure of a tax lien, the tax collector would file with the Superior Court a Summary In Rem Tax Foreclosure Action to foreclose the tax liens listed in the notice of intent.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill may result in increases in administrative costs for municipalities that elect to utilize the summary in rem tax foreclosure processes allowed under the bill, for a period not to exceed 48 months, but the OLS presumes that a municipality would only elect to utilize the processes if the municipality would experience revenue increases in excess of the administrative costs. The bill would allow a municipality to more easily foreclose tax sale certificates that the municipality has held for at least 20 years through summary proceeding for the foreclosure of the right to redeem those certificates. The OLS is not able to estimate the number of tax sale certificates that the State's municipalities have held for at least 20 years, nor the number of municipalities that would elect to utilize the summary in rem tax foreclosure processes allowed under the bill.

An opt-in municipality's additional administrative responsibilities would stem from the bill's requirements that: (1) a municipal tax collector identify tax sale certificates held by the municipality that are at least 20 years old and determine the number of certificates for which a summary proceeding would be commenced; (2) a title search of not less than 20 years be performed

on the municipality's behalf to verify the ownership of each parcel of real property subject to a summary proceeding; (3) a Notice of Intent to File a Summary In Rem Tax Foreclosure Action be prepared and published in the official newspaper of the municipality and in at least one newspaper of general circulation published in the State, each week for three consecutive weeks; (4) individual notice be provided via certified mail and regular mail to the owner of each parcel of real property listed in the notice of intent; and (5) a copy of the notice of intent be sent via email to the Office of the Attorney General.

Upon the expiration of the 45-day period to submit a written objection to the foreclosure of a tax lien, the tax collector would file with the Superior Court a Summary In Rem Tax Foreclosure Action to foreclose the tax liens listed in the notice of intent.

The OLS finds that the Judiciary may experience cost avoidance in implementing the provisions of the bill, in lieu of the current regime for foreclosing old tax liens.

Section:	*Local Government*
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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).