

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 1672**  
**STATE OF NEW JERSEY**  
**221st LEGISLATURE**

DATED: JUNE 26, 2024

**SUMMARY**

- Synopsis:** Makes disabled persons receiving disability payments pursuant to federal Railroad Retirement Act eligible to receive homestead property tax reimbursement.
- Type of Impact:** Increase in annual State costs to the Property Tax Relief Fund.
- Agencies Affected:** Department of the Treasury.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>	<b><u>FY 2029</u></b>
<b>State Expenditure Increase</b>	\$49,560	\$92,722	\$129,453

- The Office of Legislative Services (OLS) estimates that the bill would result in increased annual State costs. The bill would not result in additional State costs until FY 2027 due to the timing of homestead property tax reimbursement payments.
- Approximately 300 additional homeowners would become eligible for the homestead property tax reimbursement program, commonly known as the Senior Freeze program, in calendar year 2024, thereby establishing a base year under the program. Thereafter, these homeowners may file a claim to receive a homestead property tax reimbursement for the difference between total property taxes paid in subsequent years and their base year.
- Although the number of railroad retirement disability beneficiaries is expected to decline over time, additional State costs are expected to increase because they are directly connected to annual increases in property taxes and the reimbursement payment is equal to the difference between property taxes paid in the base year and the “current” year.

**BILL DESCRIPTION**

The bill would make persons who receive disability payments pursuant to the federal Railroad Retirement Act eligible to receive a homestead property tax reimbursement. Under current law,

only disabled persons receiving payments pursuant to Title II of the federal Social Security Act are eligible to receive a homestead property tax reimbursement.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the enactment of the bill would result in an increase in annual State costs associated with the payment of homestead property tax reimbursements to eligible claimants who receive disability payments pursuant to the federal Railroad Retirement Act. These projected costs are \$49,560 in FY 2027, \$92,722 in FY 2028, and \$129,453 in FY 2029. Approximately 300 persons would become eligible to file a homestead property tax reimbursement claim under the bill. The bill does not result in additional State costs until FY 2027 due to the timing of homestead property tax reimbursement payments.

Current law provides that an eligible claimant must be 65 or more years of age *or* a disabled person. Under current law, a person under age 65 would not qualify as an eligible claimant by virtue of receiving railroad retirement disability payments; however, the OLS notes that certain homeowners who receive railroad retirement disability payments may already be eligible to receive a homestead property tax reimbursement because they are 65 or more years of age. Nevertheless, the OLS anticipates that the bill will increase annual State expenditures because it allows additional persons under age 65 who receive railroad retirement disability payments to receive a homestead property tax reimbursement earlier than permitted under current law.

National statistics available through the federal Railroad Retirement Board for calendar years 2017 through 2022 indicate that about 4.0 percent of retired railroad workers receive disability benefits. By applying this rate to the number of railroad retirement beneficiaries living in New Jersey, the OLS estimates that 328 beneficiaries of railroad retirement disability payments were living in New Jersey in calendar year 2022. Although the Railroad Retirement Board data indicates that the number of railroad retirement beneficiaries living in New Jersey has remained constant during that time period, at about 10,000 per year, the population of railroad retirement workers receiving railroad retirement disability payments has been declining by about 7.5 percent annually since calendar year 2017. Based on these data, the number of railroad retirement disability beneficiaries is anticipated to decrease to 280 persons in calendar year 2024, the base year for these newly eligible claimants.

Average residential property tax data available to the public through the Division of Local Government Services indicate that the average residential property tax amount increased by 1.78 percent from calendar years 2017 through 2022; the data also indicate that the average residential property tax about was \$9,803 in calendar year 2023. Using these data, the OLS estimates that the average residential property tax amount will increase to \$9,977 in calendar year 2024.

To determine the projected amount of additional FY 2027 State costs resulting from the bill, the OLS multiplied the estimated number of new eligible claimants (280) by the difference between the average residential property tax amounts for calendar years 2024 and 2025 (\$177), for a total of \$49,560. These costs are expected to increase to \$92,722 in FY 2028 and \$129,453 in FY 2029. Although the population of railroad retirement disability beneficiaries is expected to decline, the additional State costs are expected to increase annually because each eligible

claimant's homestead property tax reimbursement payment increases annually commensurate with increases in property taxes. A newly eligible claimant would file a homestead property tax reimbursement application in early calendar year 2026. Because homestead property tax reimbursement payments are distributed beginning in July, the newly eligible claimants will receive their first payments in FY 2027.

*Section: Revenue, Finance, and Appropriations*

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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.).