

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3693**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: OCTOBER 7, 2024

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 3693.

As amended, 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 State resident 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 would include 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, 2025, provided that the bill is enacted at least 90 days before that date. However, if this bill is enacted less than 90 days before February 1, 2025, the director would not be required to promulgate the single combined application until no earlier than the 91st day following the date of enactment of this bill. 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, the amount of the Stay NJ property tax credit would continue to be based on 50 percent of an eligible claimant's property tax bill, up to the maximum allowable credit for the tax year. However, the bill provides that an eligible claimant would be entitled to receive a Stay NJ property tax credit, ANCHOR property tax rebate, and homestead property tax reimbursement in the same year. In this circumstance, the bill specifies that for each eligible claimant, the amount of the Stay NJ property tax credit, together with the combined amount of the ANCHOR property tax rebate and the homestead property tax reimbursement received by the eligible claimant for the tax year, may not exceed the maximum allowable credit amount for that tax year. The bill would not, however, reduce the amount of the homestead property reimbursement or ANCHOR property tax rebate that is required to be paid to an eligible claimant for any tax year in which the combined value of these benefits exceeds the amount of the maximum allowable Stay NJ property tax credit.

Accordingly, 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 would receive the full amount of the homestead property tax reimbursement and ANCHOR property tax rebate for that tax year, but would not receive an additional Stay NJ property tax credit. Alternatively, if the combined amount of an eligible claimant's homestead property tax benefit and ANCHOR property tax rebate is less than the Stay NJ benefit amount, then the eligible claimant would 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 rebate.

*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 property tax relief program to be provided as a check, direct deposit, or 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 definitions of "income" for the purpose of determining 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 would be determined using the person's gross income, before the application of any deductions or exclusions, plus income from the following sources of excluded income: (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 applying 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 the 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 claiming a gross income tax deduction for the value of property taxes that were not required to be paid due to the receipt of a property tax credit, the bill amends current law to clarify that amounts deducted from gross income would 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.

As amended and reported by the committee, this bill is identical to Assembly Bill No. 4706, which was also amended and reported by the committee on this date.

#### COMMITTEE AMENDMENTS:

The committee amendments provide technical changes to the bill to clarify the calculation of the Stay NJ property tax credit. Specifically, the committee amendments provide that for each eligible claimant of the Stay NJ property tax credit program, the amount of the Stay NJ credit, together with the combined amount of the ANCHOR property tax rebate and the homestead property tax reimbursement received by the eligible claimant for the tax year, may not exceed the maximum allowable credit amount for that tax year. The committee amendments also clarify that the bill would not reduce the amount of the homestead property reimbursement or ANCHOR property tax rebate that is required to be paid to an eligible claimant for any tax year in which the combined value of these benefits exceeds the amount of the maximum allowable Stay NJ property tax credit.

Additionally, the committee amendments revise the time period in which the Director of the Division of Taxation in the Department of the Treasury would be required to provide written notice of the amounts awarded to each applicant for an ANCHOR property tax rebate, homestead property tax reimbursement, and Stay NJ property tax credit. As introduced, the bill would have required the director to issue this notice no later than October 15 of each year. Instead, the

committee amendments provide that this notice may be issued at such time as the director deems appropriate.

The committee amendments also revised the definition of “eligible claimant” under the Stay NJ property tax credit program to clarify that the person is required to be a State resident.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill will have an indeterminate net impact on State costs and result in an increase in State revenues.

Although the bill changes the method for determining the amount of property tax relief benefits that may be provided to eligible claimants, it will not impact the State costs related to the homestead property tax reimbursement, ANCHOR, and Stay NJ property tax credit programs. Instead, the bill will result in a redistribution of the cost of property tax relief benefits among those programs.

Under current law, most eligible claimants will receive property tax benefits only through the Stay NJ property tax credit program. The bill provides that eligible claimants will receive property tax benefits through the homestead property tax reimbursement, ANCHOR, and Stay NJ property tax credit programs. The OLS notes that the bill will not affect the total amount of property tax relief benefits provided to eligible claimants.

The bill’s establishment of a uniform definition of income for purposes of determining eligibility for the homestead property tax reimbursement and Stay NJ property tax credit programs will result in an indeterminate reduction in State costs. Some property taxpayers will no longer qualify for a Stay NJ property tax credit because their income will exceed the \$500,000 eligibility limit under the new definition.

The State may incur additional costs associated with the Stay NJ property tax credit program for the printing and mailing of checks to eligible claimants. Current law requires Stay NJ benefits to be provided as a credit against an eligible claimant’s property tax bill. These costs may be offset by a reduction in costs associated with the printing and mailing of checks to eligible claimants who receive a homestead property tax reimbursement. Current law requires reimbursements to be provided by check; the bill allows reimbursements to be provided by direct deposit.

The bill will result in a State revenue increase of approximately \$60 million to \$120 million per year, beginning in Fiscal Year 2025, because taxpayers will be required to reduce the amount of property taxes deducted from gross income by the value of ANCHOR and Stay NJ property tax benefits. As a result, taxpayers will report a higher amount of gross income and have higher gross income tax liabilities.