

ASSEMBLY STATE AND LOCAL GOVERNMENT  
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1223

**STATE OF NEW JERSEY**

DATED: JUNE 9, 2022

The Assembly State and Local Government Committee reports favorably Assembly Bill No. 1223.

This bill would authorize municipalities to adopt or amend their ordinances allowing for short-term tax exemptions and abatements in areas in need of rehabilitation to allow a subsequent purchaser of a dwelling located within an area in need of rehabilitation to submit an application for a short-term tax exemption or abatement for improvements that were made to the dwelling by the prior owner. The bill would also require the owner of a dwelling located in an area in which short-term tax exemptions and abatements are allowed, which owner has completed improvements to the dwelling, but has not submitted an application to the assessor for a tax exemption or abatement, to provide notice to that effect to the subsequent purchaser of the dwelling at the time of entering into a contract of sale for the dwelling.

This bill responds to the circumstance in which a person or firm purchases a dwelling located in an area in need of rehabilitation, completes improvements to the dwelling, but does not submit an application for a five-year tax exemption or abatement, which is allowed under State law and authorized by local ordinance, and then “flips” the improved dwelling to a new owner. In this circumstance, the purchaser may have been savvy enough to check the tax assessment and tax bill amount of the property at the time of purchase, but be unaware that the assessment and tax bill has not yet taken into account the value of improvements to the property. Under this scenario, it may not be until after the assessor adjusts the assessed value of the property to reflect the improvements, and a tax bill is delivered to the new owner reflecting this increase in value, that the new owner learns of a substantially increased financial obligation that was not taken into consideration when deciding to purchase the dwelling.

Although our State Constitution allows municipalities to grant exemptions and abatements from real property taxation in areas in need of rehabilitation for a period of time not in excess of five years, current law requires applications for exemptions or abatements to be

submitted to the assessor within 30 days of completion of improvements.

Specifically, the bill will allow municipalities that adopt ordinances providing for short-term tax exemptions and abatements for improvements to dwellings to provide that, in the event a claimant has not filed an application with the assessor within 30 days following the completion of improvements to a dwelling, a purchaser of the dwelling may file an application with the assessor within the later of one year of the date of completion of the improvements, or within one year of the date of the purchase of the dwelling. This will provide the subsequent purchaser of a dwelling, in municipalities allowing it, a window of opportunity to submit an application for an exemption or abatement which, if granted will provide the new owner a period of time to take appropriate action based upon this financial obligation.

By requiring property flippers to notify purchasers of dwellings at the time of sale that they have recently made improvements to the dwelling, have not applied for a tax abatement or exemption, and that the current tax bill may not reflect increased value to the dwelling attributable to the recent improvements, the purchaser will be on notice of these factors and will have an opportunity to make a more accurate determination of whether to purchase the dwelling.

This bill was pre-filed for introduction in the 2022-2023 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.