

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 259 and 1501
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JANUARY 25, 2023

SUMMARY

- Synopsis:** Converts senior freeze reimbursement into credit applied directly to property tax bills.
- Type of Impact:** Annual increase in State expenditures.
- Agencies Affected:** Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2025 & Annually Thereafter</u>
State Cost Increase	\$38,800,000

- The Office of Legislative Services (OLS) estimates that this bill may increase annual State expenditures by \$38.8 million in FY 2025 and annually thereafter.
- Under current law, new and repeat claimants would receive a homestead property tax benefit in FY 2025 for the 2023 property tax amount less the base year property tax amount. Under the bill, these claimants would receive a benefit for the 2024 property tax amount less the base year property tax amount, or an extra year incremental benefit increase compared to current law, yielding an estimated additional benefit cost of \$33.5 million in FY 2025, which would remain part of the increased base thereafter.
- The OLS anticipates that an additional group of new recipients will become eligible beginning in the first year. These are property taxpayers who under current law could not file a benefit claim until Tax Year 2025, but under the bill will be allowed to file a claim for Tax Year 2024, yielding an estimated cost of \$5.3 million annually in FY 2025 and thereafter.

BILL DESCRIPTION

The bill would transform the homestead property tax reimbursement program, commonly known as the senior freeze program, into a credit program for most eligible homeowners. Currently, eligible seniors and disabled persons may apply for a senior freeze benefit that

reimburses them for any property tax increase paid in the prior year over and above the amount of property taxes paid in the applicable base year. The bill would allow most of these eligible homeowners to realize these savings in the form of a credit directly applied to reduce the amount payable for their third and fourth quarter property tax bills for the current tax year.

Eligible homeowners who reside in a unit in a cooperative, mutual housing corporation, or continuing care retirement community, and who do not pay property taxes directly to the municipality, would receive a rebate payment instead of a credit directly applied to the applicable property tax bill. These rebates would be paid during the current tax year for which the senior freeze benefit is sought so that these homeowners also do not have to wait until the next year to receive their senior freeze benefit.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill may increase annual State expenditures by \$38.8 million in FY 2025 and annually thereafter.

Assuming enactment in calendar year 2023, the bill would be effective beginning with Tax Year 2024. Eligible taxpayers would file for the benefit before October 1, 2024 and receive either the new property tax credit on their quarterly tax bill, or in cases where the credit was not possible, a reimbursement payment before the end of Tax Year 2024, which will be in FY 2025. Under current law, new or repeat claimants would receive a homestead property tax reimbursement in FY 2025 for the difference between property taxes paid in calendar year 2023 and property taxes paid in the claimant's base year. Under the bill, these claimants would receive a benefit for the calendar year 2024 property tax amount less the base year tax amount, or an extra year incremental benefit increase compared to current law. Using annual budget evaluation data reported by the Department of the Treasury, the OLS estimates that there were about 165,000 new and repeat participants annually from FY 2019 through FY 2023 and that actual new benefits averaged about \$203 per participant during that same time period. Assuming 165,000 new and repeat participants gain an average incremental benefit of \$203 yields an estimated additional benefit cost of \$33.5 million in FY 2025, which would remain part of the increased base thereafter.

The OLS anticipates that an additional group of new recipients will become eligible beginning in the first year. These are property taxpayers who under current law could not file a homestead property tax reimbursement claim until Tax Year 2025, but under the bill will be allowed to file a claim for Tax Year 2024. The Department of the Treasury's budget evaluation data indicates that there were about 26,000 new benefit recipients annually from FY 2019 through FY 2023, so in the first year of this bill there would be an additional 26,000 new recipients added to the base. Assuming 26,000 additional new recipients gain an average benefit of \$203 yields an estimated cost of \$5.3 million annually in FY 2025 and thereafter.

Lastly, the OLS anticipates some indeterminate, but likely minimal, administrative savings for the State in shifting from a rebate program to a credit program. The Department of the Treasury and local governments are familiar with the system of preparing and applying property tax credits via the homestead benefit program.

FE to SCS for S259

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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.).